



shanks

Making more from waste

Shanks is one of Europe's leading waste management businesses. We are an international group with local experience and a practical approach to transforming waste.



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With over 4,000 employees we have operations in the Netherlands, Belgium, the UK and Canada and provide a range of recycling and energy recovery solutions and technologies to customers in the public and private sectors.

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Overview

OUR VISION

SHANKS HAS A CLEAR,
ASPIRATIONAL AND
ACHIEVABLE VISION:

'Leading'

Defined as high market
share and highly
regarded

Measured through
market positioning and
customer surveys

TO BE
REGARDED
AS

EUROPE'S
LEADING
PROVIDER OF
SUSTAINABLE
WASTE
MANAGEMENT
SOLUTIONS

'Sustainable'

Providing alternatives
to landfill and mass
burn incineration

Measured through
carbon avoided and
diversion rates

**'Waste
Management
Solutions'**

Combining technologies
to get the best out of waste

Measured through
recycling rates,
waste volumes handled
and return on assets

We are a leading European waste management business with operations in the Netherlands, Belgium, the United Kingdom and Canada providing a range of recycling and energy recovery solutions and technologies to customers in both the public and private sectors.

Shanks operates in a highly regulated market which is forcing and encouraging everyone to recover more resources from waste. The general trend in the market is one of less waste generation, improved material recovery and energy generation from waste, resulting in less waste to landfill.

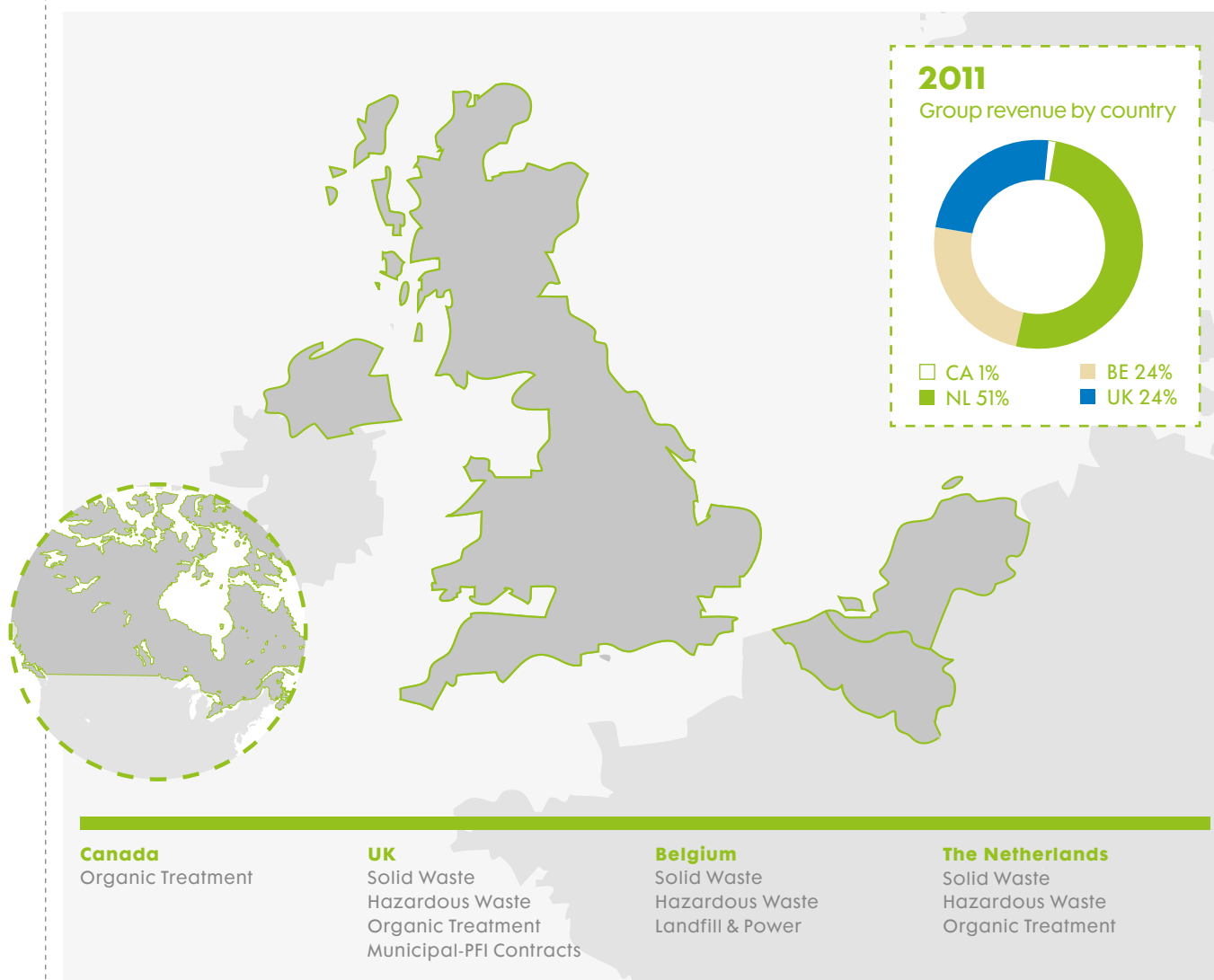
Shanks is firmly positioning itself in the areas of recycling and energy recovery and currently operates in countries with the highest recycling rates in Europe. Following recent divestments, Shanks has only minimal landfill left within its treatment portfolio and is now

developing an infrastructure to provide sustainable solutions.

Our strategy going forward is a simple one: to deliver growth by investing in recycling, organics and municipal PFI waste contracts. 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 mass burn incineration.

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

WHERE WE OPERATE



We have delivered a 5% increase in Group revenues and 6% increase in underlying profit before tax to £35.2m despite challenging market conditions.

Operational highlights

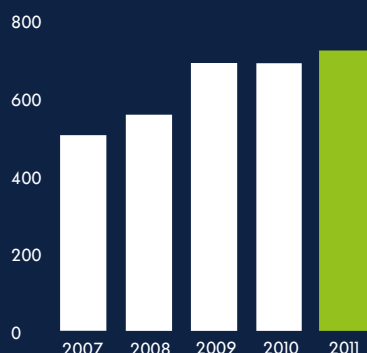
- During the year we increased the proportion of waste recycled by the Group to 77% of incoming waste and directly or indirectly we helped 1.18m tonnes of carbon to be avoided.
- Utilisation remains a key metric for all operational managers and has improved to 69% for our solid waste businesses.
- Total reportable accidents fell by 3% in the year. In April 2011 we launched a Group wide 'Action on Safety' initiative to complement the procedures and measures already in place and this programme is expected to lead to further significant reductions over the coming years.
- Shanks Netherlands won a number of blue chip contracts – Unilever, McDonald's and Dutch National Railways.
- Successful achievement of our UK PFI municipal waste target of 1.5m tonnes under contract or at preferred bidder stage together with a strong pipeline of potential future contracts.

Financial highlights

- Strong performance in management actions (cost savings, PFI margin improvements and returns from investments) has continued to counter the adverse market cost pressures.
- Strong cash generation and free cash flow conversion ratio of 118%.
- The ratio of core net debt to EBITDA ended the year at 1.6 times which is well within our banking covenant of 3 times and our target of 2.5 times. A successful refinancing was completed with funding from a variety of sources with maturities in the four to seven year range at an average cost of 5%.
- £60m of the £100m capital investment programme has now been commissioned and is earning an annualised 8% post tax return. This remains consistent with our target of 12% to 15% once the assets are fully operational after 2 to 3 years. For the five projects which have reached maturity, post tax returns are 13%.
- Underlying EPS growth of 7% and recommended dividend increase of 8%, reflecting the Board's confidence in the future.

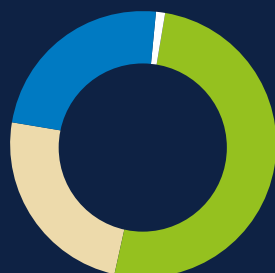
Financial and Operational measures

Revenue (£m)



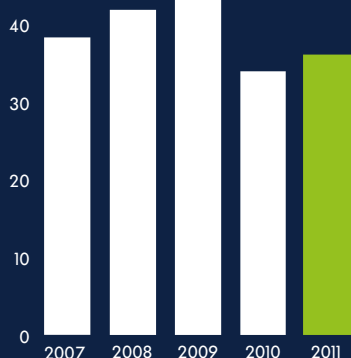
2011

Group revenue by country



■ CA 1% ■ BE 24%
■ NL 51% ■ UK 24%

Underlying PBT (£m)



£35.2m

underlying PBT

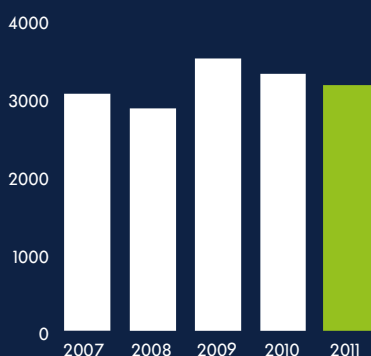
(2009/10: £33.2m)

118%

underlying free cash
flow conversion

(2009/10: 107%)

Riddor accident rate (per 100,000 employees)



3%

decline in number of
reportable accidents

(2009/10: 6%)

1.18m

tonnes of carbon
avoided

(2009/10: 0.74m)



5%

increase in revenue

(2009/10: 0%)

3.25p

dividend per share

(2009/10: 3.0p)

1.6 times

net debt to EBITDA ratio

(2009/10: 1.8 times)

7.7m

tonnes of waste
handled

(2009/10: 7.4m)

77%

overall recycling
and recovery rate

(2009/10: 74%)

Adrian Auer



It has been a very encouraging year for the Group, against a backdrop where the impact of the recession is still evident across many European waste markets, particularly in the Benelux. Freed from the distraction of the unsolicited approach from The Carlyle Group, management has made substantial progress in repositioning Shanks and creating the momentum for future earnings growth.

Continued focus on cost management, and the tight control of cash resources, has allowed us to invest through the recession to establish a sound platform for future growth, particularly in the UK which is our primary market for strategic investment. Our plans will bring the amount invested in capital projects in the UK to almost £100m. In parallel, our investment in bidding for UK PFI/PPP contracts is delivering success with 1.5 million tonnes of waste per annum being managed by the Group and this is expected to grow further.

Much of the focus of this investment has been on waste management solutions which incorporate multiple technology treatments, and this is being achieved by successfully bringing together the knowledge and experience available across the Group. At the same time, the underlying recycling and diversion performance of the Group has been improved from 74% of all waste received to 77%.

Our global industry continues to go through profound changes as both mature and developing countries recognise that waste is an area where long term environmental stewardship, and economic advancement, need not be in conflict. Intelligent waste management has the potential to both reduce our consumption of finite natural resources which are becoming increasingly expensive, and to play a key role in the production of renewable energy. Our strategy is to invest in the alternatives to traditional disposal, and the Board is confident that the financial returns available to the early adopters of these technologies will prove attractive to investors.

Financial Position

At the year end the ratio of core net debt to EBITDA stood at 1.6 times, well within our banking covenant test of 3 times and our target of 2.5 times.

This sound management of our financial resources allowed us to successfully refinance our borrowings during the year, from a variety of sources. Shanks became the first UK public company to raise funds from the Belgian retail bond market. In addition, we extended our bank financing, and also our private placement facilities. We now have financing in place with maturities in the 4 to 7 year range, at an average cost of 5%. This stable and flexible funding

8%

increase in dividend
to 3.25p

structure is an essential platform upon which to build our future growth.

Earnings per share and Dividend

Underlying earnings per share for the year grew by 7% to 6.5p. Consistent with our stated policy of maintaining dividend cover between 2 and 2.5 times, the Board will be recommending a final dividend of 2.25p per share, payable on 5 August 2011 to shareholders on the register on 8 July 2011. It remains the Board's intention to pursue a progressive dividend policy as earnings per share increases.

People

Once again, on behalf of the Board I would like to thank all the employees of Shanks for their creativity and commitment during another challenging year.

During the year we were pleased to announce that Jacques Petry had joined the Board. As a former Group CEO of Sita, Jacques brings invaluable experience of both the waste industry and the challenges faced in managing international growth.

Corporate Governance

Details of the Board's commitment to the highest standards of corporate governance, including those relating to the role and effectiveness of the Board, and compliance with the Combined Code during the year, are set out in the Corporate Governance section on pages 74 to 78. We also explain how we expect to report against the provisions of the new UK Corporate Governance Code.

Corporate Responsibility

I am pleased to report our progress in delivering against the nine clear commitments we made in our Corporate Responsibility report last year. These commitments included quantified targets for carbon avoidance, employee wellbeing, and recycling and recovery rates. The corporate responsibility section in this report on pages 26 to 30 provides more detail on the positive progress we have made in this area. This has once again been recognised by Shanks' inclusion in the independently assessed FTSE4Good Index.

It is also pleasing to record that we reduced the number of reportable accidents during the year and have one of the best records of reported figures in the waste industry. But there is always more we can do in this important area. In April 2011 we therefore launched a Group wide new approach to "Action on Safety", which will be led by the Group's senior management, to complement the strength of the procedures and physical measures already in place. We expect that this programme will lead to a significant reduction in the level of reportable accidents over the next 24 months.

During the year Shanks became a member of the Princes Trust, a UK charity that has been very successful in helping disadvantaged young people fulfil their potential. Working with the Trust we aim to offer young people meaningful roles within the waste industry, while also engaging our employees more widely in the communities in which we operate.

Summary

The Shanks Group is on the move and is well positioned to deliver attractive future earnings growth for shareholders.

With a strong balance sheet, and the proven ability to assemble a range of technologies that deliver waste and energy solutions to our customers, Shanks is strategically well aligned with the regulatory and fiscal drivers that will determine future profitability within the waste industry.



Adrian Auer
Group Chairman

The Group is on the move and is well positioned to deliver attractive future earnings growth for shareholders.

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Tom Drury



Over the last twelve months we have experienced the most challenging market conditions for many years. Despite this we have managed to deliver a 5% increase in Group revenues and 6% increase in underlying profit before tax to £35.2m.

Overall, the benefit of management actions outweighed the negative market conditions experienced in the Benelux, particularly in our construction related markets.

The UK has performed strongly and, given the regulatory drivers, we expect it to continue to do so and, over time, become a much larger contributor to Group profits. This is reflected in the next investment programme with approximately half of the expenditure expected to be made in the UK business.

When I joined as Group Chief Executive in 2007, I set out the vision for Shanks to become Europe's leading provider of sustainable waste management solutions and established the following strategic objectives to achieve this:

- Invest where returns are greatest – in recycling technology, organics technology and municipal contracts (including UK PFI/PPP).
- Continue to develop our infrastructure further to support sustainable waste management.

- Share core capabilities and technologies around the Group.
- Maximise asset utilisation and minimise unit costs.
- Use acquisitions to improve asset utilisation and re-orient the portfolio towards high growth markets.

We are confident that this strategy provides a sound platform for the future growth of the Group and market trends confirm the validity of our strategy of delivering sustainable alternatives to landfill and mass burn incineration. We will measure the success of this strategy by monitoring the following key performance indicators (KPIs):

- Non financial measures – waste volumes handled; recycling and recovery rates; plant utilisation rates; power production; carbon avoidance and accident rates.
- Financial measures – revenue from sustainable activities; organic growth in trading profit; return on operating assets by territory; free cash flow conversion; post tax return on investment programme; leverage ratio of net debt to EBITDA and underlying earnings per share growth.

Throughout the recession we have continued to invest in our strategy and between 2008 and 2011 about £100m was

£35.2m

profit before tax

invested in new sustainable infrastructure. We aim to deliver 12% to 15% post tax returns on this new investment and are comfortable that progress to date is on course to achieve this target. Based upon this early success we recently announced the next phase of our investment programme which will see Shanks invest approximately £150m in new capital projects over the next three years.

We have continued to simplify our business through the sale of the majority of our subordinated debt and equity positions in our larger UK PFI projects to John Laing Investments. This leaves us as operators of long term waste contracts rather than financiers of complex special purpose vehicles. Consistent with this business model, we have also developed a partnership with John Laing whereby they will provide the majority of the investment for future PPP projects in which Shanks will be the operator. This partnership allows us to focus our capital on a portfolio of smaller projects, principally in recycling and organic processing.

Progress during the year against our strategic objectives

Progress during the year against our strategic objectives is summarised below:

1. Invest where returns are greatest

2010/11 was an important year for the Group in which we commissioned a number of new projects in the UK, Canada, Belgium and the Netherlands. We estimate that of our £100m capital investment programme approximately £60m has now been commissioned and is earning an annualised run rate return after tax of 8%. This remains consistent with our target of 12% to 15% once the assets are fully operational after 2 to 3 years. For the five projects which have reached maturity, returns are within this range.

Our next £150m growth capital investment programme will again be a broadly balanced one with no single project over £20m, but it will be focused on the rapidly changing UK market. Given our strong balance sheet and cash flow, our recent refinancing and our expected future growth we are confident that this programme can be

funded and gearing kept within our target of 2.5 times EBITDA.

2. Continue to develop our infrastructure further to support sustainable waste management

As we implement this capital programme we are developing expertise in assembling a range of different technologies to allow us to recover the maximum amount of reusable product and green energy from waste. This is attractive to both private and public sector customers who are increasingly focused on the environmental impact of their operations. Customers such as Unilever who have put sustainability at the heart of their own business strategy have turned to Shanks because of our ability to support them in this goal.

To measure progress we have identified recycling and the amount of carbon that we either avoid directly or facilitate others to avoid as key performance indicators. During the year we increased the proportion of waste recycled by the Group to 77% of incoming waste and directly or indirectly we helped 1.18m tonnes of carbon to be avoided.

We have chosen 'making more from waste' as the Group's new business descriptor to replace 'waste solutions'. Our ability to deliver on the positive environmental outcomes described above and so transform the perception of the waste industry from an environmentally harmful one to an enabler of environmental improvement is at the heart of our business strategy and, as we continue with our investment in new facilities, becomes a stronger reality.

To ensure we stay at the forefront of this movement, we have increased our focus on R&D and emerging technologies. We were pleased during the year to have been chosen by the Walloon government for funding for an R&D project under their Greenwin initiative to develop future green technologies. Working with other private sector partners, two universities and two research centres, Shanks is leading the consortium which will use new technologies to create a profile of landfills, to improve the generation of biogas and explore the potential for

The actions taken during the past two years have re-positioned the Group. We are now moving towards our overall vision with strong momentum.



ATM waterside facility

landfill mining to extract materials for recovery and solid recovered fuel (SRF) production.

3. Share core capabilities and technologies around the Group

Collaboration across borders has increased with a now well established framework agreement in operation between Shanks UK and Orgaworld to design and construct our new Organics plants in the UK. This brings together the design and operational expertise of Orgaworld with the local procurement and construction management expertise within the UK. Our first UK anaerobic digestion plant in Cumbernauld, Scotland, is ramping up and further similar projects are underway.

Through greater in-country collaboration in the Netherlands we have been successful in selling 'Total Care' solutions which offer joined up solutions from our Solid Waste, Hazardous Waste and Organics businesses. I see this as a source of competitive advantage to be built upon further.

In Belgium we are using our solutions and bidding expertise from the UK as we develop that business into larger municipal contracts.

4. Maximise asset utilisation and minimise unit costs

The rationalisation of our facilities has continued and increasingly we consider the best processing logistics for each waste stream. In the Netherlands we have increased our overall Solid Waste processing utilisation to 77%, a record level despite the fall in volumes.

In the Netherlands, where price competition has been fiercest, we have pursued a strategy of remaining competitive on price to retain customers through the recession. For both our Solid Waste and Hazardous Waste businesses, this strategy has succeeded in maintaining volumes well above the reductions in the end markets. In order to mitigate the impact on profitability of these price reductions we have continued our programme of cost reduction with £36m taken out of the cost base over the last two years.

Looking forward, we expect overcapacity in the Benelux to keep prices below their pre-recession levels and so limit the amount we can recover from the recessionary impact on our profits. However, we are increasingly confident that in such market conditions we will also maintain the cost savings we have made. The net result is that we expect profits to recover as we emerge from the recession and volumes increase.

We do not own incineration capacity in the Netherlands and have noted the profit impact that low levels of utilisation have had on those that do. Utilisation remains a key metric for all of our operational managers and has improved to 69% for our solid waste businesses during the year. We also seek to minimise risk by constructing mid-sized facilities, securing long term contracts for our larger facilities and proactive targeting of new waste volumes.

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

We have remained very selective in our use of capital for acquisitions during the period. However, we were pleased to announce the acquisition of United Utilities UK waste business in October 2010 followed in February 2011 by a teaming agreement to acquire Babcock's waste business. Both of these deals have been structured to link the consideration to the successful closure of contracts in the pipeline with any consideration payable from project win fees. They brought us immediate preferred bidder status at Derbyshire County/Derby City and at Wakefield together with a pipeline of further opportunities and some skilled resources to strengthen our own team.

These deals together with our success in being named preferred bidder at Barnsley, Doncaster and Rotherham bring the total amount of UK municipal waste under contract or at preferred bidder to 1.5m tonnes. This was the target we set three years ago and, given the strength of our bid pipeline, we are increasingly confident we will exceed it. Our success in the UK PFI/PPP space has caused us to consider similar opportunities in our other countries. During the year we were named



Cumbria MBT facility

preferred bidder for a major PPP contract in the IDEA region of Wallonia, Belgium. This twenty year contract is the first PPP contract of its type in Belgium and is likely to have total revenue over the life of the contract of in excess of €0.5 billion. It is expected to reach financial close in July 2011.

Culture

One of the key strengths of Shanks has been the well developed entrepreneurial culture of the individual businesses. This allows for responsiveness and innovation with the customer. Over the last few years we have sought to maintain this advantage while developing a central framework to support our managers both at a country and Group level. This greater coordination and control will enable us to deliver financial savings and effective governance.

In both our Belgian and Dutch operations we have taken significant steps to operate more as a single business than a federation of companies. In Belgium this has been facilitated by a management reorganisation that saw the appointment of two regional directors, a national accounts team and a new post of human resources director. In the Netherlands the management structure has been rationalised to create a smaller strategic executive group steering the overall management of the country and coordinating activity.

Our 'Fit for the Future' programme in the Netherlands led to more coordinated management of plant utilisation and outlets for waste residues together with more centralised procurement. In total savings of £7m were realised over two years.

This programme will continue during the current year with the launch of a major procurement review across the Group, a new Group wide management information system and a more consistent and refreshed use of the brand.

Outlook

Whilst market conditions remain challenging, our trading in the final quarter and early into our new financial year gives us encouragement that the market for our services is improving. A continued emphasis on cost control and PFI margin improvement coupled with a delivery on our distinct strategy gives us confidence that good growth can again be achieved this year. Overall we anticipate trading for 2011/12 to be in line with the Board's expectations.

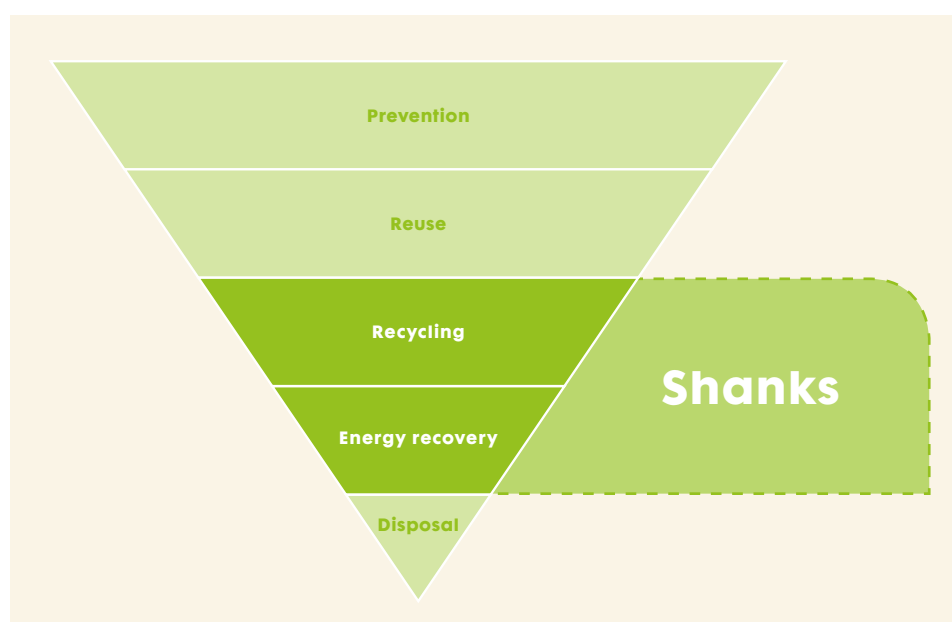
Tom Drury
Group Chief Executive

We are confident that good growth can again be achieved this year.

MARKET OVERVIEW

The waste hierarchy as shown below is embedded in European and national waste legislation. Across the world,

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



The general trend in the waste management market can be summarised as:



The driving factors behind this are climate change, the price and security of fossil fuels and the need for society at large to develop sustainable waste solutions. Through legislation and fiscal incentives, governments are forcing and encouraging everyone to think about recovering more resources from waste.

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. Each member state is, however, free to exceed these standards in order to follow their own political and environmental agendas.

The Canadian market is evolving rapidly and enforcing an increasing level of regulation. As in Europe there is a drive for sustainable solutions and to reduce waste going to landfill. There is also an increasing focus on organics as a technology.



Icopower facility, Netherlands

The primary markets that we operate in are shown in the following table together with their distinct characteristics and the Shanks' activities that address each market.

Our Primary Markets	Characteristics of the market	Shanks Activities
Industrial and Commercial (I&C)	General commercial waste with a link to the level of industrial activity and typified by shorter term contracts	Solid Waste Hazardous Waste
Construction and Demolition (C&D)	Cyclical in nature and typified by shorter term contracts	Solid Waste Hazardous Waste
Municipal Solid Waste	Large volumes controlled by municipalities and longer term contracts for collection, treatment and disposal	Solid Waste UK municipal PFI/ PPP contracts
Organics	Source segregated streams from both industrial and municipal sectors with both shorter term and longer term contracts	Organics

The importance of each market varies by region and is further explained in the country operating reviews. Overall approximately 82% of the Group's revenues are derived from I&C and C&D activities, 15% from municipal activities and 3% from organics.

In addition, the Group operates in a number of secondary markets, such as soil and water, which are more country specific and detailed in the country reviews.

In general the markets in Netherlands and Belgium are already mature with high recycling rates and high diversion from landfill. In contrast, significant growth is anticipated in the markets in the UK and Canada as legislation drives increases in recycling and diversion rates. The different markets and their varying levels of regulation represent a key driver for the areas that Shanks has identified for its future growth and investment strategy.



Composting facility at Ottawa, Canada



CHP plant in Belgium

THE COMPETITIVE ENVIRONMENT AND OUR PEERS

The following chart and explanations show the main activities within the solid waste industry, the capital expenditure requirements and Shanks' distinct positioning.



Shanks has a distinct position in this industry structure and our aim is to focus on alternatives to the traditional methods of disposal to landfill and mass burn incineration.

We are strong in the 'Collect' sector - for the I&C and C&D markets it is necessary to have a good fleet of collection vehicles to ensure delivery of the base load of waste to our processing plants alongside waste from other third party collectors. This is key to the investment strategy in the UK and is already the case in the Benelux. For the long term municipal markets, a collection fleet is less important as the contract with the municipality usually provides for the waste to be delivered to our plants. We try to avoid highly competitive municipal collections unless backed by long term contracts.



Shanks Netherlands collection vehicle

We focus on the 'Sort/Reuse' and 'Reprocess' sectors – we invest in highly automated sorting facilities which provide good barriers to entry. These investments require significantly less capital than the traditional disposal methods and fit better with our attitude to risk.

We are also active in further processing of recovered materials for those products which we believe are best supported by demand for sustainable alternatives or can be converted into energy. We are currently focused on areas such as food waste and wood (biomass) and avoid the highly cyclical commodities such as metals.

We look for alternatives to the traditional 'Dispose' sector – we avoid the high capital requirements of incineration which remains the domain of our larger competitors and following recent divestments, we now have minimal amounts of landfill as we position ourselves as a

leading provider of sustainable waste management solutions.

We have developed a market leading position in the conversion of waste to a high calorific value fuel, namely SRF (solid recovered fuel), which is used as a fossil fuel substitute by power generators and cement manufacturers.

There is currently an excess capacity in the Continental European incineration market. Although this does not directly impact our Benelux businesses as we do not own mass burn incineration assets, it does have a significant indirect impact and is exerting downward pressure on overall gate prices. We have taken action to mitigate this through management of costs including negotiation of disposal cost savings as referred to in the following drivers section. We expect that this over capacity will gradually be removed from the system as the economy recovers, waste imports increase and less efficient plant is retired.



Materials recycling facility

Our key competitors for each territory are shown in the table below:

	Netherlands	Belgium	UK	Canada
Van Gansewinkel	✓	✓		
Suez Environnement (Sita)	✓	✓	✓	
Attero	✓			
Veolia		✓	✓	
Indaver		✓		
Viridor			✓	
Waste Recycling Group			✓	
Biffa			✓	
Remondis		✓		
Universal				✓

Data on market share is not readily available for our industry and market positions vary across the different countries and regions within countries with further details, as appropriate, given in the country business reviews. We do however, hold strong positions in all of the key market sectors that we operate in.

EXTERNAL DRIVERS

There are a number of factors that influence the success of our business and future earnings growth. Our principal drivers can be split into two types: external (the market) and internal (strategy and management actions). On pages 40 and 41 we explain how all of the drivers impact the business and, in the context of these drivers, how we manage the business to make money.

In this section we provide more details on the external drivers and the inter-relationships between them.

The key external drivers are:

1. Regulation and Environmental Taxation

Waste management is an essential service. In the countries where the Group operates, there is a high level of regulation and enforcement and increasingly it is becoming a sophisticated industry using advanced technologies.

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 and as a result governments want to move away from landfill and recover more from waste. It is recognised that more sustainable forms of waste management have a role to play in accelerating the move to a low carbon economy. In short we have to make more from the waste we create.

The key regulatory drivers as shown below support and define our three growth areas. In addition to these drivers the current economic climate and spending cuts mean that governments and councils are currently looking for partners to work with them to provide solutions to their waste requirements.

Specific legislative drivers, both regulation and environmental taxation, are:

Landfill tax – used by many European states to divert waste from landfill to more environmentally acceptable options such as recycling and energy recovery. The UK Government in particular has announced that landfill tax rates will increase by £8 per tonne per annum to £80 per tonne by 2014/15, and moving towards rates in the Benelux



Cumbria, MBT facility



of circa €90 per tonne. The level in the UK from 1 April 2011 was £56 per tonne.

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.

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

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. It sets minimum energy recovery criteria and introduces statutory recycling targets for member states to achieve by 2020 both for municipal waste, 50%, and construction and demolition waste, 70%.

The European Landfill Directive – biodegradable waste in landfill is a major source of methane emissions into the atmosphere. A key objective of this directive is to significantly reduce the land-filling 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.

Canada – restrictions on the export of waste from Canada to the United States and provincial legislation such as the Waste Diversion Act and Green Energy Act in Ontario are providing a similar framework for stimulating the movement of biodegradable waste out of landfill to sustainable alternatives.

2. Macro Economics

Underpinning these key legislative drivers is the level of industrial activity. Approximately 82% of the Group's activities are derived from industrial and commercial (I&C) and construction and demolition (C&D) activities. There is a relationship between the level of industrial activity and the amount of waste generated.

Historically the drivers of waste volumes were well identified and volumes tracked industrial output and consumption or population growth. However in 2010, there was limited growth in volumes despite industrial production increasing significantly. There are several reasons for this:

- Potential lag effect as certain sectors rebound at different rates.
- Acceleration in waste prevention in certain sectors, for example in the UK.
- Cost cutting initiatives in many companies as a result of the economic crisis.

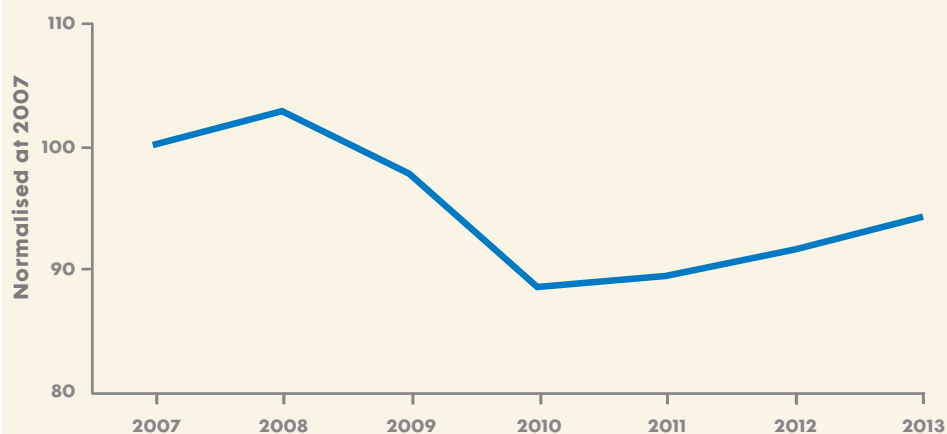
Consequently underlying waste volumes are becoming less directly linked to GDP growth and industrial activity. Despite this, there are still strong growth opportunities for those companies that position

themselves with sustainable technologies that process the waste that is very rapidly being diverted away from landfill.

The C&D market has a long cycle, resulting in a time lag between movements in GDP and the amount of C&D waste. C&D activity throughout the Group mirrors the cyclical nature of these underlying markets. Recent pronouncements from Euroconstruct in December 2010 indicate that volumes in the Dutch C&D market are expected to return to slow but increasing growth during 2011 and 2012 following significant declines in 2009 and 2010 as shown in the chart on the following page.



Greenmills AD facility, Netherlands

EXTERNAL DRIVERS *continued***Dutch market - C&D volumes year on year**

Source - Euroconstruct reports

In addition to volumes of waste available, macro economics also affects pricing of waste inputs and the market value of recovered materials (recyclates). Income generated from the sale of recyclates represents circa 8% to 10% of the Group's solid waste revenue. The key recovered materials include paper, metals, wood, glass and rubble. When end market prices for these commodities are high, the gate fees for receipt of waste from customers will be lower as the customer is aware

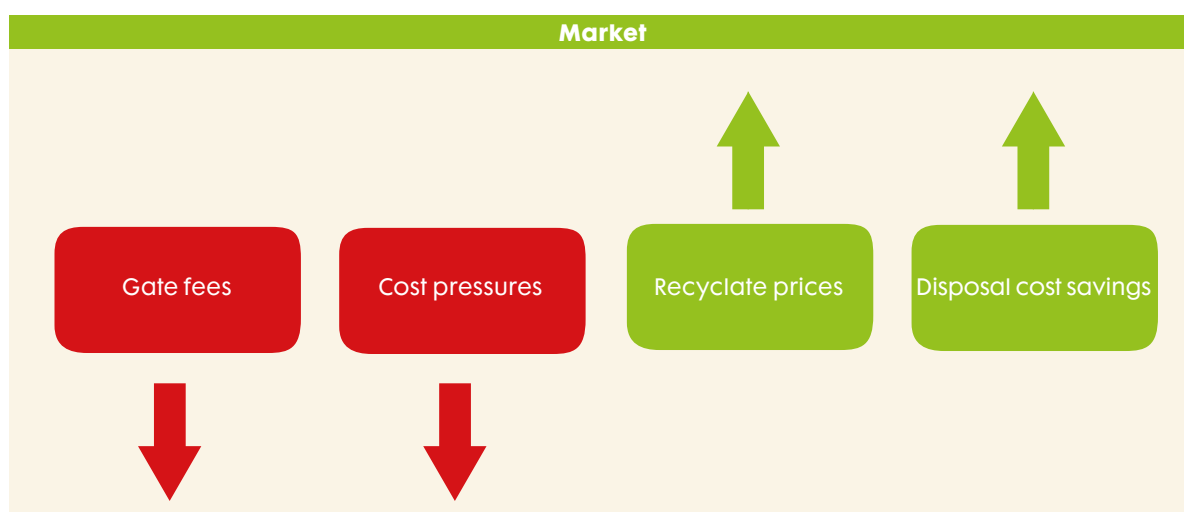
of the value of the materials in the waste delivered and vice versa.

3. Disposal cost savings

Disposal cost savings are affected by the external macro economic climate, but they can be managed by internal actions. When market conditions dictate lower gates fees on receipt of waste, management action can be taken to ensure that the final costs of disposal are minimised by negotiating and securing price decreases from suppliers.



Recovered materials (recyclates)



Inter-relationships between external drivers

The key inter-relationships between the external market drivers are:

- Price (gate fee) and cost inflation – in normal times price increases offset cost inflation but this is not the case during a recession.
- Price and recycle prices – our customers know that if we will get more for the recycles they can reduce the gate fee they have to pay us and similarly if recycle prices fall we can increase gate fees.
- Price and disposal costs – our disposal costs are someone else's gate fee so when gate fees are falling we expect to make savings.

It is therefore important to consider these drivers on a net rather than a gross basis.

Although there are some external impacts on volumes, the remaining drivers are classified as internal as they are within our control and are dependent on the success of our strategy and the execution of management actions. These are detailed on pages 40 and 41.

In conclusion:

- Legislative drivers through regulatory and environmental taxation are strong.
- Although there is becoming less of a direct relationship between waste volumes and general industrial activity, there is significant opportunity to capture the transfer to sustainable technologies from landfill.
- There is a strong inter-relationship between the drivers of price (gate fee) and recycles/disposal cost savings.
- The above provides a strong base on which to build the internal drivers of investment strategy and cost savings.



Cumbria MBT facility

GROUP STRATEGY – OBJECTIVES AND CRITICAL SUCCESS FACTORS

Governments across the world are urging the waste industry to support them in recovering more resources and energy from waste. 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.

Our Group strategy going forward is a simple one: to deliver growth by investing in well established technologies that are supported by these trends. 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 mass burn incineration. This has led us to focus on three primary growth areas of recycling technology, organics technology and municipal contracts. The first two are chosen as leading sustainable waste solutions and the focus on large municipal contracts allows us to combine these and other technologies to provide local authorities with affordable sustainable alternatives to landfill.

As described earlier, the markets in which we operate are impacted by the external business drivers of volume, price, recycle value and disposal costs. To achieve our vision we have defined a number of strategic objectives which ensure that we maximise the benefits of these external factors and focus on the internal drivers.

Organic growth strategy from recycling and organics facilities and municipal waste contracts

Vision

Strategic objectives

Critical success factors

Key performance indicators

The table sets out the strategic objectives to achieve our vision together with the supporting critical success factors and the measurements for monitoring progress.

Strategic Objectives	Critical Success Factors	Measurements
Invest where returns are greatest	Identifying and investing in sustainable technologies that can deliver our minimum hurdle rates	Investment returns
Develop our infrastructure to support sustainable waste management	Commitment to high environmental standards and investment in sustainable activities	Recycling and recovery rates together with level of sustainable activities and power generation
Share core capabilities and technologies around the Group	Entrepreneurial front end managed within a central framework	Number of shared capital projects and value of procurement savings, health and safety performance and employee surveys
Maximise asset utilisation and minimise unit costs	Continued focus on efficiency and cost control	Actual and target plant utilisation rates and unit costs development
Use acquisitions to improve asset utilisation and re-orient the portfolio towards high growth markets	Identification and securing of high potential growth acquisitions in target areas	Increasing growth and margins from the three strategic growth areas

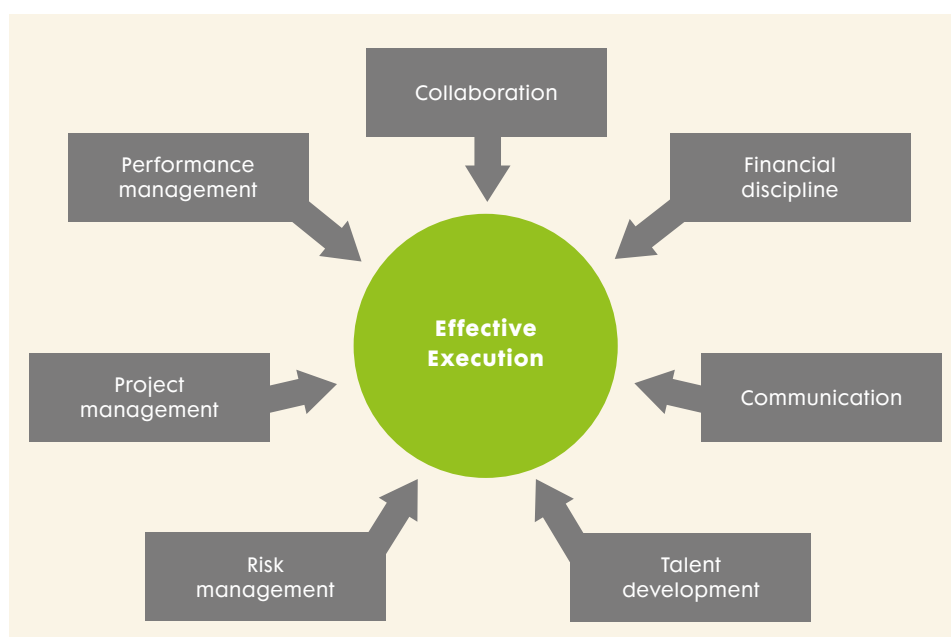
THE CULTURAL CHANGE

The cultural history of Shanks was for the Group centre to oversee, monitor and report on essentially independent businesses. The strength of this structure was to allow an entrepreneurial approach to customer facing activities. However, it did not capture the benefits of being a large group nor did it allow a consistent enough approach to developing a coherent Group strategy and ensuring a robust risk management and central framework.

The new culture being developed retains the benefits of the entrepreneurial front end but also creates value from managing the Group within a central framework. 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, risk management and the sharing of ideas and technology where appropriate across the Group. This greater co-ordination and control will allow the delivery of financial savings and effective governance.

Overall the aim of this central framework is to improve our ability to execute right first time and to ensure good ideas are shared across the Group. These initiatives are brought together in our 'Fit for the Future' programme, the main elements of which are shown below.



Examples of this approach include:

- In the Netherlands the 'Fit for the Future' programme led to more centralised management of plant utilisation and outlets for waste residues together with more centralised procurement.
- We are in the process of implementing a new Group wide management information system which will allow

more direct comparisons of financial and operating metrics across the differing businesses.

- A Group wide procurement initiative will commence in the new financial year which is expected to deliver savings over time.
- A refreshed and more consistent use of the Shanks brand across all of our operations.





FTSE4Good is an equity index designed to facilitate investment in companies, such as Shanks, which meet globally recognised corporate responsibility standards.



Icopower fuel pellets

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

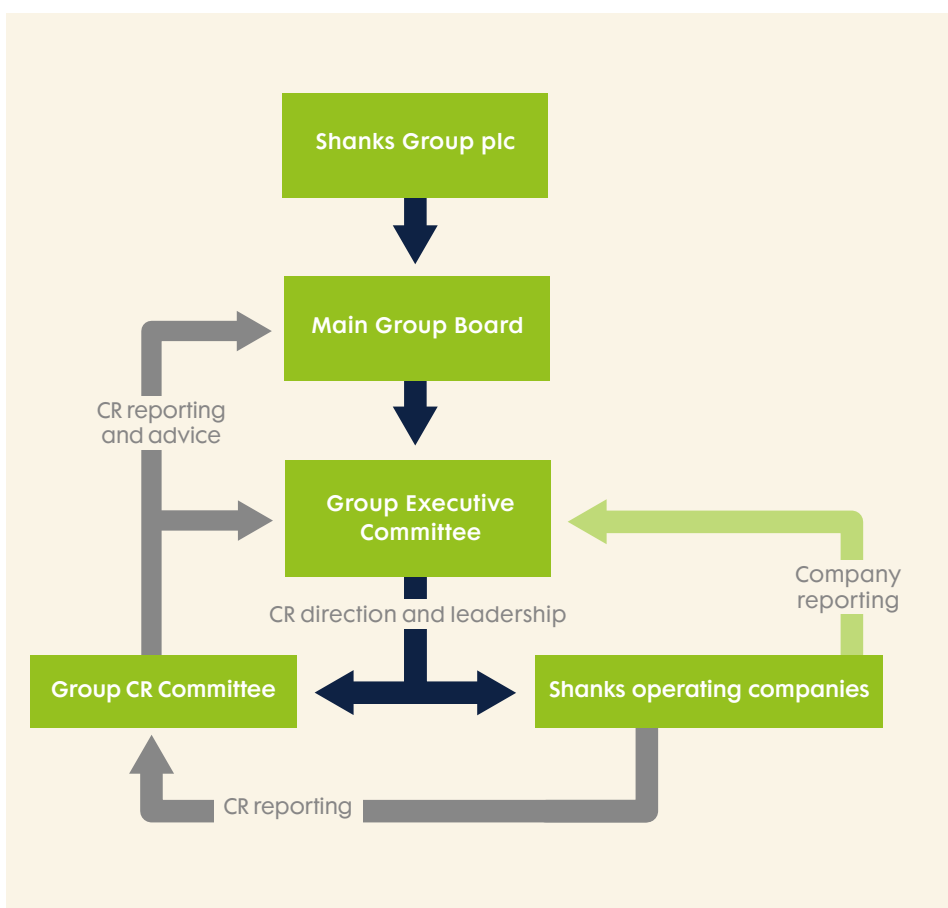
The standards of corporate responsibility expected of waste and resources companies by their stakeholders, and legally, have changed out of all recognition over the past decade. Whether this is in their environmental and sustainability credentials, how they interact with employees and customers or the reputation of an organisation in the wider community, failure to embrace levels of corporate responsibility is a key risk area for any waste and resources company.

Shanks is a leader in this field. The Group was one of the first waste and resources companies to put in place an environmental policy, was one of the first large concerns to report publicly on its health and safety performance and has a stated policy of aligning itself with sustainable waste management practices. Shanks commitment to corporate responsibility and sustainability is not a static process

and the Group continues to seek improvement. For example, corporate responsibility and sustainability risks have been embedded in the Group's risk management processes and feature heavily in risk registers and improvement processes.

To co-ordinate improvement, Shanks has established a dedicated Group Corporate Responsibility Committee comprising senior persons from across its operations. This Committee reports directly to the Group Executive Committee and the framework is shown in outline below.

Shanks Group's approach to corporate responsibility and sustainability issues and its performance in this area is open to review by external bodies. Shanks has been independently assessed to the FTSE4Good criteria and has satisfied the requirements to be included in the FTSE4Good Index Series.



Shanks believes that setting high-level performance objectives will stimulate improvement. In 2010 Shanks Group committed itself to three key corporate responsibility objectives: The Group's recycling and recovery rate, the potential carbon avoidance facilitated by Shanks and the employee wellbeing measure of accident rate. Progress towards these objectives is reported on publicly in the Group's 2011 Corporate Responsibility (CR) Report.

Details of Shanks' approach to corporate responsibility, a wide range of corporate responsibility performance indicators and case studies of good practice can be found in the Group's annual corporate responsibility reports, which are available as downloads from the Group's website. In addition the corporate responsibility section of the Group's website provides further information. Progress in our three chosen areas of focus is set out below.

1. The environment and sustainability

Shanks operates under strict environmental regulation, both in terms of overall legislation and site specific environmental permits and permissions.

These permits set out how sites should operate, from the waste types they can accept, to emissions limits and the nature of the treatment, recovery and other activities allowed. Failure to comply can result in enforcement action, prosecution and restrictions on operations. Repeated breaches may result in difficulty in gaining new permissions, or varying those already held.

All of Shanks' sites operate under environmental management systems, the majority of which are accredited independently to international standards such as ISO14001. Breaches of required standards and developing issues are reported on from across the Group, including monthly formal reports at Board level. Environmental issues are routine items on country level board agendas and directors are expected to, and do, involve themselves personally in ensuring compliance and improvement. The seriousness with which Shanks approaches environmental issues may be demonstrated by the low level of prosecutions suffered for a Group operating in such a strictly regulated and enforced sector.



Health & Safety

Carbon footprint

	2011 CO ² equivalent (^{000 tonnes)}	2010 CO ² equivalent (^{000 tonnes)}
Process based emissions		
Emissions from waste treatment and recovery	544	493
Transport based emissions		
Fuel used by waste transport vehicles	71	69
Energy use emissions		
Emissions from energy use on sites/offices/plant	97	98
Total emissions from significant sources	712	660
Renewable energy generated	31	30
Waste derived fuels produced and sold	520	169
Materials separated for re-use/recycling	632	538
Total potential avoided emissions	1,183	737



Health & Safety

CORPORATE RESPONSIBILITY AND SUSTAINABILITY *continued*

Sustainability and carbon are critical issues for all waste and resources companies. Failure to develop and deliver sustainable waste and resources management options may limit Shanks' ability to grow. Increasingly our customers are looking for their waste partners to help them deliver their own corporate responsibility objectives. Our recent contract with Unilever to help them reduce their overall level of waste and deliver recycling and energy recovery from the remaining waste is a good example of how we do this.

One of Shanks' publicly stated key strategic objectives is to develop our infrastructure further to support sustainable waste management and conversion of waste to renewable

energy. This objective is not simply words. Sustainability and carbon issues form an important part of strategic decision making for Shanks. Over the past year virtually all of Shanks' major growth investment has been in anaerobic digestion and similar organic treatment facilities and additional recycling and recovery plant capacity.

As a measure of its commitment to sustainable waste and resources management, two of the three key corporate responsibility objectives Shanks set itself in 2010 were aimed at the Group's recycling and recovery rate and the potential carbon avoidance generated for its stakeholders. Detail of progress towards these objectives is given in the Group's 2011 CR Report.

Recycling and recovery indicators

	Netherlands		Belgium		UK		Group	
	2011	2010	2011	2010	2011	2010	2011	2010
Total waste handled at Shanks sites ('000 tonnes)	4,875	4,668	1,240	1,154	1,553	1,568	7,668	7,390
Amount of materials recovered ('000 tonnes)	4,283	4,023	921	782	665	670	5,869	5,475
Proportion of waste recovered (%)	88	86	74	68	43	43	77	74

While the recycling rate may be an easy to understand performance measure, carbon avoidance can be less transparent to stakeholders. Organisations can seek to affect their carbon impact by direct means such as reducing their emissions, or by using more sustainable energy sources. Some waste management processes actually produce renewable energy, such as electricity generation from anaerobic digestion.

Waste and resource management companies can also assist in carbon avoidance through indirect means such as 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.

2. Employee wellbeing and people

As Shanks moves into more complicated and diverse technologies it needs to attract and retain high quality people or risk being incapable of exploiting these technologies to the full. In addition, the Group needs to encourage the development of its existing human resource to face the challenges posed by rapid technological and structural change.

All of the Group's employment and training policies are compliant with 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.

To ensure continuing employee satisfaction and wellbeing, Shanks has undertaken employee opinion surveys in its three main countries of operation and, from these surveys, has produced action plans aimed at improving employee engagement and retaining its competitive advantage in the employment market.

Shanks operates in a hazardous sector and typical accident rates for waste and resources companies are well above those for manufacturing and similar industries. Health and safety is, and will continue to be, a significant risk area for the Group.

The most basic indicator of health and safety 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 Shanks has set itself a key corporate responsibility objective of reducing its employee RIDDOR (more serious) accident rate by 25%, based on its accident data reported in 2010, by the end of March 2015. Progress towards this objective is detailed in Shanks 2011 CR Report.

Accident rates

	2011					2010				
	LTA	LTA rate	RIDDOR	RIDDOR rate	Fatal accidents	LTA	LTA rate	RIDDOR	RIDDOR rate	Fatal accidents
Netherlands	11	500	36	1,700	–	11	500	54	2,600	–
Belgium	6	500	70	6,100	–	11	900	60	4,800	–
UK	15	1,600	21	2,200	–	17	1,800	18	1,800	–
Group	32	800	127	3,000	–	39	900	132	3,100	–

LTA: Lost time accident injury. **LTA rate:** rate per 100,000 employees

RIDDOR: Reporting of injuries, diseases and dangerous occurrences. **RIDDOR rate:** rate per 100,000 employees



CR Committee visiting Cumbernauld AD facility

CORPORATE RESPONSIBILITY AND SUSTAINABILITY *continued*

ACTION on SAFETY

In early 2011 Shanks launched its latest health and safety initiative, based around leadership from the top of the Group. This initiative includes a series of key health and safety essentials for all of the Group's operations, a mandatory site safety tour and employee communication scheme for directors and a dedicated safety leadership policy. Training in safety leadership has been given to Shanks Group's Executive Committee members and will be rolled out across country level directors.

Operating under the banner of 'Action on Safety', progress of this new safety leadership initiative will be reported across the Group including to Board level.

3. The wider community and stakeholder engagement

Everyone accepts the need for waste operations but not always on their own doorstep. Coupled with this, virtually all environmental permission systems have a statutory duty to consider local issues and companies which do not foster good relations and engage with their local stakeholders will find the gaining of new or 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 stakeholders is a requirement of all operational management. 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. Such issues and trends are reported across the Group, including to Board level.

Beyond its immediate communities Shanks also seeks to engage with a wider audience. The Group has committed to supporting the Prince's Trust over the next three years to assist this UK charity in its aim of helping disadvantaged young people overcome the barriers facing them and fulfil their potential. Shanks has joined the Trust's Construction and Business Services Group and believes that the benefits from its support will accrue to both the young persons and the Group in a variety of ways.

Working with a partnership manager from the Prince's Trust, Shanks aims to deliver an appropriate agenda of action, such as:

- Get into Work programmes where Shanks works with the Trust to train young people in the skills needed to enter work, and specifically the waste management industry.
- Employee mentoring of young people during the first six months of their employment.
- Employee participation in a range of fund raising challenge type activities to raise resources for the Trust.

2011 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.com.



ATM Laboratory, Netherlands



TECHNOLOGY PROCESSES

The key types of technology we use throughout the Group are as follows:

Technology	Description
Sorting centre	Sorting centres use rudimentary techniques to separate I&C and/or C&D waste into different fractions for onward transfer to more specialised processing centres such as Materials Recycling Facilities (MRFs).
Material Recycling Facility (MRF)	MRFs use a combination of advanced optical, mechanical and manual sorting to separate co-mingled waste streams by shape, dimension, colour and material type to separate I&C/C&D/municipal recyclates into various materials to feed established recycling markets. Shanks operate a large number of MRFs across the Group.
Mechanical Biological Treatment (MBT)	MBTs use a combination of mechanical and biological treatment to dry, stabilise and sort Municipal Solid Waste (MSW) into various materials to feed recycling markets and Solid Recovered Fuel (SRF) for energy generation as a replacement for fossil fuel. For example, for many years Shanks has worked in partnership with Sistema Ecodeco to deliver MBTs in the UK. The Ecodeco uses naturally generated heat from the degradation of the organic fraction within the MSW prior to mechanical sorting into various recyclates and SRF. The Ecodeco is the only 5 star rated MBT solution in the UK and Shanks is the sole waste management provider able to use Ecodeco technology in the UK. Shanks are looking to develop MBTs in other operating countries such as Belgium.
Organics – Anaerobic Digestion (AD)	AD enhances the natural breakdown in the absence of air of organic material from I&C and municipal sources to generate biogas for conversion into renewable energy and digestate for use as a nutrient rich soil conditioner. Through our Dutch subsidiary, Orgaworld, the Group has significant experience in the design, build and operation of installations and offers a wide scope of processing techniques for the total range of organic waste focusing on traceability and sustainability. Such technologies are now being shared across the Group.
Organics – Composting	Composting enhances the natural breakdown in the presence of air of organic material from I&C and municipal sources to generate a quality pathogen free soil enhancer / conditioner for use in landscaping and/or agriculture. This technology was acquired with the acquisition of Orgaworld in the Netherlands in 2007. It is now a key technology in the growing Canadian market where there is limited competition.
Hazardous Waste – specialised treatment processes	There are three principal processes at the ATM plant in the Netherlands: <ul style="list-style-type: none"> • Thermal treatment of contaminated soils • Biological and physio-chemical treatment of waste water • Pyrolysis of paint waste ATM is one of the world's largest single site hazardous waste facilities. In addition, the Group operates industrial cleaning services to the oil and gas, petrochemical and other large industries. Together, these businesses can offer the proposition of total care services for hazardous waste offering cleaning, logistics, handling, management and waste treatment solutions.



Greenmills plant room

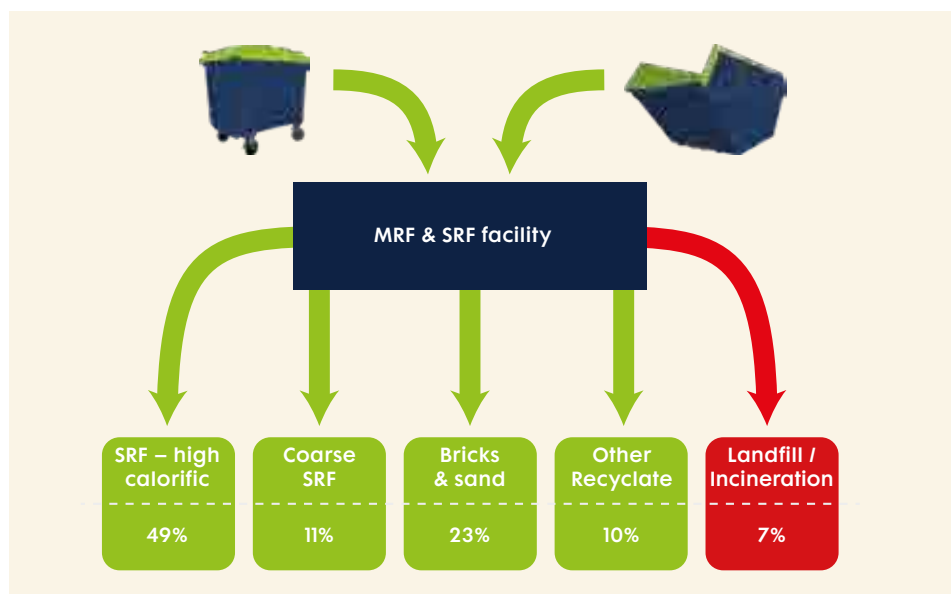


Cumbria MBT facility

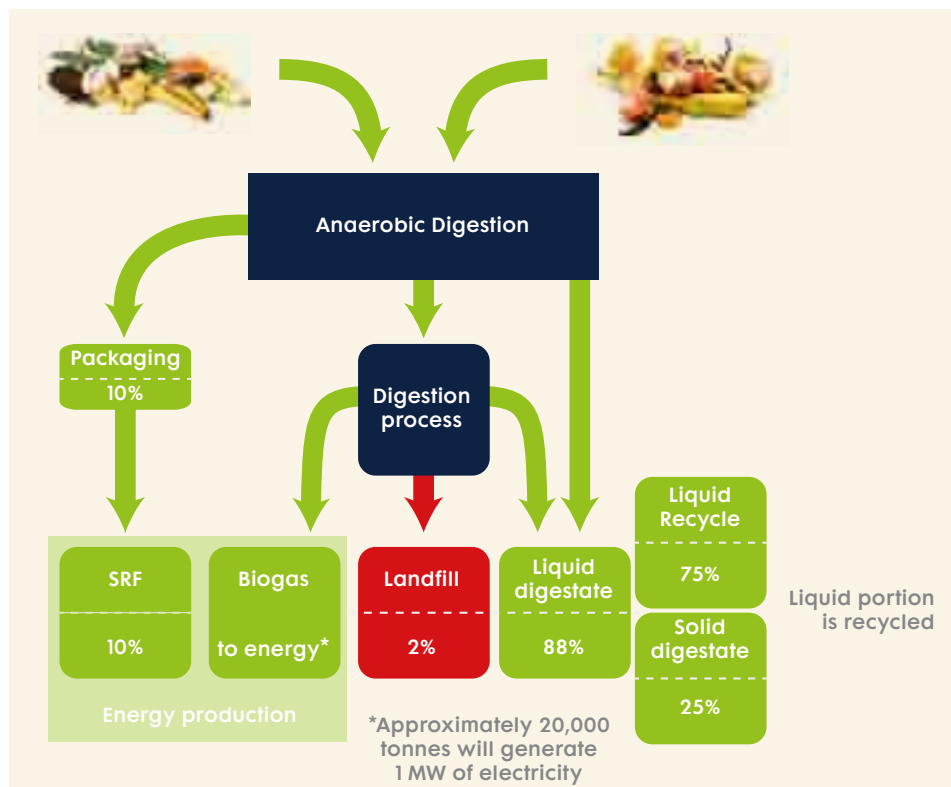
TECHNOLOGY PROCESSES *continued*

The following diagrams set out examples for our principal technologies of how the waste inputs are processed and the percentages of different types of products recovered from the process. We continually seek to find new and the lowest cost outlets and we refer to this as optimising the mass balance.

An example of a solid waste MRF and SRF facility

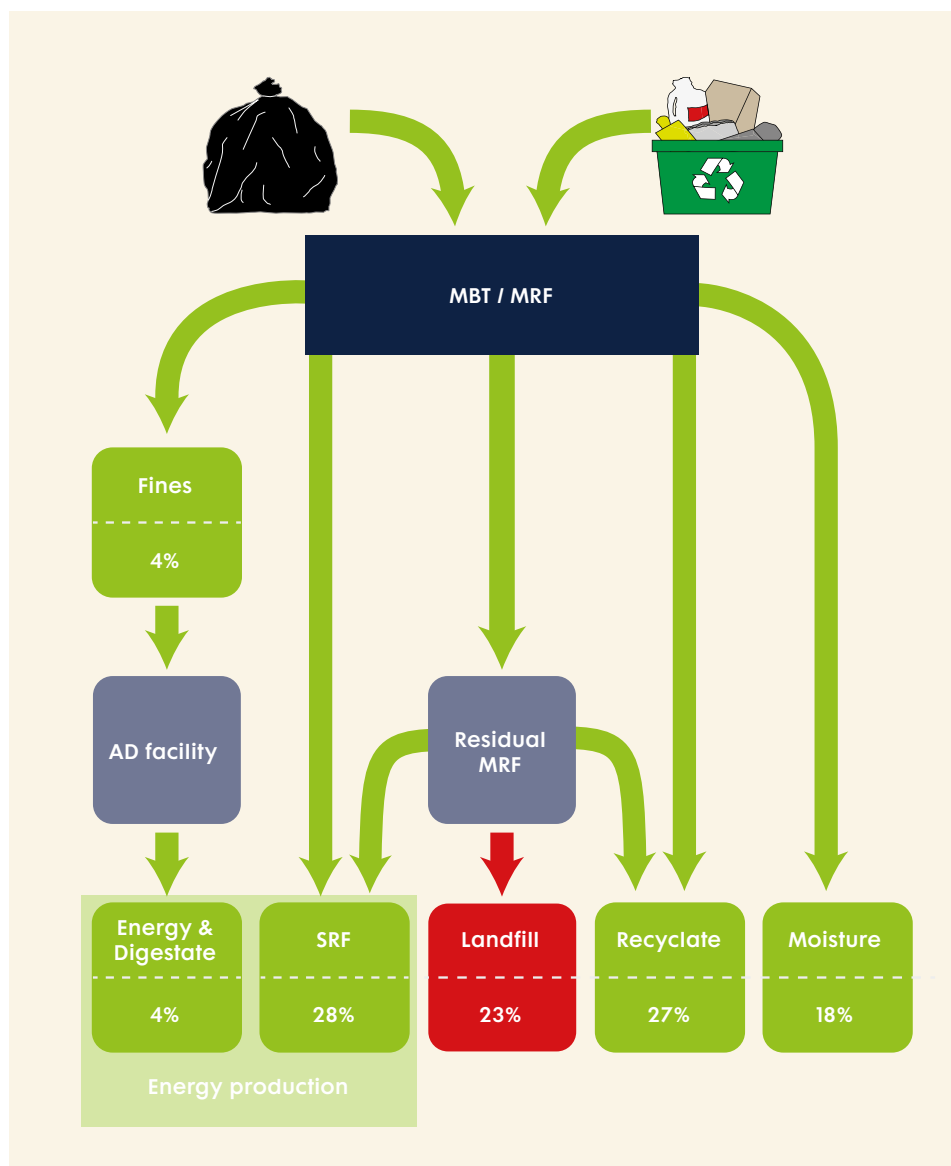


An example of anaerobic digestion technology



AD bacteria

To reflect the benefit from knowledge transfer across the Group and the combining of various technologies – an integrated infrastructure is being developed where MBT can be combined with AD and recycling. An example of this technology transfer, which will result in overall volumes being sent to landfill reducing to less than 25%, is set out below.



Cumbernauld AD facility

PRINCIPAL RISKS AND UNCERTAINTIES

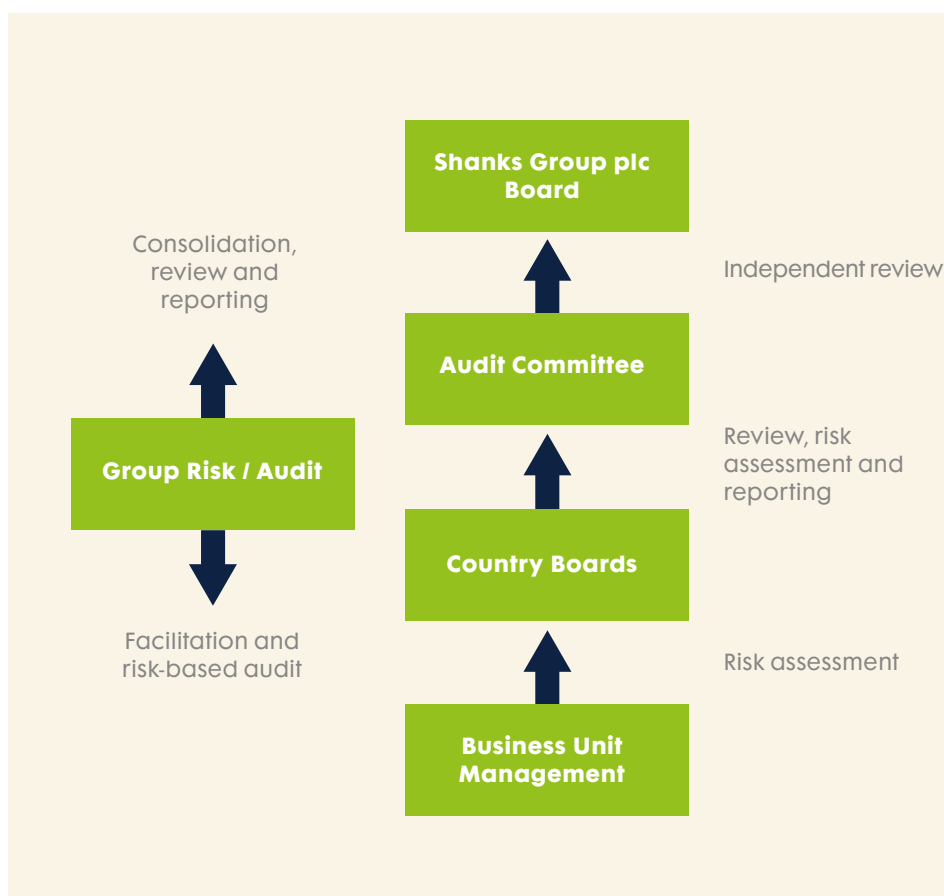
Shanks Group's approach to risk management is governed by its Risk Management Framework.

The objectives of the Risk Management Framework are as follows:

- Manage risk to a level acceptable to the Group Board.
- Maximise the achievement of our business objectives by managing our risks and opportunities across the Group.
- Make sure that the fundamentals of good risk management are incorporated into decision making at all levels ensuring better anticipation of opportunities to alleviate potential losses and maximise potential gains and early warning of significant problems given to senior management.

More information on our risk management process can be found in the Corporate Governance section on page 77.

Risk management responsibilities



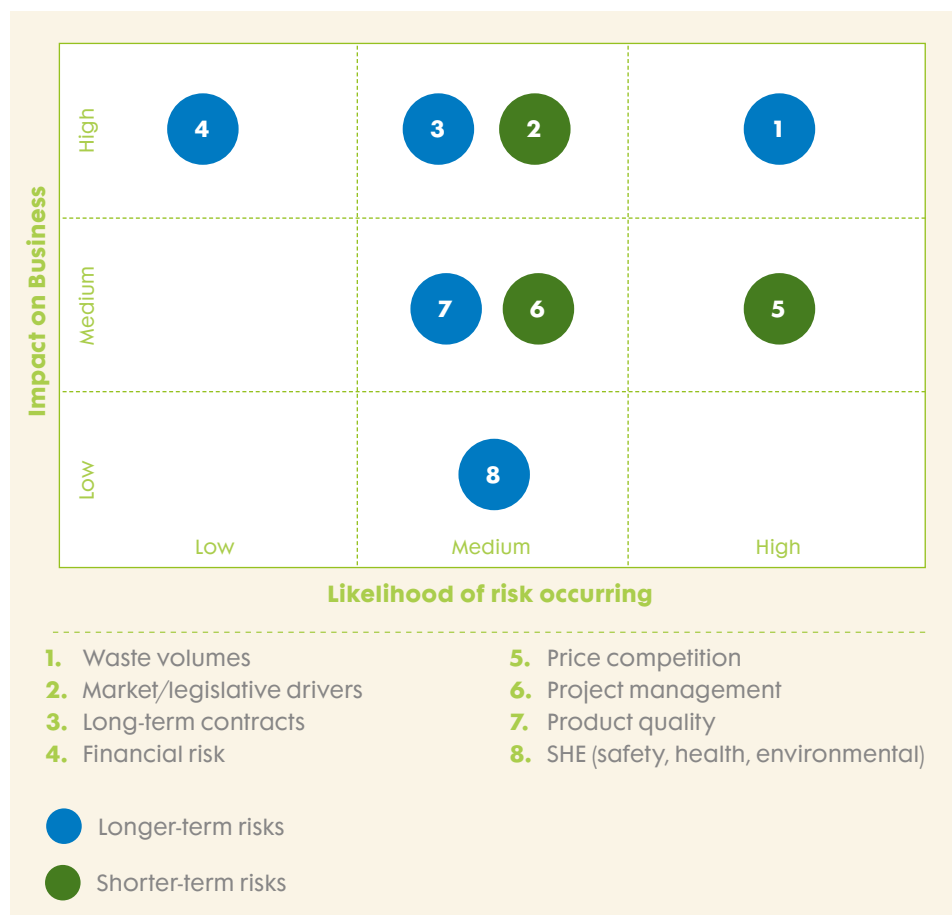


ATM waterside facility, the Netherlands



Cumbernauld, Scotland

How we see our principal risks



PRINCIPAL RISKS AND UNCERTAINTIES *continued*

The principal risks and uncertainties affecting the Group are set out below.

Risk/impact	Our response	More information	Progression
1 – Waste volumes The inability to attract sufficient waste volumes due to external economic factors limiting the production of waste by commercial and municipal customers. If facilities are working at below full capacity there is the likelihood of increased unit costs.	<ul style="list-style-type: none"> Regular reporting and monitoring of volumes both at local and Board level though the use of KPIs. Innovative action taken to increase volumes through the sourcing of new waste streams. This has included a new contract for transporting household waste in the Netherlands and new waste contracts in the UK. Reorganising the processing and disposal of waste to optimise asset utilisation and reduce costs. Examples of this are the redeployment of bulky waste to more advanced sorting lines in the Netherlands and the installation of new shredders in Belgium. 	Strategy and performance sections.	Reduced risk as macro economic environment improves.
2 – Market/legislative drivers Our business is driven by legislative and market drivers that significantly affect our waste treatment activities. As a business we have to understand and anticipate these changes or risk loss of market share as a consequence. In the main, these changes present an opportunity to drive the business forward through our positioning within the waste hierarchy.	<ul style="list-style-type: none"> Employment of waste professionals who understand the underlying legislative landscape and the effects on the business. Membership of trade associations in all geographic areas in which the business operates that lobby at regional and national level in the interest of the waste industry. Continuing search for new technologies and the sharing of that technology across the Group. 	Strategy section.	Increase commensurate with the rate of legislative change.



Recyclate materials

Risk/impact	Our response	More information	Progression
3 – Long-term contracts The Group enters into long-term contracts with municipalities in the UK (including PFI contracts), the Benelux countries and Canada. Entering into unfavourable contracts will potentially subject the Group to low margins or contract losses for many years.	<ul style="list-style-type: none"> • Selective bidding process. • Detailed risk assessments for all major contracts. • Authorisation matrix requiring appropriate senior management sign-off. The matrix has been updated during the year and approved by the Group Board. 	Chief Executive's statement.	Improved sign-off process.
4 – Financial risks The Group is exposed to both interest rate risk and foreign exchange risk. Adverse movements in interest rates or foreign exchange will reduce profitability and/or asset values. Interest rate and foreign exchange sensitivity is set out in note 20 to the Financial Statements.	<ul style="list-style-type: none"> • Group Treasury is charged with managing these risks in line with policies approved by the Board. The Group Treasury Policy has been updated and approved by the Group Board during the year. • Interest rate risk is managed through the use of interest rate swaps, senior notes taken out at fixed rates and by the retail bond. • Foreign exchange risk is mitigated by arranging for borrowings to be drawn, as far as possible, in the same currencies as the underlying investment to reduce net translation exposure. 	Performance section. Note 20 to the Financial Statements.	No change.



Icopower facility, Netherlands

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

Risk/impact	Our response	More information	Progression
5 – Price competition Price competition both in terms of incoming waste streams and the sales of recycle material. This is largely affected by external factors such as macro economic conditions, competition and commodity prices with the risk of a fall in margins if prices are not maintained or costs kept under control.	<ul style="list-style-type: none"> • Regular reporting and monitoring of price levels both at local and Board level through the use of KPIs. • Use of long-term contracts where possible to minimise the effect of pricing pressures. • Seeking creative alternative low-cost outlets for waste (such as SRF) to offset incoming waste price pressure. • A commitment to good customer relations and service through ongoing staff training and the use of customer relationship professionals. 	Chief Executive's Statement. Strategy section.	Increase in pricing pressure offset increased disposal and other savings.
6 – Project management To meet our commitments relating to our vision and strategy we need to make significant capital investments in our infrastructure. Failure to bring in capital projects on time and on budget will lead to an inability to meet contract terms and deliver business plan returns. In addition there is also the risk that capital investments will not provide the necessary returns if the underlying assets are not properly managed on a long-term basis.	<ul style="list-style-type: none"> • The appointment of project management professionals to oversee key projects. • Minimum hurdle rates set and monitored. • Large projects such as Greenmills in the Netherlands and Blochairn, Cumbernauld and Cumbria in the UK are subject to rigorous monitoring by local management. • The establishment this year of a Project Management Office so that the progress of all significant projects is reported back to Group senior management and the Board. 	Chief Executive's statement.	Implementation of enhanced project reporting system to the Group Board.



Greenmills facility

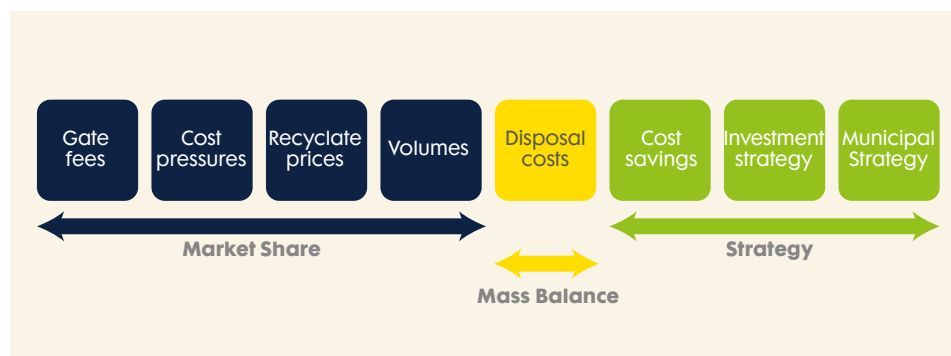
Risk/impact	Our response	More information	Progression
7 – Product quality The gaining of market share and the retention of customers is increasingly dependent on finding innovative solutions to landfill, as iterated in our vision. The output of such products as secondary building materials, solid recovered fuel (SRF) and compost have to be of a sufficient quality to meet our customers' needs. Failure to achieve this will affect the achievement of our strategic objective as well as increasing disposal costs.	<ul style="list-style-type: none"> • Continuous monitoring of product quality at operational level. • Investment in technology to improve the quality of recycled materials such as infrared detection systems. • Compliance with necessary standards such as PAS100 in the UK. 	Strategy section.	No change.
8 – SHE (safety, health, environmental) compliance Shanks' employees are the Group's most important and valuable asset and their health and safety are paramount. Operating sites require local licences, permits and other permissions to operate and compliance with these are monitored by various regulatory agencies. Failure to comply with either health and safety or environmental legislation could result in prosecution, loss of permits and site closure as well as reputational damage.	<ul style="list-style-type: none"> • New safety leadership initiative. • Monthly SHE reporting across all levels of the organisation. • Employment of Health & Safety professionals. • Conduct of SHE audits. • Environmental management systems and action programmes. 	Corporate Responsibility and Sustainability section.	No change.



Metal recyclate

THE BUSINESS MODEL - HOW WE MAKE MONEY

The drivers that influence the success of our business and deliver the business model are set out below.



There are three key elements to how we make money.

Market Share

Firstly, on pages 20 to 23 we have explained the impact of the external drivers on the business, including:

- Regulation and environmental taxation.
- Macro economic conditions and the impact on volumes, gate fees and recyclate prices.
- The costs of disposing of the residues from our waste processing facilities.

We have also explained the inter-relationships between the different external drivers.

Our approach is to manage the business within the context of these external drivers to maximise market shares in the areas we operate. In times of recession we actively pursue a policy of maintaining customers and their volumes. Due to our relatively low fixed cost base we expect to increase profitability as customer volumes increase.

Mass Balance

The second area we focus on is to optimise the outputs from our facilities by reducing disposal costs and by producing higher value products, including energy. We call this optimising the mass balance. Examples of this for varying technologies and for combined technologies are set out on pages 32 and 33.

Strategy

Thirdly, in the longer term, we take actions to continually reduce the cost base of the business and to invest in recycling and organics facilities together with winning new municipal contracts as described below.

Cost savings – other than disposal costs

Management actions which focus on support function efficiency are continually taken to lower the cost base of the business. Savings are targeted across a number of procurement areas. A significant proportion of these savings arise from the change in the Group culture as we develop a clear central direction and framework.

Investment Strategy

The programme of significant strategic investments is key for the future development of the Group. These investments are primarily in the higher growth territories of the UK and Canada and focused on recycling and organics facilities. Our investment criteria is to achieve an overall post tax return of 12% to 15% once the assets have reached normal operating capacity which is usually achieved in less than three years. The £100m programme is now nearing the end of its investment cycle with approximately 60% commissioned to date and a further 20% in the commission phase. The annualised post tax return for the commissioned projects was 8% at the end of March 2011 with those projects fully operational achieving 13% and 5.5%



Paper recyclate

for those still ramping up. The next phase of this programme will see us invest £150m over the next three years, of which approximately 50% will be in sustainable infrastructure in the UK.

Municipal strategy – new contract wins and margin enhancement

In recent years we have established ourselves as a leading player in the UK PFI/PPP market with the first MBT plant operational in the UK since 2006. As well as running our existing plants as efficiently as possible and improving margins, we continue to bid for new PFI/PPP residual waste contracts. Management actions in recent years have seen margins in our existing contracts increase significantly from negative to above 6%. Our target for margins from new PFI projects is 8% to 9%. The PFI market is active and our bid pipeline has strengthened as we progress forward at different stages in a number of bid processes. Based on the existing contracts and those contracts where we are preferred bidder we have now reached our target of 1.5m tonnes of waste per annum being managed by the Group and we expect this to increase further. We aim to use those contracts we win as a base from which to expand our I&C business and to develop an

integrated recycling and organics business incorporating an expanded municipal portfolio which will result in improved returns and diversion rates.

Our success in the UK PFI/PPP space has caused us to consider similar opportunities in our other countries, in particular Belgium where we have recently been named preferred bidder for a major PPP contract in Wallonia. This twenty year contract is the first of its kind in Belgium and is likely to have a total revenue over the life of the contract in excess of €0.5 billion.

Summary

Summarising how we make money, we focus on:

- Maximising market share within the context of the regulatory environment and through the economic cycle.
- Optimising the mass balance through managing the mix of outputs including energy to minimise disposal costs.
- Implementing longer term strategies to lower costs and invest in our strategic priorities.



CHP plant in Belgium



New Cumbria MBT plant

BY GEOGRAPHY AND BUSINESS SECTOR

Performance is monitored at various levels:

Level One – is based on our organisation structure. This structure reflects the national nature of the markets we operate in with divisions in the Netherlands, Belgium, the UK and Canada.

Level Two – performance is reviewed against our three growth areas of recycling technology, organics technology and municipal waste contracts.

Level Three – finally our business is broken down into more detail to cover the primary activities of Solid Waste, Hazardous Waste, Organics and Municipal UK PFI and secondary activities of Landfill and Power and Sand Quarry. The following table links these waste activities through to the three strategic growth areas.

Strategic Sectors	Waste Activities	Description
Recycling	Solid Waste	Non-hazardous solid waste collections, transfer, recycling and treatment
Recycling	Hazardous Waste	Principally contaminated waste including industrial cleaning, transport, treatment (including contaminated soils) and disposal and contaminated land remediation
Organics	Organic Treatment	Anaerobic digestion and tunnel composting of source segregated organic waste streams
Municipal	PFI/PPP Contracts	Long term UK municipal waste treatment contracts
Others	Landfill and Power	Landfill disposal (including contaminated soils) and power generation from landfill gas
	Sand Quarry	Mineral extraction

Reported within Solid Waste activities in Belgium are services to the municipal sector. In addition there are small infrastructure and groundworks operations in Belgium and Netherlands which due to their size are included within the Solid Waste activities.



Icova - fuel pellet production

KEY PERFORMANCE INDICATORS (KPIs) AND CURRENT PERFORMANCE

We measure the achievement of our objectives both through the use of qualitative assessments and the monitoring of quantitative indicators. To provide a full and rounded view of our business, we use non financial as well as financial measures. The number of waste activities undertaken by the Group is significant, with each site involved in a different range of activities resulting in a varied and broad range of measures. Although all of these measures are important, some are

considered to be of more significance than others, and these more significant ones are designated as KPIs.

KPIs are used as our primary measure of whether we are achieving our principal strategic aims and to measure our performance against our objectives at both a Group and divisional level.

From a financial perspective the single most important KPI is earnings per share growth.



Biochain MRF

KEY PERFORMANCE INDICATORS (KPIs) AND CURRENT PERFORMANCE *continued*

The following table sets out those KPIs that we monitor and their performance over the last two years.

Financial KPIs	Definitions	
Growth in revenue from sustainable activities	Growth in revenue derived from recycling, reuse, diversion or energy recovery thereby avoiding landfill or contaminated materials	
Organic growth in trading profit	Percentage trading profit growth excluding acquisitions and discontinued activities at constant currency	
Return on operating assets	Trading profit over depreciated operating assets. Operating assets exclude core debt, tax, goodwill and acquisition intangibles	
Free cash flow conversion	Underlying free cash flow divided by trading profit. Underlying free cash flow is defined as cash flow from operations net of replacement capital expenditure, core interest and tax payments	
Post tax return on investment programme	Post tax return as a percentage of the original invested capital on commissioned projects	
Underlying earnings per share growth	Underlying post tax earnings for continuing operations only and excluding exceptional items, financing fair value remeasurement and amortisation of acquisition related intangibles	
Leverage ratio	Net debt excluding project finance and joint ventures translated at an average rate of exchange divided by a rolling 12 month EBITDA	
Non Financial KPIs	Definitions	
Waste volumes handled	Total tonnes waste volumes handled across all Group sites	
Overall recycling and recovery rate	Tonnes of material recovered from processing expressed as a percentage of the tonnes of waste handled	
Plant utilisation rates	Tonnes of material processed as a percentage of the available sorting centre capacity	
Power production	Mega watt hours of energy generated	
Carbon avoidance	Expressed in tonnes 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	
Lower RIDDOR rate	More serious accident rate per 100,000 employees	

7.7m
tonnes of waste
handled 2010/11

	2010/11	2009/10
	8% increase	5% decline
	1%	-23%
	14.3%	13.7%
	118%	107%
	8%	—
	7%	-38%
	1.6 times	1.8 times
	2010/11	2009/10
	7.7 million	7.4 million
	77%	74%
	69%	67%
	96,523	102,220
	1.18 million	0.74 million
	3,000	3,100



Biogas production at Roeselare, Belgium

03

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Perfo



Performance

Shanks has clear momentum with growth in revenue and profits, and successful returns from our investment strategy.

Chris Surch
Group Finance Director

GROUP



Shanks is one of Europe's leading waste management businesses with operations in the Netherlands, Belgium and the UK, as well as an expanding Organics business in Canada. The Group also has small operations in France close to the Belgian border which are managed from Belgium and included in the Belgian financial results.

In the year to 31 March 2011, our business in the Netherlands contributed 69% of

the Group's profits before Group Central Services, with Belgium contributing 20%, the UK 9% and the remaining 2% from Canada.

Our strong market position, technical knowledge and earnings from the Benelux provide powerful support for Shanks to develop and invest in growth areas of the UK, Canada and Organics.

Group Revenue and Trading Profit by Geographical Region

	Revenue				Trading Profit			
	2011 £m	2010 £m	Variance £m	%	2011 £m	2010 £m	Variance £m	%
Netherlands	362	354	8	3	37.2	36.7	0.5	1
Belgium	172	176	(4)	(2)	10.8	14.0	(3.2)	(23)
United Kingdom	176	147	29	20	5.0	2.1	2.9	>100
Canada	10	8	2	29	1.3	1.9	(0.6)	(31)
Central Services	(3)	(1)	(2)		(4.6)	(3.6)	(1.0)	(28)
Total	717	684	33	5	49.7	51.1	(1.4)	(3)
Discontinued	–	1	(1)		–	0.3	(0.3)	
	717	685	32	5	49.7	51.4	(1.7)	(3)

*Return on operating assets represents pre tax trading profit divided by average operating assets

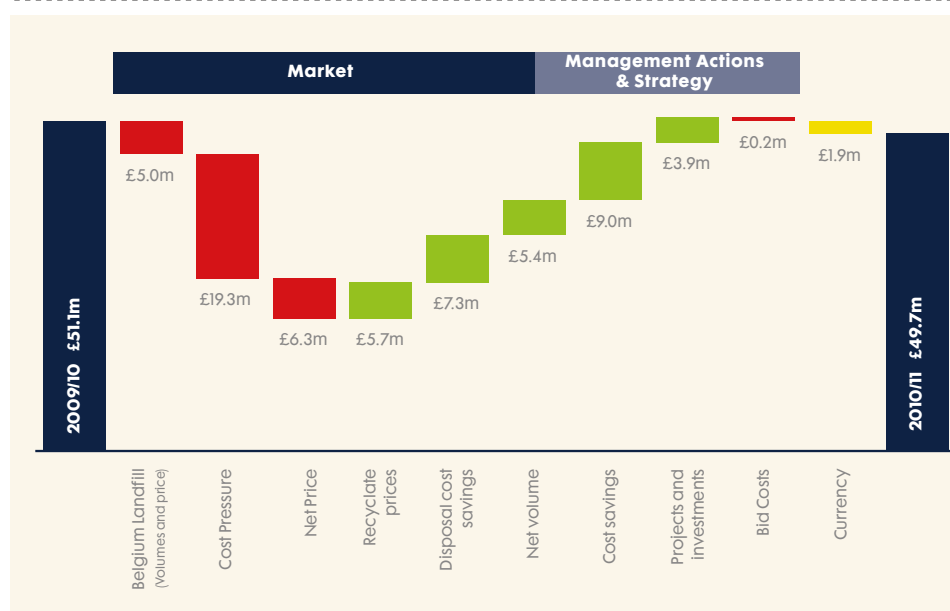
**Post tax return on investments represents the annualised post tax return on the original invested capital of the £100m strategic investment programme for those assets fully commissioned

	2011	2010
EBITDA	£99m	£102m
Trading margin	6.9%	7.5%
Return on operating assets*	14.3%	13.7%
Return on capital employed	6.4%	6.4%
Post tax return on investments**	8.0%	–

Further details of the Group's trading performance and results by waste activity are given in the country financial and operating reviews. Group Central Services relates to the cost of the Group's head office functions including finance, treasury, tax and company secretarial. The results in the prior year benefited from the reversal of charges for equity settled share-based payments as vesting conditions would not be met.

Revenue from continuing operations increased £33m to £717m. Excluding the adverse effect of currency translation of £21m, revenue was 8% up on the prior year.

The following graphic summarises the effect of the external and internal business drivers on the year on year change in trading profit.



A strong performance in management actions (cost savings, PFI margin improvements and returns from the investment programme) has continued to counter the adverse market cost pressures and the anticipated decline in Belgian landfill profits.

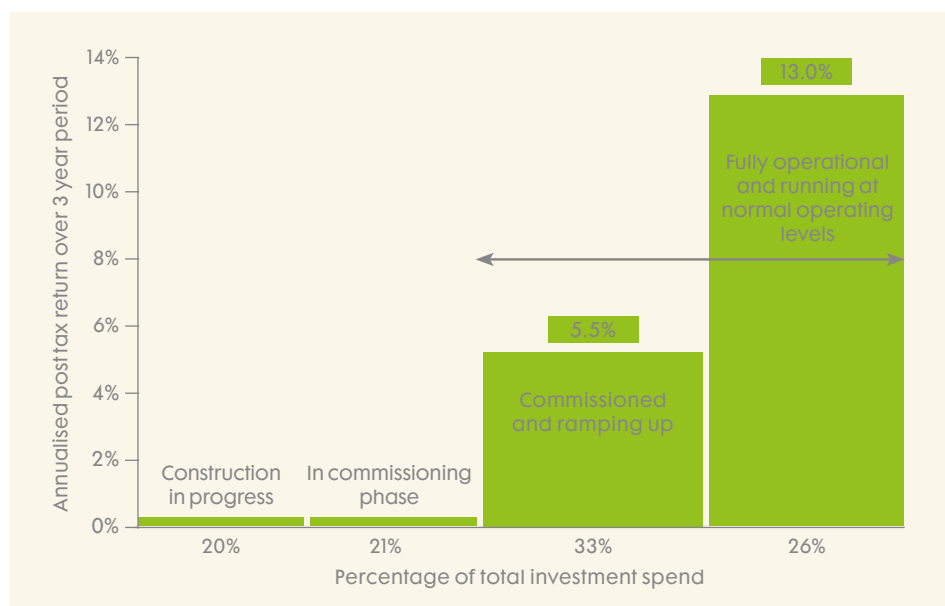
Overall net price declines amounted to £6.3m with increases in the UK compensating in part for severe pricing pressures, particularly in the Netherlands. This has helped us maintain volumes and, as described further in the Netherlands' operating review, the decline in the hard hit C&D sector was 2% compared with the Dutch construction sector being down circa 9%. The selling prices for our main recyclates of metal and paper continued to strengthen throughout the year resulting in a significant year on year profit impact for both the Netherlands and UK. The businesses have shown overall volume

growth with strong performance in Hazardous Waste, principally waste water and soil volumes, and the move into new Solid Waste markets areas. Cost savings include support function savings of £9.0m and savings on final costs of disposal to incineration or landfill of £7.3m.

The projects and investments value of £3.9m represents the year on year profit impact of investments in the strategic investment programme together with growth from the new Derby PFI contract following the acquisition of the UK waste activities of United Utilities. The principal growth projects which contributed this year were the Brabant sorting centre, Ghent SRF plant and the Canadian Ottawa plant. The Greenmills AD plant and the recycling and AD plants in Scotland have not yet been fully commissioned and have had a minimal effect on the result for the year.



Blochairn sorting centre

GROUP *continued*

From the £100m strategic investment programme approximately £60m has now been commissioned and the annualised post tax return at the end of March 2011 was 8%. Those projects which are fully up and running at normal operating levels have achieved a 13% return and those commissioned and ramping up 5.5%. A number of projects remain in the commissioning phase and consequently have had no effect on the annualised return. This rate of return remains in line with the post tax target of 12% to 15% once the assets are fully operational which is usually after two or three years.

The next phase of the investment programme has now started and approximately £150m will be spent over three years. The principal components of this will be two additional organics plants in Canada, two additional recycling facilities for the UK business, one in England and one in Scotland, four additional AD plants across the UK, further development to the Greenmills AD plant, other Organics sites and at ATM in the Netherlands.

Sterling strengthened against the Euro during the year resulting in a 4% fall in Euro denominated profits. Excluding the effects of currency translation of £1.9m and the anticipated decline in profits

from the Belgian Landfill, trading profit was 8% up on the prior year.

Operating profit on a statutory basis, after taking account of all exceptional items and amortisation of acquisition intangibles, has increased 16% from £35.8m to £41.5m.

Non trading and exceptional items excluded from pre-tax 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 items of £9.7m (2009/10: £2.2m) include:

- Amortisation of intangible assets acquired in a business combination of £3.9m (2009/10: £3.9m).
- Financing fair value remeasurement charge of £5.8m (2009/10: £1.7m credit).

Total exceptional items of £4.3m (2009/10: £11.4m) include:

- Profit on sale of PFI equity share of £3.7m (2009/10: £nil) – on 29 September 2010, Shanks sold all of the subordinated debt and 80% of the equity in the East London Waste Authority (ELWA) and Dumfries and



London Ontario, Canada

Galloway (D&G) PFI contracts to John Laing Investments whilst retaining the long term operating contracts for both ELWA and D&G for total proceeds of £25m.

- Impairment charge of £11.9m (2009/10: £nil) – changes in market conditions in wood based markets and limitations on the type of waste that can be landfilled and the prices achieved have resulted in goodwill impairments in both Belgium and the Netherlands.
- Pension liabilities curtailment gain of £3.9m (2009/10: £nil) – following negotiation with the trustees and consultation with the membership, a 1% pensionable pay cap was introduced for active members of the principal UK defined benefit final salary scheme with effect from 1 April 2011. This has resulted in a credit to the current year's service cost and a corresponding reduction in the scheme's future liabilities.

Net Finance Costs

Finance charges excluding the change in fair value of interest rate swaps have decreased £3.4m to £14.5m (2009/10: £17.9m), which is principally due to a decrease in core borrowing levels. Following the sale of the PFI equity in September 2010, net financial asset income is £1.0m lower year on year.

The change in the market value of financial instruments relates to interest rate swaps which fix the interest rate on PFI contract and other project finance borrowings which, under IAS39, must be valued at current market value. There was a £5.8m adverse (2009/10: £1.7m favourable) 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. 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 income statement. All 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. On 29 September 2010 the interest rate swaps relating to the ELWA and D&G PFI contracts were disposed of as part of the PFI equity sale.

Taxation

The average tax rate on underlying profits fell to 26.4% (2009/10: 27.1%). This was attributable to a combination of prior year credits in relation to the release of provisions held in respect of earlier periods which have now been closed and a reduction from 25.5% to 25% in the statutory rate in the Netherlands where the majority of the Group's profits are earned.

The exceptional tax credit of £8.5m in the current year related to the release of provisions booked in prior periods relating to the withdrawal of industrial buildings allowances enacted in the Finance Act 2008. A detailed review of historic capital expenditure on PFI infrastructure has been agreed with the tax authorities. This review identified that a significant level of expenditure qualified for plant and machinery allowances which had previously been allocated to industrial buildings allowances.

Earnings per Share

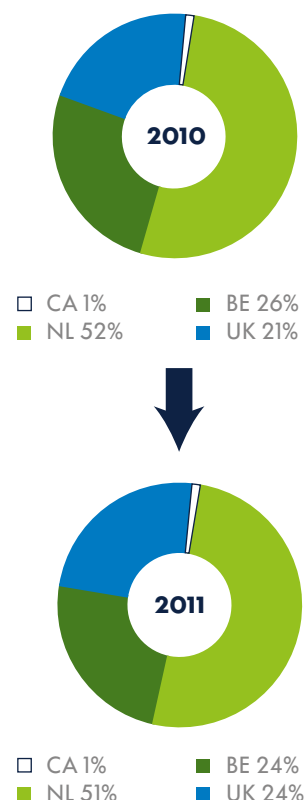
Underlying earnings per share from continuing operations, which excludes the effect of exceptional items, remained constant at 6.5 pence per share despite the higher profits. This was due to further dilution from the 2009 Rights Issue as the average number of shares included in the calculation has increased from 374.4m last year to 396.8m this year. On a fully diluted basis, the earnings per share for last year would have been 6.1 pence which gave year on year earnings per share growth of 7%.

Basic earnings per share from continuing operations increased from 4.8 pence per share to 5.5 pence per share.

Discontinued Operations

The profits from discontinued operations in the prior year relate to the sale of the Avondale joint venture in May 2009.

Group Revenue change year on year



GROUP *continued***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 2.25 pence, making the full year dividend 3.25 pence, an increase of 8% on the total paid in respect of 2010.

Cash Flow and Net Debt

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

	2011 £m	2010 £m	Difference £m
EBITDA	99	102	(3)
Working capital movement and other	5	5	–
Net replacement capital expenditure	(32)	(28)	(4)
Interest & tax	(10)	(18)	8
Loan fees paid	(3)	(7)	4
Underlying free cash flow	59	54	5
Dividends / issue of shares	(12)	63	(75)
Net growth capital expenditure	(34)	(30)	(4)
Discontinued operations	–	20	(20)
Acquisitions and Disposals	17	(9)	26
PFI funding & others	(7)	(6)	(1)
Net core cash flow	23	92	(69)
Free cash flow conversion *	118%	107%	

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

The focus on cash management has continued throughout the year resulting in a free cash flow conversion ratio of 118%. Working capital levels have been tightly monitored during the year.

The ratio of replacement capital spend to depreciation was 63% for the year which was within our targeted range. Spend on the investment programme and other growth projects amounted to £34m and included spend on the Greenmills facility in Amsterdam, Blochairn recycling facility in Glasgow, ATM waterside expansion and the AD facility in Glasgow.

A lower level of interest and tax payments was due to settlement of tax repayments for prior years, non payment of interest on the non-recourse PFI debt which fell due after the date of disposal of the PFI equity and a change in the payment profile of core interest payments following the issue of the retail bond.

In total fees of £4m were payable for the recent round of core debt refinancing; £1m of these remained unpaid at the end of March 2011.

The acquisitions and disposals spend of £17m included the proceeds from the PFI equity sale together with deferred consideration receivable from the disposal of Avondale net of scheduled deferred consideration payments on previous acquisitions in the Netherlands and the current year acquisitions of Allied Waste Services in Edinburgh and the UK waste activities from United Utilities PLC.

The exchange rate on the Euro has moved from 1.12 at 31 March 2010 to 1.13 at 31 March 2011. The net cash flow of £23m together with £3m benefit on the translation into Sterling of the Group's Euro and Canadian Dollar denominated debt has decreased core debt by £26m in the year.



Greenmills AD Facility

Non-recourse borrowings relating to PFI/PPP contracts and other project finance have decreased from £134m to £48m as a result of the PFI equity sale in September 2010.

Treasury and Re-financing

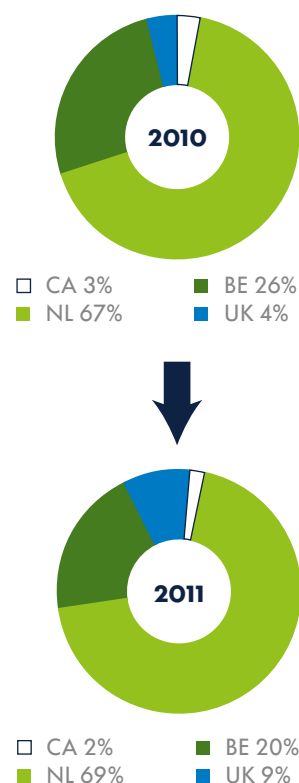
Following the successful completion of the €100m, 2015 Benelux retail bond in October 2010 and the €200m, 2015 bank financing in February 2011 an additional €40m of longer term debt with maturity in April 2018 was secured from Pricoa Capital Group Limited on 11 April 2011. This completed the re-financing programme with medium and longer term debt secured at an overall interest cost of circa 5% per annum. At the end of March, the ratio of core net debt to EBITDA was 1.6 times which is well within our banking covenant test of 3.0 and our target of 2.5 times.

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 2011, the Group's bank financing was a €200m term loan and multicurrency revolving credit facility with six major banks entered into on 2 February 2011 and expiring in June 2015. At 31 March 2011, €67m equivalent of term loan was drawn in Euro and Canadian Dollars on three month interest periods plus €34m of the revolving credit facility. The remaining €99m represented committed funds available for drawing in Sterling, Euro or Canadian Dollars by way of a revolving credit facility on a maximum of three days notice. Interest is based on LIBOR or EURIBOR plus the margin for the relevant period. 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 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

Group Trading Profit change year on year



Shanks UK collection vehicle

GROUP *continued*

of less than 3.00:1, interest cover of not less than 3.00:1 and a minimum net worth of £225m. The Group has entered into three year fixed interest rate swaps commencing in October 2011 to hedge the long term interest rates with a principal of €30m and Canadian \$49.5m underwritten at effective interest rates of 2.82% and 2.85% before margin.

On 22 October 2010 the Group issued €100m of five year bonds quoted on the London Stock Exchange to investors in Belgium and Luxembourg at an annual coupon of 5.0%. The proceeds were used to repay term loans under the Group's bank facility.

The 2001 notes issued under the Group's Pricoa private placement of €36m carry fixed interest at 6.9% and have repayments due April 2011 (€18m) and September 2013 (€18m). An additional €40m of private placement with maturity in April 2018 and an interest rate of 5.025% was secured on 11 April 2011 from the same providers. The financial covenants of this facility are identical to those of the Group's bank financing outlined above. The funds were used to repay revolving credit facilities under the Group's bank facility and the April 2011 private placement maturity.

The Group also has approximately £25m of working capital facilities with various banks. Cash flows are pooled at a country level and each operation is tasked with operating within the limits of the locally available working capital facilities.

Each of the Group's PFI/PPP projects has senior debt facilities which contribute approximately 85% of the capital funding required. These facilities are secured on the future cash flows of the PFI/PPP companies with no recourse to the Group as a whole. Repayment of these facilities, and any equity bridge facility in respect of the remaining capital funding, commences when construction is complete and concludes one to two years prior to the expiry of the PFI/PPP contract period. For those contracts

where the Group currently holds 100% of the equity in its PFI/PPP companies, the net debt of £36m and the fair value of the interest rate swaps used to fix interest rates of £5m are fully consolidated in the Group balance sheet. The maximum which could be drawn down under these facilities at 31 March 2011 was £27m. 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 6.58% and 7.58% with a weighted average of 7.32% 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 £23m has been drawn at 31 March 2011. 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.

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 assets of both the final salary and money purchase schemes in the



Plastic recycle

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. Following negotiation with the trustees and consultation with the membership, a 1% pensionable pay cap was introduced for active members of the UK final salary scheme with effect from 1 April 2011. At 31 March 2011 the net retirement benefit asset relating to the UK schemes was £4.9m compared to a deficit of £6.8m at 31 March 2010 as a result of the movement in discount rates in the period and a lower level of liabilities resulting from the pensionable salary cap. Further to the 5 April 2009 triennial valuation of the Group's UK defined benefit retirement scheme, the Group has agreed to fund the deficit over an eight year period with a payment of £1.8m per annum for two years from April 2010 and then increasing to £3.0m per annum. This payment profile will be reconsidered at the next valuation due in April 2012.

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. 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. Senior employees 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.

Senior employees in Belgium are provided with defined contribution pension benefits.



Ghent SRF facility, Belgium



Michael van Hulst
Managing Director,
The Netherlands

THE NETHERLANDS



Our activities

There are three divisions in the Netherlands: 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 85% 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 recessionary climate the split is 45% for C&D and 55% for I&C. There is limited work from the municipal sector, although this has been increasing in recent years with bulky waste, municipal collection and electrical waste contracts. The business is principally based in the populous Randstad area to the west of the country.

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 more than 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.

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 facilities include the Greenmills project in Amsterdam, a 100,000 tonne per annum AD facility and a 300,000 tonne waste water facility, the largest industrial AD facility of its type in Europe. These waste streams originate from industry, mainly from food processing companies and supermarkets, and source segregated organic municipal waste streams.

Market Overview & Competitive Environment

The Dutch Solid Waste market is advanced, with approximately 80% of the overall waste volumes of circa

55 million tonnes being recycled. Volumes sent to landfill are very low at approximately 3%. Within these volumes the C&D 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 main competitors to Shanks include Van Gansewinkel and Sita with a number of other strong regional players. In the Randstad area for both I&C and C&D Shanks is the market leader whereas at a national level we are market leader for C&D and number two for I&C.

Hazardous Waste is a more specialist market with annual revenues in excess of circa €570 million and the number of players is smaller due to the investment required to establish efficient competitive operations. ATM is the market leader in its field and there is strong potential for growth in waterside activities as legislation becomes more stringent. Similarly Reym has a strong market position and is market leader for industrial cleaning.

The Organic Treatment market is circa 3.5 million tonnes and Shanks is the third largest competitor with Attero being the market leader. Expansion of the AD market sector is anticipated in the coming years due to the shift from composting to dry and wet digestion driven by green subsidies.

Strategy & business drivers

The strategic goal for the Dutch operations continues to be further

improvements in the mature Solid Waste market together with development in both Organics and Hazardous Waste. This will be achieved by:

- Diversification into replacement markets and broadening the portfolio to offset falling volumes in the traditional solid waste markets – for example municipal bulky waste contracts and increasing the importance of biomass.
- Being a cost leader – which will include rationalisation of the cost base, lowest unit cost and maximisation of asset utilisation. This should ensure the recovery of margin lost during the recession.
- An objective to increase the proportion of I&C waste collected that we process into fuel pellets for use as fossil fuel substitutes by our partners in Sweden to produce green energy.
- The concept of 'Total Care' to the customer through cross-selling and actively seeking to extract greater synergies across the business.
- Continued expansion of the waterside activities and further development of international markets for soil and paint at ATM.
- Continued expansion of the Orgaworld market share through source segregated organics, supermarket waste and the municipal market.

Shanks in the Netherlands

Collection



Recycling



Fuel pellets



Waste water treatment



Soil Treatment



Industrial Cleaning



Anaerobic Digestion



Composting



Greenmills AD facility



THE NETHERLANDS *continued*

Operational Review & Performance

In the face of continuing challenging market conditions, the Netherlands has performed well with overall revenue and trading profit, excluding exchange, rising by 7% and 5% respectively and trading margins remained strong at 10%.

	Revenue				Trading Profit			
	2011	2010	Variance		2011	2010	Variance	
	€m	€m	€m	%	€m	€m	€m	%
Solid Waste	251	246	5	2	25.0	27.3	(2.3)	(8)
Hazardous Waste	165	144	21	14	20.9	16.4	4.5	27
Organic Treatment	15	13	2	9	2.2	2.2	–	–
Country Central Services	(6)	(4)	(2)	(35)	(4.6)	(4.5)	(0.1)	(2)
Total (€m)	425	399	26	7	43.5	41.4	2.1	5
Total £m (at average FX rates)	362	354	8	3	37.2	36.7	0.5	1

	2011	2010
EBITDA	€80m	€78m
Trading margin	10.2%	10.4%
Return on operating assets*	17%	16%

*Return on operating assets represents pre tax trading profit divided by average operating assets

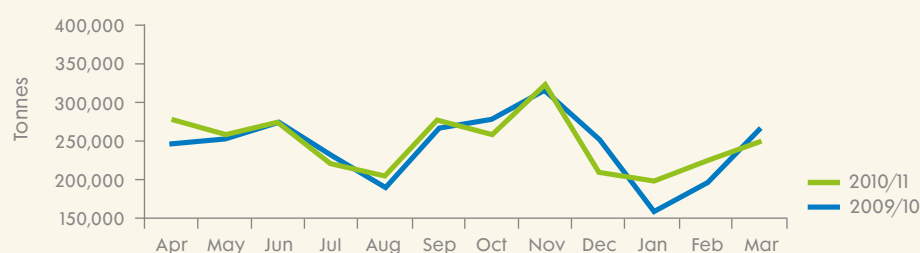
The Solid Waste business continued to be impacted by the economic downturn with profits down 8% year on year as excess capacity in the Netherlands incineration market has continued to exert downward pricing pressures equating to 4% of total revenue. Overall I&C volumes were 3% up on the prior year. As communicated in recent Euroconstruct reports, volumes in the construction markets fell 9% in 2010. Our C&D volumes ended the year 2% down as actions were taken to expand into new areas including municipal bulky waste. Management actions taken at the end of last year

to reduce the cost of disposal to incinerators together with further cost savings have had a significant effect on the results for the year. Recyclate prices have continued to recover throughout the year and have contributed €3m to the profitability of the division. Further rationalisation of the sorting centres as part of the "Fit for the Future" programme and moving to a country level rather than plant based view has increased utilisation rates from 72% to 77%. In Hazardous Waste, ATM has performed exceptionally well with a strong performance in its waste water and soil treatment activities. The recent



ATM Laboratory, the Netherlands

Shanks Netherlands solid waste volumes



investment in water storage capacity together with increasing demand has resulted in volumes in waste water treatment being up 16% on the prior year. In soil treatment, pressure on pricing has continued but this has been offset by increased volumes (up 15% overall) together with continued cost reduction initiatives. A significant level of replacement capital was invested in the soil treatment plant this year which has improved productivity by 15%. Our industrial cleaning business, Reym, has had a satisfactory year with revenue up 10% but pricing pressures held the business flat at a trading profit level.

Our Organic Treatment activity, Orgaworld, continued to trade satisfactorily in its home market with revenue 9% ahead of the prior year. Margins have remained fairly constant year on year as management actions on final disposal and other cost savings mitigated pricing pressure. Spend on business development

has continued to increase as we investigate opportunities to expand. Our Greenmills anaerobic digestion and waste water facility in the port of Amsterdam opened during the year and is in its commissioning phase. As well as the production of green electricity from the biogas produced by AD and the production of a high quality fertiliser for use in agriculture, the plant has also been designed to capture the heat from its processes and export them into a 'heat grid' which can be accessed by other companies requiring heat. The connection to the heat grid will be completed in the first half of 2011/12 and will further improve the energy efficiency of this project.

The return on operating assets has increased marginally in the year to 17% and this will continue to increase as the recent capital spend at Greenmills starts to deliver. Cash generation remained strong across all businesses.

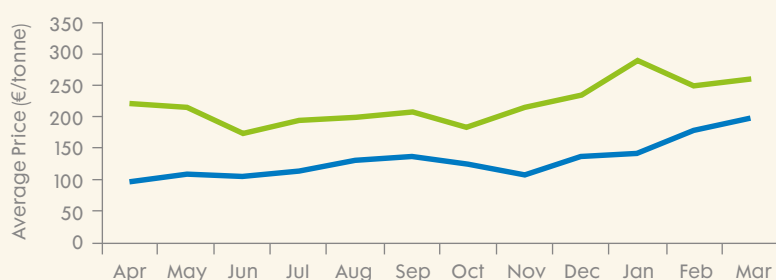


Icova - recycling



Green waste collection

Shanks Netherlands recycle prices for metal



Outlook

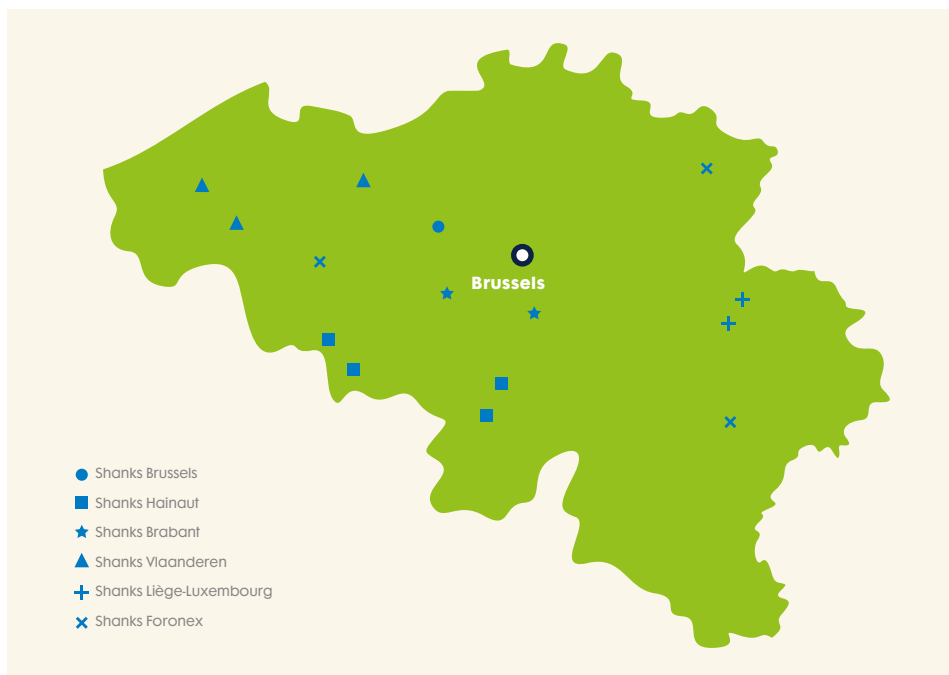
Markets in the mature solid waste business are expected to remain difficult in the short term with benefits and growth coming from recent investments made in Orgaworld and ATM. The continued investment in growth projects, focus on cost control and margin improvement will help position the business for steady growth. While prices have stabilised

recently, there will nevertheless be a year on year impact of price falls especially in the first half of the new financial year. There are encouraging signs on volumes to produce growth in earnings and we expect market conditions to improve further in 2012.



Philippe Marcuz
Managing Director,
Belgium

BELGIUM



Our 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. In addition we have recently announced further development in the municipal sector and our appointment as preferred bidder for a major PPP contract in the IDEA region of Wallonia. Solid Waste also includes Foronex. This business, which was acquired in 2008, is principally focused on the growing wood biomass market with subsidiary activities of wood trading and tree bark.

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. Recent changes to taxation rates has resulted in a significant decline in our landfill activity in the last year. A major source of income remains the generation of renewable electricity

from the methane produced as the biodegradable waste decays.

The Hazardous Waste division comprises industrial cleaning activities, hazardous and medical waste collection 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.

Market Overview & Competitive Environment

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 Wallonia landfill is more prominent although in recent years there has been significant pressure to reduce dependency on disposal to landfill. The Brussels region has limited landfill capacity and has its own incinerator but beyond that depends on the two other regions for final disposal. Landfill within Belgium operates on a regional basis but otherwise waste moves increasingly freely within the country. Exports of waste from Belgium are only allowed in accordance with strict pre-treatment criteria which in practice limit the extent of such movements of waste and encourage the treatment of waste using local capacity.

In the Walloon region, landfill tax on I&C waste rose significantly on 1 January 2010 to an effective rate of €90 per tonne to promote increased recycling and other forms of energy recovery. In addition, the region adopted a strict interpretation of the Landfill Directive requirement for pre-treatment of non-hazardous waste which stopped residual waste collected from households and organic waste from being landfilled without pre-treatment. Power generation from waste (biogas) should continue to enjoy robust power prices and benefit from environmental subsidies. Power prices are currently low but expected to increase.

Collection services are increasingly important in view of EU recycling and sorting requirements. The collecting and sorting waste market in Belgium can be split into two sectors:

- I&C which accounts for more than 60% of the total waste revenues and is based on short term contracts; and
- Municipal which is based on longer contracts.

As in the Netherlands there has been pricing pressure, but we are now seeing stabilisation.

The Belgian waste market is still highly fragmented with the largest five players accounting for circa 40% of the total market value. Overall Shanks is the fourth largest player in the Belgian market with Sita being the market leader.

Strategy & Business Drivers

In Belgium the strategy is to grow the solid waste businesses to replace the declining contribution from landfill by:

- Protecting the I&C Solid Waste business in difficult market conditions with declining volumes.
- Keeping competitive advantage via lower average processing and disposal costs and producing high quality SRF and biomass products.
- Increasing our presence in the household waste markets (collection and treatment) through innovative waste treatment solutions.

Shanks in Belgium

SRF



Anaerobic Digestion



Hazardous waste & industrial cleaning



Soil Treatment



CHP



Collection



Wood Biomass



Landfill & Power



New sorting centre in Wallonia

**BELGIUM** *continued***Operational Review & Performance**

Excluding the decline in Landfill, revenue and trading profit, excluding exchange, rose by 7% and 8% respectively and margins were slightly higher.

	Revenue				Trading Profit			
	2011	2010	Variance		2011	2010	Variance	
	€m	€m	€m	%	€m	€m	€m	%
Solid Waste	148	144	4	2	7.2	5.3	1.9	36
Landfill	6	15	(9)	(63)	1.8	5.7	(3.9)	(69)
Power	6	7	(1)	(8)	3.9	4.6	(0.7)	(15)
Hazardous Waste	59	51	8	16	4.1	3.9	0.2	5
Sand Quarry	3	3	–	3	0.8	0.8	–	5
Country Central Services	(20)	(21)	1	9	(5.1)	(4.5)	(0.6)	(13)
Total (€m)	202	199	3	2	12.7	15.8	(3.1)	(20)
Total £m (at average FX rates)	172	176	(4)	(2)	10.8	14.0	(3.2)	(23)

	2011	2010
EBITDA	€28m	€34m
Trading margin	6.3%	8.0%
Return on operating assets*	18%	22%

* Return on operating assets represents pre tax trading profit divided by average operating assets



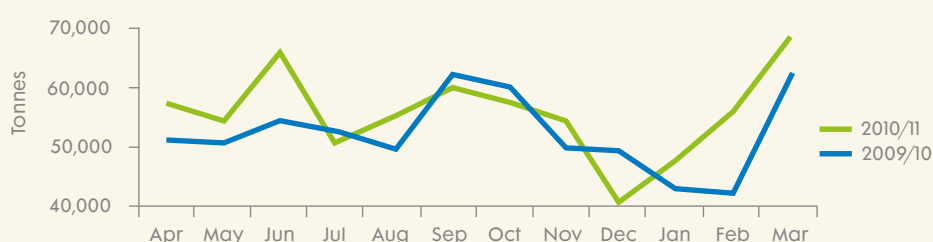
CHP plant, Belgium

Market conditions in Solid Waste were challenging for a significant part of the year due to pricing pressure and waste availability. However I&C volumes have increased in the last quarter and ended the year 6% ahead of the prior year with a strong performance from the Walloon sorting centres. Overall price was 1% down on the prior year. In addition in Flanders, the recent enhancements to the SRF line at Ghent have resulted in a strong performance from increased throughput and lower costs.

Trading in our Foronex business, which is part of Solid Waste, has continued to be difficult. The wood based markets have been adversely affected by the weak

economic backdrop with volumes in the trading business down 11%. A number of changes have been made to strengthen the Foronex management and we expect the business to make a positive contribution in the second half of 2011/12. As referred to at the half year, a full exit of the animal bedding division has been completed with all associated assets being sold.

The January 2010 increase in landfill tax and ban on landfilling of municipal waste has, as anticipated, had a significant effect on landfill volumes and profits during the year. Volumes of waste delivered to landfill were 72% down on the prior year and although offset with cost savings of £1.5m has resulted in a 69% drop in profits.

Shanks Belgium solid waste volumes

As previously communicated, pricing in the electricity market continues to be difficult and this has resulted in Power revenues and profits being down 8% and 15% respectively. Power prices are expected to increase in the medium term.

Overall profits from the Hazardous Waste businesses were up 5% year on year. The manual cleaning business in Wallonia, which was restructured last year, has improved profits this year.

Our success in long term municipal contracts in the UK has caused us to consider similar opportunities in other territories and as announced in February 2011, Shanks Belgium was selected as preferred bidder for a significant PPP municipal contract in

Wallonia. This twenty year contract, which is expected to commence in late 2011, is the first PPP contract of its type in Belgium and is likely to have total revenues greater than €0.5 billion. The contract which is subject to final negotiations will see Shanks as part of a new joint venture partnership that will collect approximately 250,000 tonnes of waste per annum from twenty three municipalities or districts in the region and include the operation of a treatment facility processing household, bulky, green and electrical waste.

Outlook

Following the decline in landfill in the last year and the recent stabilisation of volumes and prices, we expect to be in positive territory in the new financial year.



Woodchips for CHP plant



Renewable energy generation in Wallonia



UK



Ian Goodfellow
Managing Director,
UK



Our Activities

The UK business comprises solid waste collection and recycling, municipal PFI/PPP contracts, contaminated land services, an organic processing division and a small share in landfill operations through a joint venture partnership.

The solid waste collection and recycling business, which has both I&C and C&D customers is focused in three regions: Scotland, East Midlands and the Northern Home Counties. Currently we process 43% of the waste collected through our recycling facilities. The plan is to increase this significantly with the investment in new recycling and organics facilities. This will enable us to divert waste currently sent to landfill and therefore improve our margins.

The contaminated land services business provides advice and organises the treatment and disposal for various clean-up projects.

The organic processing business, which has been recently set up, uses biodegradable organic waste to produce biogas energy and high quality compost. This activity is principally in a joint partnership in a 60,000 tonne per annum AD plant in Glasgow which utilises the 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 25 year municipal PFI/PPP contracts include providing waste disposal services for local authorities in East London, Dumfries and Galloway, Argyll & Bute and Cumbria. We currently have preferred bidder status for three other contracts (Barnsley, Doncaster and Rotherham (BDR), Derby and Wakefield) and remain active in bidding for a number of further contracts using MBT technology. The standard structure which is required to deliver these municipal contracts includes:

- A financing vehicle - this special purpose entity is funded by both equity and non-recourse bank debt. This entity pays for the capital build of the project, settles the interest on the non-recourse debt, receives service income from the local authorities and settles the services provided under the operating contract.
- The provision of a long term operating contract - this is the service provided by Shanks and it is

anticipated that all future new bids should achieve an average of 8% to 9% operating margin.

As previously communicated and following the divestment earlier in the year of 80% of the equity in the East London and Dumfries and Galloway PFI contracts, it is our intention to limit our equity contribution into PFI/PPP whilst retaining the long term operating contracts. During the year we also signed a memorandum of understanding with John Laing to potentially co-invest in the special purpose vehicles of future PFI/PPP contracts. Other third party investors also participate, usually where they themselves have an active interest in the overall project.

Market Overview & Competitive Environment

The UK's historical heavy reliance on landfill means that the imposition of the European Landfill Directive is having a major impact. 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. Another driver for the I&C waste market is restriction of the type of waste that can be landfilled and a significant milestone of the European Landfill Directive is the restriction on landfilling of untreated non-hazardous waste which has been addressed by new legislation requiring pre-treatment of non-hazardous waste prior to landfilling.

As part of recent Budgets, the UK Government announced a strengthening of the existing drivers for diverting I&C waste from landfill and provide 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 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 the waste that ends up in landfill (including materials used for

cover and in construction of a landfill site) is taxable.

In our regional I&C and C&D markets we are strong with our main competitors being Veolia, Biffa, Viridor and large regional and local players.

The long term municipal market is accelerating in an attempt to fulfil landfill diversion targets before 2013 and is currently at circa 11 million tonnes per annum. Shanks is one of the largest in this sector with Veolia as the market leader.

The potential food waste market for AD and composting solutions is currently estimated at circa 5.1 million tonnes per annum. This is a relatively new sector for Shanks and with the market still emerging there is no clear market leader.

The contaminated soils business is project driven and we hold a significant market share. The nature of this market is changing in that the landfill tax exemption for these soils is in the process of being phased out and will finally end in March 2012. It is therefore anticipated that there will be a significant decrease in the level of remediation work to be completed after this date.

Strategy & Business Drivers

In the UK, the aim is to make Shanks the preferred alternative to landfill. This will be achieved by:

- Targeted investment in core geographical areas to develop an integrated infrastructure across municipal, organic and recycling facilities.
- Growth in processing capacity in solid waste to enable us to increase landfill diversion (including recycling) to above 50% of inputs.
- Development of organic waste processing capacity for AD and composting for the municipal and I&C sector.
- Efficient running of our current and future long term municipal contracts.
- Continuing to bid and win new long term residual waste contracts.

Shanks in the UK

MBT treatment



Recycling



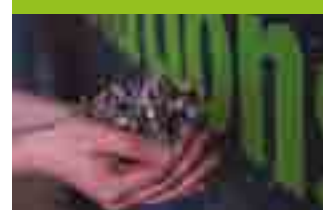
Anaerobic Digestion



Collection



SRF



Soil Treatment



**UK continued****Operational Review & Performance**

Revenue and trading profit before PFI bid costs rose by 20% and 69% respectively with trading margins before bid costs increasing to 4%.

	Revenue				Trading Profit			
	2011	2010	Variance		2011	2010	Variance	
	£m	£m	£m	%	£m	£m	£m	%
Solid Waste	66	65	1	2	4.1	5.5	(1.4)	(24)
Landfill & Power	6	6	–	–	0.3	0.9	(0.6)	(65)
Hazardous Waste	15	6	9	145	2.9	0.9	2.0	222
Organic Treatment	2	–	2	>100	0.1	–	0.1	>100
Municipal-PFI Contracts	87	70	17	25	5.6	2.4	3.2	126
Country Central Services	–	–	–	–	(5.4)	(5.2)	(0.2)	(6)
UK Operations	176	147	29	20	7.6	4.5	3.1	69
PFI Bid Team	–	–	–	–	(2.6)	(2.4)	(0.2)	(13)
	176	147	29	20	5.0	2.1	2.9	>100
Discontinued	–	1	(1)		–	0.3	(0.3)	
TOTAL	176	148	28	19	5.0	2.4	2.6	>100



Cumbernauld AD plant



Cumbria MBT facility

	2011	2010
EBITDA	£7m	£4m
Trading margin*	4.3%	3.1%
Return on operating assets**	10%	3%

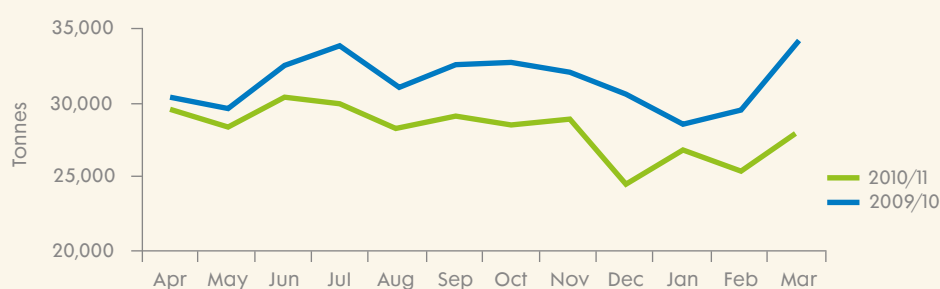
* Trading margin before PFI bid team costs

** Return on operating assets represents pre tax trading profit divided by average operating assets

Trading conditions in Solid Waste have remained challenging with overall volumes in the collections business down 10% on the prior year and adverse competitor pricing pressure. However, the profit effect of these volume shortfalls has been partially offset by management actions on price (circa 6%) and on cost control. The new recycling facility in Scotland is nearing the end of commissioning and it will be fully operational in the new financial year.

The next stage of our investment in recycling continues with the achievement of planning permission for the Kettering plant and planning permission remains on track for other facilities.

In February 2011, we completed the acquisition of Edinburgh based Allied Waste Services for £6m which brings new customers and increases our market share in Scotland. The materials collected will be processed through a combination

Shanks UK solid waste collection volumes

of both the existing infrastructure and the new Glasgow material recycling facility with any organic waste being diverted to the Cumbernauld AD plant.

The Hazardous Waste activities have performed well in the year due to a number of good contracts in the contaminated land services business.

Our Organics AD plant in Glasgow, a joint venture partnership in Energen Biogas, is in its commissioning phase with the first waste delivered during March and the first electricity production scheduled for June. The process which uses proven Orgaworld AD technology will generate up to 3MW of renewable energy.

The profitability of the existing PFI portfolio has increased significantly with margins increasing from 3.6% to 6.4% year on year. The Cumbria contract continues to perform well and in line with expectations and the construction of the MBT facilities is ahead of schedule. The acquisition in October 2010 of the UK waste activities of United Utilities and preferred bidder status for the Derbyshire County and Derby City contract included the management of a waste collection service of 330,000 tonnes per annum which will continue until at least July 2015.

The PFI market remains active with bid costs £0.2m up on the prior year. Our bid pipeline is strong and has been further enhanced by the recent teaming agreement with Babcock International in respect of the Wakefield PFI project. This agreement sees us working with Babcock to bring the Wakefield deal to financial close and then acquire its waste business. The solution, which includes materials recycling facilities, an autoclave and AD, is another example of our ability to provide long term solutions to the municipal sector using a range of technologies. Our recent appointment as

preferred bidder for the Bradford, Doncaster and Rotherham contract means that we are now preferred bidder for three contracts and in the last two in seven other bid processes.

As reported at the half year, all of the subordinated debt and 80% of the equity in the ELWA and D&G PFI contracts were sold to John Laing Investments for £25m in cash on 29 September 2010. The sale of these PFI equity interests has minimal impact on the trading results, provides cash for alternative investments and simplifies the reporting of the results including the removal of non-recourse debt from the balance sheet. We have once again prepared a Directors' valuation of our PFI interests to assist the market in valuing these stakes. Using the cash flows of the remaining financing vehicles and the operating contracts discounted at circa 8% the Directors estimate the value of the existing PFI contracts to be circa £80m. The movement from the prior year reflects an increase of £30m reflecting the value of those operating contracts for which we are now preferred bidder together with £30m being monetised as a result of the operating performance for the year and the disposal of PFI equity interests.

The return on operating assets has increased from 3% to 10% as a result of the increased profits and lower operating assets following the disposal of the equity interest in the ELWA and D&G PFI contracts which removed approximately £20m from the operating asset base.

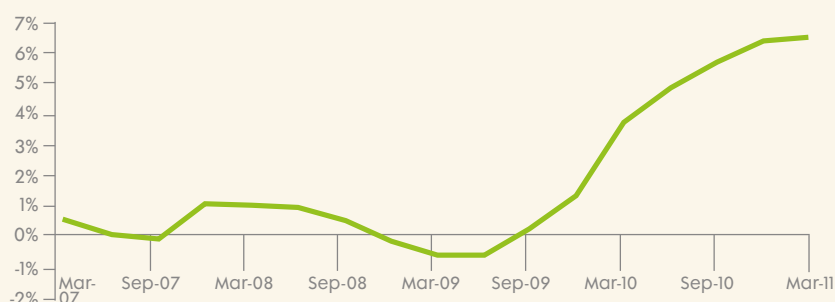
Outlook

Legislative support for landfill diversion strategy continues to strengthen in the UK. We remain confident that our strategic investment actions put us in a strong position to take advantage of this significant growth potential.



Blochairn MRF

Shanks UK PFI rolling 12 month operating margins





CANADA



Our Activities

As part of the Orgaworld acquisition in 2007, the Group acquired an operation in Canada. As in Europe there is a drive to reduce waste going to landfill and the Orgaworld management in the Netherlands identified an opportunity in the Canadian market to offer biological treatment of source segregated organic municipal waste. We currently have two aerobic tunnel composting sites in Ontario – a 150,000 tonne per annum facility in London and a 100,000 tonne per annum facility in Ottawa. Both sites are backed by long term municipal contracts.

Circa 6 million tonnes of organic waste is produced annually and currently less than 20% of source segregated organics is composted. The waste management industry is fragmented with competitors being principally local with a few European suppliers. Orgaworld is currently the market leader in its region.

Through the experience of the Netherlands team, Orgaworld Canada can offer a wide range of processing techniques for the total range of organic waste.

Strategy & Business Drivers

The strategy in Canada is to become market leader in the treatment of organic waste streams from municipalities through the development of further production plants to grow business initially in both Ontario and Quebec.

Operational Review & Performance

Profits in the year have been significantly affected by the temporary closure of the London Ontario site for three months while an upgrade to increase efficiency and to reduce odour levels was implemented. The plant had been built to the permitted

Market Overview & Competitive Environment

Canada has historically relied on the United States for landfill options and over recent years there has been strong public opinion against landfill, which in some areas has led to a shortage of consented capacity. The Canadian provinces have therefore targeted the diversion of waste from landfill. There is currently little support for landfill extensions or energy from waste plants. The introduction of feed in tariffs and 'green' aspirations has led to stimulation of interest in anaerobic digestion.



Composting facility, Ottawa

standards but this retrofit to a higher specification ensures that Ministry of Environment standards are also met. The plant is operational again and a ramp up schedule agreed with the authorities. The Ottawa site is now

fully operational and is performing satisfactorily. Trading margins and the return on operating assets are lower than the prior year due to the lost contribution from the London site.

	Revenue				Trading Profit			
	2011	2010	Variance		2011	2010	Variance	
	C\$m	C\$m	C\$m	%	C\$m	C\$m	C\$m	%
Organic Treatment	17	14	3	23	2.0	3.1	(1.1)	(35)
Total £m (at average FX rates)	10	8	2	29	1.3	1.9	(0.6)	(31)

	2011	2010
EBITDA	\$4m	\$4m
Trading margin	12.1%	23.0%
Return on operating assets*	4%	7%

* Return on operating assets represents pre tax trading profit divided by average operating assets

Outlook

We expect good progress in both growth and margins as the London site returns to full capacity and as we pursue further opportunities which could support additional plants in this territory.



Composting facility London, Ontario



Ottawa facility

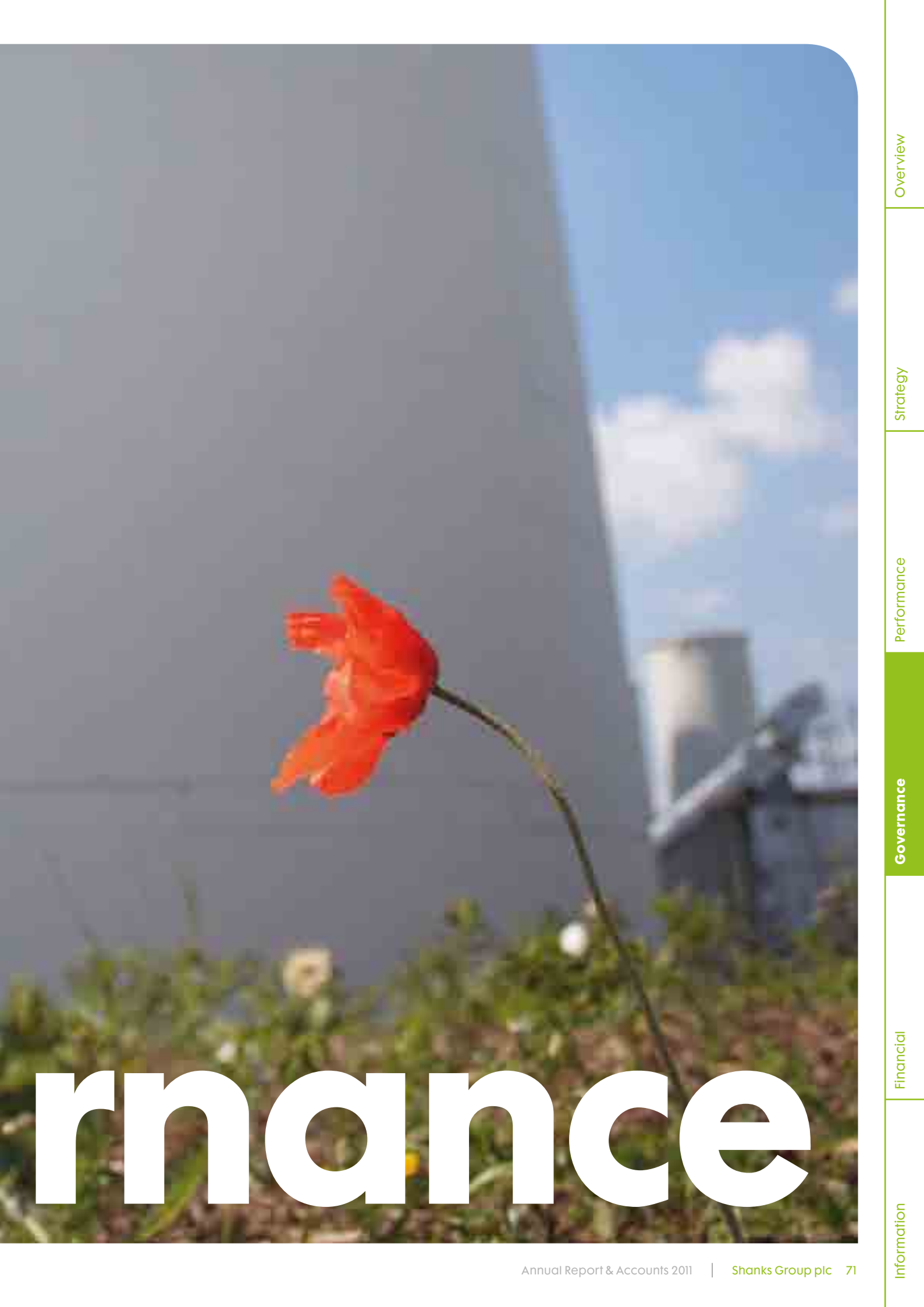
04

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Gove



rnance



Adrian Auer,
BA, MBA
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 AZ Electronic Materials S.A 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.



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.



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.



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.



**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 the CEO & President, UK-Europe with International Power plc. Prior to this he was a director of International Power plc from January 2004 to February 2011, when he resigned from the Board following the combination of International Power and GDF SUEZ Energy International. He is responsible for managing all aspects of their performance in Europe including plant operations, finance, energy trading and business development. He is a chartered engineer and joined International Power in 1985, holding senior positions in two UK power stations before being appointed Managing Director of their Australian operations in 2000.



**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 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. He was until December 2010 a non-executive director of Oriel Securities Limited.



**Jacques Petry,
MBA**

Non-executive Director

Jacques was appointed to the Board in September 2010 and sits on the Audit, Remuneration and Nomination Committees. He was Chairman and Chief Executive of SITA from 1996 and of parent company Suez Environnement, one of the world's leading water and waste management groups, from 2001 until 2004. From 2005 to 2007 he was Chief Executive of Sodexo Continental Europe and South America. Since 2007 he has advised corporate and financial sponsors, initially as Global Head, RBS Environmental Services Sector and more recently as an independent consultant, with regard to Infrastructure and Environmental Services sector investments worldwide. He has extensive international non-executive experience and has served on the boards of various listed companies. In December 2009 he was appointed a non-executive director of Idex SA, the French energy and facility management company, becoming Chairman of their Advisory Board in January 2011.



The Board continues to be committed to achieving high standards of corporate governance throughout the Group.

Adrian Auer
Chairman

Corporate Governance statement

The Board fully supports the principles of good corporate governance. This statement, together with the Remuneration Report on pages 79 to 85, explains how the Group has applied the provisions of the 2008 Combined Code on Corporate Governance in force for the year to 31 March 2011 and also with the provisions of the Disclosure and Transparency Rules on Audit Committees and Corporate Governance Statements (DTR7). The Board considers that it has complied with Section 1 of the Combined Code and DTR7 in all material respects throughout the year. The Board also supports the revised and renamed UK Corporate Governance Code, compliance with which it will be required to disclose next year. The Board however believes that it will be able to comply with the new Code in all material respects save that whilst non-executive directors are required to stand for annual re-election in accordance with the Company's Articles of Association, executive directors will not be required to do so at the 2011 AGM unless this coincides with their existing three year re-election cycles. Further explanation is provided in the Nomination Committee section below.

The Board

The Board comprises the Chairman, a further four independent non-executive directors, the Group Chief Executive and Group Finance Director. The only change to the Board during the year was the appointment in September 2010 of Jacques Petry as a non-executive director. The Chairman, who has been independent since his original appointment, has primary responsibility for running the Board. 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 formal division of responsibilities between the Chairman and the Group Chief Executive has been agreed by the Board and documented, a copy of which is available on the Group's website.

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 and communicates regularly with the other non-executive directors without the presence of the executive directors.

Eric van Amerongen continues to hold the position of Senior Independent Director, being 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.

The table below details the number of formal Board meetings held in the year and the attendance record of each director. Additional meetings chiefly represent those convened in connection with the bank refinancing.

Director	Scheduled Board meetings	Additional Board meetings	Total
A Auer (Chairman)	12 (12)	4 (4)	16 (16)
T Drury	12 (12)	4 (4)	16 (16)
P Johnson	12 (12)	4 (4)	16 (16)
J Petry	7 (7)	4 (4)	11 (11)
S Riley	11 (12)	2 (4)	13 (16)
C Surch	12 (12)	4 (4)	16 (16)
E van Amerongen	11 (12)	4 (4)	15 (16)

Bracketed figures indicate maximum potential attendance of each director.

Board induction and professional development

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. Non-executive directors also have access to PricewaterhouseCoopers' non-executive database and course programme. There is a rolling programme of holding Board meetings at various Group locations in the Netherlands, Belgium and the UK in order to review local operations and make site visits. In the year under review the Board visited Blochairn and Cumbernauld in Scotland and the Greenmills facility in the Netherlands.

Board 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 meets regularly, having met sixteen times during the year, four of which were held specifically in connection with the Group's successful re-financing project. In addition, the Board held a one day strategy meeting with senior management in attendance.

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.

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 work of the Board is further supported by three formal Committees (Audit, Remuneration and Nomination), detailed below. In addition, whilst not a Committee with specific powers of its own delegated by the Board, the Group Chief Executive is assisted in the performance of his duties by an Executive Committee, which meets monthly and whose permanent members include the Group Finance Director and the Managing Directors of the Netherlands, Belgium and the UK.

Board evaluation

Performance evaluation of the Board, its Committees and directors during the year was based upon formalised self assessment questionnaires supplemented by structured interviews conducted by the Chairman with individual directors. The performance evaluation of the Chairman was undertaken by the non-executive directors, led by the Senior Independent Director. Following this year's performance evaluation the Board recommends to shareholders the election and re-election of those directors standing at the forthcoming AGM, all of whom

continue to demonstrate commitment to their role and whose performance continues to be effective.

The Board recognise that a continuous and constructively critical evaluation of their performance is an important factor in unlocking the full potential of the Group. A number of topics were also identified for the Board to focus further attention on in 2011.

Further to the Board's consideration of the provisions of the new UK Corporate Governance Code, external consultants will be engaged to undertake future evaluations on a triennial basis, commencing with that for 2011/12.

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, Dr S Riley and Mr J Petry. The Committee is formally constituted with written terms of reference which are available on the Group's website. It met on five occasions during the year and is responsible for making recommendations to the Board on the appointment of directors and succession planning. It also reviews organisation and resourcing plans for the purpose of providing assurance that appropriate processes are in place to ensure a sufficient supply of competent executive and senior management.

During the year the Committee progressed a number of initiatives, including:

- Reviewing the establishment of a talent pool of high potential managers to participate in a Group development scheme.
- The use of an agreed set of competencies by the executive directors and the three managing directors as a basis of objectively assessing and underpinning development reviews of their senior teams.
- For the most senior appointments, specific account is now taken of potential, as well as current suitability for the role, if required by succession plans.
- Ascertaining appropriate leadership training requirements.

In keeping under review the structure, composition and balance of skills of the Board, the Committee determined a need for an additional non-executive with relevant Benelux/international waste management experience. Mr J Petry, whose biographical details appear on page 73 was identified as an eminently appropriate candidate. Neither an external search consultancy nor open advertising was used for this specific appointment. However, following introductory meetings with Board members and references having been taken up via a recruitment consultant, the Board agreed unanimously to appoint him as a non-executive director with effect from 30 September 2010.

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. Non-executive directors have previously been appointed for renewable three year terms but for consistency with their annual re-election requirements, letters of re-appointment since 31 March 2011 have been issued on the basis of renewable annual terms.

Both the executive directors have contractual notice periods of one year and are required to stand for re-election every three years. The Board does not believe it is necessary to require executive directors to stand for annual re-election as the Chairman and non-executives have an existing accountability to shareholders for ensuring executives perform effectively and a responsibility if necessary to remove them from their post if they fail to do so. However, in light of the new UK Corporate Governance Code and emerging practice the Board will keep the matter of annual re-election under review for future years.

Following discussion of the recommendations of the Lord Davies report on Board Room Diversity, whilst the Committee at the current time has not determined to set a specific female Board member quota, appointments to the Board will continue to be based on the diversity of contribution and required competencies, irrespective of gender.

Director	Nomination Committee meetings
A Auer (Chairman)	5 (5)
P Johnson	5 (5)
J Petry	2 (2)
S Riley	5 (5)
E van Amerongen	5 (5)

Bracketed figures indicate potential attendance of each director.

Remuneration Committee

The Remuneration Committee, which met five 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, Dr S Riley and Mr J Petry. The Committee is chaired 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.

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 79 to 85 contains

particulars of directors' remuneration and their interests in the Company's shares.

Director	Remuneration Committee meetings
E van Amerongen (Chairman)	5 (5)
A Auer	5 (5)
P Johnson	5 (5)
J Petry	2 (2)
S Riley	5 (5)

Bracketed figures indicate potential attendance of each director.

Audit Committee

The Audit Committee, which met four 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 UK Corporate Governance Code requirements, chaired the Committee throughout the year. Representatives from the external auditors, the Risk Management and Internal Audit Manager, the Chairman and the executive directors are regularly invited to attend meetings. The Committee also 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.

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.

Tax and other professional services have also been provided to the Group by audit firms KPMG and Ernst & Young during the year.

During the year the performance of the external auditors was formally reviewed and as identified last year, as part of the planned rotation process, a new engagement partner was appointed 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.

Director	Audit Committee meetings
P Johnson (Chairman)	4 (4)
J Petry	3 (3)
S Riley	4 (4)
E van Amerongen	2 (4)

Bracketed figures indicate potential attendance of each director.

Accountability and Audit

The responsibilities of the directors and the auditors in relation to the financial statements are set out on pages 90 and 91.

Risk management

The Board of directors 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 year ended March 2011 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 on pages 34 to 39 of this report. 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. Risk management responsibilities are outlined in the Principal Risks and Uncertainties section on page 34.

Embedding risk management processes into the day-to-day running of the business is important if it is to be effective. The following requirements help ensure the effectiveness of the risk management framework:

- Involvement of an increasing number of managers across the Group in assessing risks and producing the risk register in each country. This was facilitated during the year by risk management roadshows and engagement with key senior operational managers.
- 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 each business.

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. More details regarding the key performance indicators in these areas are included in the Performance and Monitoring section on pages 43 to 45.

Internal control responsibility

The system of internal control is based on a continuous process of identifying, evaluating and managing risks including the risk management processes outlined above. The Board of directors 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. During the year internal audits included reviews of treasury operations, IT disaster recovery arrangements, tax accounting and other financial controls across the Group.

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. Key performance indicators (KPIs) are also extensively used to help management of the business and to provide early warning of potential additional risk factors. See pages 43 to 45 for additional information on the use of KPIs.
- A clear management structure including clear limits of authority, updated during the year and signed off by the Board, 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 and 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 interim reporting process.
- Detailed management review to Board level of both monthly management accounts and year-end and interim 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.

Information on the Company's share capital is set out in the Directors' Report.

Investor Relations

The Company has an active investor relations programme, regularly meeting with 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. In October 2010 the Company held an investor day which provided an opportunity to explain the Group's strategy and demonstrate its growth potential as well as introducing the executive team. This was followed by a site visit in March 2011 to the Group's MBT facility at Frog Island, East London and its Orgaworld AD facility in Amsterdam to demonstrate delivery of the strategy. The new Group website at www.shankspc.com contains useful information for shareholders and the general public. The Company also communicates with private and institutional investors through the AGM.



Our remuneration policy is focused on aligning directors' and senior employees' remuneration with the interests of our shareholders.

Eric van Amerongen

Chairman of the Remuneration Committee

Remuneration Policy

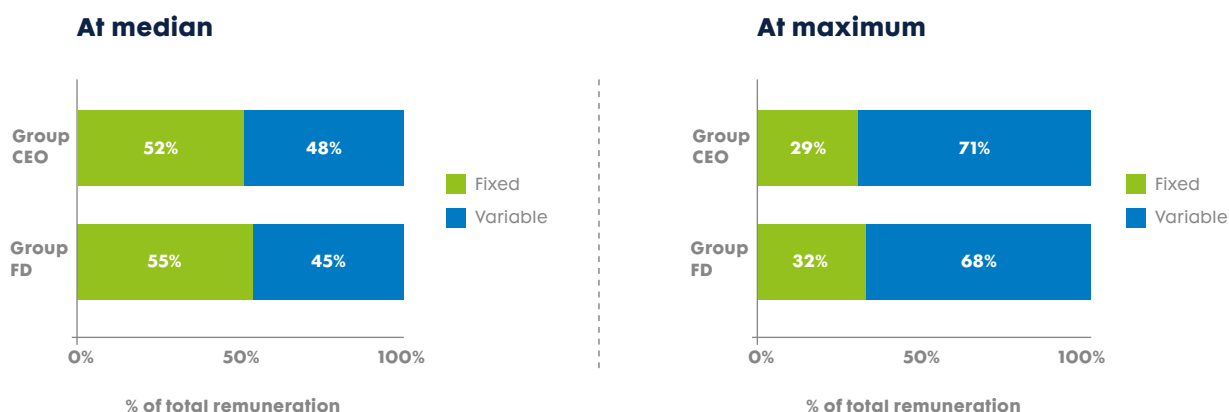
The principal objectives of the Remuneration Committee, which is chaired by Mr E van Amerongen and comprises the non-executive directors, are to attract, retain and motivate high quality senior management and to provide a competitive package of incentives linked to performance and the interests of shareholders. 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 members and their attendance at meetings held during the year are set out in the Corporate Governance section on page 76. The Committee's duties are outlined in its terms of reference which are available on the Group website.

Deloitte LLP provided independent advice to the Committee relating to executive remuneration and benefits during the year. Deloitte were considered to be independent as they provided limited other

services to the Group. In addition, Kepler Associates Partnership LLP were engaged in the year specifically to provide advice regarding the proposed new long term incentive plan and from March 2011 were appointed as the Committee's independent advisers in place of Deloitte. Kepler provide no other services to the Group.

A significant proportion of executive directors' potential total remuneration is performance related and therefore variable. This comprises annual (bonus) and longer term (LTIP) incentives. The fixed proportion of their overall remuneration comprises base salary and a cash element in lieu of pension. For directors achieving median performance, performance related pay would represent just under 50% of total remuneration. If performance were such that the maximum award available under each variable incentive was paid, performance related pay would represent approximately 70% of total remuneration as shown below.

Proportion of fixed and variable remuneration for executive directors 2011



Basic Salary

The basic salary element is determined primarily by reference to external data which takes into account the executive directors' duties and responsibilities. Basic salary is generally reviewed on an annual basis or following a significant change in responsibilities. The Committee having had regard specifically to the general level of pay awards around the Group agreed on a 3% pay increase for both executive directors with effect from 1 April 2011. Mr T Drury's basic salary was

increased from £420,000 to £432,600 per annum and that of Mr C Surch from £275,000 to £283,250 per annum.

Annual Cash Bonuses

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

For the year to 31 March 2011 a total of 25% of base salary was payable to the Group Chief Executive and Group Finance Director for achievement of 2010/11 budgeted profit before tax whilst a maximum 75% of salary was payable for achievement of Full Potential Plan (FPP) targets, representing a stretch of approximately 13% outperformance of budgeted profit before tax. Together with a 25% of salary component for achievement of personal objectives, including an underlying free cash flow element, the maximum aggregate bonus potential for both executive directors was 100% of base salary.

Minimum threshold performance of the corporate financial component was exceeded for 2010/11 equating to a pro-rated entitlement of 47.5% of base salary for both executive directors. Together with achievement of personal objectives relating to 21% and 23% of base salary, the Remuneration Committee determined that total bonuses of 68.5% and 70.5% be awarded to Mr T Drury and Mr C Surch respectively.

The Committee have determined to operate a similar bonus plan for 2011/12 offering a maximum aggregate bonus potential of 100% of base salary. The financial targets will be based on achievement of FPP targets with up to 25% of potential bonus again related to attainment of personal objectives which will this year include quantitative health and safety targets.

Long Term Incentive Plan (LTIP)

Under the existing 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 to date has been 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 vest in full only if the Company's TSR is ranked in the upper quartile of the comparator group. If the TSR of the Company results in a median position in the comparator group, then 25% of the award will vest. Vesting between median and upper quartile 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 Committee confirmed that as only one of the relevant two performance conditions for the financial year ended 31 March 2010 had been achieved, none of the awards granted in 2007 would vest. The Committee determined the same result for those LTIPs granted in 2008.

The Remuneration Committee decided to amend the performance conditions for LTIP awards in 2009, adopting a single TSR condition as an appropriate 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 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.

New Long Term Incentive Plan

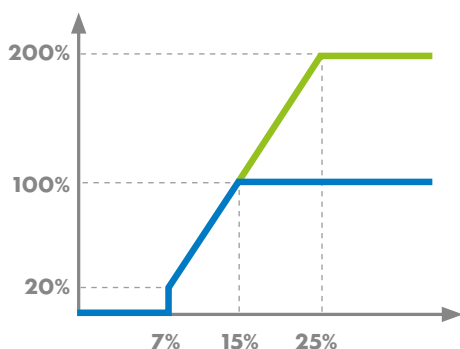
Shareholders are being asked at the forthcoming AGM to approve a new LTIP to replace the existing LTIP. The new LTIP shares would vest on three year growth in EPS and share price. The Committee believes that EPS growth is a key indicator of success for the Company, while share price growth will help ensure strong alignment with shareholders. Both measures are transparent and motivational to executives. It is proposed they be combined in a multiplicative manner, with sliding scales for each measure so that share price growth without EPS growth would not be rewarded. The proposal aims to provide a progressive relationship between pay and performance and a highly motivational incentive.

Annual grants of shares would be up to a maximum of 200% of salary. The proposed initial target awards would be 50% of salary (200% maximum) for the Group Chief Executive and 37.5% (150% maximum) of salary for the Group Finance Director. Shares would vest on three year growth in EPS and share price, as shown in the following charts:

Proposed new LTIP performance targets

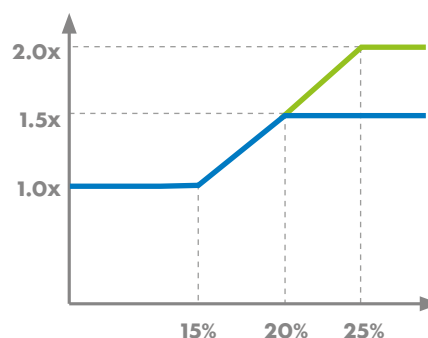
EPS growth determines a core award...which is subject to a multiplier based on share price growth

Award as % of target



3 year EPS compound annualised growth rate

Share price multiplier



3 year share price compound annualised growth rate

Key

- All participants
- Senior executives
- EPS** Earnings per Share

The proposal is that three year EPS growth would determine the 'core award' as follows:

- No award for EPS growth less than 7% p.a.
- 20% of the target award for EPS growth of 7% p.a.
- 100% of the target award for EPS growth of 15% p.a. (maximum vesting for the majority of participants).
- For the most senior executives only (including the two executive directors), 200% of target award vesting for EPS growth of 25% p.a. or more.
- Straight-line vesting in-between these points.

The 'core award' would then be subject to a 'share price multiplier' as follows:

- 1 times for share price growth of up to and including 15% p.a.
- 1.5 times for share price growth of 20% p.a.
- For the most senior executives only (including the two executive directors), 2 times for share price growth of 25% p.a. or more.
- Straight-line vesting in-between these points.

Share price growth will be calculated using three month average share prices immediately prior to the start and end of the performance period.

In addition to meeting the EPS and share price growth targets outlined above, the Committee will need to satisfy itself that the recorded outcome is a fair reflection of the underlying performance of the Group.

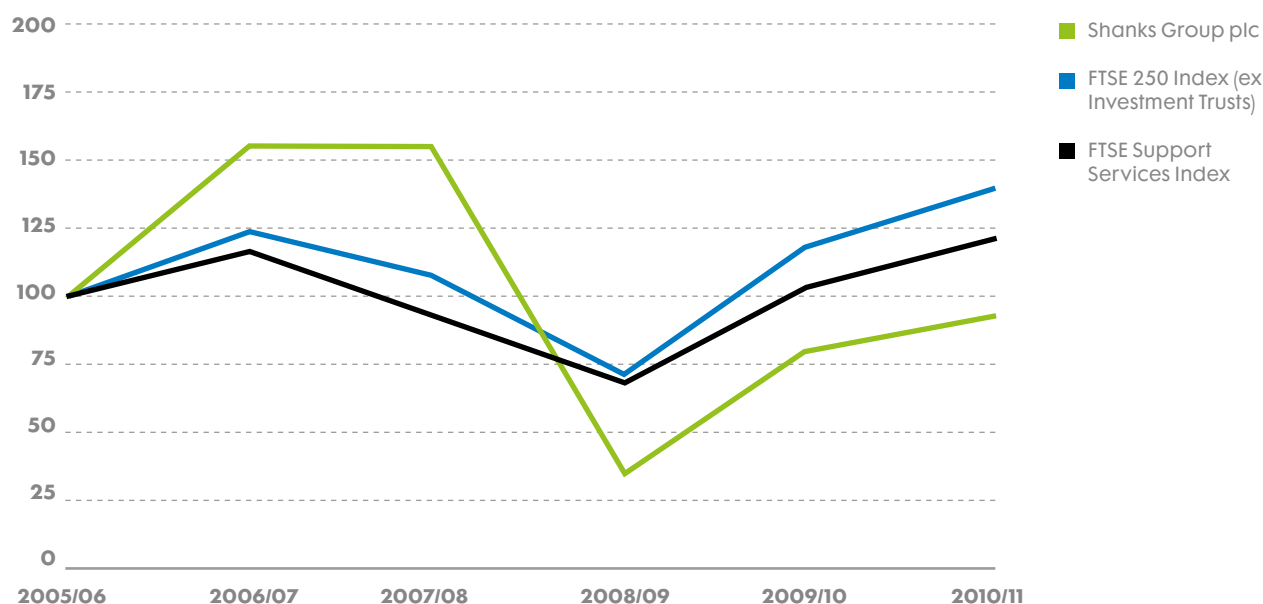
The Remuneration Committee believes that these proposed revisions to executive incentive arrangements include targets which are very stretching and are in the interest of shareholders, as they will help to motivate and retain executives and senior managers to deliver the Group's long-term strategy and goals.

It is the Committee's policy to periodically review executive remuneration arrangements, including the LTIP performance measures and targets, which the Committee will continue to do so from time to time.

Further details including a summary of the main terms of the new LTIP are set out in the AGM circular to shareholders, which is also available on the Group website at www.shankspc.com/agm2011.

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 2011 the Employee Share Trust did not hold any of the Company's shares.

Shanks Group plc Total Shareholder Return for the period 1 April 2006 to 31 March 2011



Source: Datastream

The graph shows the TSR of the Company over the five year period to 31 March 2011. The two comparator indices, for which TSR is also shown, have been selected as they are broad equity indices of which the Company is a constituent member.

Savings Related Share Option Scheme (SRSOS)

The Remuneration Committee believes that share ownership by employees encourages the matching of long term interests between employees and shareholders. UK employees including executive directors may participate in a HMRC approved SRSOS. Under the terms of this scheme 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. 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 circa 1.3 million shares under the SRSOS as at 31 March 2011.

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 and Mr C Surch have rolling service contracts dated 3 September 2007 and 27 April 2009 respectively which require one year's notice from the Company.

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 in the last two Remuneration reports, Mr F Welham stepped down from the Board as Group Finance Director on 27 April 2009 and left the Company on 31 May 2009. Further to the termination payments disclosed previously and again in accordance with his termination agreement a further payment of £21,222 was made in March 2011 to reflect a partial foreign service exemption due to earlier residency in Belgium. The termination agreement provided that his securing alternative employment would mitigate the full twelve months salary in lieu otherwise payable by the Company.

Non-executive Directors

The non-executive directors do not have service contracts as their terms of engagement are governed by letters of appointment. These letters of appointment have previously included renewable three year terms but since 31 March 2011 re-appointment letters have been issued with an annual renewable term linked, for consistency, to the end of July, being the month of the Company's AGM at which all non-executive directors must stand for annual re-election by shareholders. As such, in May 2011, letters of re-appointment were issued to Mr A Auer and Mr P Johnson, both of which are renewable on 31 July 2012.

The Chairman and non-executive directors do not participate in the Company's share or bonus plans and do not receive any pension contributions. Their fees were increased by 3% in line with those of the executive directors with effect from 1 April 2011 and are shown in the following table.

	Date of original appointment	Date of current re-appointment	Expiry date	Unexpired term at date of this report	Annual fee with effect from 1 April 2011
A Auer (i)	16 May 2005	16 May 2011	31 July 2012	14 months	£113,300
P Johnson (ii)	16 May 2005	16 May 2011	31 July 2012	14 months	£43,260
J Petry	30 Sept 2010	–	30 Sept 2013	28 months	€46,350
S Riley	29 March 2007	29 March 2010	29 March 2013	22 months	£38,110
E van Amerongen (iii)	9 Feb 2007	9 Feb 2010	9 Feb 2013	20 months	€61,800

Notes

- (i) Group Chairman and Nomination Committee chairman.
- (ii) Audit Committee chairman.
- (iii) Remuneration Committee chairman and Senior Independent Director.

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 26 May 2011 were as follows:

	As at 1 April 2010 or date of appointment if later	As at 31 March 2011 and 26 May 2011
A Auer	33,333	43,333
T Drury	58,333	68,333
P Johnson	2,641	24,684
J Petry	–	–
S Riley	–	–
C Surch	83,333	93,333
E van Amerongen	–	–

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	2011 Total £000	2010 Total £000
Chairman					
A Auer	110	–	–	110	110
Executive Directors					
T Drury	420	288	132	840	663
C Surch (appointed 1 May 2009)	275	194	76	545	374
F Welham (left 27 April 2009)(ii)	–	–	–	–	25
Non-executive Directors					
P Johnson	42	–	–	42	40
J Petry (appointed 30 Sept 2010) (iii)	21	–	–	21	–
S Riley	37	–	–	37	35
E van Amerongen (iii)	51	–	–	51	53
Total	956	482	208	1,646	1,300

Notes

- (i) Other emoluments include a car allowance and medical insurance. Mr T Drury and Mr C Surch also receive 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) Further to the termination payments disclosed in last year's Remuneration Report, and again in accordance with his termination agreement, a further payment of £21,222 was made to Mr F Welham in March 2011 to reflect a partial foreign service tax exemption due to earlier residency in Belgium.
- (iii) Mr E van Amerongen's and Mr J Petry's fees are paid in Euros but stated above in sterling at an exchange rate of £1: €1.1725 (2010: £1: €1.1275).
- (iv) The non-executive directors do not participate in the annual bonus plan and do not receive any pension contributions from the Group.

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 2010	Granted in year	Lapsed in year	Exercised in year	Number at 31 March 2011
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

Note

- (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 executive directors have been made notional allocations of shares under the Company's Long Term Incentive Plan:

	Outstanding awards at 31 March 2010	Awards made during the year	Awards lapsed during the year	Awards exercised during the year	Outstanding awards at 31 March 2011	Date of award	Share price on date of award (pence)	Performance period end	Restricted period end
T Drury	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
	–	418,000	–	–	418,000	09.06.10	100.30	31.03.13	09.06.13
C Surch	175,000	–	–	–	175,000	10.07.09	68.50	31.03.12	10.07.12
	–	274,000	–	–	274,000	09.06.10	100.30	31.03.13	09.06.13

Notes

- (i) The performance conditions relating to awards granted in 2008 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 2011.
- (ii) The performance conditions relating to the vesting of the awards are shown on page 80.

The highest closing mid-market price of the ordinary shares of the Company during the year was 126.7 pence and the lowest closing mid-market price during the year was 92 pence. The mid-market price at the close of business on 31 March 2011 was 114.1 pence.

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
26 May 2011

Directors

The composition of the Board of Directors at the date of this Report, together with their biographical details, is shown on pages 72 and 73. Mr A Auer, Mr T Drury, Mr E van Amerongen, Mr P Johnson, Dr S Riley and Mr C Surch all served on the Board throughout the financial year under review. Mr J Petry was appointed as a non-executive director on 30 September 2010. 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 21 July 2011 in accordance with the Company's Articles of Association whilst Mr J Petry will be seeking his first election by shareholders. Mr T Drury is also standing, it being three years since his last re-election. The Board commends to shareholders the re-election and election of these directors, all of whom continue to demonstrate commitment to their respective roles and all of whose individual performance continues to be effective.

Qualifying Third Party Indemnities

As at the date of this Report, the Company has granted indemnities in favour of its directors to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out the role as a director of 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.

Principal Activities and Business Review

Shanks Group plc is one of Europe's leading waste management businesses, with operations in the Netherlands, Belgium, the UK and Canada providing a range of recycling and energy recovery solutions and technologies to customers in the public and private sectors. The Group has more than a hundred facilities handling more than seven million tonnes of waste a year, of which more than 75% is recycled or recovered. Group activities range from mechanical biological treatment and anaerobic digestion to recycling and waste collection operations.

The Overview, Strategy and Performance sections of this Annual Report refer to the objectives and strategy of the Group, its competition and the markets in which it operates, the principal risks and uncertainties it faces, a review of the development and performance of the business for the year ended 31 March 2011, the Group's financial position, key performance indicators and likely future developments of the business. Together with the Governance section, 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 is

deemed to form part of, this Report together with the other information referred to in this Directors' Report.

Acquisitions and Disposals

During the year acquisitions have been made for an initial cash consideration of £6.9m (2010: £nil). On 21 October 2010, the Group acquired the UK waste PFI/PPP interests of United Utilities plc for an initial cash consideration of £1m, with deferred consideration of £5.1m contingent upon the successful financial closure of individual projects and which will be payable from win fees. On 24 February 2011, the Group acquired Allied Waste Services' business from The Henry Grant Group for a cash consideration of £5.9m and deferred consideration of £0.6m. Further details are set out in note 17 of the financial statements. On 30 September 2010 the Group sold all the subordinated debt and 80% of the equity in both the East London Waste Authority and Dumfries and Galloway PFI contracts to John Laing Investments for £24.6m (2010 disposals: £Nil). Further details are set out in note 4 of the financial statements.

Research and Development

The Group spent £274,000 (2010: £Nil) on research and development during the year ended 31 March 2011. This expenditure related to the Group's participation in a four year project by a consortium of universities, research centres and commercial companies in Belgium aimed at developing technologies for mapping landfill sites, optimising waste decomposition processes and the recovery of energy and materials through excavation techniques and waste pre-treatment.

Results and Dividends

The Group's Consolidated Income Statement appears on page 94 and note 3 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 £21.9m (2010: £37.6m).

The directors recommend a final dividend of 2.25p (2010: 2.0p) per share be paid on 5 August 2011 to ordinary shareholders on the register of members at close of business on 8 July 2011. This dividend, if approved by shareholders, together with the interim dividend of 1.0p (2010: 1.0p) per share already paid on 14 January 2011, will make a total dividend for the year of 3.25p per share (2010: 3.0p).

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 25 May 2011 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	59,750,929	15.06
Artemis Investment Management LLP	29,489,347	7.43
Norges Bank	16,312,838	4.11
Legal & General Group plc	12,391,938	3.12

Share Capital

The Company's share capital comprises ordinary shares of 10 pence each par value. As at 31 March 2011 and as at the date of this Report there were 396,846,023 ordinary shares in issue. During the year ended 31 March 2011 no ordinary shares were issued other than those issued in respect of the exercise of options or awards under the Company's share schemes, details of which are given in note 7 to the financial statements. 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. Payment or satisfaction of a dividend may be made wholly or partly by distribution of assets, including fully paid shares or debentures of any other company. 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.
- Voting rights – voting at any general meeting is by a show of hands unless a poll is duly demanded. Voting at this year's AGM will be by a poll only. On a show of hands every shareholder who is present in person or by proxy or represented by a corporate representative at a general meeting has one vote regardless of the number of shares held by the shareholder. On a poll, every shareholder who is present in person or by proxy or represented by a corporate representative has one vote for every share held by that shareholder. 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 or represented by corporate representatives at the meeting; (c) any shareholder or shareholders present in person or by proxy or represented by corporate representatives 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 or represented by corporate representatives 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 in respect of the joint holding. The deadline for appointing proxies to exercise voting rights at any general meeting is set out in the notice convening the relevant meeting. 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 applicable legislation, divide among the shareholders in kind the whole or any part of the Company's assets or vest the Company's 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. Certain restrictions may however from time to time be imposed by laws and regulations (for example insider trading laws). 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.

Retail Bond

As at 31 March 2011 and as at the date of this Report the Company had in issue a retail bond comprising €100 million 5% guaranteed notes due 22 October 2015, each of €1 par value.

There are no restrictions under the instrument governing the guaranteed notes that restrict the rights of investors to hold or transfer the guaranteed notes. The Company is not aware of any agreements between the holders of guaranteed notes that may result in restrictions on the transfer of guaranteed notes.

Appointment and Replacement of Directors

The Company shall appoint not less than two directors (disregarding alternate 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.
- 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 no later than 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.
- The office of any director must be vacated if any of the circumstances in Article 100 of the Articles of Association arise.

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 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 employees' share scheme, is restricted. Under the Companies Act 2006, 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 Act 2006, the Company may also not allot shares for cash (otherwise than pursuant to an employees' 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 £1,983,956. This authority lasts until the earlier of the AGM of the Company in 2011 or 30 September 2011.

- 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 Act 2006 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 39,679,127 ordinary shares. This authority lasts until the earlier of the AGM of the Company in 2011 or 30 September 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, provided that the aggregate amount of borrowings does not exceed the limit set out in the Company's 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 74 to 85.

Corporate Responsibility

Information on Corporate Responsibility matters including the environment, employment policies,

health and safety and community relations are set out on pages 26 to 30. The Group Corporate Responsibility Policy is available on the Group website as is the full Group Corporate Responsibility Report.

Charitable and Political Donations

During the financial year donations made by the Group for charitable purposes amounted to £19,000 (2010: £2,000). Included within this total the Board are pleased to report their support for the UK youth charity, the Princes Trust, with a funding commitment of £15,000 per annum for the next three years. The Board will also look for opportunities to support similar charities in the Netherlands and Belgium.

In the UK, through the Landfill Communities Fund, the Group has applied £546,000 (2010: £552,000) via not-for-profit organisations to undertake projects such as disused land restoration, public park maintenance and habitat conservation. 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 (2010: £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 67 days (2010: 66 days) for the Group and was 35 days (2010: 33 days) for the Company.

Change of Control - Significant Agreements

The Group's principal financing instrument at 31 March 2011, a €200m term loan and multicurrency 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 30 days from the change of control and, if exercised at 31 March 2011, would have required the repayment of £89.3m in principal and interest.

The Group's five year Retail Bond issued in October 2010 requires notice to be given to bondholders within 7 business days of a change of control following which the holders have an option to seek repayment at a 1% premium, within 60 days of that notice. Such repayment must be made within 10 business days of the expiry of the option period. If change of control occurs prior to 22 October 2011 the repayment is at a premium of 1.875%. If exercised at 31 March 2011, repayment of £92.1m in principal and interest would have been required.

The 2001 notes issued under the Group's private placement contain an option for the noteholders to enforce prepayment between 30 and 60 days from a change of control of outstanding principal and interest which would have amounted in total at 31 March 2011 to £32.1m. In addition, a make-whole payment amounting to £1.9m which is not provided for in these financial statements would be payable to private placement noteholders based on treasury yields at 31 March 2011.

Subsequent to 31 March 2011, €17.9m (£15.9m) of private placement notes were repaid on maturity on 11 April 2011 and €40m (£35.4m) of new notes were issued under the facility dated 24 March 2011. These notes contain the same requirements as the 2001 notes in the event of a change of control.

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 Group has Essential Contractual and Other Arrangements

The Group'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. In Canada there are long term contracts with the London and Ottawa municipalities.

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 21 July 2011 at 11.00am will be made available to shareholders, together with a form of proxy, and will also be available on the Group website at www.shankspc.com. In addition to the routine resolutions, an ordinary resolution will also be proposed to approve a new long term share incentive plan. The directors consider that all the resolutions to be proposed at the AGM 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.

Directors' Responsibilities Statement

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 prepared 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 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;
- 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 72 to 73 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 contained on pages 86 to 90 of the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.
- 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

26 May 2011

Shanks Group plc

Registered in Scotland no. SC077438

We have audited the financial statements of Shanks Group plc for the year ended 31 March 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the 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 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 90, 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the Annual Report and Accounts 2011 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 and of the Group's profit and Group's and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements 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;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance statement set out on pages 74 to 78 with regard to internal control and risk management systems and about share capital structures 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; or
- a corporate governance statement has not been prepared by the Parent Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 86, in relation to going concern;
- 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; and
- certain elements of the report to shareholders by the Board on directors' remuneration.



John Waters

(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, 26 May 2011

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Financial

Consolidated Income Statement

year ended 31 March 2011

	Note	2011 £m	2010 £m
Continuing operations			
Revenue	3	717.3	683.5
Cost of sales before amortisation of acquisition intangibles		(606.8)	(569.6)
Amortisation of acquisition intangibles	4,13	(3.9)	(3.9)
Total cost of sales		(610.7)	(573.5)
Gross profit		106.6	110.0
Administrative expenses before exceptional items		(60.8)	(62.8)
Exceptional items	4	(4.3)	(11.4)
Total administrative expenses		(65.1)	(74.2)
Operating profit	3,4,5	41.5	35.8
Finance charges		(24.3)	(29.3)
Finance income		9.8	11.4
Change in fair value of interest rate swaps		(5.8)	1.7
Net finance charges	8	(20.3)	(16.2)
Profit before tax	3	21.2	19.6
Tax before exceptional tax		(7.8)	(6.7)
Exceptional tax	4,9	8.5	5.2
Total tax	9	0.7	(1.5)
Profit for the year from continuing operations		21.9	18.1
Profit from discontinued operations		–	19.5
Profit for the year attributable to shareholders		21.9	37.6
Earnings per share from continuing operations			
– basic	11	5.5p	4.8p
– diluted	11	5.5p	4.8p
Total earnings per share for the year			
– basic	11	5.5p	10.0p
– diluted	11	5.5p	10.0p

Consolidated Statement of Comprehensive Income

year ended 31 March 2011

	Note	2011 £m	2010 £m
Profit for the year		21.9	37.6
Exchange loss on translation of foreign operations		(2.2)	(6.4)
Interest rate hedges		0.2	(4.5)
Actuarial gain (loss) on defined benefit pension schemes	26	4.9	(6.8)
Tax in respect of other comprehensive income items		(1.4)	3.2
Other comprehensive income for the year, net of tax		1.5	(14.5)
Total comprehensive income for the year		23.4	23.1

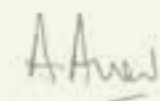
The notes on pages 98 to 136 are an integral part of these consolidated financial statements.

	Note	Group		Company	
		At 31 March 2011 £m	At 31 March 2010 £m	At 31 March 2011 £m	At 31 March 2010 £m
Non-current assets					
Intangible assets	13	289.6	299.7	0.4	–
Property, plant and equipment	14	397.5	383.8	0.2	0.2
Other investments and loans to joint ventures	15	7.1	6.1	469.6	469.6
Trade and other receivables	21	53.4	170.8	–	–
Retirement benefit asset	26	4.9	–	4.9	–
Derivative financial instruments	16	0.1	–	0.1	–
Deferred tax assets	18	15.3	18.3	0.4	2.2
		767.9	878.7	475.6	472.0
Current assets					
Inventories	19	9.9	9.9	–	–
Trade and other receivables	21	179.5	166.1	284.0	257.2
Derivative financial instruments	16	0.2	–	–	–
Current tax receivable		–	–	4.0	6.1
Cash and cash equivalents	22	54.5	51.3	11.8	14.2
		244.1	227.3	299.8	277.5
Total assets		1,012.0	1,106.0	775.4	749.5
Non-current liabilities					
Borrowings	23	(222.6)	(361.5)	(87.1)	(60.9)
Derivative financial instruments	16	(6.1)	(18.7)	(0.2)	(0.4)
Other non-current liabilities	24	(18.7)	(20.4)	(434.9)	(426.3)
Deferred tax liabilities	18	(51.4)	(68.9)	(1.3)	–
Provisions	25	(39.4)	(33.1)	(0.3)	–
Retirement benefit obligations	26	–	(6.8)	–	(6.8)
		(338.2)	(509.4)	(523.8)	(494.4)
Current liabilities					
Borrowings	23	(39.3)	(9.5)	(10.5)	(5.9)
Trade and other payables	24	(225.4)	(195.6)	(11.7)	(7.9)
Current tax payable		(4.7)	(2.4)	–	–
Provisions	25	(7.0)	(3.9)	(2.4)	(2.6)
		(276.4)	(211.4)	(24.6)	(16.4)
Total liabilities		(614.6)	(720.8)	(548.4)	(510.8)
Net assets		397.4	385.2	227.0	238.7
Equity					
Ordinary shares	27	39.7	39.7	39.7	39.7
Share premium		99.4	99.3	123.4	123.3
Exchange reserve		55.6	57.8	–	–
Retained earnings		202.7	188.4	63.9	75.7
Total equity		397.4	385.2	227.0	238.7

The notes on pages 98 to 136 are an integral part of these consolidated financial statements.

The Financial Statements on pages 94 to 136 were approved by the Board of Directors and authorised for issue on 26 May 2011.

They were signed on its behalf by:



A Auer
Chairman



C Surch
Group Finance Director

Group	Share capital £m	Share premium £m	Exchange reserve £m	Merger reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2010	39.7	99.3	57.8	–	188.4	385.2
Profit for the year	–	–	–	–	21.9	21.9
Other comprehensive income	–	–	(2.2)	–	3.7	1.5
Total comprehensive income for the year	–	–	(2.2)	–	25.6	23.4
Proceeds from shares issued	–	0.1	–	–	–	0.1
Share based compensation	–	–	–	–	0.6	0.6
Dividends	–	–	–	–	(11.9)	(11.9)
Balance at 31 March 2011	39.7	99.4	55.6	–	202.7	397.4
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

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.

Company	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2010	39.7	123.3	–	75.7	238.7
Profit for the year	–	–	–	(4.3)	(4.3)
Other comprehensive income	–	–	–	3.8	3.8
Total comprehensive income for the year	–	–	–	(0.5)	(0.5)
Proceeds from shares issued	–	0.1	–	–	0.1
Share based compensation	–	–	–	0.6	0.6
Dividends	–	–	–	(11.9)	(11.9)
Balance at 31 March 2011	39.7	123.4	–	63.9	227.0
Balance at 1 April 2009	23.8	123.2	–	39.6	186.6
Profit for the year	–	–	–	(5.2)	(5.2)
Other comprehensive income	–	–	–	(5.2)	(5.2)
Total comprehensive income 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

The notes on pages 98 to 136 are an integral part of these consolidated financial statements.

	Note	Group		Company	
		2011 £m	2010 £m	2011 £m	2010 £m
Net cash flow from:					
Continuing activities	28	95.3	89.3	(10.0)	25.1
Discontinued operations	28	–	(0.8)	–	–
Net cash generated from operating activities		95.3	88.5	(10.0)	25.1
Investing activities					
Continuing operations:					
– Purchases of intangible assets		(0.8)	(0.4)	(0.4)	–
– Purchases of property, plant and equipment		(70.9)	(59.1)	–	–
– Disposals of property, plant and equipment		4.4	2.3	–	–
– Financial asset capital advances		(20.7)	(24.7)	–	–
– Financial asset capital repayments		6.2	17.1	–	–
– Acquisition of subsidiary and other businesses		(9.4)	(4.9)	–	–
– Disposal of subsidiary and other businesses		26.9	–	–	–
– Net movement on loans with joint ventures		(0.5)	(3.7)	–	–
Discontinued operations:					
– Disposal of joint venture		–	21.1	–	–
– Discontinued operations investing activities		–	(0.1)	–	–
Net cash used in investing activities		(64.8)	(52.4)	(0.4)	–
Financing activities					
Continuing operations:					
– Finance charges and loan fees paid		(17.7)	(28.8)	(18.9)	(20.5)
– Finance income		8.4	11.0	9.4	9.0
– Net proceeds from issue of shares		0.1	67.0	0.1	67.0
– Dividends paid		(11.9)	(4.0)	(11.9)	(4.0)
– Net proceeds from the issuance of bonds		83.8	–	83.8	–
– Repayment of bank borrowings		(106.6)	–	(59.7)	–
– Other increase (decrease) in net borrowings		20.7	(50.3)	5.2	(68.0)
– Repayments of obligations under finance leases		(3.9)	(6.2)	–	–
Discontinued operations financing activities		–	(0.1)	–	–
Net cash flow used in financing activities		(27.1)	(11.4)	8.0	(16.5)
Net increase (decrease) in cash and cash equivalents		3.4	24.7	(2.4)	8.6
Effect of foreign exchange rate changes		(0.2)	(0.4)	–	–
Cash and cash equivalents at beginning of year		51.3	27.0	14.2	5.6
Cash and cash equivalents at end of year		54.5	51.3	11.8	14.2

The notes on pages 98 to 136 are an integral part of these consolidated 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) and IFRIC interpretations 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 2010.

The following new standards and amendments to standards, which are mandatory for the first time for the financial year beginning 1 April 2010, are relevant for the Group:

IFRS 3 (revised), 'Business Combinations'. The revised standard applies to business combinations completed on or after 1 April 2010 with no requirement to re-state previous business combinations. The revised standard continues to apply the acquisition method to business combinations with some significant changes. For example, all payments to purchase a business are recorded at fair value at acquisition date, with contingent consideration payments classified as a liability and subsequently re-measured through the Consolidated Income Statement. All acquisition related costs are expensed. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at either fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. There has been no material impact to the Group's financial statements on adopting IFRS 3 (revised).

IAS 27 (revised), 'Consolidated and Separate Financial Statements'. As the Group has adopted IFRS 3 (revised) it is required to adopt IAS 27 (revised) at the same time which applies prospectively for transactions occurring after 1 April 2010. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and such transactions no longer result in goodwill or gains and losses arising. The revised standard also specifies the accounting when control is lost. In such instances any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. There has been no material impact to the Group's financial statements on adopting IAS 27 (revised).

The following amendments to standards and interpretations, which are mandatory for the first time for the financial year beginning 1 April 2010, are either not currently relevant or material for the Group:

- IFRIC 17, 'Distributions of Non-cash Assets to Owners';
- IAS 39 (amendment), Financial Instruments: Recognition and Measurement – Eligible Hedged Items;
- IFRS 1 (revised), First-time Adoption of IFRS;
- IFRS 1 (amendment), 'Additional Exemptions for First-time Adopters', effective for annual periods commencing on or after 1 January 2010;
- IFRS 2 (amendment), Share-based Payment – Group Cash-settled Share-based Payment Transactions;
- IAS 32 (amendment), 'Financial Instruments: Presentation', classification of Rights Issues, effective for annual periods commencing on or after 1 February 2010; and
- Improvements to IFRSs (2009).

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.

- IFRS 9, 'Financial Instruments', issued in December 2009, effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement;
- IAS 24 (revised), 'Related Party Disclosures', effective for annual periods beginning on or after 1 January 2011;

- 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;
- IFRIC 14 (amendment), 'Prepayments of a Minimum Funding Requirement', effective for annual periods beginning on or after 1 January 2011, subject to EU endorsement; and
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments', effective for annual periods beginning on or after 1 July 2010.

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. Wholly owned subsidiary companies set up under PFI/PPP contracts are fully consolidated by the Group.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost or, in the case of a disposal of the majority shareholding, fair value. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

The results of subsidiaries, joint ventures and associates acquired or sold during the year are included in the consolidated financial statements up to, or from, the date control passes.

PFI/PPP contracts

The Group's PFI/PPP contracts are all integrated waste management contracts. Under these contracts, the existing Local Authority waste management services are operated by the Group from inception of the contract. The contracts require 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 splits the local authority payment between a service element as revenue and a repayment element that 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/PPP infrastructure.

Revenue

Revenue represents the fair value of consideration receivable, including landfill tax but excluding sales taxes, discounts and inter company sales, for goods and services provided. Revenue is recognised when processing occurs or when the service is provided.

Income from electricity generated includes an estimation of the amount to be received.

Income from recycling activities includes amounts based upon market prices for recycle products.

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 awards 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.

1. Accounting policies – Group and Company continued

Business combinations

The acquisitions of subsidiaries are accounted for using the purchase method. The cost of acquisition is measured as the fair value of assets given and liabilities incurred or assumed. Identifiable assets acquired and liabilities and contingent liabilities assumed, meeting the conditions for recognition, are recognised at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. The costs of acquisition are charged to the income statement in the period in which they are incurred.

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 ('CGUs') for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs 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.

(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
Others	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 impairment. Freehold land is not depreciated. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

(i) Buildings, plant and machinery

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

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 shorter of the expected useful life and the lease term.

(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 30 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. For acquisitions after 1 April 2010, any differences between consideration accrued and consideration paid or received are charged or released to the income statement, before this date differences are adjusted through goodwill.

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

Deferred consideration and all long term provisions for 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.

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 in PFI/PPP contracts

Financial assets in PFI/PPP 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 and bank overdrafts.

(iv) External borrowings

Interest bearing bank loans and bonds 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/PPP contracts and loan facility requirements, the Group has a number of interest rate swaps and foreign exchange hedges. 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. This requires that the hedging relationship is documented at its inception and to ensure that the derivative is highly effective in achieving its objective, and requires 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.

2. Critical accounting judgements and estimates

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.

Areas which management believes require the most critical accounting judgements and estimates are:

Underlying business performance

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 the Group for internal performance analysis and incentive compensation arrangements for employees. The terms 'trading profit', 'exceptional items' and 'underlying' are not defined terms under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to GAAP measurements of profit. The term 'underlying' refers to the relevant measure being reported for continuing operations excluding exceptional items, financing fair value remeasurements and amortisation of acquisition intangibles, excluding landfill void and computer software. Trading profit is defined as continuing operating profit before amortisation of acquisition intangibles and exceptional items. Reconciliations are set out in note 4.

Retirement benefit schemes

The Group operates defined benefit schemes for which actuarial valuations are carried out as determined by the trustees at intervals of not more than three years. The pension cost under IAS 19 is assessed in accordance with management's best estimates using the advice of an independent qualified actuary and assumptions in the latest actuarial valuation. The principal assumptions in connection with the Group's retirement benefit schemes are set out in note 26.

Impairment of intangible assets

In conducting the impairment review on goodwill and intangibles management is required to make estimates of discount rates, future profitability, growth rates and tax rates. Detailed descriptions of assumptions and values are given in note 13.

Tax

The Group operates in the Netherlands, Belgium, the United Kingdom and Canada, all of which have their own tax legislation. Deferred tax assets and liabilities are recognised at the current tax rate which may not be the tax rate at which they unwind. The Group has available tax losses, some of which have been recognised as a tax asset and some have not based on management's best estimate of the ability of the Group to utilise those losses. Further information is set out in note 18.

Provisions

Restoration and aftercare provisions are recognised in the financial statements at the net present value of the estimated future expenditure required to settle the Group's restoration and aftercare provisions. A discount is applied to recognise the time value of money and is unwound over the life of the provision. Provisions also include the present value of the estimated operating losses on loss making contracts. Further information is set out in note 25.

2. Critical accounting judgements and estimates continued

PFI/PPP contracts

Financial assets are recognised in accordance with IFRIC 12. They represent the present value of the future cash flows of the contract. These cash flows are dependent on, amongst other things, tonnages, indexation, recycling rates and labour costs.

3. 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 strategy section on pages 10 to 45 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
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
Municipal - PFI Contracts	Long term United Kingdom municipal waste treatment contracts
Landfill and Power*	Landfill disposal (including contaminated soils) and power generation from landfill gas
Sand Quarry	Mineral extraction

*Belgium Landfill is viewed separately to Belgium Power. In addition to the waste activities detailed above the Group has small infrastructure and groundworks operations in Belgium and 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.

Revenue		2011 £m	2010 £m
Netherlands	Solid Waste	213.9	217.8
	Hazardous Waste	141.2	127.8
	Organic Treatment	12.5	11.9
	Intra-segment revenue	(5.4)	(3.8)
		362.2	353.7
Belgium	Solid Waste	125.8	127.9
	Hazardous Waste	50.5	45.4
	Landfill	4.8	13.5
	Power	5.1	5.8
	Sand Quarry	3.1	3.1
	Intra-segment revenue	(17.0)	(19.3)
		172.3	176.4
United Kingdom	Solid Waste	66.4	65.3
	Hazardous Waste	14.6	5.9
	Organic Treatment	1.6	–
	Municipal - PFI Contracts	87.0	69.4
	Landfill and Power	6.1	6.1
		175.7	146.7
Canada	Organic Treatment	10.5	8.2
Inter-segment revenue		(3.4)	(1.5)
Total revenue from continuing operations		717.3	683.5
Group		704.8	671.7
Share of joint ventures		12.5	11.8
Total revenue from continuing operations		717.3	683.5
Total revenue from discontinued operations		–	1.5
Total revenue		717.3	685.0

3. Segmental reporting continued

Segment Results		2011 £m	2010 £m
Trading Profit			
Netherlands	Solid Waste	21.3	24.2
	Hazardous Waste	17.9	14.5
	Organic Treatment	1.9	2.0
	Country Central Services	(3.9)	(4.0)
		37.2	36.7
Belgium	Solid Waste	6.2	4.7
	Hazardous Waste	3.5	3.5
	Landfill	1.5	5.0
	Power	3.3	4.1
	Sand Quarry	0.7	0.7
	Country Central Services	(4.3)	(4.0)
		10.8	14.0
United Kingdom	Solid Waste	4.1	5.5
	Hazardous Waste	2.9	0.9
	Organic Treatment	0.1	–
	Municipal - PFI Contracts	5.6	2.4
	PFI Bid Team	(2.6)	(2.4)
	Landfill and Power	0.3	0.9
	Country Central Services	(5.4)	(5.2)
		5.0	2.1
Canada	Organic Treatment	1.3	1.9
Group Central Services		(4.6)	(3.6)
Total trading profit		49.7	51.1
Amortisation of acquisition intangibles		(3.9)	(3.9)
Exceptional items		(4.3)	(11.4)
		(8.2)	(15.3)
Total operating profit from continuing operations		41.5	35.8
Group		41.7	34.8
Share of joint ventures		(0.2)	1.0
Total operating profit		41.5	35.8
Finance charges			
	Interest payable	(23.9)	(29.3)
	Interest receivable	9.4	11.4
	Change in fair value of interest rate swaps	(5.8)	1.7
Net finance charges		(20.3)	(16.2)
Profit before tax for the year		21.2	19.6

Net assets

	Operating Assets					Tax, net debt & derivatives £m	Total £m
	Netherlands £m	Belgium £m	United Kingdom £m	Canada £m	Group Central Services £m		
31 March 2011							
Gross non-current assets	491.6	107.2	113.7	34.5	5.5	15.4	767.9
Gross current assets	86.1	50.3	47.0	5.0	1.0	54.7	244.1
Gross liabilities	(127.8)	(78.3)	(76.4)	(2.2)	(5.8)	(324.1)	(614.6)
Net assets	449.9	79.2	84.3	37.3	0.7	(254.0)	397.4

31 March 2010

Gross non-current assets	501.1	115.3	213.0	31.0	–	18.3	878.7
Gross current assets	77.3	48.9	45.8	3.2	0.8	51.3	227.3
Gross liabilities	(121.0)	(74.6)	(48.1)	(1.3)	(14.8)	(461.0)	(720.8)
Net assets	457.4	89.6	210.7	32.9	(14.0)	(391.4)	385.2

Other disclosures

	Netherlands £m	Belgium £m	United Kingdom £m	Canada £m	Total £m
31 March 2011					
Capital expenditure	39.9	12.8	10.4	4.4	67.5
Depreciation	30.5	14.2	3.0	1.1	48.8
Amortisation of intangibles	3.9	0.2	1.1	0.1	5.3
Impairment	7.9	4.0	–	–	11.9

31 March 2010

Capital expenditure	32.8	22.8	5.6	8.9	70.1
Depreciation	31.2	14.7	2.8	0.6	49.3
Amortisation of intangibles	4.6	0.2	0.7	0.1	5.6
Impairment	–	1.1	–	–	1.1

4. Reconciliation of underlying information and exceptional items

Non trading and exceptional items in operating profit	2011 £m	2010 £m
Gain on disposal of subsidiaries	(3.7)	–
Curtailment of pension liabilities	(3.9)	–
Impairment of goodwill	11.9	–
Dumfries and Galloway PFI contract	–	6.7
Restructuring charge	–	1.9
Exceptional professional fees	–	2.7
Other non trading one off items	–	0.1
Total non trading and exceptional items in administrative expenses	4.3	11.4
Amortisation of acquisition intangibles	3.9	3.9
Total non trading and exceptional items in operating profit	8.2	15.3

4. Reconciliation of underlying information and exceptional items continued

The Group has recognised an exceptional gain of £3.7m net of associated taxes arising from the £24.6m sale of all of the subordinated debt and 80 per cent of the equity in the East London Waste Authority (ELWA) and Dumfries and Galloway (D&G) PFI contracts. The gain is stated net of costs, net assets disposed and a gross £9.6m provision for the remaining life of the D&G operating contract. The removal of the net assets of the subsidiaries has resulted in a significant decrease in trade and other receivables and in non-recourse net debt. An exceptional tax credit of £8.5m arose in the year relating to the partial release of provisions booked in March 2009 in respect of the abolition of Industrial Buildings Allowances relating to these contracts. A detailed review of historic capital allowances on PFI infrastructure was performed which has been agreed with the taxation authorities.

With effect from 31 March 2011, the Group has introduced a pensionable pay increase cap of 1% per annum that applies to the benefit that active non-local government passport section members can accrue in the scheme. This has led to an exceptional credit of £3.9m.

Changes in market conditions in wood based and landfill markets have resulted in goodwill impairments of £11.9m and further disclosure is given in note 13.

	2011 £m	2010 £m
Operating profit to trading profit		
Operating profit from continuing operations	41.5	35.8
Non trading and exceptional items	8.2	15.3
Trading profit	49.7	51.1

	Note	2011 £m	2010 £m
Underlying EBITDA			
Operating profit from continuing operations		41.5	35.8
Non trading and exceptional items		8.2	15.3
Amortisation and impairment of intangible assets	28	17.2	5.9
Depreciation and impairment of property, plant and equipment	28	48.8	50.1
Impairments	13, 14	(11.9)	(1.1)
Amortisation of acquisition intangibles	13	(3.9)	(3.9)
Non-exceptional gains on property, plant and equipment	28	(1.4)	(0.6)
Non cash landfill related expense and provisioning		0.1	0.6
Underlying EBITDA		98.6	102.1

	2011 £m	2010 £m
Profit before tax to underlying profit before tax		
Profit before tax	21.2	19.6
Non trading and exceptional items	8.2	15.3
Change in fair value of interest rate swaps	5.8	(1.7)
Underlying profit before tax	35.2	33.2

	2011 £m	2010 £m
Profit after tax to underlying profit after tax		
Profit after tax	21.9	18.1
Non trading and exceptional items, net of tax	8.2	12.6
Change in fair value of interest rate swaps, net of tax	4.3	(1.3)
Exceptional tax	(8.5)	(5.2)
Underlying profit after tax	25.9	24.2

5. Operating profit

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

	2011 £m	2010 £m
Staff costs (see note 6)	182.4	175.8
Depreciation of property, plant and equipment	48.8	49.3
Amortisation of intangible assets (charged to cost of sales)	5.3	5.6
Repairs and maintenance expenditure on property, plant and equipment	44.5	44.6
Net profit on disposal of property, plant and equipment	(1.4)	(0.6)
Non trading and exceptional items (as described in note 4)	8.2	15.3
Trade receivables impairment	1.1	1.3
Acquisition expenses	0.2	–
Government grants	(0.1)	(0.1)
Operating lease costs:		
– Minimum lease payments	17.8	17.0
– Less sublease rental income	(0.2)	(0.6)
	17.6	16.4
Remuneration of the Group's auditor, PricewaterhouseCoopers LLP and its associates:		
– Audit of parent company and consolidated accounts	0.1	0.1
– Audit of subsidiaries pursuant to legislation	0.4	0.5
– Tax services	0.1	0.2
– Other	0.1	0.1
	0.7	0.9

6. Employees

	2011	2010
The average number of persons employed by the Group during the year was:		
Netherlands	2,260	2,236
Belgium	1,151	1,169
United Kingdom	792	801
Canada	27	18
Group Central Services	16	15
	4,246	4,239

	2011 £m	2010 £m
The total remuneration of all employees comprised:		
Wages and salaries costs	143.2	139.6
Employer's social security costs	27.4	26.6
Share options granted to directors and employees	0.6	(0.6)
Employer's retirement benefit costs (see note 26)	11.2	10.2
	182.4	175.8

The disclosure above relates to the Group. The average number of persons employed by the Company was 16 (2010: 15), with the related wages and salaries costs, employer's social security costs and employer's retirement benefit costs amounting to £2.3m (2010: £2.2m), £0.3m (2010: £0.2m) and £0.1m (2010: £0.1m) respectively.

7. Share-based payments

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 key executives.

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 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
Granted during the year	256,515	79p	–	–	2,322,000
Forfeited during the year	(143,882)	79p	–	–	–
Expired during the year	(117,782)	107p	–	–	(1,941,832)
Exercised during the year	(8,458)	71p	–	–	(46,292)
Outstanding at 31 March 2011	1,260,146	80p	159,827	110p	3,639,500
Exercisable at 31 March 2011	46,858	148p	159,827	110p	
Exercisable at 31 March 2010	94,212	113p	159,827	110p	

At 31 March 2011:

Range of price per share	71p to 148p	91p to 114p	
Weighted average remaining contractual life	1-2 years	nil years	1-2 years

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

Fair value of options granted during the year

Valuation model	SRSOS		LTIP	
	2011 Black-Scholes	2010 Black-Scholes	2011 Monte Carlo	2010 Binomial
Weighted average fair value	40p	32p	51p	38p
Weighted average share price	109p	98p	99p	68p
Weighted average exercise price	79p	71p	–	–
Expected volatility	48%	41%	48%	40%
Expected life	3 years	3 years	3 years	3 years
Risk-free interest rate	1.3%	1.9%	1.5%	2.3%
Dividend yield	4.0%	4.0%	4.0%	4.0%
Correlation	–	–	–	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.

Charge for the year

The Group recognised a total charge of £0.6m (2010: £0.6m income) relating to equity-settled share-based payments.

8. Net finance charges

	2011 £m	2010 £m
Finance charges:		
Interest payable on borrowings wholly repayable within five years	11.2	14.8
Interest payable on other borrowings	6.1	8.6
Share of interest of joint ventures	0.3	0.1
Unwinding of discount on provisions	2.3	1.3
Unwinding of discount on deferred consideration payable	0.7	0.8
Amortisation of loan fees	3.7	3.7
Total finance charges	24.3	29.3
Finance income:		
Interest receivable on financial assets relating to PFI contracts	(6.3)	(9.7)
Unwinding of discount on deferred consideration receivable	(0.4)	(0.4)
Other interest receivable	(3.1)	(1.3)
Total finance income	(9.8)	(11.4)
Change in fair value of interest rate swaps	5.8	(1.7)
Net finance charges	20.3	16.2

9. Tax

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

	2011 £m	2010 £m
Current tax:		
UK corporation tax at 28% (2010: 28%)		
– Current year	–	0.2
– Prior year	(2.2)	0.2
Overseas tax		
– Current year	8.0	8.4
– Prior year	0.6	(3.5)
Exceptional	–	(5.2)
Total current tax	6.4	0.1
Deferred tax (see note 18)		
– Current year	1.1	1.0
– Prior year	0.3	0.4
– Exceptional	(8.5)	–
Total deferred tax	(7.1)	1.4
Total tax (credit) charge for the year	(0.7)	1.5

An exceptional tax credit of £8.5m arose in the year relating to the partial release of provisions booked in March 2009 in respect of the abolition of Industrial Buildings Allowances relating to these contracts. A detailed review of historic capital allowances on PFI infrastructure was performed which has been agreed with the taxation authorities.

The exceptional tax credit of £5.2m in 2010 related to a release of provisions in respect of prior year tax matters.

9. Tax continued

The tax assessed for the year is lower than the United Kingdom standard rate of tax of 28% (2010: lower than 28%). The differences are explained below:

	2011 £m	2010 £m
Total profit before tax	21.2	19.6
Tax charge based on UK tax rate	5.9	5.5
Effects of:		
Adjustment to tax charge in respect of prior periods	(1.3)	(2.9)
Profits taxed at overseas tax rates	–	0.2
Non-taxable/non-deductible items	1.7	1.2
Unrecognised tax losses	1.6	2.4
Other	(0.1)	0.3
Exceptional	(8.5)	(5.2)
Total tax (credit) charge for the year	(0.7)	1.5

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 £1.4m that has been charged (2010: £3.2m credited) directly to equity.

10. Dividends

	2011 £m	2010 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend paid for the year ended 31 March 2010 of 2.0p per share (2009: nil)	7.9	–
Interim dividend paid for the year ended 31 March 2011 of 1.0p per share (2010: 1.0p)	4.0	4.0
	11.9	4.0
Proposed final dividend for the year ended 31 March 2011 of 2.25p per share (2010: 2.0p)	8.9	7.9
Total dividend per share	3.25p	3.0p

11. Earnings per share

	2011	2010
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	396.8m	374.4m
Effect of share options in issue	0.5m	0.3m
Weighted average number of ordinary shares for diluted earnings per share	397.3m	374.7m
Calculation of basic and underlying basic earnings per share		
Earnings for basic earnings per share being profit for the year (£m)	21.9	18.1
Change in fair value of interest rate swaps (net of tax) (£m)	4.3	(1.3)
Amortisation of acquisition intangibles (net of tax) (£m)	2.9	2.9
Exceptional items (net of tax) (£m)	5.3	9.7
Exceptional tax charge (£m)	(8.5)	(5.2)
Earnings for underlying basic earnings per share (£m)	25.9	24.2
Basic earnings per share	5.5p	4.8p
Underlying earnings per share (see note below)	6.5p	6.5p
Calculation of diluted earnings per share		
Earnings for basic earnings per share being profit for the year (£m)	21.9	18.1
Effect of dilutive potential ordinary shares (£m)	–	–
Earnings for diluted earnings per share (£m)	21.9	18.1
Diluted earnings per share	5.5p	4.8p
Total earnings per share		
Basic and diluted earnings per share for continuing operations	5.5p	4.8p
Basic and diluted earnings per share for discontinued operations	–	5.2p
Total basic and diluted earnings per share	5.5p	10.0p

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.

12. Company income statement

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the year. Shanks Group plc reported a loss for the year ended 31 March 2011 of £4,300,000 (2010: £5,200,000). The Company operates solely in the United Kingdom providing Central Services. The Company is registered in Scotland under company number SC077438.

13. Intangible assets

Group	Goodwill £m	Other acquisition related intangibles £m	Landfill void £m	Software £m	Total £m
Cost					
At 31 March 2009	263.9	34.9	27.8	5.8	332.4
On acquisition of joint venture	1.6	–	–	–	1.6
Additions	–	0.3	–	0.2	0.5
Exchange	(9.5)	(0.8)	(1.0)	(0.2)	(11.5)
At 31 March 2010	256.0	34.4	26.8	5.8	323.0
On acquisition of businesses (note 17)	5.8	4.6	–	–	10.4
Reassessment of contingent consideration	(1.7)	–	–	–	(1.7)
Additions	–	–	–	0.8	0.8
Disposals	–	–	–	(0.5)	(0.5)
Exchange	(2.0)	(0.2)	(0.3)	–	(2.5)
At 31 March 2011	258.1	38.8	26.5	6.1	329.5
Accumulated impairment/amortisation					
At 31 March 2009	–	8.3	4.6	4.8	17.7
Amortisation charge for the year	–	3.7	1.5	0.4	5.6
Impairment charge	–	0.3	–	–	0.3
Exchange	–	(0.1)	(0.2)	–	(0.3)
At 31 March 2010	–	12.2	5.9	5.2	23.3
Amortisation charge for the year	–	3.8	1.1	0.4	5.3
Impairment charge	11.9	–	–	–	11.9
Disposals	–	–	–	(0.4)	(0.4)
Exchange	0.2	(0.3)	–	(0.1)	(0.2)
At 31 March 2011	12.1	15.7	7.0	5.1	39.9
Net book value					
At 31 March 2011	246.0	23.1	19.5	1.0	289.6
At 31 March 2010	256.0	22.2	20.9	0.6	299.7
At 31 March 2009	263.9	26.6	23.2	1.0	314.7

Of the total £5.3m (2010: £5.6m) amortisation charge for the year, £3.9m (2010: £3.9m) related to intangible assets arising on acquisition.

Contingent consideration for the 2007 acquisition of Orgaworld has been reassessed resulting in a decrease of £1.7m to goodwill.

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.

	2011 £m	2010 £m
Netherlands	212.8	224.5
Belgium	14.4	18.6
United Kingdom	18.8	12.9
	246.0	256.0

A significant part of the goodwill, £144.3m (2010: £145.4m), relates to the acquisition of the original business in the Netherlands in 2000.

The Group estimates the recoverable amount of a CGU using a value in use model by projecting cash flows for the next five years from the annual strategy review together with a terminal value using a growth rate and all cash flows are discounted at the Group's weighted average cost of capital (WACC). In circumstances where this is considered inappropriate, such as for landfill sites, projected cash flows may be estimated over much longer periods of up to 25 years. The post-tax discount rate used is 8% (2010 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 11% to 12%. The standard growth rate used in the annuity is 2% (2010: 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 developments. In most cases the valuations indicated sufficient headroom such that a reasonably possible change to key assumptions would be unlikely to result in an impairment of the related goodwill.

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

Impairment losses

The goodwill relating to two Solid Waste CGUs, one in Netherlands and one in Belgium has been impaired at 31 March 2011. No class of asset other than goodwill was impaired.

For the Netherlands CGU legislation, taxation and lower gate fees from alternatives to landfill is making landfill less competitive. This position is not expected to reverse. Consequently goodwill relating to landfill and associated businesses in the Solid Waste segment has been impaired by £7.9m. For the purpose of this calculation, a pre-tax discount rate of 11% has been applied to pre-tax cash flows based on profits which included an annuity growth rate of 2.3%.

The downturn in the wood trading markets and the performance to date of the CGU in Belgium have resulted in goodwill relating to the CGU being impaired by £4.0m. For the purpose of this calculation, a pre-tax discount rate of 12% has been applied to pre tax cash flows based on profits which included an annuity growth rate of 2.0%.

The net impairment losses recognised in the consolidated income statement within exceptional administrative expenses, in respect of goodwill and intangibles were as follows:

	2011 £m	2010 £m
Netherlands – Solid Waste	7.9	–
Belgium – Solid Waste	4.0	0.3
United Kingdom	–	–
	11.9	0.3

Sensitivity analysis

There is residual goodwill of £15.1m and £0.2m in the Netherlands and Belgian CGUs respectively after impairing the goodwill to its recoverable amount. An adverse change in assumptions of 1% on the discount rate and 0.25% on the growth rate would reduce goodwill in the Netherlands by £3.8m and £0.8m respectively.

Other intangible assets impairment

Other intangible assets includes site or waste permits, customer lists and other acquired intangible assets as well as computer software. During the prior 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.

13. Intangible assets continued

Company	Software £m
Cost	
At 31 March 2009 and 31 March 2010	–
Additions	0.4
At 31 March 2011	0.4
Accumulated impairment/amortisation	
At 31 March 2009, 31 March 2010 and 31 March 2011	–
Net book value	
At 31 March 2011	0.4
At 31 March 2009 and 31 March 2010	–

14. Property, plant and equipment

Group	Land and buildings £m	Landfill sites £m	Plant and machinery £m	Total £m
Cost				
At 31 March 2009	238.5	67.8	505.9	812.2
Acquired with acquisition of businesses	–	–	0.1	0.1
Additions	30.0	1.0	39.1	70.1
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
Acquired with acquisition of businesses	–	–	0.1	0.1
Additions	12.7	0.3	54.5	67.5
Transfers	–	1.5	(1.5)	–
Disposals	(5.3)	(0.2)	(39.9)	(45.4)
Exchange	(1.2)	(0.3)	(3.3)	(4.8)
At 31 March 2011	277.2	54.4	504.0	835.6
Accumulated depreciation				
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
Depreciation charge for the year	9.1	1.4	38.3	48.8
Disposals	(4.8)	–	(37.6)	(42.4)
Exchange	(0.1)	(0.4)	(2.2)	(2.7)
At 31 March 2011	73.1	44.3	320.7	438.1
Net book value				
At 31 March 2011	204.1	10.1	183.3	397.5
At 31 March 2010	202.1	9.8	171.9	383.8
At 31 March 2009	174.7	18.0	195.5	388.2

Included in plant and machinery are assets held under finance leases with a net book value of £9.2m (2010: £13.4m) and assets under construction of £23.1m (2010: £14.2m).

Depreciation expense of £46.9m (2010: £46.7m) has been charged in cost of sales and £1.9m (2010: £2.6m) in administrative expenses.

Included within additions is £1.0m (2010: £0.7m) of capitalised interest relating to projects under construction at joint ventures.

The reclassification to financial assets in 2010 related to a plant and machinery asset built by Shanks in Belgium which on completion became a financial asset.

The impairment of plant and machinery in the prior year related to assets written down to fair value, less costs to sell, associated with part of the Solid Waste division in Belgium and was included within exceptional items.

Company	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 31 March 2009, 31 March 2010 and 31 March 2011	0.1	0.4	0.5
Accumulated depreciation			
At 31 March 2009, 31 March 2010 and 31 March 2011	–	0.3	0.3
Net book value			
At 31 March 2009, 31 March 2010 and 31 March 2011	0.1	0.1	0.2

15. Investments

	Group				Company
	Loans to joint ventures £m	Associates £m	Other unlisted investments £m	Total £m	Investments in subsidiary undertakings £m
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
Additions	1.3	0.5	–	1.8	–
Disposals and repayments	(0.8)	–	–	(0.8)	–
At 31 March 2011	5.0	0.5	1.6	7.1	469.6

Details of principal subsidiary undertakings and joint ventures are shown in note 34 and form part of these financial statements.

15. Investments continued

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

	2011 £m	2010 £m
Non-current assets	24.4	19.8
Current assets	11.2	12.5
Current liabilities	(21.6)	(9.7)
Non-current liabilities	(3.8)	(12.5)
Net assets	10.2	10.1
Income	12.4	11.8
Expenses	(13.0)	(10.9)
Profit before tax	(0.6)	0.9
Tax	–	(0.3)
Share of profit after tax for the year from continuing joint ventures	(0.6)	0.6
Share of profit from discontinued joint ventures	–	0.3

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.

The share of capital commitments of the joint ventures is shown in note 29.

Investment in associates

Investments in associates at 31 March 2011 includes goodwill of £1.6m.

	Assets £m	Liabilities £m	Revenues £m	Loss £m	% interest held
31 March 2010 (UK GAAP)					
Elwa Holdings Limited	97.9	(105.4)	48.9	(1.8)	20%
Shanks Dumfries and Galloway Holdings Limited	26.9	(26.0)	8.4	(0.5)	20%
Total	124.8	(131.4)	57.3	(2.3)	

All associates where incorporated in the UK.

The associates prepare their statutory information to 31 March each year under UK GAAP, but prepare management information in UK GAAP and IFRS. Management information under IFRS has been used to calculate the contribution to profit in the year and the information presented above is the last publically available set of financial statements.

The associates 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 associates.

16. Derivative financial instruments

Group	2011		2010	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Derivative financial instruments:				
Interest rate swaps – at fair value through P&L	–	1.6	–	14.2
Interest rate swaps – effective hedges	0.1	4.5	–	4.5
Forward foreign exchange contracts – effective hedges	0.2	–	–	–
Total	0.3	6.1	–	18.7
Current	0.2	–	–	–
Non-current	0.1	6.1	–	18.7
Total	0.3	6.1	–	18.7

Cumulative losses recognised in the hedging reserve in equity on the derivative financial instruments as of 31 March 2011 were £4.2m (2010: £4.5m).

The notional principal amount of the outstanding forward foreign exchange contracts at 31 March 2011 was £3.2m. The hedged highly probable forecast transactions denominated in a foreign currency are expected to occur at various dates up to 31 August 2011.

The notional principal amount of the outstanding interest rate swap contracts at 31 March 2011 was £109.4m (2010: £307.2m). The expiry dates of the contracts range from 9 July 2011 (earliest) to 30 September 2032 (latest).

The Company has effective interest rate swap assets of £0.1m (2010: nil) and liabilities of £0.2m (2010: £0.4m)

17. Business combinations

On 21 October 2010, the Group acquired the UK waste PFI/PPP interests of United Utilities PLC (UU). Shanks took UU's place on all of its existing bids including preferred bidder for a PPP municipal solid waste treatment contract for both Derbyshire County and Derby City Councils and short-list positions at Leicestershire, Derry and Gloucestershire. Shanks also acquired additional skilled technical and commercial resources from the UU bid team, strengthening and complementing its existing resources to enable it to deliver on its increased pipeline of PFI opportunities.

From acquisition to 31 March 2011, the acquired interests have contributed £12.7m to revenue and £0.8m to profit after tax. Had the business been acquired on 1 April 2010 it would have contributed £29.5m to revenue and £1.7m to profit after tax.

The provisional fair value to the Group of the assets and liabilities acquired were as follows:

	Fair value £m
Intangible assets	0.3
Trade and other receivables	2.9
Trade and other payables	(1.4)
Net assets acquired	1.8
Goodwill	4.3
	6.1
Satisfied by:	£m
Cash consideration paid	1.0
Deferred consideration	5.1
Cash outflow on acquisition	6.1

The deferred consideration is contingent upon the successful financial closure of individual projects and payable from win fees.

17. Business combinations continued

On 24 February 2011, the Group acquired Allied Waste Services business based in Edinburgh from the Henry Grant Group. The provisional fair value to the Group of the assets and liabilities acquired were as follows:

	Fair value £m
Intangible assets	4.3
Plant, property and equipment	0.1
Trade and other receivables	0.6
Net assets acquired	5.0
Goodwill	1.5
	6.5
Satisfied by:	£m
Cash consideration paid	5.9
Deferred consideration	0.6
Cash outflow on acquisition	6.5

From acquisition to 31 March 2011, Allied Waste Services has contributed £0.3m to revenue and £0.1m to profit after tax. Had the business been acquired on 1 April 2010 it would have contributed £3.5m to revenue and £0.4m to profit after tax.

In February 2011, the Group signed a teaming agreement with Babcock International ('Babcock') in respect of the Wakefield PFI project. Under this agreement Shanks will work with Babcock to bring the Wakefield PFI project to financial close and then acquire its waste business.

For acquisitions completed in the year ended 31 March 2010 there have been no amendments to the provisional fair values disclosed last year.

18. 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	Derivative financial instruments £m	Capital allowances £m	Other timing differences £m	Total £m
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)
Exceptional deferred tax credit	–	–	–	8.5	–	8.5
Disposals	–	(10.7)	(4.9)	18.8	5.2	8.4
(Charge) credit to income statement	(1.9)	(1.8)	1.3	1.7	(0.7)	(1.4)
Charge to equity	(1.3)	–	(0.1)	–	–	(1.4)
Exchange	–	–	–	0.1	0.3	0.4
At 31 March 2011	(1.3)	6.3	1.6	(29.1)	(13.6)	(36.1)
Deferred tax assets	–	5.6	1.6	4.1	4.0	15.3
Deferred tax liabilities	(1.3)	0.7	–	(33.2)	(17.6)	(51.4)
At 31 March 2011	(1.3)	6.3	1.6	(29.1)	(13.6)	(36.1)
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)

As at 31 March 2011, the Group has unused trading losses (tax effect) of £16.2m (2010: £26.4m) available for offset against future profits. A deferred tax asset has been recognised in respect of £6.3m (2010: £18.8m) of such losses. No deferred tax asset has been recognised in respect of the remaining £9.9m (2010: £7.6m) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

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.

During the year, the Group has received indication of a favourable judgement issued with regards to certain tax liabilities in Belgium but until the process is finalised, the Group has not released any tax provisions relating to this.

Company	Retirement benefit schemes £m	Derivative financial instruments £m	Other timing differences £m	Total £m
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
Charge to income statement	(1.9)	–	0.2	(1.7)
Charge to equity	(1.3)	(0.1)	–	(1.4)
At 31 March 2011	(1.3)	–	0.4	(0.9)

As at 31 March 2011, the Company has unused tax trading losses (tax effect) of £4.4m (2010: £4.7m) 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 indefinitely.

19. Inventories

	Group	
	2011 £m	2010 £m
Raw materials and consumables	8.0	8.3
Work in progress	0.5	0.5
Finished goods	1.4	1.1
	9.9	9.9

20. Financial instruments

Carrying value and fair value of financial assets and financial liabilities:

	Note	Group Carrying value		Company Carrying value	
		2011 £m	2010 £m	2011 £m	2010 £m
Financial assets					
Loans and receivables:					
Financial assets	21	51.8	176.1	–	–
Trade and other receivables	21	142.0	127.9	283.9	257.1
Cash and cash equivalents	22	54.5	51.3	11.8	14.2
Derivative financial instruments:					
Interest rate swaps	16	0.1	–	0.1	–
Foreign exchange swaps	16	0.2	–	–	–
		248.6	355.3	295.8	271.3

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

	Note	Group				Company			
		Carrying value		Fair value		Carrying value		Fair value	
Financial liabilities		2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Loans and payables:									
Bank overdrafts and short term loans	23	8.2	–	8.2	–	10.5	5.9	10.5	5.9
Bank loans	23	126.1	325.9	126.1	325.9	–	60.9	–	60.9
Retail bond	23	87.1	–	84.2	–	87.1	–	84.2	–
Senior notes	23	31.6	32.0	32.5	34.1	–	–	–	–
Finance lease obligations	23	8.9	13.1	8.9	13.1	–	–	–	–
Trade and other payables	24	225.1	200.1	225.1	200.1	446.6	434.2	446.6	434.2
Derivative financial instruments:									
Interest rate swaps	16	6.1	18.7	6.1	18.7	0.2	0.4	0.2	0.4
		493.7	589.8	491.1	591.9	544.4	501.4	541.5	501.4

The fair values of the retail bond and senior notes are 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, retail bond 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 continued to limit its exposure to interest rate risk by entering into a fixed rate retail bond of €100m and further interest rate swaps that fix 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. 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 interest rate swaps are presented in non-current liabilities or assets as they are related to long term borrowings and the Group believes this best reflects the commercial reality of the instruments. The foreign exchange swaps are presented in short term assets and liabilities as the hedge transactions are all due within one year.

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 has significantly reduced.

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

Group	2011			2010		
	Floating rate %	Fixed rate £m	Weighted average interest rate %	Floating rate %	Fixed rate £m	Weighted average interest rate %
Financial assets:						
Financial assets relating to PFI contracts	–	51.8	5.8	–	176.1	5.8
Cash and cash equivalents	40.5	–	0.4	22.6	–	0.2
Short term deposits	14.0	–	0.7	28.7	–	0.5
Financial liabilities:						
Bank overdrafts and short term loans	8.2	–	4.2	2.4	–	3.1
Senior notes	–	31.6	6.9	–	32.0	6.9
Retail bond	–	87.1	5.0	–	–	–
Bank loans	126.1	–	2.8	323.5	–	2.7
Interest rate swaps	(109.4)	109.4	5.6	(307.2)	307.2	5.4

Excluded from the analysis above is £8.9m (2010: £13.1m) of amounts payable under finance leases as set out in note 23, 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 £11.8m short term deposits (2010: £11.9m) at an effective interest rate of 0.6% (2010: 0.4%). The effective interest rate on the Company's cash and cash equivalents was nil% (2010: nil%). The weighted average effective interest rates relating to the Company were 4.1% (2010: 4.2%) for bank loans. Interest on inter-company loan balances are charged at rates of between 0% and 12% (2010: 0% and 12%).

20. Financial instruments continued

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

	2011		2010	
	Income sensitivity £m	Equity sensitivity £m	Income sensitivity £m	Equity sensitivity £m
1% increase in interest rates				
Derivatives	1.9	10.1	1.3	9.8
Non derivatives	(1.9)	(1.9)	(3.0)	(3.0)
	–	8.2	(1.7)	6.8
1% decrease in interest rates				
Derivatives	(1.9)	(11.2)	(1.3)	(10.9)
Non derivatives	1.9	1.9	3.0	3.0
	–	(9.3)	1.7	(7.9)

The interest rate sensitivity is taken to occur from 31 March 2010 and so the change in the fair value of the swaps is shown as an equity sensitivity which results in an increase of £8.2m (2010: £8.5m) for a 1% increase in interest rate and a decrease of £9.3m (2010: £9.6m) 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 £87.1m (2010: £62.4m) (fair value of £84.2m (2010: £62.4m)) as a net investment hedge of the Group's investments denominated in Euros. The hedge was 100% effective for the year ended 31 March 2011 (2010: 100%) and as a result the related exchange loss of £0.3m (2010: £4.8m gain) on translation of the borrowings into Sterling has been recognised in the exchange reserve.

The Group mitigates some foreign exchange risk on financial assets arising in the UK through the use of forward exchange contracts.

Foreign exchange rate sensitivity (assuming all other variables remain constant):

	2011		2010	
	Income sensitivity £m	Equity sensitivity £m	Income sensitivity £m	Equity sensitivity £m
10% increase in foreign exchange rates against sterling				
Euro	3.6	9.5	3.2	19.2
Canadian Dollar	–	0.1	–	0.3
	3.6	9.6	3.2	19.5

The 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.

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 borrowings 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:

Group	Core		Project finance		Total Group	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Expiring within one year	–	–	–	–	–	–
Expiring between one and two years	–	–	–	–	–	–
Expiring in more than two years	88.0	66.9	26.8	48.6	114.8	115.5
	88.0	66.9	26.8	48.6	114.8	115.5

In addition, the Group had access to £25.7m (2010: £25.2m) of undrawn uncommitted working capital facilities. As at 31 March 2011, the Company had undrawn committed borrowing facilities at floating rates of £88.0m expiring in between two and five years (2010: £66.9m in between two and five years).

Maturity profile of non-current borrowings:

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Between one and two years	1.4	34.0	–	–
Between two years and five years	198.6	236.4	87.1	60.9
Over five years	22.6	91.1	–	–
	222.6	361.5	87.1	60.9

Security of borrowing facilities

The Group's bank loans, retail bond and senior notes are unsecured but are subject to cross guarantees within the Group. Each PFI/PPP company has loan facilities which are secured by fixed and floating charges on the future cash flows of PFI/PPP 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 2011 the amount of credit risk totalled £54.5m (2010: £51.3m).

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 2011 the credit risk was £0.3m (2010: £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 2011 the credit risk amounted to £181.1m (2010: £160.8m). The Group does not hold any collateral as security.

The financial assets relating to PFI/PPP contracts are recoverable from the future revenues relating to these 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 2011, the credit risk was £51.8m (2010: £176.1m).

Capital risk management

The Group has a 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 joint ventures, 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.

21. Trade and other receivables

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Non-current assets:				
Financial assets	47.6	164.4	–	–
Deferred consideration	3.6	4.3	–	–
Other receivables	2.2	2.1	–	–
	53.4	170.8	–	–
Current assets:				
Trade receivables	129.3	112.4	–	–
Provision for impairment of receivables	(4.5)	(4.6)	–	–
Trade receivables – net	124.8	107.8	–	–
Accrued income	24.3	19.0	–	–
Amounts owed by subsidiary undertakings	–	–	283.0	256.4
Financial assets	4.2	11.7	–	–
Deferred consideration	0.9	3.9	–	–
Other receivables	10.5	9.8	0.9	0.7
Prepayments	14.8	13.9	0.1	0.1
	179.5	166.1	284.0	257.2

Movement in the provision for impairment of receivables:

	Group	
	2011 £m	2010 £m
At 1 April	4.6	5.3
Charged to income statement	1.1	1.3
Utilised	(1.2)	(1.8)
Exchange	–	(0.2)
At 31 March	4.5	4.6

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

	Group	
	2011 £m	2010 £m
Neither impaired nor past due	78.7	74.4
Not impaired but overdue by less than 3 months	42.5	30.9
Not impaired but overdue by between 3 and 6 months	3.2	2.4
Not impaired but overdue by more than 6 months	0.4	0.1
Impaired	4.5	4.6
Impairment provision	(4.5)	(4.6)
	124.8	107.8

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

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Sterling	96.1	211.5	110.9	126.3
Euro	131.9	122.2	166.1	130.9
Canadian Dollar	4.9	3.2	4.5	–
	232.9	336.9	281.5	257.2

22. Cash and cash equivalents

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Cash at bank and in hand	40.5	22.6	–	2.3
Short term deposits	14.0	28.7	11.8	11.9
	54.5	51.3	11.8	14.2

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

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Sterling	23.0	13.8	11.8	12.0
Euro	29.3	33.4	–	–
Canadian Dollar	2.2	4.1	–	2.2
	54.5	51.3	11.8	14.2

23. Borrowings

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Current borrowings:				
Bank overdrafts and short term loans	8.2	–	10.5	5.9
Senior notes	15.9	–	–	–
Bank loans	12.1	5.3	–	–
Finance lease obligations	3.1	4.2	–	–
	39.3	9.5	10.5	5.9
Non-current borrowings:				
Senior notes	15.7	32.0	–	–
Retail bond	87.1	–	87.1	–
Bank loans	114.0	320.6	–	60.9
Finance lease obligations	5.8	8.9	–	–
	222.6	361.5	87.1	60.9

At 31 March 2011, the Group's bank financing was a €200m term loan and multicurrency revolving credit facility with six major banks entered into on 2 February 2011 and expiring in June 2015.

On 22 October 2010 the Group issued €100m of five year bonds quoted on the London Stock Exchange to investors in Belgium and Luxembourg at an annual coupon of 5.0%.

The senior notes issued under the Group's Priscoa private placement of €36m carry fixed interest at 6.9% and have repayments due April 2011 (€18m) and September 2013 (€18m). An additional €40m of private placement with maturity in April 2018 and an interest rate of 5.025% was secured on 11 April 2011 from the same providers.

On disposal of 80% of the equity in ELWA and D&G PFI contracts, £100.0m of bank loans were disposed of.

23. Borrowings continued

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

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Sterling	44.4	125.0	4.0	5.6
Euro	185.5	214.0	93.6	61.2
Canadian Dollar	32.0	32.0	–	–
	261.9	371.0	97.6	66.8

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

Group	2011			2010		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	3.5	(0.4)	3.1	4.8	(0.6)	4.2
Between one and five years	6.3	(0.7)	5.6	9.4	(1.3)	8.1
More than five years	0.3	(0.1)	0.2	1.0	(0.2)	0.8
	10.1	(1.2)	8.9	15.2	(2.1)	13.1

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.

24. Trade and other payables and other non-current liabilities

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Current liabilities:				
Trade payables	103.1	87.5	0.5	0.4
Other tax and social security payable	16.3	17.7	0.1	0.2
Other payables	13.5	9.9	0.3	0.2
Accruals and deferred income	66.5	61.5	10.8	7.1
Deferred consideration	6.8	2.8	–	–
Unprocessed waste	19.0	15.9	–	–
Government grants	0.2	0.3	–	–
	225.4	195.6	11.7	7.9
Non-current liabilities:				
Amounts owed to group undertakings	–	–	434.9	426.3
Deferred consideration	15.0	17.4	–	–
Government grants	0.2	–	–	–
Other payables	3.5	3.0	–	–
	18.7	20.4	434.9	426.3

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

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Sterling	65.6	47.9	157.2	152.3
Euro	176.3	166.8	289.4	281.9
Canadian Dollar	2.2	1.3	–	–
	244.1	216.0	446.6	434.2

25. Provisions

	Group			Company
	Site restoration and aftercare £m	Other £m	Total £m	Other £m
At 31 March 2010	29.0	8.0	37.0	2.6
Provided – cost of sales	0.7	0.9	1.6	0.5
Released – cost of sales	(0.4)	–	(0.4)	–
Finance charges – unwinding of discount	1.1	1.2	2.3	–
Disposal of business	(0.6)	9.9	9.3	–
Utilised	(0.7)	(2.4)	(3.1)	(0.4)
Exchange	(0.3)	–	(0.3)	–
At 31 March 2011	28.8	17.6	46.4	2.7
Current	0.6	6.4	7.0	2.4
Non-current	28.2	11.2	39.4	0.3
At 31 March 2011	28.8	17.6	46.4	2.7
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

Site restoration

Site restoration provision as at 31 March 2011 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 contracts, leases, warranties and indemnities. Onerous contracts are provided at the present value of the operating losses of the onerous contract. The net present value of the rental on vacant leasehold properties has been provided in full. 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.

26. Retirement benefit schemes

Retirement benefit costs

	Group	
	2011 £m	2010 £m
UK defined contribution schemes	0.8	0.4
UK funded defined benefit schemes	0.8	0.6
Overseas pension schemes	9.6	9.2
Retirement benefit costs before exceptional items	11.2	10.2
UK funded defined benefit schemes – curtailment of pension liabilities	(3.9)	–
Total retirement benefit costs	7.3	10.2

26. Retirement benefit schemes continued

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 one other small funded defined benefit scheme, which is 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 valuation has been based on a full assessment of the liabilities of the scheme as at 5 April 2009 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 2011. The main assumptions were as follows:

	2011 % p.a.	2010 % p.a.
Discount rate	5.6	5.6
Future salary growth (non-Local Government Passport Section members)	1.0	4.6
Future salary growth (Local Government Passport Section members)	4.6	4.6
Rate of increase in pensions payment (fixed 3%)	3.0	3.0
Rate of increase in pensions payment (cap 5%)	3.4	3.4
Rate of increase in pensions payment (cap 2.5%)	2.2	2.2
Rate of price inflation	3.6	3.6
Consumer price inflation	2.7	n/a

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 2026 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

		2011 £m	2010 £m
Operating profit	Current service cost	0.8	0.6
	Curtailment gain	(3.9)	–
		(3.1)	0.6
Other finance items			
	Interest charge on scheme liabilities	6.3	5.7
	Expected return on scheme assets	(7.3)	(5.7)
		(1.0)	–
Net retirement benefit (credit) cost before tax		(4.1)	0.6

Statement of comprehensive income

	2011 £m	2010 £m
(Loss) gain on actual return less expected return on scheme assets	(0.2)	16.9
Experience losses arising on scheme liabilities	–	(0.9)
Gain (loss) arising on changes in assumptions underlying the present value of the scheme liabilities	5.1	(22.8)
Actuarial gain (loss)	4.9	(6.8)

Cumulative actuarial gains and losses recognised in the statement of comprehensive income since 1 April 2004 are gains of £2.0m (2010: £2.9m losses).

History of experience gains and losses

	2011	2010	2009	2008	2007
Market value of scheme assets (£m)	113.1	106.9	86.3	97.4	98.4
Present value of scheme liabilities (£m)	(108.2)	(113.7)	(87.3)	(88.0)	(106.8)
Surplus (deficit) in the schemes (£m)	4.9	(6.8)	(1.0)	9.4	(8.4)
Experience adjustments arising on scheme assets (£m)	(0.1)	16.9	(16.5)	(7.6)	(0.8)
% of scheme assets	0.1%	15.8%	19.1%	7.8%	0.8%
Experience adjustments arising on scheme liabilities (£m)	–	(0.9)	0.1	0.3	1.5
% of scheme liabilities	0.0%	0.8%	0.1%	0.3%	1.4%

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	
	2011 % p.a.	2010 % p.a.	2011 £m	2010 £m	2011 %	2010 %
Equities	8.4	8.5	68.4	63.3	60.5	59.2
Fixed interest gilts	4.4	4.5	11.7	10.6	10.3	9.8
Index linked gilts	4.2	4.1	18.5	17.3	16.4	16.3
Corporate bonds	5.2	5.5	11.3	10.7	10.0	10.0
Cash	4.4	4.5	3.2	5.0	2.8	4.7
Total market value of assets			113.1	106.9	100.0	100.0
Present value of scheme liabilities			(108.2)	(113.7)		
Net surplus (deficit) in the schemes			4.9	(6.8)		
Related deferred tax (liability) asset			(1.3)	1.9		
Net pension asset (liability)			3.6	(4.9)		

The overall expected rate of return on scheme assets is 6.9% (2010: 6.9%) 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 in the table 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 2011.

At 31 March 2011 the IAS 19 net retirement surplus was £4.9m (2010: £6.8m deficit). The amount of the surplus 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 £1.8m.

Movement in scheme assets during the year

	2011 £m	2010 £m
At 1 April	106.9	86.3
Expected return on plan assets	7.3	5.7
Actual return less expected return on plan assets	(0.1)	16.9
Employer contributions	2.6	1.6
Member contributions	0.3	0.3
Benefits paid	(3.9)	(3.9)
At 31 March	113.1	106.9

26. Retirement benefit schemes continued**Movement in scheme liabilities during the year**

	2011 £m	2010 £m
At 1 April	(113.7)	(87.3)
Current service cost	(0.8)	(0.6)
Interest cost on plan liabilities	(6.3)	(5.7)
Experience (loss) gains	–	(0.9)
Changes in assumptions	5.1	(22.8)
Member contributions	(0.3)	(0.3)
Benefits paid	3.9	3.9
Curtailment gain	3.9	–
At 31 March	(108.2)	(113.7)

The estimated contributions expected to be paid to the schemes in the year ending 31 March 2012 are £2.5m.

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 £9.6m (2010: £9.2m).

27. Called-up share capital

Group and Company	2011 £m	2010 £m
Authorised 450 million (2010: 450 million) ordinary shares of 10p each	45.0	45.0
Allotted, called up and fully paid 397 million (2010: 397 million) ordinary shares of 10p each	39.7	39.7

During the year 54,750 (2010: 91,605) ordinary shares were allotted following the exercise of share based payments under the Long Term Incentive Plan and Savings Related Share Option Schemes for an aggregate consideration of £57,991 (2010: £66,897). Further disclosures relating to share-based payments are set out in note 7.

28. Notes to the statements of cash flows

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Continuing operations				
Profit/(loss) before tax from continuing operations	21.2	19.6	(9.0)	(10.9)
Fair value losses (gains) on financial instruments	5.8	(1.7)	–	–
Net finance changes	14.5	17.9	11.3	13.6
Amortisation and impairment of intangible assets	17.2	5.9	–	–
Depreciation and impairment of property, plant and equipment	48.8	50.1	–	–
Exceptional gain on disposal of subsidiary	(3.7)	–	–	–
Non-exceptional gain on disposal of property, plant and equipment	(1.4)	(0.6)	–	–
Exchange gain	–	–	(0.3)	(4.8)
Net (decrease) increase in provisions	(10.1)	1.1	(7.2)	(0.8)
Share-based payments	0.6	(0.6)	0.6	(0.6)
Operating cash flows before movement in working capital	92.9	91.7	(4.6)	(3.5)
Increase in inventories	(0.1)	–	–	–
(Increase) decrease in receivables	(19.7)	(5.1)	(26.8)	17.7
Increase in payables	26.3	9.9	12.9	4.9
Cash generated by operations	99.4	96.5	(18.5)	19.1
Income taxes (paid) received	(4.1)	(7.2)	8.5	6.0
Net cash from operating activities – continuing operations	95.3	89.3	(10.0)	25.1

Group	2011 £m	2010 £m
Discontinued operations		
Operating profit	–	0.3
Depreciation of property, plant and equipment	–	0.2
Operating cash flows before movement in working capital	–	0.5
Increase in receivables	–	(0.1)
Decrease in payables	–	(1.1)
Cash generated by operations	–	(0.7)
Income taxes paid	–	(0.1)
Net cash from operating activities – discontinued operations	–	(0.8)

Consolidated movement in net debt		
	2011 £m	2010 £m
Net increase in cash and cash equivalents	3.4	24.7
Net decrease in borrowings and finance leases	6.8	52.0
Amortisation of loan fees	(3.6)	(3.7)
Capitalisation of loan fees	4.1	7.4
Disposal of subsidiaries and other businesses	100.0	–
Exchange gain	1.6	8.6
Movement in net debt	112.3	89.0
Net debt at beginning of year	(319.7)	(408.7)
Net debt at end of year	(207.4)	(319.7)

28. Notes to the statements of cash flows continued

Analysis of net debt

	At 31 March 2011 £m	At 31 March 2010 £m
Cash and cash equivalents	54.5	51.3
Current borrowings	(39.3)	(9.5)
Non-current borrowings	(222.6)	(361.5)
Total Group net debt	(207.4)	(319.7)

	At 31 March 2011 £m	At 31 March 2010 £m
Core business net debt	(159.5)	(185.6)
PFI companies and other project finance net debt	(47.9)	(134.1)
Total Group net debt	(207.4)	(319.7)

29. Capital commitments

Group	2011 £m	2010 £m
Contracts placed for future capital expenditure on financial assets	23.7	39.6
Contracts placed for future capital expenditure on property, plant and equipment	26.0	12.8
Share of joint venture future capital expenditure	2.5	2.9

The Company had no capital commitments at 31 March 2011 (2010: £Nil).

30. Financial commitments

Group	2011 £m	2010 £m
Commitments under non-cancellable operating leases expiring:		
Within one year	9.3	10.1
Later than one year and less than five years	34.4	29.0
After five years	75.7	57.1
	119.4	96.2
Future minimum lease payments expected to be received under non-cancellable sub-leases	(0.5)	(0.6)
	118.9	95.6

The Company has commitments under non-cancellable leases of £0.4m expiring in between two and five years (2010: £0.5m).

31. Contingent assets and liabilities

Group and Company

Provision is made for the Directors' best estimate of all known claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

During the year, the Group was successful in a claim for business interruption in the Netherlands that occurred in 2002. The timing and final determination of amount of the damages remains uncertain and accordingly the potential gain has been treated as a contingent asset.

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

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 £0.2m (2010: £2.1m).

The Company has given guarantees in respect of the Group's and subsidiary undertakings' bank borrowing facilities totalling £18.3m (2010: £37.5m).

Joint Ventures

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

32. Related party transactions

Transactions between the Company and its subsidiaries

A list of the Company's principal subsidiaries is set out in note 34. Transactions with subsidiaries relate to interest on intercompany loans and management charges. Net interest expense was £7.5m (2010: £7.0m) and management charges received were £3.8m (2010: £3.8m). Total outstanding balances are listed in notes 21 and 24.

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 retirement benefits and incentive plans), interests in shares, share options and other interests, are set out within the Remuneration Report on pages 83 to 85, and form part of these financial statements. The emoluments paid to key management personnel were:

	2011 £m	2010 £m
Short-term employee benefits	2.6	2.2
Retirement benefits	0.3	0.3
Share-based benefits	0.2	(0.1)
	3.1	2.4

Transactions between the Group and its associates

The Group had the following transactions and outstanding balances with associates, in the ordinary course of business:

	2011 £m
Sales	19.1
Management fees	0.2
Accounts receivable at 31 March	4.0

33. Post Balance Sheet Events

On 7 April 2011, the Group was appointed preferred bidder (subject to contract) for the Barnsley, Doncaster and Rotherham Waste Partnership, a 25 year PFI residual waste management contract with a revenue value in excess of £750 million.

On 11 April 2011, pursuant to an agreement entered into on 24 March 2011 with Pricoa Capital Group Limited, the Group drew down €40m of 7 year senior notes at a fixed rate of 5.025%. On the same date the Group repaid €18m of senior notes at their maturity.

34. Subsidiary Undertakings and Joint Ventures

at 31 March 2011

Subsidiary undertakings

The Company held, through wholly owned subsidiaries, 100% of the issued share capital of the following principal 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
Shanks 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. (88%)	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 Limited	Canada
Subsidiary undertakings holding PFI contracts	
Shanks Argyll & Bute Limited	UK
Shanks Cumbria Limited	UK
Resource Recovery Solutions (Derbyshire) Limited	UK

Joint Ventures

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

	% Group	Most recent holding end	Country of year incorporation
Caird Bardon Limited	50%	31 December 2010	UK
Energen Biogas Limited	50%	28 February 2011	UK
Valorbois SPRL	50%	31 December 2010	Belgium

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Consolidated income statement					
Revenue	717.3	683.5	685.1	553.0	500.1
Trading profit from continuing operations ¹	49.7	51.1	61.7	51.9	44.4
Finance charges – interest	(8.2)	(12.1)	(14.9)	(8.3)	(5.7)
Finance charges – other	(6.3)	(5.8)	(2.9)	(2.6)	(1.2)
Profit from continuing operations before exceptional and items and tax (Underlying Profit)	35.2	33.2	43.9	41.0	37.5
Amortisation of acquisition intangibles	(3.9)	(3.9)	(3.8)	(2.5)	(1.1)
Exceptional items	(10.1)	(9.7)	(10.8)	(1.0)	6.9
Profit before tax from continuing operations	21.2	19.6	29.3	37.5	43.3
Tax	(7.8)	(6.7)	(7.8)	(11.9)	(14.0)
Exceptional tax	8.5	5.2	(18.4)	–	–
Profit after tax from continuing operations	21.9	18.1	3.1	25.6	29.3
Profit after tax from discontinued operations	–	19.5	3.3	2.7	2.0
Profit for the year	21.9	37.6	6.4	28.3	31.3
Consolidated balance sheet					
Non-current assets	767.9	878.7	874.4	726.6	561.8
Other assets less liabilities	(163.1)	(173.8)	(166.1)	(123.3)	(81.2)
Net debt	(207.4)	(319.7)	(408.7)	(323.2)	(256.9)
Net assets	397.4	385.2	299.6	280.1	223.7
Share capital and share premium	139.1	139.0	123.0	121.1	117.5
Reserves	258.3	246.2	176.6	159.0	106.2
Total equity	397.4	385.2	299.6	280.1	223.7
Financial ratios					
Underlying earnings per share	6.5p	6.5p	10.4p	9.3p	8.6p
Basic earnings per share	5.5p	4.8p	1.0p	8.6p	9.9p
Dividends per share	3.25p	3.0p	1.7p	4.9p	4.7p

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

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Analysis of shareholders as at 31 March 2011

	Holders	%	Shares held	%
Private shareholders	2,343	64.3	13,185,593	3.3
Corporate shareholders	1,302	35.7	383,660,430	96.7
Total	3,645	100	396,846,023	100

Size of shareholding	Holders	%	Shares held	%
1 – 5,000	2,424	66.5	4,956,497	1.2
5,001 – 25,000	766	21.0	8,140,734	2.1
25,001 – 50,000	127	3.5	4,482,674	1.1
50,001 – 100,000	85	2.3	6,319,517	1.6
100,001 – 250,000	79	2.2	13,396,769	3.4
250,001 – 500,000	35	1.0	12,842,801	3.2
over 500,000	129	3.5	346,707,031	87.4
Total	3,645	100	396,846,023	100

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

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 Devonshire Square, London, EC2M 4BA. Telephone: 0808 208 4433.

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/home.do.
- 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 0845 606 1234.
- 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.org.uk.

Share price information

On 31 March 2011, the middle market price of Shanks Group plc ordinary 10 pence shares was 114.1 pence per share, having varied during the year between a low of 92 pence and a high of 126.7 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 Daily Official 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.com. 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

6 July 2011	Ex-dividend date for final 2011 dividend
8 July 2011	Record date for final 2011 dividend
21 July 2011	Annual General Meeting
5 August 2011	Payment of final 2011 dividend
3 November 2011	Announcement of interim results and dividend
7 December 2011	Ex-dividend date for interim dividend
9 December 2011	Record date for interim dividend
13 January 2012	Payment of interim dividend
31 March 2012	2012 financial year ends
May 2012	Announcement of 2012 results and dividend recommendation

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

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Group Company Secretary

Philip Griffin-Smith, FCIS

Auditors

PricewaterhouseCoopers LLP

Financial Advisers

Greenhill & Co International LLP

Financial Public Relations Advisers

College Hill

Principal Bankers

Barclays Bank plc

Fortis Bank s.a.

HSBC Bank plc

ING bank n.v.

Rabobank International

The Royal Bank of Scotland plc

Solicitors

Ashurst LLP

Dickson Minto W.S.

Corporate Brokers

RBS Hoare Govett Limited

Investec

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A&B	Argyll and Bute
AD	Anaerobic Digestion
AGM	Annual General Meeting
Benelux	The economic union of Belgium, the Netherlands and Luxembourg
BMW	Biodegradable Municipal Waste
C&D	Construction & Demolition
CGU	Cash Generating Unit
CHP	Combined Heat and Power
D&G	Dumfries and Galloway
EBITDA	Earnings before Interest, Tax , Depreciation and Amortisation
ELWA	East London Waste Authority
EPS	Earnings Per Share
EURIBOR	Euro Interbank Offer Rate
FPP	Full Potential Plan
Free cash flow	Cash flow before dividends, growth capex, PFI funding, acquisitions, disposals, exceptional items and discontinued operations
Free cash flow conversion	Underlying free cash flow divided by trading profit
GDP	Gross Domestic Product
I&C	Industrial & Commercial
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicator
LIBOR	London Interbank Offer Rate
LTA	Lost Time Accident
LTIP	Long Term Incentive Plan
MBT	Mechanical Biological Treatment
MRF	Material Recycling Facility
PBT	Profit Before Tax
PFI	Private Finance Initiative
PPP	Public Private Partnership
R&D	Research & Development
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
SHE	Safety, Health and Environmental
SRF	Solid Recovered Fuel
SRSOS	Savings-Related Share Option Scheme
Trading profit	Operating profit before the amortisation of acquisition intangibles, exceptional items and discontinued operations
TSR	Total Shareholder Return
UK GAAP	UK Generally Accepted Accounting Practice
WACC	Weighted Average Cost of Capital

shanks

making more from waste

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