Shanks
Making more from waste

Delivering in a tough climate

Shanks Group plc
Annual Report and Accounts 2016

WE ARE A LEADING INTERNATIONAL WASTE-TO-PRODUCT COMPANY. OUR BUSINESS MEETS THE GROWING NEED TO MANAGE WASTE WITHOUT DAMAGING THE ENVIRONMENT.

OUR YEAR IN FOCUS

ALL SORTED
Continuous improvement has enabled our Van Vliet Groep and East London sites to increase efficiency and reduce costs. p18

RECYCLING CAPITAL
We continue to make selective acquisitions and divestments. p21

TOTAL SUCCESS
Our new Total Care Centre is already benefiting our business and our customers. p23

SUPER SERVICE
Our flagship BDR and Wakefield facilities entered full service last year. p24

CLEAN MACHINE
We are better equipped than ever to degas ships and treat contaminated water at ATM. p26

ENERGY BOOST
A contract renewal has enabled us to increase production of ICOPOWER® fuel pellets. p27

CONTENTS

KEY FACTS AND FIGURES

OUR SOLUTIONS

- Reduce greenhouse gas emissions
- Treat contaminated waste
- Produce green energy
- Recycle commodities
- Produce recovered fuel
- Provide highly specialised industrial cleaning
- Reduce untreatable waste residues to a minimum

WHERE WE OPERATE

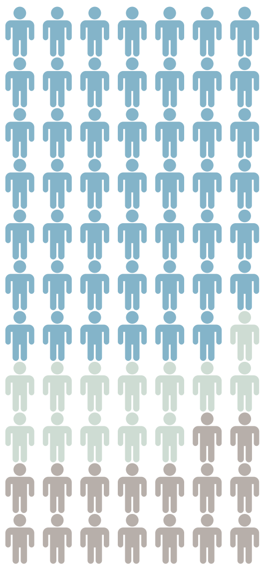
THE NETHERLANDS
42 operating sites

BELGIUM
19 operating sites

UK
20 operating sites

CANADA
2 operating sites

OUR PEOPLE



2,012 Commercial

631 Municipal

783 Hazardous Waste

KEY CR DATA

84% recycling and recovery rate

13% reduction in our reportable accident rate[1]

1.4% increase in employee engagement

14% reduction in community comment

REVENUE[2]

£M

Year	£M
2016	614.8
2015	601.4
2014	633.4
2013	611.9
2012	672.5

£614.8m
REVENUE

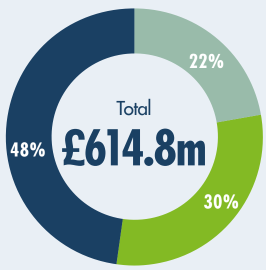
UNDERLYING PROFIT BEFORE TAX[2]

£M

Year	£M
2016	21.0
2015	21.7
2014	30.1
2013	30.0
2012	35.9

£21.0m
UNDERLYING PROFIT BEFORE TAX

REVENUE BY DIVISION[3]



1 Accidents resulting in greater than three-day absence per 100,000 employees.
2 2012/2013 results are as previously reported and include subsequently discontinued operations.
3 Continuing operations only before non-trading and exceptional items.

OVERVIEW
STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

CHAIRMAN'S STATEMENT

COLIN MATTHEWS
GROUP CHAIRMAN

> **This is a pivotal time for Shanks, as markets reach the bottom of the cycle and I believe there is excellent opportunity to deliver growth going forward.**

A SOLID BASE FOR SUSTAINED GROWTH

Our core waste-to-product business model has proven resilient against market headwinds and is well supported by long-term legislative and environmental drivers.

Shanks is a leading international waste-to-product business. During the course of the year the Group has made good progress in implementing its margin improvement programmes and in commissioning a range of new infrastructure and assets. We have delivered revenue and profit growth at constant currency, despite the adverse impact of a weakening macro-economic environment. Our unique waste-to-product business model has proven resilient in the face of these market headwinds and remains well supported by long-term legislative and environmental drivers.

Review of the year

Encouragingly, conditions in our core commercial markets in the Benelux showed some improvement during the year, after a number of years of contraction. The benefit of this was, however, offset by the weak macro-economic environment, particularly in the second half. The significant impact of sharply lower energy and commodity markets was largely offset by our actions to drive growth and manage cost. Our strong focus on cash ensured that year-end core net debt was lower than expected.

Consistent growth strategy

Our strategy is based on delivering growth from our market-facing divisions: Commercial Waste, Hazardous Waste and Municipal. Across all our divisions we aim to drive margin expansion, invest in infrastructure, and manage the portfolio. As the significant investments we have made over the last few years result in new facilities coming online, we will now place greater emphasis on the other two levers: margin expansion and portfolio management.

Market conditions suggest consolidation

In response to the structural over-capacity in European waste markets, there are signs of increased M&A activity. This may lead to opportunities to deliver value through synergistic acquisitions. We remain alert to opportunities which will strengthen our market positions, and will continue to exercise capital discipline. We will also explore opportunities to realise value and reduce leverage through the selective sale of non-core or under-performing assets.

Robust financial position

We focus on capital discipline and good management of our cash. This year we have delivered another year of strong underlying free cash flow (UFCF). UFCF was £56.8m (2015: £23.4m) and the UFCF% was 172% (2015: 69%).

Last year we indicated that net debt would rise as we reached a peak of capital investment during this financial year and into 2016/17. Accordingly, we put in place amended bank covenants to allow greater headroom during this leverage peak. We also implemented a range of projects to recycle capital, including the successful sale of our Wakefield PFI assets in March for £30m of which £26m was received by 31 March. As a result, core net debt at the year end was £193m, better than expectations. Net debt to EBITDA increased to 2.6 times.

Earnings per share and dividend

Underlying basic earnings per share for the year reduced to 4.7 pence (2015: 5.0 pence). This reflects stable underlying earnings at constant currency, with the prior year benefiting from a larger one-off tax credit. Based on the Board's confidence in the Group's future earnings potential, I am pleased to confirm that we will be recommending an unchanged final dividend of 2.35 pence per share, payable on 29 July 2016 to shareholders on the register on 1 July 2016. The Board intends to maintain this level of dividend until earnings recover, such that the dividend is back within the range of 2.0 to 2.5 times cover. Once this is the case a progressive dividend policy can be resumed.

Corporate governance

The Board is committed to the highest standards of corporate governance. Details of our processes and approach, including those relating to the role and effectiveness of the Board, and compliance with the Governance Code, are set out in the Governance section on pages 70 to 96.

At the 2014 AGM shareholders approved our Directors' Remuneration Policy. Our policy continues to be to recruit, retain and motivate high-calibre senior management, and to provide a competitive remuneration package directly linked to performance and the interests of shareholders.

Board changes

On 5 November 2015, Adrian Auer informed the Board that he wished to step down as Chairman, after ten years on the Board, nine of which were as Chairman. During that time he steered Shanks through testing market challenges with skill and dedicated leadership. Under his leadership, Shanks was transformed from a landfill business into a leading and highly respected waste-to-product company. We would like to thank Adrian for his significant contribution to Shanks over the past ten years and wish him well in the future.

Initial impressions

I am delighted to have been appointed as Chairman of Shanks. In my opening weeks I have visited all the divisions and met many of our senior management. I have been impressed by the professionalism, entrepreneurial spirit and passion throughout the Group. This is a pivotal time for Shanks as markets reach the bottom of the cycle and I believe that there is excellent opportunity to deliver growth going forward.

Summary and outlook

Shanks is a well-positioned business with a clear growth strategy. Our margin expansion initiatives are delivering results and we have new assets coming online. In parallel, we will continue to actively manage our portfolio to ensure we deliver growth and increasing returns.

On behalf of the Board, I thank all the employees of Shanks for their commitment to our unique company. Finally, to our shareholders, I thank you for your ongoing support.

Colin Matthews
Group Chairman

ABOUT US

We focus on making valuable products from waste, rather than on its disposal through mass burn incineration or landfill.

OUR VISION

"Our vision is designed to deliver growth, increase customer focus and improve operational performance."

PETER DILNOT
GROUP CHIEF EXECUTIVE

"To be the most respected waste-to-product company"

Last year we revised our vision to be the most respected waste-to-product company. This emphasis on the term 'waste-to-product' highlights our unique business model and what differentiates us. We exclusively focus on extracting value from waste, rather than on its disposal through mass burn incineration or landfill. We believe that our unique focus not only addresses social and regulatory trends, but also offers the most capital-efficient solution to the effective recycling and management of waste.

What it means

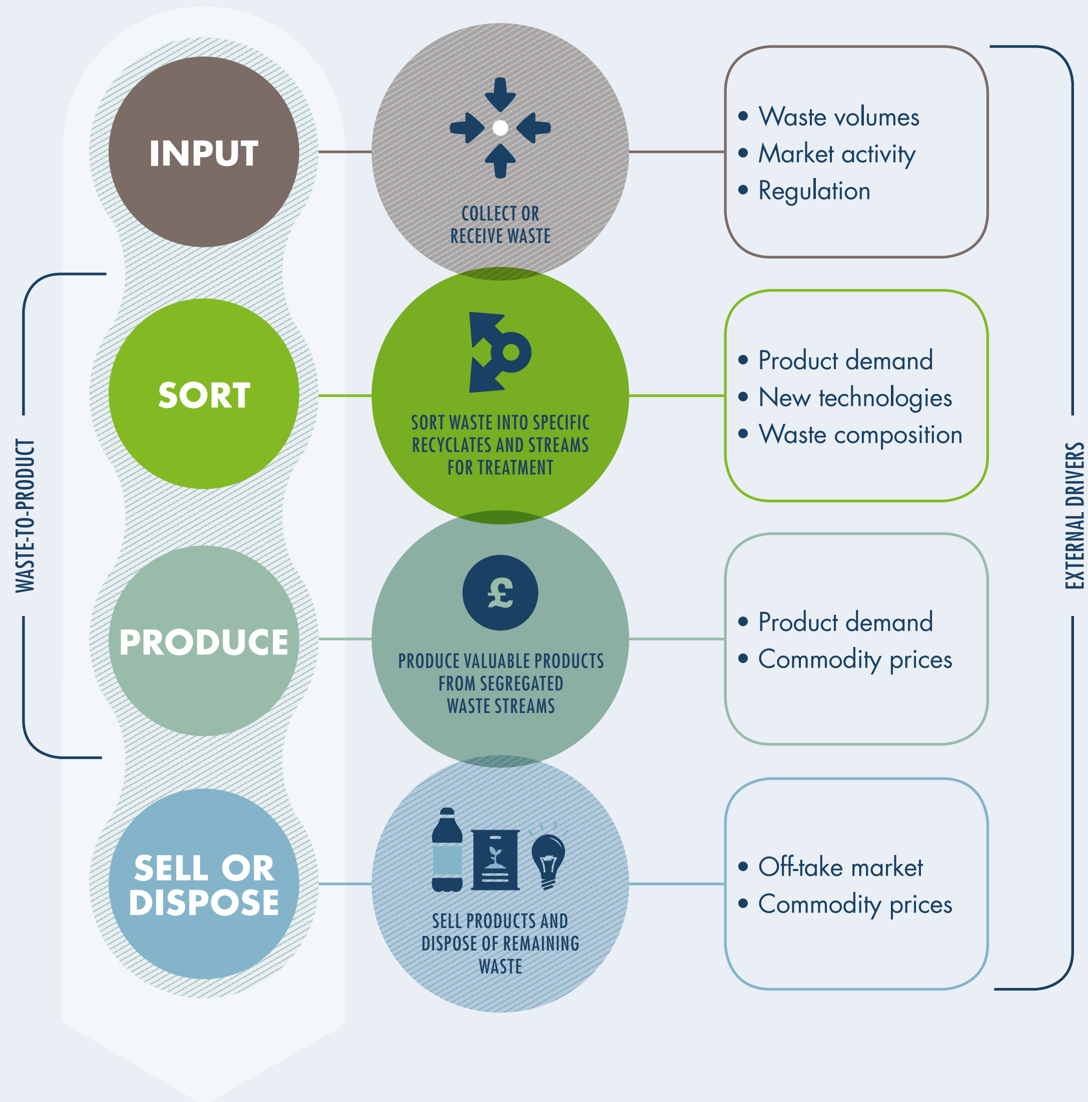
Most respected
We seek to be the most respected waste-to-product company by all our key stakeholders: customers, employees, communities and, of course, our shareholders.

Waste-to-product
We focus on making valuable products from waste, rather than on its disposal through mass burn incineration or landfill. We believe our business meets the growing need to deal with waste sustainably and cost effectively.

OUR BUSINESS MODEL

OUR BUSINESS CREATES VALUABLE PRODUCTS FROM MATERIAL THAT IS OTHERWISE THROWN AWAY.

There is a growing need for cost-effective and sustainable waste-to-product technologies which Shanks is uniquely placed to meet. We have leading positions in our target markets and a unique portfolio of businesses, capabilities and technologies.



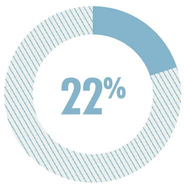
ABOUT US

OUR DIVISIONS

WE OPERATE IN THREE DIVISIONS THAT REFLECT OUR MARKETS: HAZARDOUS, COMMERCIAL AND MUNICIPAL.

HAZARDOUS

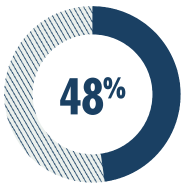
We are the European leader in the treatment of contaminated soil and water and a leader in industrial cleaning in the Netherlands.



PERCENTAGE OF GROUP REVENUE

COMMERCIAL

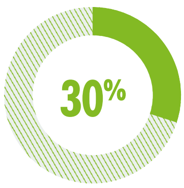
We are a market leader in the collection and treatment of commercial waste in the Netherlands and Belgium.



PERCENTAGE OF GROUP REVENUE

MUNICIPAL

We are a leading provider of sustainable waste-to-product solutions for municipal customers in the UK and Canada.



PERCENTAGE OF GROUP REVENUE

GROUP CHIEF EXECUTIVE'S REVIEW

GROWING DESPITE THE CHALLENGES

A clear strategy, supported by continuous improvement initiatives and the efforts of our people, has enabled us to deliver despite difficult market conditions.

PETER DILNOT
GROUP CHIEF EXECUTIVE

> **Our own initiatives and newly commissioned capacity are expected to deliver growth, independent of any potential market recovery.**

The Group made good progress against its strategic and operational objectives in 2015/16 despite the tough macro market. Our core commercial waste markets in the Netherlands showed signs of improvement after a number of years of contraction. In addition, we made good progress with our self-help initiatives, although we were unable to offset fully the impact of a weakening macro-economic environment, particularly in the second half of our financial year.

With global energy and commodity prices at what appear to be cyclical lows, our plans for growth are based on current market conditions with no material expectation of recovery in the short-term. Our own initiatives and newly commissioned capacity are expected to deliver growth, independent of any potential market recovery.

Group performance

Revenues from continuing businesses grew by 7% at constant currency to £615m, and by 2% at reported currency (2015: £601m). Trading profit grew by 4% (a reduction of 3% at actual rates) to £33.4m and underlying earnings per share grew by 1% at constant currency to 4.7p (2015: 5.0p). Exceptional items totalled £23.5m (2015: £42.2m).

Commercial Waste produced a strong performance in the year, growing trading profit by 18% at constant currency to €21.1m on revenues that grew by 1% to €406m. The Netherlands strongly increased trading profit by 37% to €13.7m while Belgium fell by 6% to €7.4m, as expected. The benefit of improving conditions in the Dutch construction market was countered by weaker recyclate and energy prices in the second half of the financial year. However, we were still able to deliver profit growth from our self-help initiatives and ongoing portfolio management.

Hazardous Waste delivered a robust performance despite difficult oil and gas markets, which represent over 50% of its revenues. Revenues increased by 6% at constant currency to €186m and trading profit increased by 1% to €21.2m. Record waterside and soil volumes were processed to offset intake and off-take pricing pressure, productivity pressure and lower sludge volumes.

Municipal had a challenging year, although revenue grew by 21% at constant currency to £190m as a result of the commissioning of new sites and construction activity in Surrey, Canada. However, trading profit fell by 15% at constant currency to £9.6m as a result of off-take, recyclate and energy price pressures, as well as higher insurance costs. As previously disclosed, the impact of changes in market conditions on our Cumbria PFI contract has caused us to take a £5m onerous contract provision. We were pleased to commission both the Barnsley Doncaster and Rotherham (BDR) and Wakefield flagship facilities during the year, both of which will contribute to profit and cash performance over the next 25 years.

Strong cash management and capital discipline continued in 2015/16, which we had highlighted as a year of peak capital investment in a range of strategic and long-term projects. We kept tight control of our operating cash flows, delivering an underlying free cash flow of £56.8m (2015: £23.4m). Our core net debt on 31 March 2016 was better than expected at £193m,

GROUP CHIEF EXECUTIVE'S REVIEW

representing a multiple of 2.6 times EBITDA, comfortably within our covenant level.

Market and macro-economic background

The weakening of the global macro-economic environment in the second half presented new headwinds just as our commercial waste markets had begun to stabilise.

The key Netherlands construction market grew for the first time in four years, increasing by around 3% primarily driven by the residential sector, with commercial and infrastructure construction remaining subdued. This improvement remains at an early stage, not least because many of the major construction companies are themselves still recovering. The Dutch industrial and commercial waste segment experienced some price increases in a flat market following an increase in incinerator gate fees and the impact of the domestic incinerator tax of €13 per tonne implemented in January 2015. The outlook is for continued modest growth in construction and demolition waste, supported by a stable broader waste market.

This recovery in our core commercial market was, however, more than offset by the global weakening of the macro-economic environment, especially in the second half, which led to further deterioration in oil and gas markets, falling commodity prices and lower energy prices.

The fall in oil and gas market prices impacts our Hazardous Waste Division in a number of ways. The first is that our oil and gas customers minimise their operational expenditure and cut back on exploration expenditure. This has included a reduction in the volume and the shape of refinery maintenance programmes and hence a significant impact on the productivity and profitability of our Dutch industrial cleaning business, Reym. The second is that the same cost pressures and reduced cleaning activities have resulted in around 15% less industrial waste sludges being delivered to our ATM facility for treatment. The third is that with virgin oil at very low prices, the market for waste oils, an output of our treatment process, has been significantly reduced both in volume and pricing.

We continue to believe that this reduced maintenance activity and the impact of low pricing is short-term in nature, but we are suitably cautious about forecasting the timing of the recovery.

The global fall in commodity prices also has a direct impact on recyclate prices, particularly metal and plastics. This impacted the Municipal and Commercial divisions by around £3m in the second half. The ferrous metal price fell by 40% in the third quarter of our financial year before stabilising in the fourth quarter. Other recyclate markets, including glass and wood, proved volatile but downside risks were somewhat mitigated through rapid adjustments to inbound and/or outbound pricing to maintain margin. Commodity prices appear to be towards the bottom of their normal cycles, but our growth plans are based on current levels with no expectation of material recovery in the short-term.

A consistent strategy for growth

Our vision is to be the most respected waste-to-product company. We exclusively focus on extracting value from waste, rather than on its disposal through mass burn incineration or landfill. We believe that our unique focus both addresses social and regulatory trends and offers the most capital-efficient solution to waste management.

Our strategy remains consistent, with three core divisional strategies to address the specific market opportunities that each of our Divisions serves. These divisional strategies are reinforced by three overarching strategies that apply across the Group. These are to:

- Drive margin expansion across the Group through self-help initiatives such as commercial effectiveness, continuous improvement and off-take management;
- Invest in infrastructure through the cycle in areas where we are structurally advantaged and can deliver superior returns; and
- Manage our portfolio of assets and businesses, exiting those that are non-core or under-performing and recycling capital into segments where we can deliver increased returns and growth.

> **The weakening of the global macro-economic environment in the second half presented new headwinds just as our commercial waste markets had begun to stabilise.**

REVENUE GREW*

7%

TRADING PROFIT IS UP*

4%

*At constant exchange rate.

OUR STRATEGY

The core pillars of our strategy reflect our organisational structure and incorporate our three cross-divisional strategies.

DIVISIONAL STRATEGY

HAZARDOUS

Industrial cleaning and treatment of hazardous waste.

COMMERCIAL

Collection and treatment of commercial waste.

MUNICIPAL

Operating long-term municipal contracts.

GROUP STRATEGIC PRIORITIES

DRIVING MARGIN EXPANSION

Using advantaged capabilities and productivity to drive operational performance.

INVESTING IN INFRASTRUCTURE

Expanding the footprint with investment in new infrastructure where advantaged.

MANAGING THE PORTFOLIO

Continuing to actively manage the business portfolio to improve returns.

PROFITABLE GROWTH

INCREASED RETURNS

GROUP CHIEF EXECUTIVE'S REVIEW

Lean living
Our Commercial Division successfully completed lean conversions of two key sites, Van Vliet Groep and Ghent, helping to identify annualised savings of around €2m.

Driving margin expansion through self-help initiatives

We are driving margin expansion principally through a range of initiatives that address the key areas of our business model: intake, processing and disposal. Our success in driving these initiatives has been the main reason that we have been able to offset most of the impact of the global macro-economic headwinds.

Our commercial effectiveness initiative has been focused on managing intake margin, at the front end of the business, particularly in our Commercial Division. Our sales force has shifted its emphasis towards margin from volume, focusing on profitable segments and exiting from loss-making contracts. New tools for managing both pricing and sales force activity have allowed us to more effectively manage market changes such as new taxes or movements in recyclate prices.

Our continuous improvement initiative made good progress in 2015/16, building on the successful completion of our structural cost programme last year. Lean conversions of two key sites, Van Vliet Groep and Ghent, have been successfully completed in the Commercial Division, identifying annualised savings of around €2m. This initiative will be rolled out across the rest of the Division, starting with most of our master plants in 2016/17. Continuous improvement has also been introduced in Municipal, with around £1m of savings identified and delivered at ELWA, and will be rolled out across the division in the coming year.

We additionally created a new initiative last year to manage our off-take, including the recyclates and the refuse derived fuel (RDF) that we produce throughout the Group. This initiative has delivered savings of over €700k through optimised pricing and disposal routes. Further savings are targeted for 2016/17.

Bringing infrastructure on line for future growth

A core part of our strategy has been to invest through the cycle in infrastructure where we are advantaged and where we can generate attractive returns. The 2015/16 and 2016/17 years will see our infrastructure investment peak and we are now increasingly focusing on profit and cash flow delivery.

During 2015/16 we successfully commissioned two flagship PFI facilities in the UK. The £100m Wakefield site provides a range of technology solutions to meet the diversion requirements of Wakefield's residents. The insolvency late in construction of a major supplier led to a four month delay in full service commencement but the site entered full service on our revised target date in December and is performing as expected. The new £90m BDR facility is our largest mechanical biological treatment (MBT) facility and is capable of processing up to 265,000 tonnes of residual waste per annum with a diversion rate of 96.5%.

We also commissioned important new assets within our Hazardous Waste Division. Our new Shanks Total Care site at Theemsweg is located in the heart of the Europoort at Rotterdam. It combines a Reym cleaning depot with waste reception and storage facilities. This means that both Reym and other industrial customers in the Europoort can deliver their waste to

> **"New tools for managing both pricing and sales force activity have allowed us to more effectively manage market changes."**

Theemsweg instead of making the four hour round trip to our main ATM treatment site. This significant time saving benefits our customers and we then bulk up the waste for transfer by ship to ATM, reducing our internal costs. Additional processing assets were commissioned at ATM, including storage tanks, a jetty extension and water cooling technology. The increased capacity created on the site allowed record throughput to be processed, offsetting the reduction in intake of certain high margin waste streams.

Portfolio management for improved returns

In managing our portfolio, we have exited activities where we are unable to generate acceptable returns or which are non-core. This is driven by our commitment to increase our returns through the recycling of capital into higher growth areas. During 2015/16, we sold our loss-making Industrial Cleaning Wallonia business to a local player, allowing us to avoid future losses of over €700k per annum and also rationalise our divisional overhead, reducing costs by a further €1m. We also sold our non-core Shanks Nord business to a local player, exiting a business where we were sub-scale. During the year we acquired and integrated PRA, a small paper recycler within our core operational area of the Randstad.

> **We were pleased to underpin and extend our long-term financing through the issuance of a €100m Green Bond to the Belgian retail market, the first Green Bond to be listed on the London Stock Exchange.**

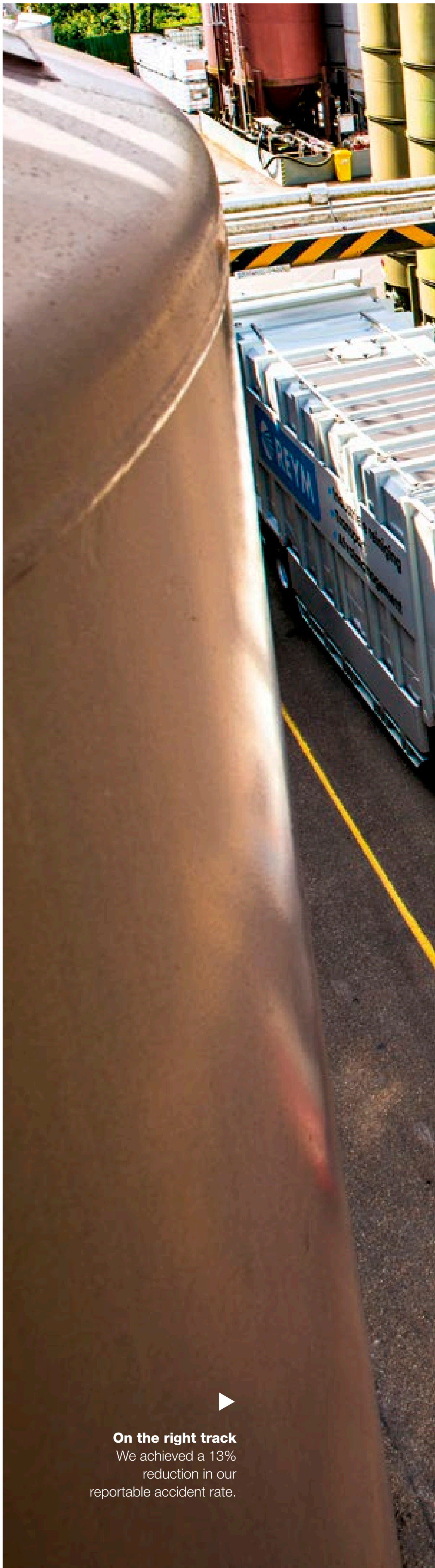
Focus on cash

We have continued to focus on cash, especially given the higher than usual investment commitments of the Group during the year. The business generated an underlying cash flow of £56.8m before growth investments and exceptional costs, representing underlying free cash flow generation of 172% (2015: 69%).

Highlights of our cash management activities have included:

- The sale in March 2016 of 100% of the subordinated debt and 49.99% of the equity in our Wakefield PFI special purpose vehicle for £30m, £26m of which was received by year end;
- A project to enhance working capital processes that has delivered benefits of around £5m in 2015/16;
- The sale of certain accounts receivable in segments of the business with structurally longer days sales outstanding (DSO) to increase capital efficiency; and
- The sale of Shanks Nord in France and our Kettering site for a combined value of £3m.

In addition, we were pleased to underpin and extend our long-term financing through the issuance of a €100m Green Bond to the Belgian retail market, the first Green Bond to be listed on the London Stock Exchange. This Green Bond has a coupon of 3.65%. During the period, we also redeemed shorter-term and more expensive borrowings.



On the right track
We achieved a 13% reduction in our reportable accident rate.


REYM

GROUP CHIEF EXECUTIVE'S REVIEW

MEASURING FUTURE PERFORMANCE

DIVISIONS

HAZARDOUS

To deliver growth through optimisation of new assets and waste flows.

GOALS 2016/17

- Secure strong incoming soil volumes and maintain current throughput levels.
- Optimise waterside volumes and seek additional sludges.
- Manage Reym productivity and cost base to meet expected market demand.

COMMERCIAL

To deliver growth through further implementation of self-help initiatives and through capturing market recovery.

GOALS 2016/17

- Roll out continuous improvement (CI) across all master plants.
- Increase margins through extension of commercial effectiveness programme.
- Manage volatility in downstream markets, including wood dust off-take.

MUNICIPAL

To commission and optimise new assets while managing evolving market conditions.

GOALS 2016/17

- Commission Surrey and Derby projects on time.
- Improve operational performance of new BDR and Wakefield contracts.
- Address challenges in less profitable contracts.

GROUP

DRIVING MARGIN EXPANSION

GOALS 2016/17

- Roll out CI across all divisions with a sustained increase in CI expertise embedded within each business.
- Ensure Group off-take initiative project delivers further material savings in the coming year through improved recyclate and off-take routing and pricing.
- Complete current structural cost reduction activities on time and on budget.

INVESTING IN INFRASTRUCTURE

GOALS 2016/17

- Commission major Municipal projects on time.
- Ramp up Hazardous Waste investments to deliver increased returns.
- Complete construction of Vliko depot and transfer activities to the new site.

MANAGING THE PORTFOLIO

GOALS 2016/17

- Continue to release value from under-performing or non-core assets to recycle capital.
- Remain alert for expansion opportunities through accretive M&A, exercising capital discipline.

Our vision, strategy and organisation are designed to increase customer focus, improve operational performance and deliver growth.

Strategic goals in 2016/17

While our strategy remains consistent, we will shift emphasis in the coming year as we come to the end of a period of particularly high capital investment.

Going forward, there will be greater focus on margin expansion initiatives. We will extend the roll-out of our continuous improvement programme to reduce cost and increase productivity across all our divisions.

On the investment side, we plan to allocate future capital expenditure more to incremental projects that will enhance capacity or performance at existing sites rather than investing in new greenfield sites. This is due to most segments having sufficient capacity and low forecast volume growth. We will also focus heavily on delivering returns from our existing assets.

Finally, we continue to be alert to opportunities both to generate cash and improve returns through targeted disposals and to create value through suitable acquisitions while maintaining our capital discipline.

Building a winning team

Our strong performance has been made possible by our focus on developing our existing talent and bringing in new skills from other industries. Success in the waste industry requires a blend of entrepreneurial commercial flair and strong processing disciplines. We have continued to invest in evolving the capabilities of our people and our organisation from the Executive Committee to our front-line employees. In particular, our continuous improvement programme will transform the capability of our operational teams. We also invested heavily in developing our teams at ATM to achieve the vital Seveso III safety standard that will allow safer operations at ATM and will increase the potential for further future expansion. I was particularly pleased that our second engagement survey had an 18% increase in response rate and that 80% of our work force confirmed that they were committed to the company.

Delivering responsibly

Sustainability and corporate responsibility are at the heart of Shanks' vision to be the most respected waste-to-product company. Last year we laid out a demanding new five year programme for corporate responsibility and we have made good progress against our new targets. In particular, we were delighted to deliver yet another year of improved safety performance, with a 13% reduction in three day accidents and a new record low RIDDOR rate for the Group. We continue to engage closely with communities, regulators and employees, and are investing heavily in enhanced technologies to improve our recycling rates and to minimise our impact in the communities around us.

Outlook

Despite the current macro-economic environment, we remain well positioned to make progress and to meet our expectations for 2016/17. We continue to implement our self-help initiatives to drive margin expansion across all our divisions and significant new infrastructure assets are coming on stream. As we come to the end of a period of high capital investment in the coming year, we will focus even more intensively on delivering returns from our existing assets.

Longer term, the underlying growth drivers in our business remain attractive. Our vision, strategy and organisation are designed to increase customer focus, improve operational performance and deliver growth. Our portfolio management plans are also expected to increase returns and recycle capital into higher growth opportunities.

Peter Dilnot
Group Chief Executive

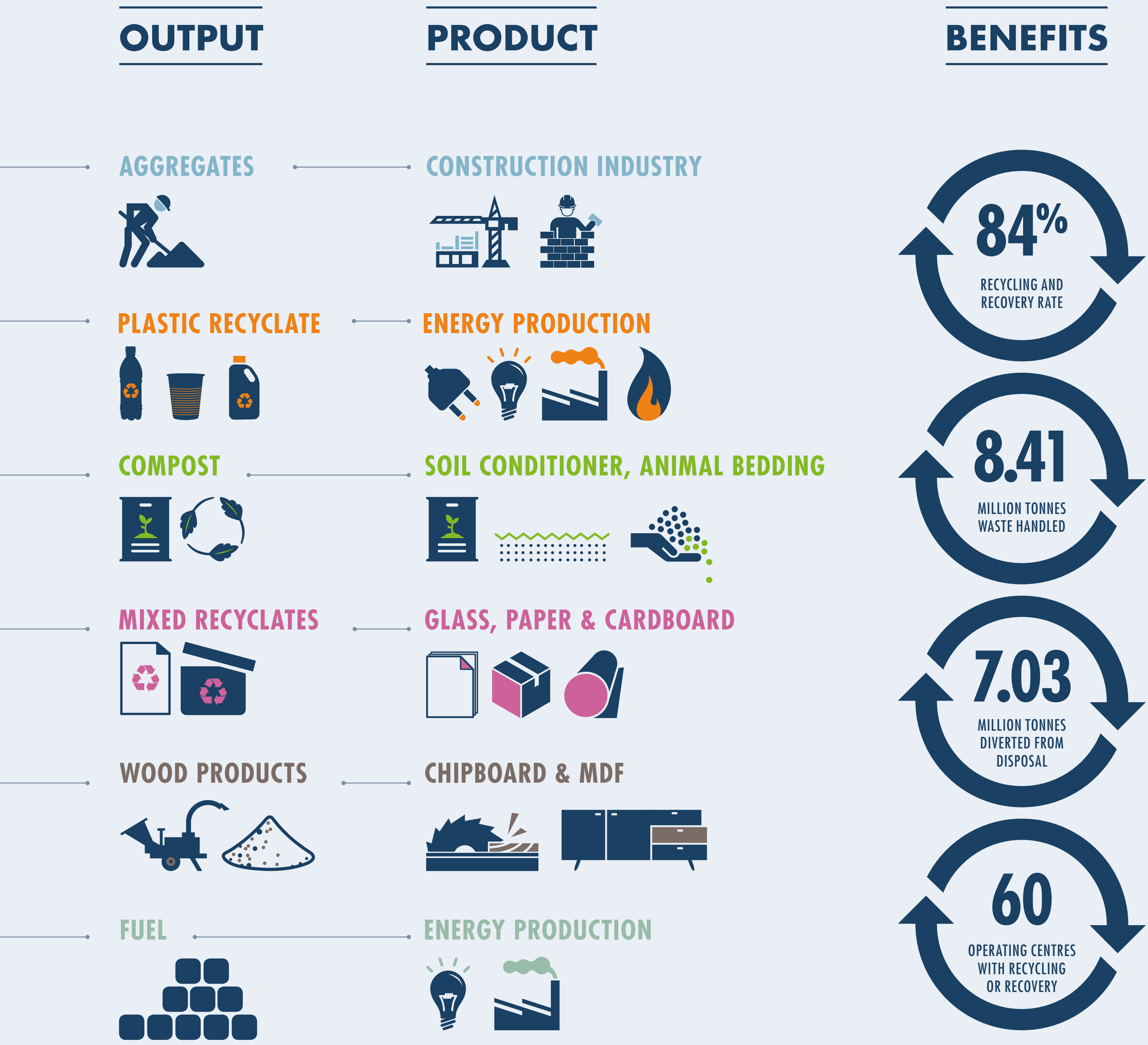
WASTE-TO-PRODUCT

WHAT IS 'WASTE-TO-PRODUCT'?

Why it is different to 'waste management'

INPUT

In September 2014 we announced our vision to be the most respected waste-to-product company. This emphasis on the term 'waste-to-product' highlights our unique business model and what differentiates us. We exclusively focus on extracting value from waste, rather than on its disposal through mass burn incineration or landfill. We believe that our unique focus not only addresses social and regulatory trends, but also offers the most capital-efficient solution to the effective recycling and management of waste.



DRIVING MARGIN EXPANSION

ALL SORTED

Our commitment to continuous improvement initiatives has enabled our Van Vliet Groep site in the Netherlands and our Jenkins Lane facility in the UK to increase efficiency and reduce costs.

Implementing a continuous improvement programme has halved downtime on the sorting line at our Van Vliet Groep (VVG) site in the Netherlands. It is not a project or initiative, but a new way of working.

Sandor Karreman, director of VVG, admits that he was slightly sceptical when the pilot to improve performance on the sorting line – already rated one of the most advanced of its type in Europe – was launched. “We were convinced we were operating it as well as possible,” he says, “but we accepted the challenge.”

Continuous improvement (CI) uses clear visual daily management to identify the causes of poor performance and provides a framework for creative problem solving. “We built a new measurement system so we could register the exact place where downtime was occurring and how many minutes it lasted,” explains Sandor. “Then we picked the biggest cause of downtime and came up with a range of solutions. Once that problem was reduced, we tackled

“We picked the biggest cause of downtime and came up with a range of solutions.”

FAST FACT

Continuous improvement tools range from Value Stream Mapping, which involves outlining business processes in order to understand where value is created, to Daily Management, in which teams plan activities and improvements around a common dashboard of performance.

Saving precious time
A four month continuous improvement pilot at our Van Vliet Groep site in the Netherlands has halved downtime and reduced costs.

whatever was the next biggest problem." The four month pilot reduced downtime by 50% and reduced our business costs. Based on 4,000 hours per year, this improvement gives the site an additional 320 hours production capacity, which equates to an extra 11,200 tonnes of waste processed each year.

Engaging sorting line employees was key to the pilot's success. The site's management team introduced daily team discussions based around a visual board that highlights key targets and progress so far.

"One of the lessons we learned was that the key performance indicators we put on the board as managers were not clear to our operational team," says Sandor, "so we asked them what they wanted to measure and used that as our base."

We are now planning to roll-out this new way of working to other sites, while the team at VVG remains committed to evolving its continuous improvement.

GREATER EFFICIENCY IN THE EAST END

Another part of Shanks enjoying the benefits of our continuous improvement (CI) programme is our East London contract in the UK.

In 2015 we introduced CI techniques across a range of operations at the sites, home to our largest municipal contract in the UK.

"In one part of the Jenkins Lane facility, which processes mixed dry recycling, we increased throughput from 230 to 330 tonnes a week," says Greg Walton, Contract Director. "We generated significant savings by getting more out of the same facility and the same people by doing things better."

Greg points to the detailed analysis and assessments which were undertaken by his team prior to the CI programme being implemented.

One of the areas identified for improvement was around mobile plant drivers and labourers who used to start work at the same time. Each day, the labourers had to wait while the drivers spent 15 minutes carrying out essential safety checks. By getting the labourers to start a quarter of an hour later, the site reduced downtime instantly and improved productivity. This demonstrates just one of the relatively simple ways the site has driven efficiency and made savings.

FAST FACT

Construction of the residual waste treatment facility at South Kirkby, Wakefield started in 2013 as part of a 25 year PFI contract with Wakefield Council. Three years on, the plant is operating in full service and we have been able to release some of the capital invested in it.

MANAGING THE PORTFOLIO

RECYCLING CAPITAL

From the sale of Industrial Cleaning Wallonia to the acquisition of recycling business PRA, we continue to make selective acquisitions and divestments.

Managing our portfolio is a key part of our strategy and it is critical in improving earnings and increasing the return on capital employed. In the last year we have sold under-performing assets that were unlikely to generate good returns, and recycled the capital where we are confident of sustainable advantage, attractive returns and higher growth.

The acquisition of PRA, a small paper and cardboard recycling business based in the centre of the Netherlands, was driven by the local management team at Vliko, part of our Commercial Division. The team identified an opportunity to add volume to its existing operations through the acquisition.

"Gaining additional volume that complements our footprint and uses existing infrastructure is accretive and synergistic," says Henk Rogiers, Group Corporate Development Director at Shanks. "It enables better use of our existing assets." PRA fits neatly with Shanks' existing businesses in the area and has now been integrated into our Vliko business.

In addition to acquisitions, we have a clear and stated strategy to dispose of under-performing assets that cannot generate appropriate returns. Industrial Cleaning Wallonia (ICW) was a non-core part of our Commercial Division in Belgium which provided industrial cleaning for the chemical and steel industries. It was capital intensive and its area of focus in Wallonia is suffering a sustained period of industrial decline.

As a result, the company was unlikely to achieve adequate returns under Shanks' ownership and so was sold to a local operator. The sale involved a straightforward and well communicated transfer for ICW's 110 employees.

"Gaining additional volume enables better use of our existing assets."

PRUNING OUR ASSETS

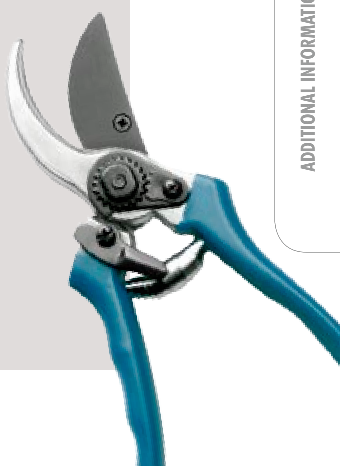
Freeing up capital from big projects enables us to invest those funds elsewhere.

In March we agreed the sale of all the subordinated debt and 49.99% of the equity in the financial and infrastructure vehicle relating to our PFI contract with Wakefield Council.

The buyer was Equitix, a primary and secondary market investor in waste assets. We will receive £30m in total on completion of the deal which will be used to reduce borrowings and support ongoing investment in other infrastructure projects.

The transaction is purely a financial one, designed to give us the ability to deploy our capital more effectively, and does not affect the operation of the Wakefield contract.

Henk Rogiers says: "Shanks remains wholly committed to the success of our flagship Wakefield contract, both as an operator and an ongoing investor."



Business as usual
We remain wholly committed to the success of our flagship Wakefield contract, both as an operator and an ongoing investor.

FAST FACT

By using our Total Care Centre, customers can benefit from access to expertise from Shanks' Commercial and Hazardous Divisions.

INVESTING IN INFRASTRUCTURE

TOTAL SUCCESS

Both our business and our customers are already reaping the rewards of our new Total Care Centre at Theemsweg, after the centre began operations in October 2015.

A €10m project to build a Total Care Centre at Theemsweg in Rotterdam was delivered on time and on budget – and is already benefiting our business and customers.

The centre, which opened in October 2015, offers customers 'a total solution' for their waste and cleaning requirements so that they only have to deal with one contact and receive one invoice, explains Ron Grobecker, Commercial Director of Reym, part of the Hazardous Waste Division.

"We wanted to leverage our Group capabilities to increase volumes, drive efficiency and extend our geographical reach," he says. "We were already able to clean and take waste, but we believed there was an opportunity to grow in our target markets to enable us to do more for our existing customers as well as attract new ones."

The Total Care Centre, located in Rotterdam's Europoort, the largest port in Europe, has its own quay, allowing waste water and sludge to be collected from on-land processing activities and also from docked ships in the future.

"We believed there was an opportunity to do more for our existing customers as well as attract new ones."

The on-site waste treatment plant's tanks are capable of holding approximately 4,000m³ of waste liquid that is then bulk transferred by ship to our ATM facility. Being able to transfer the waste liquid to ATM by ship is far more efficient and reduces the operation's carbon footprint.

"Each shipment is saving the equivalent of 300 trips by tank-truck, all of which went through Rotterdam's rush hour traffic at the end of the day," says Ron. "It is a big win to take those trucks off the road."

Incredible bulk
Waste liquid is taken from on-site cleaning activities to the Total Care Centre and is bulk transferred by ship to our ATM facility.

ULTRASONIC BOOM

A €1m investment in high tech equipment has enabled Shanks to offer customers ultrasonic cleaning capability alongside high pressure and chemical cleaning at its new multi-purpose facility at Theemsweg in Rotterdam.

The high specification ultrasonic cleaning unit, which is more than nine metres long, enables us to clean our customers' sophisticated industrial machinery parts to a level that far exceeds traditional cleaning methods. "We use high frequency sound and a special cleaning agent that results in a fantastic result for valuable industrial components such as heat exchangers," says Reym's Ron Grobecker. "It is a valuable addition to the services we offer customers."

MUNICIPAL

SUPER SERVICE

Our flagship BDR and Wakefield facilities entered full service last year, following the commissioning of great long-term assets that are 'Built to Last'.

Our Municipal Division had much to celebrate in 2015 after two multi-million pound contracts to manage waste and recycling for UK local authorities entered full service.

A 25 year contract with Barnsley, Doncaster and Rotherham (BDR) Councils officially began full operations in July. The contract involved building mechanical biological treatment (MBT) and anaerobic digestion (AD) facilities at a site near Rotherham. The facilities align with our waste-to-product model by turning municipal waste into products such as waste derived fuels, recyclates, electricity and compost. "The facility was built and commissioned on time and we are now diverting approximately 96% of the incoming waste away from landfill," says Colin Fletcher, Contracts Director.

At Wakefield in West Yorkshire, a £750m contract came into full service after we completed construction of new waste treatment facilities at its South Kirkby site. "While we were building the new facilities we were still handling the Council's waste," says Colin.

At our flagship site in South Kirkby we now have treatment facilities to process all of Wakefield Council's waste. A mixed dry recycling centre makes 24,000 tonnes of recyclates from curb-side collected waste, while steel and aluminium cans, plastics, glass paper and cardboard are all sorted and sold. We manage approximately 20,000 tonnes of green waste from around 134,000 properties in Wakefield and create high quality compost, which is then used on local farmland. The site also features autoclave and AD technology, plus an education centre to educate local school children on the importance of recycling and waste minimisation. "These facilities are all built to last," emphasises Colin. "They are long-term assets servicing long-term contracts."

These facilities are all built to last. They are long-term assets servicing long-term contracts.

GENERATION GAME

A dry anaerobic digester (AD) has created a one-site solution for dealing with residual waste at BDR.

Organic fines (soil-like organic material filtered from waste) are treated to generate methane gas, which is then used to generate electricity. This now generates about a third of the electricity used on site.

At Wakefield, the autoclave, a plant that treats waste using heat and pressure, is the star new technology. Colin Fletcher, Contracts Director, explains: "What is unique is we are preparing the organic waste stream so it can release its gas-making properties more quickly and easily than in a traditional wet anaerobic digester.

"This is a real process improvement. It allows us to put more organic waste through to the AD and allows us to generate more electricity, more consistently."

Hot property
The autoclave at Wakefield releases the gas-making properties of organic waste quicker and easier than a traditional wet anaerobic digester.

FAST FACT

Our waste treatment facility at South Kirkby processes up to 230,000 tonnes a year of municipal solid waste from the Wakefield District, using multiple technologies to make more from waste and increase the local authority's landfill diversion rate.

Volume control
There's been a 9.3% increase in our waterside activities at ATM.

HAZARDOUS

CLEAN MACHINE

Thanks to the completion of four investment projects last year, we are better equipped than ever to treat contaminated water and degas ships on site at ATM.

Our ATM site in Moerdijk near Rotterdam was already one of the largest sites in Europe for treating contaminated soil and water and for disposal of hazardous waste, but the site's team believed there was scope to do even more. Thanks to the completion of four investment projects last year, that belief has proved well founded.

The first and largest of the projects was to build new water tanks, each with a capacity of 10,000m^3, the equivalent of 12 Olympic sized swimming pools. These tanks have not only enabled ATM to take on larger projects than ever before, they have also enabled the site to spread its workload more evenly over time, giving it greater protection from market fluctuations.

Another project saw ATM's jetty extended, which will help the site process the greater volumes arriving by large inland ships. "Our jetty was not large enough to handle all these ships," recalls Aad van Marrewijk, Director of ATM. "Now it can handle an additional two ships, each approximately 100 metres long." Meanwhile, an investment in titanium coolers has enabled the site's water processing to operate more efficiently through the summer, avoiding slowdowns due to overheating.

"These investments have certainly improved our total throughput."

The final investment was the installation of a second ship degassing line. The line came on stream in early 2016 and will help ATM's customers to comply with legislation in the Netherlands that has made it illegal to degas ships in the open air. It also means ships can unload waste and be cleaned and degassed at the same time. "These investments have certainly improved our total throughput," says Aad. "Even though the income we receive for selling treated waste material has been affected by low oil prices, we have been able to compensate partially by doing more for our customers."

COMMERCIAL

ENERGY BOOST

A contract renewal has paved the way for us to increase production of ICOPOWER® pellets, which can be used to power cement kilns and produce cement clinker.

FAST FACT

The quality of the ICOPOWER® energy pellets we produce means they are classified as a fuel rather than as a waste product. This allows us to charge our customers rather than pay for off-take.

The renewal of a six year contract with Swedish cement maker Heidelberg Cement Group paved the way for expansion at our Icova site near Amsterdam last year.

With the new contract to provide 54,000 tonnes of Shanks' unique ICOPOWER® energy pellets every year, Shanks was able to commit to an investment that benefits both the bottom line and the environment.

"Until then, the pellets that we produced had to be transported by road to an external warehouse because we had neither the storage facilities nor the port facilities at our site," recalls Maurice Geelen, a director of the northern region of the Netherlands Commercial Division. By building a new 2,300m² storage facility, we will save on transportation costs and maximise production efficiency. "We will avoid approximately 20,000km of road travel and 9,000 litres of diesel a year," says Maurice.

To allow ships to dock at the Icova site, Shanks worked closely with the Amsterdam Port Authorities, which dredged the area so that larger, deep water ships could use a new quay. The quay will help to drive efficiency on the contract as well as optimise operations and save significant costs.

The new contract, together with other developments at Icova, represents an efficient combination of high-end recycling, commercial effectiveness, continuous improvement and capital investment to increase profits and sustainability.

> **We will avoid approximately 20,000km of road travel and 9,000 litres of diesel a year.**

Tonnes better
Our new storage facility at Icova allows us to save on transportation costs and maximise production efficiency.

HARNESSING OUR PELLET POWER

The production of ICOPOWER® energy pellets demonstrates our commitment to operating as a waste-to-product company. The unique energy pellets are used as fuel by the cement industry.

"There are not many companies in the world that have this technology," says Maurice Geelen, a director of the northern region of the Netherlands Commercial Division. "We have developed a close relationship with Heidelberg Cement Group over many years, and such is the popularity of the energy pellets that they keep asking us for more of the product."

Thanks to the expansion at our Icova site, we are better equipped than ever to meet this rising demand.

GROUP FINANCE DIRECTOR'S REVIEW

CONTROLLING THE CONTROLLABLES

Our programmes to drive long-term margin expansion have made good progress, while our strong cash management has supported our ongoing investment for future growth.

TOBY WOOLRYCH
GROUP FINANCE DIRECTOR

> **The Group demonstrated its ability to control free cash flow in order to generate cash.**

Revenue and trading profit

Group underlying revenue increased by 7% at a constant exchange rate in 2015/16 to £614.8m. Trading profit on continuing businesses, before non-trading and exceptional items, increased by 4% at constant exchange to £33.4m (3% decrease at reported rates).

Margins fell slightly due to currency and mix. Crucially, margins rose in our core Commercial Division. Return on Operating Assets remained broadly flat despite new assets being commissioned and ramping up.

Other profit and loss items

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

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

Total non-trading and exceptional items from continuing operations amounted to £23.5m (2015: £42.2m). The cash cost of non-trading and exceptionals was £18.5m (2015: £7.8m), however including the benefits from associated asset disposals there was a net receipt of £16.4m. These items are further explained in note 4 to the financial statements and include:

- Portfolio management activity: loss of £9.5m (2015: £0.8m) in order to reduce ongoing losses and to generate cash. These items include the disposal of the subordinated debt and 49.99% of the equity in the Wakefield SPV, the sale of the Industrial Cleaning business in Wallonia and other acquisition related expenditure;
- Restructuring charges and associated costs of £2.4m (2015: £6.5m) relating to the prior year and, separately new structural cost reduction programmes across the Group in response to the current market environment;

TRADING PROFIT MARGIN[1]
%

Year	%
2016	5.4
2015	5.7
2014	7.2
2013	6.2
2012	7.1

RETURN ON OPERATING ASSETS[1]
%

Year	%
2016	12.0
2015	12.2
2014	15.1
2013	11.4
2012	15.2

1 Early year numbers are as previously reported and include discontinued operations.

GROUP SUMMARY

CONTINUING OPERATIONS	REVENUE YEAR ENDED				TRADING PROFIT YEAR ENDED			
	MAR 16 £m	MAR 15 £m	CHANGE REPORTED %	CHANGE CER %	MAR 16 £m	MAR 15 £m	CHANGE REPORTED %	CHANGE CER %
Commercial	**297.3**	314.2	-5%	1%	**15.4**	14.0	10%	18%
Hazardous	**136.2**	138.0	-1%	6%	**15.6**	16.4	-5%	1%
Municipal	**187.7**	156.6	20%	21%	**9.4**	11.3	-17%	-15%
Group central services	**–**	–			**(7.0)**	(7.4)	5%	5%
Inter-segment revenue	**(6.4)**	(7.4)			**–**	–		
Total	**614.8**	601.4	2%	7%	**33.4**	34.3	-3%	4%

CER = at constant exchange rate.
Revenue in 2016 excludes the impact of the non-trading item of £1.0m (2015: £2.0m).

- Other items of £9.4m (2015: £9.6m) including a market-related onerous contract provision relating to the Cumbria PPP facilities and the impact of liquidated damages and other associated costs on the Wakefield contract offset by the gain on disposal of land at Vliko;
- Amortisation of intangible assets acquired in business combinations of £1.8m (2015: £1.9m);
- Impairment of assets of £0.5m (2015: £23.5m) principally plant and equipment at the Shanks Wood Products biomass facility in Belgium as a result of market changes; and
- Financing fair value measurements credit of £0.1m (2015: £0.1m).

The operating profit on a statutory basis, after taking account of all non-trading and exceptional items, was £9.8m (2015: loss of £12.4m).

Excluding cash generative actions from our portfolio management, we anticipate a further reduction in other non-trading and exceptional items going forward assuming that the economy and our core markets have now stabilised.

Net finance costs

Net finance costs, excluding the change in the fair value of derivatives, were flat year on year at £13.4m. The higher level of finance income is due to an increase in interest receivable on financial assets relating to PFI/PPP contracts as the build programme for the BDR, Surrey and Wakefield contracts progressed and this is mirrored by an increase in interest payable on non-recourse PFI/PPP debt.

Loss before tax from continuing operations on a statutory basis including the impact of non-trading and exceptional items was £2.5m (2015: £20.5m).

Taxation

The taxation charge for the year on continuing operations was a charge of £1.5m (2015: credit of £2.3m). The underlying tax charge of £2.3m includes a £2.2m credit from the recognition of tax losses in Belgium as a result of greater certainty of utilisation following the restructuring completed as part of the sale of the Industrial Cleaning business. Excluding this additional deferred tax credit, the underlying effective rate was 21.4%, down slightly from 21.7% last year. There is a tax credit of £0.8m on the non-trading and exceptional items of £23.5m as a significant proportion of these are non-taxable.

The Group statutory loss after tax and including all discontinued and exceptional items was therefore £3.9m (2015: £16.9m).

Earnings per share (EPS)

Underlying EPS from continuing operations, which excludes the effect of non-trading and exceptional items, increased by 1% at constant currency (down 6% at actual rates) to 4.7p per share (2015: 5.0p). Basic EPS from continuing operations improved from a loss of 4.6p per share to a loss of 1.0p per share.

Dividend

The Board is recommending an unchanged final dividend per share of 2.35p. Subject to shareholder approval, the final dividend will be paid on 29 July 2016 to shareholders on the register on 1 July 2016. Total dividend cover, based on earnings before non-trading and exceptional items from continuing operations, is 1.3 times (2015: 1.4 times).

GROUP FINANCE DIRECTOR'S REVIEW

Discontinued operations

The profit from discontinued operations of £0.1m (2015: £1.3m) relates to the UK solid waste activities.

Cash flow performance

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

The Group demonstrated its ability to control free cash flow in order to generate cash for the final phases of the UK and Canadian investment activities. Free cash flow conversion increased significantly year on year as a result of lower replacement capital spend and other working capital improvements. The working capital movement included the sale of certain trade receivables in Belgium and Hazardous Waste. The ratio of replacement capital spend to depreciation decreased from 75% last year to 52% this year, impacted by the receipt of proceeds from the sale of the old Vliko site as part of the relocation programme with the majority of the spend on the new facility falling into the new financial year. Excluding this asset sale the ratio increases to 65%. The lower cash interest and tax spend in the year was due to reduced tax payments in Belgium. Interest payments are lower this year as the first annual payment for the 2015 Green retail bond falls in the next financial year and this saving has been reduced by the payment of £1.4m of arrangement and adviser fees relating to the March 2015 refinancing and the bond issue in June 2015.

Growth capital spend of £9.9m was principally focused on the Hazardous Waste Division and included storage tanks and jetty extension at ATM and the Theemsweg facility. In the current year the acquisitions and disposal inflow included the Wakefield divestment and the sale of the UK Solid Waste site at Kettering net of spend on the acquisition of the small paper recycler in the Netherlands and the exit from the Industrial Cleaning business in Wallonia. The value in the prior year included the acquisition of the Hazardous Waste purchase in Farmsum in the north of the Netherlands. The current year UK PFI funding included the subordinated debt investments of £35m in relation to the BDR and Wakefield contracts following full service delivery along with additional spend relating to project completion and commissioning at these two locations. A similar injection of £17.5m into the Derby contract is due to be paid in March 2017. The other category included the payment of liquidated damages and other associated costs as a result of the delays at Wakefield and costs associated with the contamination at ATM, along

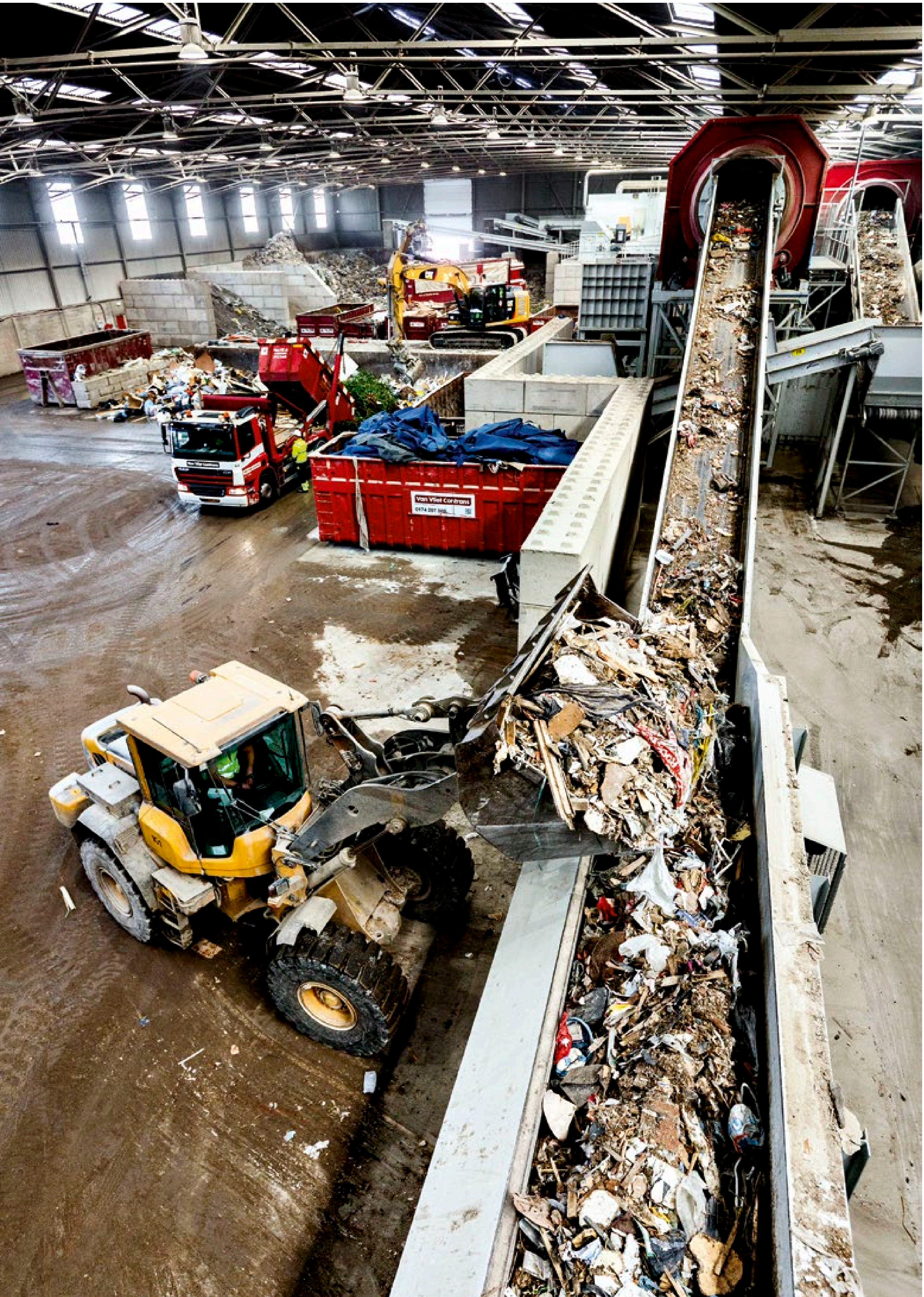
"The investment in the Municipal programme has progressed rapidly during the year."

CASH FLOW

	MARCH 16 £m	MARCH 15 £m
EBITDA	**68.2**	72.8
Working capital movement and other	**24.8**	(1.7)
Net replacement capital expenditure	**(18.6)**	(29.3)
Interest and tax	**(17.6)**	(18.4)
Underlying free cash flow	**56.8**	23.4
Growth capital expenditure	**(9.9)**	(12.8)
Acquisitions and disposals	**27.8**	(1.5)
Restructuring spend	**(2.6)**	(7.6)
Dividend paid	**(13.7)**	(13.7)
UK PFI funding	**(53.9)**	(7.3)
Canada Municipal funding	**(10.3)**	–
Other	**(15.2)**	(5.2)
Net core cash flow	**(21.0)**	24.7
Free cash flow conversion	**172%**	69%

All numbers above include both continuing and discontinued operations.
Free cash flow conversion is underlying free cash flow as a percentage of trading profit.

Smarter sorting
The new advanced sorting line at Van Vliet Contrans in the Netherlands.


Van Vliet Contrans

GROUP FINANCE DIRECTOR'S REVIEW

with the deficit funding on the closed UK defined benefit pension scheme and other non-trading cash flows.

Investment activities and performance

Investment programme

The Group has a stated strategy of investing in sustainable waste management infrastructure, with a target pre-tax trading profit return of 15-20% on fully operational assets (post-tax return of 12-15%). At 31 March 2016, the fully operational proportion of the investment portfolio delivered a pre-tax return of 19.5% (2015: 18.1%). The portfolio as a whole delivered a pre-tax return of 16.1% (2015: 14.9%).

The investment in the Municipal programme has progressed rapidly during the year with both BDR and Wakefield entering full service and good progress in construction at Derby and the Canadian plant in Surrey. For the year to 31 March 2016, the PFI/PPP related financial assets reduced by £119.6m to £158.6m principally as a result of the sale of equity in the Wakefield SPV and the deconsolidation of the associated assets. Once the Surrey construction is completed in the last quarter of 2016/17 and all contracts are then in full service, the value of PFI/PPP financial assets will start to reduce year on year through repayments. The build on the Derby contract is not reflected in financial assets as we hold our interest in this contract in a joint venture.

Group return on assets

The Group return on operating assets (excluding debt, tax and goodwill) from continuing operations has fallen slightly from 12.2% at 31 March 2015 to 12.0% at 31 March 2016. The total Group post-tax return on capital employed increased from 6.0% to 6.3%.

Treasury and cash management

Core net debt and gearing ratios

Core net debt of £192.6m was better than our expectations at the year-end, especially considering the weakening of Sterling against the Euro. This represents a covenant ratio of 2.6 times net debt:EBITDA which is well within our banking limits of 3.5 times. Core net debt increased by £37.6m principally as a result of the net core cash outflow of £21.0m, supplemented by an adverse exchange rate effect of £17.2m on the translation of the Group's Euro and Canadian Dollar denominated debt into Sterling.

Debt structure and strategy

Core borrowings, which exclude PFI/PPP non-recourse borrowings, are all long-term. During the year, we issued a 3.65% €100m Green retail bond in the Belgian market, our third bond issue in Belgium, but our first Green bond. A bond can only be classified as Green if the funds raised will be used for sustainable purposes, which is the case for almost all of the investments made by Shanks. In October 2015 we redeemed our first Belgian retail bond. We also redeemed in June 2015 our PRICOA senior notes of €40m which were at a fixed interest rate of 5.025%.

At 31 March 2016, the Group's bank financing comprised a €180m multi-currency revolving credit facility with seven major banks entered into on 31 January 2014 and expiring in January 2019. At 31 March 2016, €77m equivalent of the facility was drawn. The margin varies on a ratchet fixed by the net debt:EBITDA ratio. As announced on 5 April 2016, the financial covenants of this facility were amended to extend leverage and reduce the total net worth requirement. These amendments provide further flexibility while we complete the build phases on our Derby and Surrey PPP contracts and will give further protection against currency fluctuation as the EU referendum approaches. The principal covenants are the ratio of net debt:EBITDA of less than 3.5:1, interest cover of not less than 3.0:1 and a minimum net worth of £175m. The six year retail bonds of €100m, issued in July 2013 to investors in Belgium and Luxembourg, have an annual coupon of 4.23% and are quoted on the London Stock Exchange.

The Group also has access to £25.1m of undrawn uncommitted working capital facilities with various banks. Cash flows are pooled at a country level and each operation is tasked with operating within the limits of the locally available working capital facilities.

Debt borrowed in the special purpose vehicles (SPVs) for the financing of UK PFI/PPP programmes is separate from the Group's core debt and is secured over the assets and future cash flows of the SPVs with no recourse to the Group as a whole. Interest rates are fixed by means of interest rate swaps at the time of contract inception. At 31 March 2016 the UK PFI/PPP borrowings were £91.1m (2015: £222.6m). The significant decrease in the year arose following the disposal of 49.99% of the equity in the Wakefield contract on 30 March and the consequent equity accounting for our remaining interest as a joint venture.

Directors' valuation of PFI portfolio

The Directors' valuation of the PFI portfolio, excluding Canada, is based on the net present value of the future cash flows of the PFI contracts and has been maintained at £115m as per 30 September 2015. The Directors' valuation is not recorded in the Group's balance sheet. In arriving at the valuation, the Directors have assumed that some recovery in commodity market pricing from current cyclical lows will take place over the long duration of these contracts.

Retirement benefits

The Group operates a defined benefit pension scheme for certain UK employees which is closed to new entrants. At 31 March 2016, the net retirement benefit deficit relating to the UK scheme was £8.8m compared with £13.1m at 31 March 2015. The reduction in the deficit was due to an increase in the discount rate being used to value the liabilities. The most recent actuarial valuation of the scheme was carried out at 5 April 2015 and this is currently being finalised by the trustees and the Company. It is anticipated that a new funding plan of £3.1m per annum will be agreed for a further six years with the trustees.

Toby Woolrych
Group Finance Director

MEASURING OUR PERFORMANCE

2015/16

COMMERCIAL
Improve the profitability of our Commercial business

TRADING MARGIN %

Year	%
2016	5.2
2015	4.5
2014	6.4
2013	5.4
2012	7.2

RETURN ON OPERATING ASSETS %

Year	%
2016	9.6
2015	7.2
2014	9.5
2013	7.3
2012	11.2

HAZARDOUS
Broaden the scope of Hazardous Waste

PROJECT HOURS AT REYM HOURS M

Year	Hours m
2016	1.5
2015	1.6
2014	1.6
2013	1.5
2012	1.4

ATM SOIL VOLUMES TONNES M

Year	Tonnes m
2016	1.2
2015	1.0
2014	0.9
2013	0.8
2012	1.0

MUNICIPAL
Deliver growth from existing portfolio

REVENUE[1] £M

Year	£m
2016	173.9
2015	156.6
2014	152.6
2013	131.9
2012	125.8

MARGIN[1] %

Year	%
2016	5.2
2015	7.2
2014	7.3
2013	9.6
2012	7.0

1 Excluding Surrey construction.

OPERATING REVIEW

MICHAEL VAN HULST
MANAGING DIRECTOR,
NETHERLANDS COMMERCIAL

PATRICK LAEVERS
MANAGING DIRECTOR,
BELGIUM COMMERCIAL

Rock solid
Sorting rockwool at our Van Vliet Contrans facility in the Netherlands.

STRATEGIC HIGHLIGHTS

- **Margin growth through commercial effectiveness**
- **Extend continuous improvement programme into Van Vliet Groep and Ghent**
- **Extension of permit at CETEM site for a further four years**
- **Good progress with refining portfolio in Belgium**

COMMERCIAL

DELIVERING STRONG PROFIT GROWTH THROUGH SELF-HELP INITIATIVES

The Commercial Waste Division is a market leader in the collection and treatment of commercial waste across the Netherlands and Belgium. We have particular strength in the Randstad in the Netherlands, and in the Construction & Demolition waste sectors.

Business model

The commercial waste market covers the collection, sorting, treatment and ultimate disposal of waste materials from a range of sources. The market can be divided into three main sources of waste: Construction and Demolition (C&D), Industrial and Commercial (I&C), and Municipal (where the latter has not been tied up in a long-term PFI-type contract). In addition, the Division includes our organic waste processing assets in Belgium and the Netherlands.

Shanks' unique business model in this market is to focus primarily on the sorting and treatment phases of the cycle. We generally collect where necessary to secure waste volumes, and we dispose only of the residues that we are unable to convert into a reusable product or recyclate. In this way, we 'make more from waste' both environmentally and economically. Our general business model is set out in the graphic on the next page.

We operate businesses in the Netherlands and Belgium. Each has a different profile in terms of the source of waste, which affects its current financial performance and competitive strategy as outlined in the following sections.

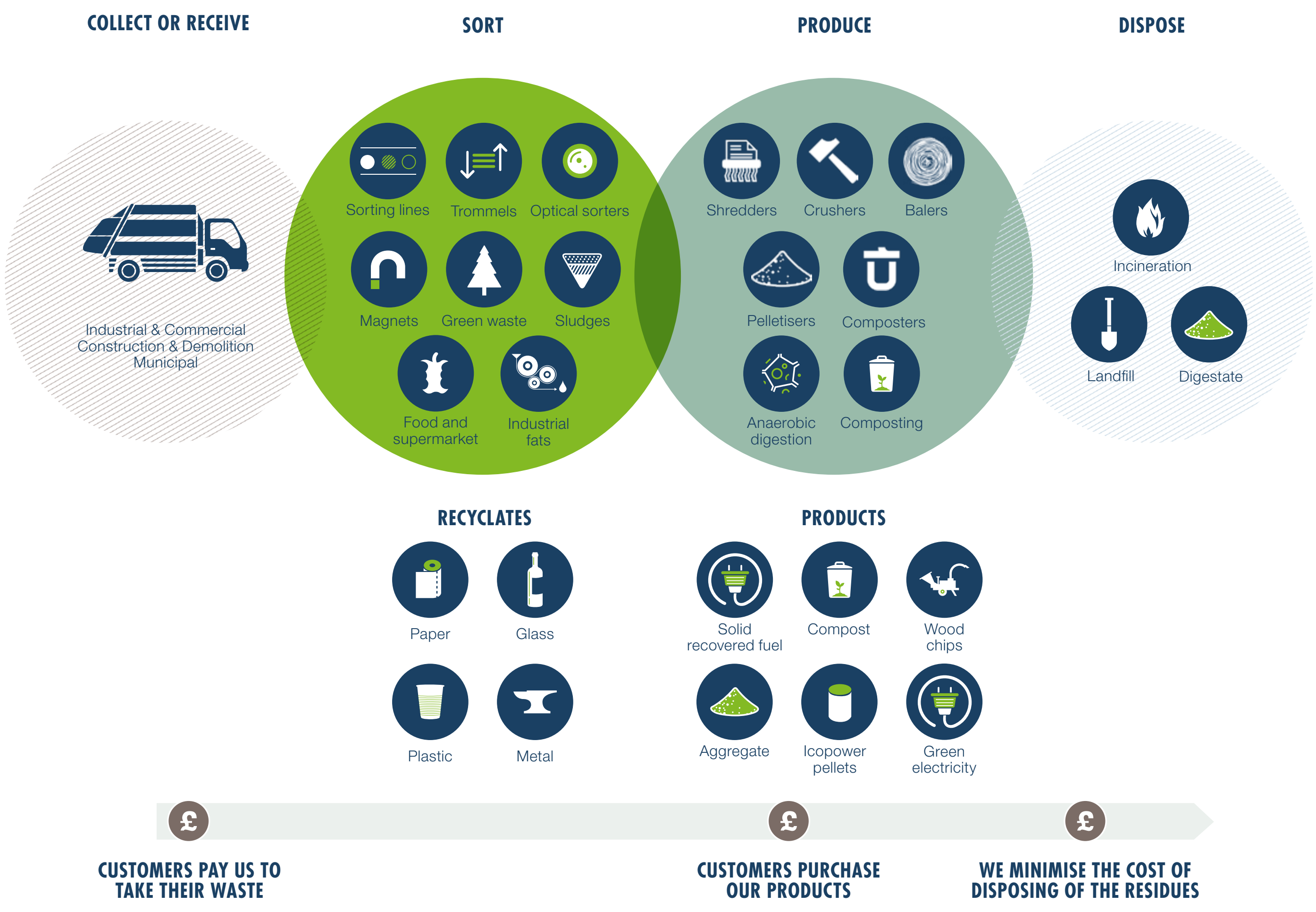
Market overview

The 2015/16 year saw some long-awaited stability and pockets of growth in our end markets. In particular, the construction market in the Netherlands grew by 3% after a number of years of severe contraction. This was primarily led by growth in residential construction, with broadly flat conditions in commercial and infrastructure construction. While this return to growth is welcome, it remains fragile, not least because many of the larger Dutch construction companies are still recovering from the impact of the recession. The Dutch commercial market saw some recovery in pricing on the back of rising incinerator gate fees and the introduction of a €13 per tonne incinerator tax. This is expected over time to have a modest positive second order impact on Dutch recycling rates. The Belgian market remained broadly flat at relatively depressed levels, especially in Wallonia which has experienced long-term structural decline in industrial activity. Changing waste tax rates across Belgium also caused some firming of prices from July.

Recyclate markets proved more challenging in the face of the macro-economic weakening of commodity prices towards cyclical lows. Metal prices fell sharply in the second half, with ferrous metal pricing falling by 40%. There was also significant pressure in paper pricing and some disruption to the supply/demand balance in the glass and wood segments that was largely offset by swift pricing adjustments.

OPERATING REVIEW

COMMERCIAL BUSINESS MODEL



Products and technologies

The Commercial Waste Division operates a number of technologies in order to recycle the waste it sources into usable products. Waste may be delivered to a transfer station, where it is collected and subjected to a rough sort before being sent on for further treatment. The core technology is the material recycling facility (MRF) which combines automated sorting technologies (such as magnets, eddy current separators and optical sorters to remove recyclates) along with manual sorting lines.

In Ghent, solid recovered fuel (SRF) is being produced to create a clean fuel for incinerators or cement kilns. C&D waste passes through heavier duty processes, including stone crushers to produce rubble. Our Icova site further processes specifically collected (dry) commercial waste into high calorific ICOPOWER® pellets which can be used in power stations or cement plants. Shanks also operates businesses that focus on mono-streams, such as glass (Van Tuijl), wood (Shanks Wood Products) and paper, or cardboard (Kluivers). The division further operates a number of composting and AD facilities to process organic waste. It also operates a hazardous waste business in Belgium, one landfill in each country and a sand quarry in Belgium.

The key products are as follows:

- Recyclates (commodities): ferrous and non-ferrous metals, glass, plastics, cardboard, paper, wood chips.
- Industrial products: rubble, aggregate, compost, building materials.
- Power: gas from the AD facilities and landfills, ICOPOWER® pellets, SRF for cement kilns or high energy-generating incineration.

Recycling rates for the division are over 75% and over 95% for the C&D businesses. The Commercial Waste Division also has a minority share, along with other leading waste companies, in an incinerator in Wallonia.

Strategy

The core strategy of the Commercial Waste Division is to:

- Return the division to attractive profitability levels;
- Drive cost efficiency through structural cost reduction together with procurement and continuous improvement initiatives;
- Invest in optimising our commercial effectiveness to take advantage of market opportunities; and
- Streamline the portfolio to increase returns.

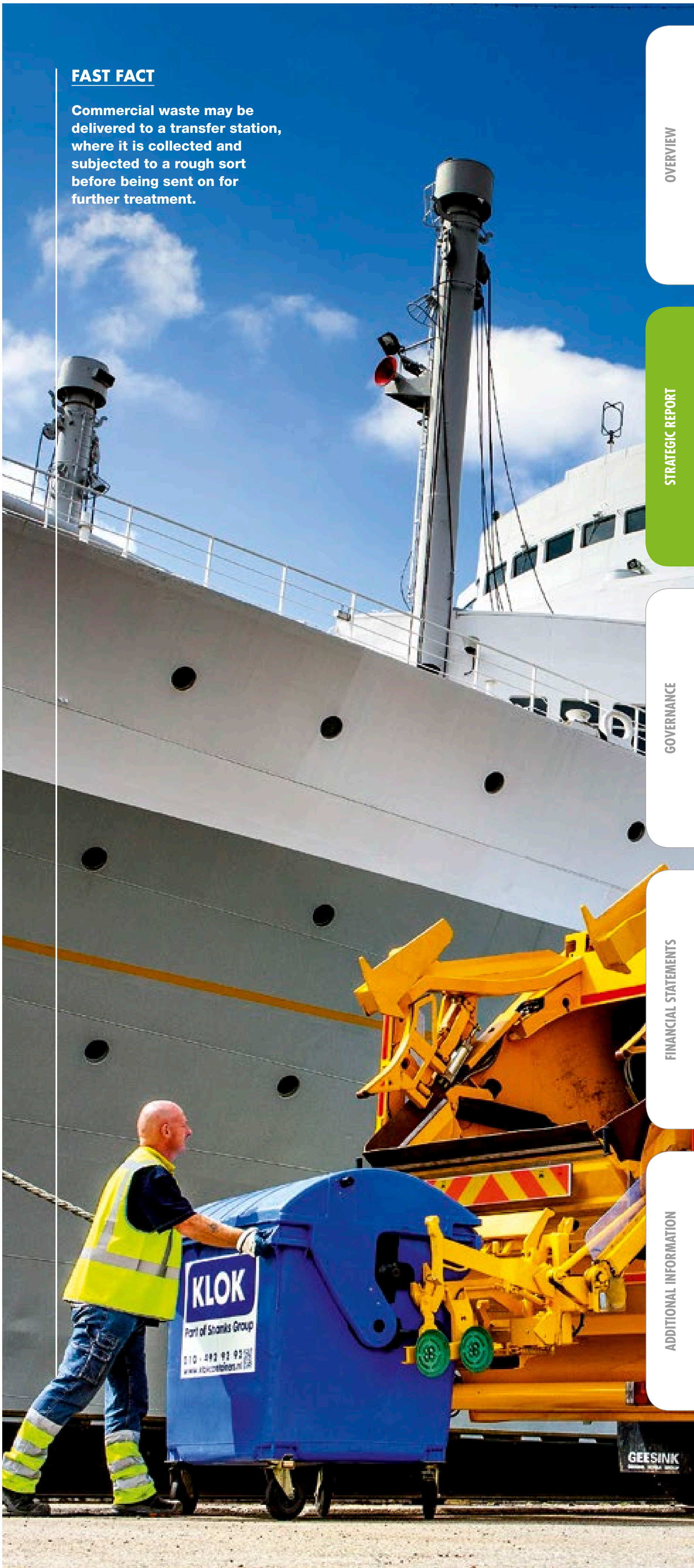
Our businesses are managed separately in Belgium and the Netherlands, but work together closely to preserve synergies.

Financial performance

The Commercial Division performed strongly in 2015/16, delivering 18% trading profit growth to €21.1m on revenues up by 1% to €406m. Trading margin increased by 70bps to 5.2% and the return on operating assets rose to 9.6%.

The Netherlands grew revenues by 5% to €254m and trading profit by 37% to €13.7m. Trading margins improved by 130bps to 5.4%. All regions showed both revenue and profit growth, with a particularly strong performance in the Northern Region. Volumes were broadly flat, with reductions in rubble and soil/sludge offset by growth in more profitable mixed construction waste. Recyclate revenues were also broadly flat over the year. Strong growth in volumes was offset in the second half by a fall in recyclate prices, particularly metal pricing which impacted the Netherlands business by €1.8m compared to the prior year.

Belgium revenues fell by 4% to €153m and trading profit by 6% to €7.4m in line with expectations. As reported last year, revenue in the first half was impacted by weak sales of solid recovered fuel (SRF) and wood dust due to market challenges. Sales of both picked up in the second half and a second shift of SRF production resumed in the fourth quarter. Wood dust sales will be severely disrupted again in 2016/17 due to the main customer



FAST FACT

Commercial waste may be delivered to a transfer station, where it is collected and subjected to a rough sort before being sent on for further treatment.

OPERATING REVIEW

switching from coal to biomass fuel. Profitability of the landfill continued to decline as expected, further impacted by the introduction of an environmental tax on the remaining incoming valorised waste streams from July 2015. However, we were delighted to be granted a 400k tonne extension to the permit for the receipt of valorisation waste streams at the landfill site. This will extend the operation of the site by a further three to four years and will assist in the creation of an optimised shape to the landfill prior to its eventual closure, reducing long-term capping and aftercare costs.

Operational review

The initial focus of the Commercial Waste Division in the year was to bed down the reorganisation which took effect on 1 April 2015 and which led to the Netherlands and Belgian organisations being separately managed, and then to implement our self-help initiatives in order to deliver profit growth despite subdued end markets. Both the Dutch and Belgian businesses achieved these goals with a broad range of successfully implemented projects.

The reorganisation announced last year was completed smoothly and with no material disruption. The Belgian business has clearly benefited from additional focus on its regional needs: waste streams are being rerouted to optimise recycling rates and profitability and significant progress has been made in tidying the portfolio and reducing overhead cost. The Orgaworld organic treatment facilities in the Netherlands have been integrated into the remainder of the Division and overhead has been reduced, saving around €0.4m.

The commercial effectiveness programme continued to be rolled out across the Netherlands during 2015/16, with a focus on developing the skills and driving the activities of the sales force. The division effectively managed pricing in a dynamic environment of rising incinerator gate fees, falling recyclate prices and regional supply/demand imbalances in the wood and glass mono-streams. Commercial effectiveness was also rolled out in Belgium, helping the business to ensure that margins were maintained following the unexpected increase in waste taxes in July 2015.

Continuous improvement was also introduced in the form of full lean conversions of our Van Vliet Groep and Ghent sites. Savings of up to €2m have been identified. The introduction of ‘lean’ is empowering for front line staff and has been enthusiastically adopted by our businesses. As at year end we were already rolling out the next lean conversion to Smink, Van Vliet Groep’s neighbour in the Central region. Performance

COMMERCIAL

	REVENUE YEAR ENDED				TRADING PROFIT YEAR ENDED			
	MAR 16 €m	MAR 15 €m	CHANGE €m	CHANGE %	MAR 16 €m	MAR 15 €m	CHANGE €m	CHANGE %
Netherlands Commercial Waste	**253.6**	242.2	11.4	5%	**13.7**	10.0	3.7	37%
Belgium Commercial Waste	**152.8**	158.8	(6.0)	-4%	**7.4**	7.9	(0.5)	-6%
Total €m	**406.4**	401.0	5.4	1%	**21.1**	17.9	3.2	18%
Total £m (at average rate)	**297.3**	314.2	(16.9)	-5%	**15.4**	14.0	1.4	10%

	TRADING MARGIN		RETURN ON OPERATING ASSETS	
Netherlands Commercial Waste	5.4%	4.1%	7.5%	5.0%
Belgium Commercial Waste	4.8%	5.0%	19.8%	16.0%
Total	**5.2%**	**4.5%**	**9.6%**	**7.2%**

The return on operating assets for Belgium excludes all landfill related provisions.

We have started to receive baled RDF from our ELWA facility in the UK for onward shipment to the Amsterdam AEB incinerator.

continued to improve at Icova and van Tuijl where specific continuous improvement projects were carried out in the prior year.

The C&D sorting line installed at Van Vliet Contrans late in 2014/15 performed strongly through the year, delivering high volumes of good quality recyclates for a reduced operating cost per tonne. At Icova, we opened up our waterside quay, with the support of the Port Authority of Amsterdam who dredged the approach. This allowed us to construct a storage shed by the quay to store our Icopellet production prior to direct shipment of Icopellets to our customer in Sweden with whom we have signed an extended long-term contract. At the same time, we have started to receive baled RDF from our ELWA facility in the UK for onward shipment to the Amsterdam AEB incinerator. Construction of our new €11m Vliko and Kluivers depot is well under way at Zoeterwoude and in October 2015 we sold the previous site to the municipality of Leiderdorp. In Belgium, we commissioned a new shredder at Kortemark that has helped to increase our RDF volumes at an improved cost.

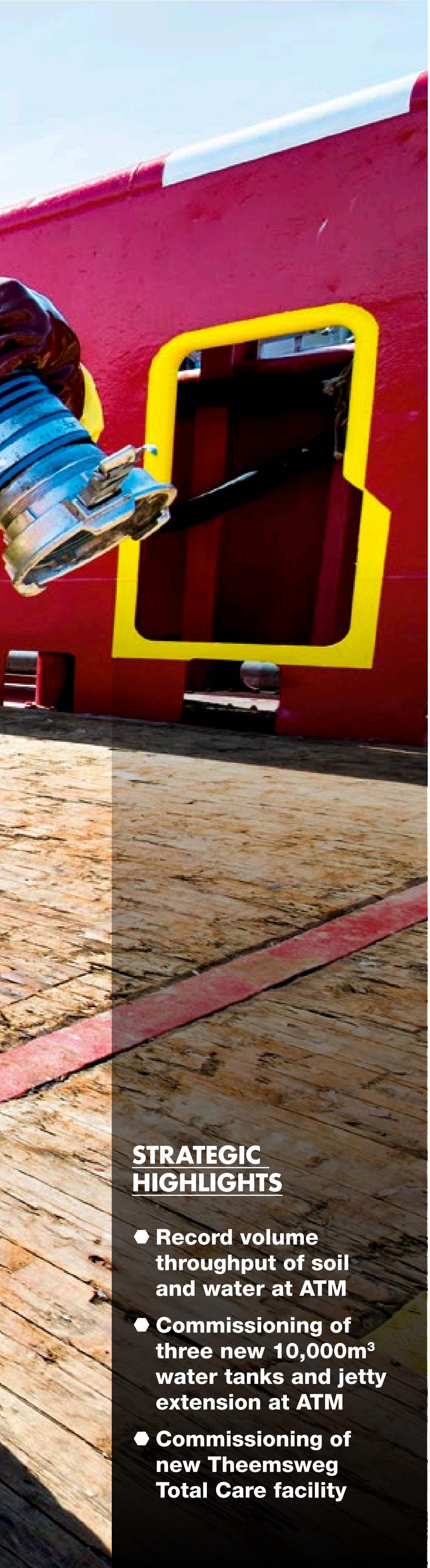
The Belgian business made good progress in focusing its portfolio of assets. In July 2015 the business sold its small non-core operation in France, Shanks Nord, for €0.6m. In November 2015 it sold the non-core and loss-making Industrial Cleaning Wallonia business to a local player. This exit from a challenged business not only eliminated operating losses, but it will also facilitate a broader reduction in overhead of up to €1m across the Division. The Dutch business acquired and integrated a small paper recycler, PRA, that operated within the core Randstad area.

Clean streets
We have recently won a public cleaning services contract for the City of Liège.

OPERATING REVIEW

JONNY KAPPEN
MANAGING DIRECTOR,
HAZARDOUS

Playing it safe
Reym's highly experienced and trained cleaning teams use specialist equipment to deliver a reliable and safe cleaning process.



STRATEGIC HIGHLIGHTS

- **Record volume throughput of soil and water at ATM**
- **Commissioning of three new 10,000m^3 water tanks and jetty extension at ATM**
- **Commissioning of new Theemsweg Total Care facility**

HAZARDOUS

INVESTING FOR GROWTH WITH ATTRACTIVE RETURNS

We are the European leader in the treatment of contaminated soil and water and a leader in industrial cleaning in the Netherlands.

Business model

The Hazardous Waste Division is made up of two businesses: Reym and ATM. Reym is a leading industrial cleaning company in the Netherlands, also taking the leading role in promoting the Shanks Total Care solution (cleaning, transport and waste management) for heavy industry, petrochemical sites, oil and gas production (both on and offshore) and the food industry. ATM is one of Europe's largest sites for the treatment of contaminated soil and water, as well as for the disposal of a broad range of hazardous waste such as waste paints and solvents. The business model is shown in the graphic on the next page.

Reym's highly experienced and trained cleaning teams use specialist equipment to deliver a reliable and safe cleaning process in a market where the cost of safety and quality is of paramount importance. ATM is a leader in water and soil treatment because of: the cost advantages provided by its fully integrated plant processes; its waterside location for the cleaning of ships; and its excellent record of compliance with the many environmental controls and permits required in the hazardous waste market.

Market overview

The core market drivers for the Hazardous Waste Division are industrial activity in the Benelux, particularly in the oil and gas sectors and in the Rotterdam region, coupled with construction and site remediation activity across Europe.

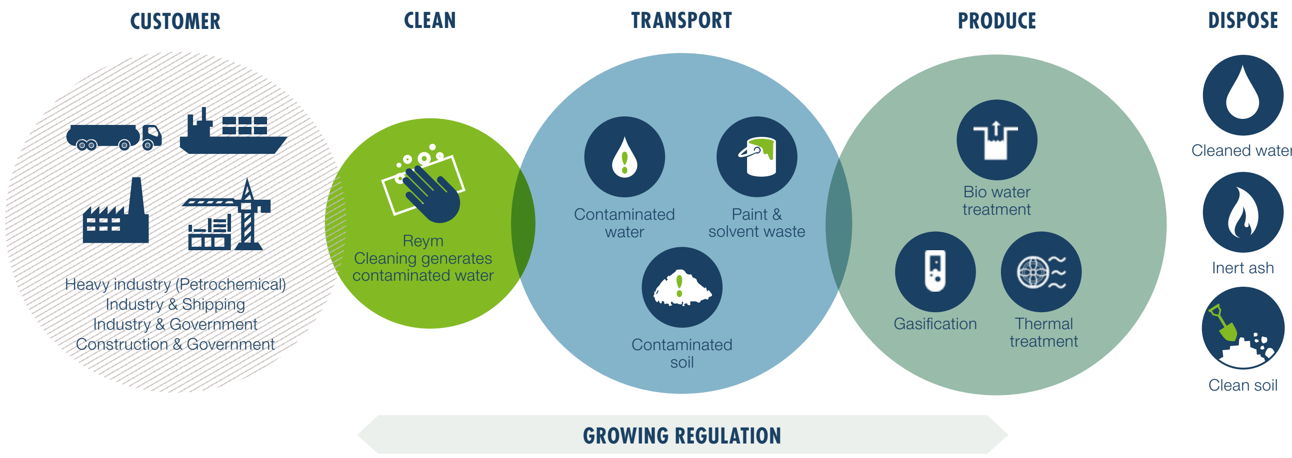
The oil and gas sector represents over half of the revenues of the Hazardous Waste Division. As reported in the Chief Executive's review, the slump in oil price has had significant second order impacts on the productivity and profitability of the Reym cleaning division, on profitable sludge volumes into ATM and on the value of waste oils produced during treatment. This has been exacerbated by reductions in gas production in the northern Netherlands.

We believe that these impacts are all short to medium term in nature and will reverse in due course, possibly with pent-up demand. On a longer-term basis, activity in the Benelux has stabilised in the last year and Rotterdam has continued to remain busy with growth in waterside waste volumes during the year.

The volume of contaminated soil available for treatment in Europe has continued to be affected by the budgetary constraints of governments. This results in a continued downward pressure on volumes available and hence on pricing. However, the long-term pipeline remains sound, with many sites earmarked for brownfield redevelopment. Short-term decreases in the volume of soil available are offset by increased volumes of tar containing asphalt grit as a result of a successful industry lobbying campaign to have this material, produced during road surface replacement, treated within the Netherlands, albeit at lower pricing. We have also opened up new market opportunities and technologies, such as the use of ultrasonic cleaning.

OPERATING REVIEW

HAZARDOUS BUSINESS MODEL



Products and technologies

The Reym business operates bespoke and specialised cleaning equipment in order to serve its clients. These include trucks for onshore work and specialist transportable units for offshore work. Our solutions use ultrasonic cleaning, high pressure cleaning, vacuum cleaning, chemical cleaning and decontamination. Liquid waste streams (including those created by the cleaning process) can be collected and transported to one of our waste treatment facilities. Reym operates a fleet of over 150 vehicles and units from sites across the Netherlands. Most of these sites are also equipped and licensed for treating hazardous waste.

Contaminated soil can be cleaned by washing or can be treated thermally (depending on contamination levels). We operate a thermal treatment facility with over one million tonnes of capacity. The ATM unit passes contaminated soil through a kiln in order to produce clean and reusable soil, with the effluent gases being carefully scrubbed of all contaminants.

Contaminated water is removed from ships at our jetty at ATM or delivered by trucks, which can themselves then be cleaned on site. The water is put through a decanter to remove solids and oils; it is then treated in five biological treatment tanks in which bacteria clean the contaminants and produce clean water.

Paint and solvent waste, along with sludges removed from the contaminated water, is treated in a gasification process to produce largely inert ash.

HAZARDOUS

	REVENUE				TRADING PROFIT			
	YEAR ENDED				YEAR ENDED			
	MAR 16 €m	MAR 15 €m	CHANGE €m	CHANGE %	MAR 16 €m	MAR 15 €m	CHANGE €m	CHANGE %
Total €m	**185.9**	176.2	9.7	6%	**21.2**	21.0	0.2	1%
Total €m (at average rate)	**136.2**	138.0	(1.8)	-1%	**15.6**	16.4	(0.8)	-5%

	TRADING MARGIN		RETURN ON OPERATING ASSETS	
Total	**11.4%**	11.9%	**22.7%**	25.7%

Reym on time
Our €10m Shanks Total Care Centre at Theemsweg, which also has its own office, has been built and commissioned on time and on budget.

Strategy

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

- Invest in environmental excellence and increasing treatment capacity;
- Expand the range of inputs requiring thermal treatment;
- Broaden commercial coverage and geographic footprint; and
- Drive further synergies and productivity gains.

Financial performance

Hazardous Waste delivered a robust performance in 2015/16 given the challenges in its core end markets. Revenues increased by 6% to €186m and trading profit by 1% to €21.2m. Margins were 11.4%, reflecting the change in mix and productivity pressures, and the return on assets remained attractive at 22.7% despite the addition of new assets during the year.

Reym saw revenues increase by 1% during the year, primarily reflecting additional activity under its Total Care contracts that is less profitable than the core cleaning revenues, which came under significant price pressure. As a result, capacity was somewhat reduced in the second half to match lower expected demand during 2016/17. Revenues at ATM increased by nearly 10% as capacity installed over the past two years allowed record throughput of soil and water treatment. These high volumes drove encouraging profit growth but the total performance was impacted by a 15% fall in intake of high value industrial sludges and an 80% fall in the value of waste oil.

Operational review

ATM, our hazardous waste treatment site, has an advantaged location and cost position with regard to its soil and water treatment processes, which have therefore been the focus of investment to increase capacity and capability. End markets were challenged throughout the year, as reported above.

ATM had a strong operational performance during the year, processing record throughput of both soil and water. This was notwithstanding two operational challenges experienced in the first half. In July the waterside operations were contaminated by large quantities of molybdenum delivered by a customer under a wrong waste code. In September we reported that the operating system had been over-reporting soil volumes processed in the last quarter of 2014/15 and the first quarter of 2015/16. The process issue was resolved and additional equipment and processes added through the year to ensure more accurate weighing of soil into the process and measurement of soil stocks in the warehouses. The ability of the plant to operate towards its permitted capacity has been driven by our investment in significant additional environmental and emissions control equipment in the prior year, and the commissioning of extra storage and handling capacity in the current year. This included the completion of our new 30,000m^3 water storage tanks, enhanced cooling equipment for the bio-reactors, a second ship degassing line and a 40% extension to our jetty for ship cleaning and unloading. In addition to physical investment in assets, we have been investing heavily in developing our staff capabilities in order to apply for Seveso III classification, which was granted just after year end. Seveso III is the highest level of qualification and is required for plants that handle dangerous and flammable materials in large quantities. The award of the Seveso III permit, subject to final audits this year, is the culmination of over two years' work and preparation.

Reym, our high end industrial cleaning business, continued to focus on expanding its range of services in order to offset price and volume declines in industrial cleaning activities. This has included further roll-out of the Shanks Total Care solution in which industrial cleaning and the transport and treatment of both hazardous and non-hazardous waste can be managed under a single contract. The flagship initiative has been the investment in our €10m Shanks Total Care Centre at Theemsweg in the heart of the Europoort at Rotterdam. This has been built and commissioned on time and on budget. Waste is now being delivered to Theemsweg and the first ship containing batched waste was sent to ATM in December 2015. In addition, the new ultrasonic cleaning unit has been transferred to Theemsweg where it is already gaining traction with its efficient means of deep cleaning heat exchangers. Business conditions remained challenging in serving offshore exploration, which has seen material reduction in activity and in the north east which serves the reduced onshore gas market.

OPERATING REVIEW

PETER EGLINTON
MANAGING DIRECTOR, MUNICIPAL

Flow business
Wakefield came into full service in December 2015 after we completed construction of new waste treatment facilities at South Kirkby.

STRATEGIC HIGHLIGHTS

- **Barnsley Doncaster and Rotherham (BDR) facility entered full service**
- **Wakefield facility entered full service after slight delay**
- **Surrey and Derby construction projects on track for 2017 commissioning**
- **External macro-economic headwinds impact short-term profitability**

MUNICIPAL

BUILDING AND COMMISSIONING WORLD-CLASS LONG-TERM FLAGSHIP PROJECTS

The Municipal Division takes municipal waste and diverts as much as possible from landfill, extracting recyclates, making products and creating clean fuel, compost and electricity from bio-gas.

Business model

The Municipal Division operates waste treatment facilities for UK and Canadian city and county councils under long-term contracts, typically 25 years. Such contracts are established primarily to divert waste from landfill in a cost-effective and sustainable way.

In the UK, the capital cost of the associated infrastructure is financed with non-recourse bank debt and in the case of PFI, is supported by central government funding. Both PFI and PPP contracts benefit from guaranteed revenues and tonnages from the associated council. The business model is shown in the graphic overleaf.

In a typical PFI or PPP solution, a special purpose vehicle (SPV) is created to finance the construction of the treatment assets and Shanks arranges for a club of banks to provide funding. Securing this funding is called ‘Financial Close’, at which point all the long-term contracts are signed between Shanks, the councils, the suppliers and the banks. This signals the start of the build phase, in which Shanks may or may not be the main contractor. On completion and commissioning of the assets, Shanks will generally inject up to 20% of the invested capital of the SPV in the form of subordinated debt, which should earn a return of around 12% pre-tax.

Once operational, there are two potential income streams from the PFI or PPP contract. The first is the income for treatment of the waste under the operating contract, which is signed with Shanks Waste Management Limited as the supplier. Success relies not only on excellent management of the contract and the meeting of strict diversion targets, but also on working closely with the customer to identify improved ways of managing the waste, to a shared benefit. It is this latter focus on continuously improving how we do things that has driven a sustained increase in the Group margin and, importantly, a significant saving for the councils. The operating contract offers the Group protection from waste volumes and similar items that have caused challenges within our Commercial Waste Division.

The second cash stream is the interest from the subordinated debt and ultimately a dividend stream from the SPV. Shanks has historically sold the majority of its interest in its SPVs, following commissioning, to a third party; so this is currently a minor part of our income. However, we maintain an open stance on our ownership of current and future SPV stakes.

In Canada, the facilities are generally funded from our own balance sheet, supported by long-term contracts. On occasion, the customer may provide some funding support.

OPERATING REVIEW

MUNICIPAL BUSINESS MODEL

Market overview

The bidding process for major PFI/PPP opportunities in the UK is largely complete, with only our Derby project still under construction. Some councils are still seeking a solution to their waste diversion needs, quite possibly through contracting spare capacity in existing assets. The Canadian market is still in a growth phase, with many municipalities yet to invest in the infrastructure required to divert waste, especially organic waste, from landfill. Shanks has a good overview of the pipeline of potential opportunities in Canada and into parts of the US and expects to bid selectively if it believes that the project opportunity meets strict criteria for the deployment of capital.

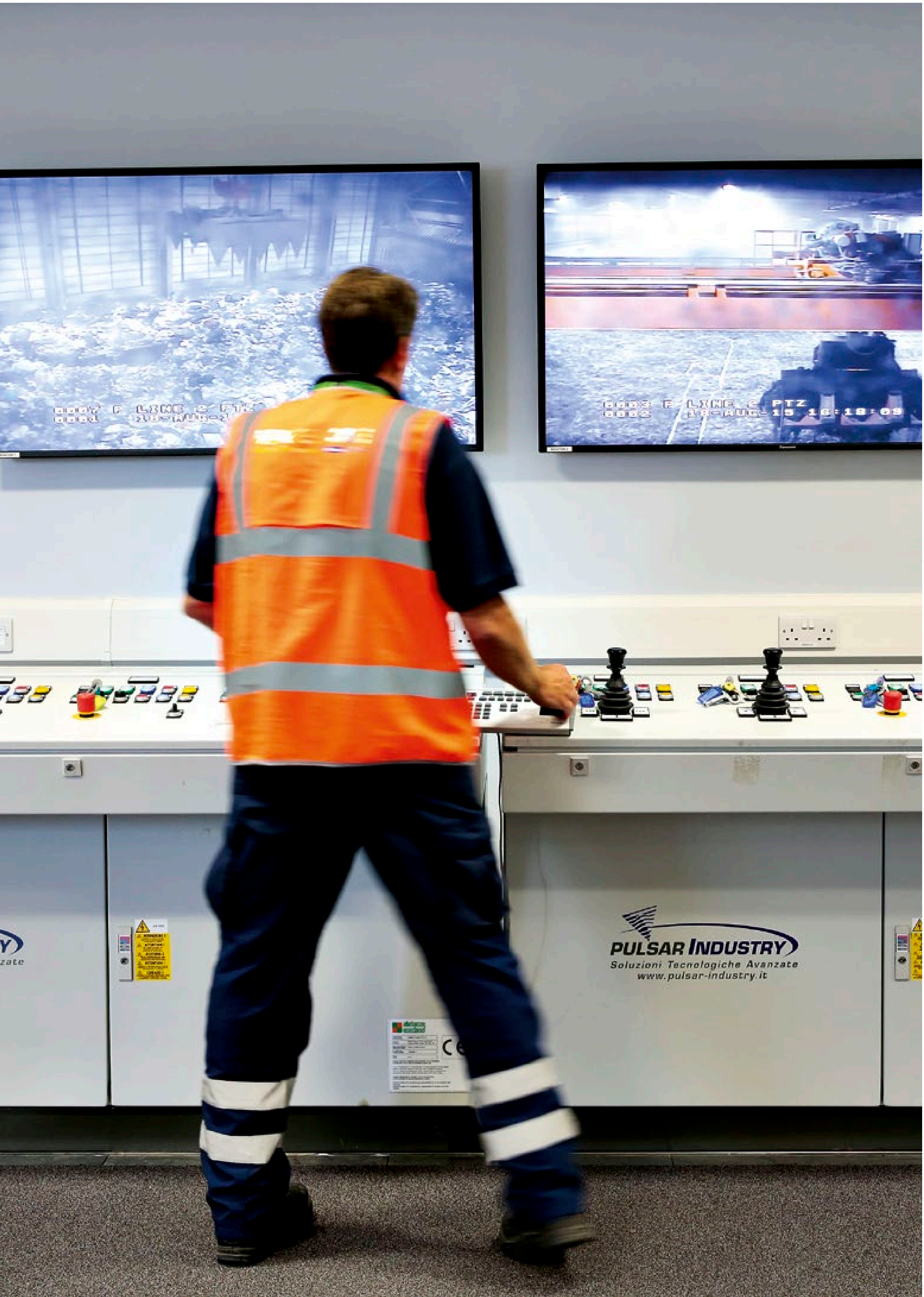
The Municipal Division, having secured its input waste under long-term contract, then competes in a number of downstream markets, in particular with regard to the provision of solid recovered fuels (SRF) to cement manufacturers and refuse derived fuels (RDF) to energy from waste companies. A proportion of these disposal routes are secured under long-term agreements.

Products and technologies

The overall goal of all municipal contracts is to maximise recycling and diversion from landfill. Each contract will involve a bespoke solution to meet the needs and preferences of the customer. This may include the operation of household waste recycling centres (HWRCs) and materials recycling facilities (MRFs) to sort incoming waste streams into recyclates. Shanks has an exclusive contract with A2A (formerly Ecodeco), a leading European waste engineering company, to operate mechanical biological treatment (MBT) facilities in the UK. These treat the residual waste, shredding and drying it to produce SRF, a high calorific fuel which can be burned as a fossil fuel substitute in cement kilns, or RDF which can be incinerated to produce electricity. Organic waste can be composted to secure further diversion from landfill or can be processed by anaerobic digestion (AD) to produce electricity.

The overall goal of munipal contracts is to maximise recycling and diversion from landfill.

Up and running
Our Barnsley, Doncaster and Rotherham (BDR) facility came online on time in July 2015.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OPERATING REVIEW

Strategy

The core strategy of the Municipal Division is to:

- Deliver sustained operational excellence under our current contracts;
- Ramp up operational performance in the BDR and Wakefield facilities following full service commencement;
- Successfully commission the Surrey and Derby facilities;
- Remain alert to opportunities to assist other potential customers without a current solution to their waste diversion requirements.

Financial performance

Municipal revenues grew by 21% at constant currency to £189.7m but trading profit fell by 15% at constant currency to £9.6m. The revenue growth was boosted by the inclusion of £13m construction costs at a minimal margin relating to the Surrey project in which we are the EPC contractor and principal. Excluding these construction costs, underlying revenue increased by 12%.

UK revenues increased by 13% as a result of full service commencement at BDR and Wakefield. Trading profit fell by 20% to £7.8m due to worsening market conditions including increasing fuel off-take costs, lower recyclate and energy income, and increases in the cost of insurance. These had a combined impact of £3m on profitability in 2015/16 and will have a further full year impact on 2016/17. These headwinds, while disappointing, are expected to ease or reverse over time, allowing the full profit and cash potential of our facilities to be delivered.

Canadian revenues increased by 118% to £26.2m including the Surrey build costs, although this represented an underlying reduction of 7% at the two existing plants primarily due to lower throughput from one municipal customer. Trading profit grew by 14% as a sharp reduction in bid costs offset profit pressures at the Ottawa and London sites. Both sites were impacted by increased off-take costs and also by the impact of changing customer demand.

> **UK revenues increased by 13% as a result of full service commencement at BDR and Wakefield.**

MUNICIPAL

	REVENUE YEAR ENDED				TRADING PROFIT YEAR ENDED			
	MAR 16 £m	MAR 15 £m	CHANGE £m	CHANGE %	MAR 16 £m	MAR 15 £m	CHANGE £m	CHANGE %
UK Municipal	**163.5**	144.6	18.9	13%	**7.8**	9.8	(2.0)	-20%
Canada Municipal	**26.2**	12.0	14.2	118%	**2.2**	2.8	(0.6)	-21%
Bid costs	**–**	–	–		**(0.4)**	(1.3)	0.9	
Total £m (at constant currency)	**189.7**	156.6	33.1	21%	**9.6**	11.3	(1.7)	-15%
Total £m (at average rate)	**187.7**	156.6	31.1	20%	**9.4**	11.3	(1.9)	-17%

	TRADING MARGIN	
UK Municipal	**4.8%**	6.8%
Canada Municipal	**14.5%**	23.3%
Total	**5.2%**	7.2%

All numbers for Canada are shown at a constant exchange rate.
The Canada margin excludes Surrey construction revenue.

Operational review

The UK performed strongly at an operational level, with the roll-out of continuous improvement alongside other initiatives offsetting much of the adverse impact of the worsening external environment.

At ELWA, a continuous improvement project identified £1m of cost savings and created new capacity improvements of over circa 45% on certain operating lines. Both ELWA and Derby delivered another year of record diversion from landfill, ELWA achieving an all-time peak of 98.8% in March 2016. ELWA also made good progress with the reconstruction of its refinement hall at the flagship Frog Island facility, which was destroyed by fire in August 2014. The new refinement lines will be commissioned in the first quarter of 2016/17.

As reported above, the off-take market worsened significantly during the year due to a combination of reducing available demand for SRF and increasing RDF prices as a function of supply/demand and also the weakening of sterling. We responded by creating a Group off-take initiative to work across the Group to ensure the best possible off-take options. This has resulted in improved supply arrangements into two incinerators in the Netherlands and improved recyclate pricing for paper. However, these initiatives were not sufficient to offset the market conditions.

As a consequence of these changes in the UK off-take market, our Cumbria PPP contract has become loss-making in the second half and is forecast to remain so subject to resolution of off-take challenges. As a result, we have accounted for the contract as an onerous contract, recognising a £5m charge as an exceptional item.

The division has made good progress in sharing best practice across its contracts. The new Evergreen IT solution provided a new platform for tracking and sharing operational performance of assets across the division. Our new compliance IT solution is being piloted at one site and is intended to help contract teams ensure perfect adherence to customer requirements.

The commissioning of BDR and Wakefield were central to the operational performance during the year. BDR is our largest MBT facility, capable of processing up to 265,000 tonnes of residual waste per annum, extracting recyclates and creating a high quality fuel for SSE's new multi-fuel facility at Ferrybridge. The facility commissioned on time and on budget in July 2015 and has been processing steadily increasing volumes. The completion of our £100m facility at Wakefield was briefly delayed by the insolvency late in the construction process of a major contractor for the AD facility on site. However, a determined response by our engineering teams ensured that the facility entered full service just four months late and in line with our revised opening schedule. The Wakefield facility provides a wide range of waste treatment technologies to process the full waste streams from Wakefield Council. The operation of this contract for the long-term is not affected by the sale of financial assets relating to the SPV for the project (see Group Finance Director's Review for further details).

Construction on our flagship Derby gasification project has made good progress and is on time. The site is due to commission at the end of 2016/17. Interserve Group plc is the EPC contractor and joint venture partner on this project.

The Canadian business experienced a mixed year operationally. New compost regulations came into force that are not helpful for companies operating higher technology tunnel composting lines as they require longer maturation times and a moister compost. These regulations have impacted site capacity and costs. In addition, we have seen lower volumes from the City of Toronto to our London facility. Nevertheless, the business worked hard to increase efficiency and reduce cost, including staff costs, overtime and overhead.

Construction has proceeded well on the Surrey bio-fuel project near Vancouver. This state-of-the-art facility will take organic waste from the City of Surrey for treatment to produce bio-gas that will be used to fuel the City's fleet of waste collection vehicles in an innovative circular solution. Commissioning is due in the fourth quarter of 2016/17.

> **“The division has made good progress in sharing best practice across the contracts.”**

PEOPLE

SANDRA VAN HALDEREN
GROUP HR DIRECTOR

> **In April 2015 we introduced a new Group structure to better align with our customers and our changing markets.**

FAST FACT

We received an 84% response rate to our 2016 Pulse employee engagement survey, which was an 18% increase on the previous survey.

Steps to success
Our continuous improvement programme has been a great success and will be rolled out across the Group over the next year.

EQUIPPING OUR PEOPLE TO MANAGE CHANGE

Our ability to respond to new challenges and opportunities depends on effective leadership, with knowledge and new ideas shared at all levels.

Our business has been through an important period of change over the past year. In the face of tough macro markets, we have worked hard to deliver against our strategy of driving margin expansion, investing in infrastructure and managing our portfolio. It has therefore been essential for us to communicate and engage effectively with our people, while also equipping them to manage change.

We have approximately 3,500 employees working in three core divisions across the Group. Our teams work increasingly closely together at a local, divisional and Group level to share knowledge, skills and technical know-how. We are building a culture where employees are encouraged to share best practices and use the ideas of others wherever this can accelerate business improvement.

Our team at Shanks is a unique mix of industry experts and talent from other sectors. This combination makes us stronger as we have fresh perspectives to supplement the deep knowledge of our long-serving and dedicated teams. We pride ourselves on providing a safe and inspiring workplace, along with the tools and training required.

Embedding our new structure

In April 2015 we introduced a new Group structure to align better with our customers and our changing markets. The structure has provided us with a clearer focus on our distinct businesses and has also provided a number of opportunities for our people. In this new structure we have appointed three internal members to the Group Executive Committee, and have made several other important promotions through our talent review and strong succession planning processes.

Since this restructuring, we have taken further action to integrate our businesses. In Belgium, we have recently implemented a new structure to deliver our strategy, optimise our operations, increase cost efficiency, and provide opportunities for growth. To do this, we removed our previous Flanders and Wallonia model and reorganised the Belgium Commercial Division into three operating units, with several support functions spanning the entire business. We supported these changes through comprehensive communications, using a range of channels to ensure that our people understood the rationale and need for change. The result is an integrated, simplified and more efficient Belgium business.

More recently, we integrated the Orgaworld Netherlands team more deeply into our Commercial Division to benefit from shared synergies. The integration will strengthen our position in the market by using our Shared Service Centre (SSC) to reduce overhead costs.

Implementing change initiatives

In order to drive margin expansion we have supported the implementation of a number of initiatives across the Group. One of the most successful of these is the continuous improvement (CI) programme.

The CI programme has been implemented at various sites across the Group and has involved comprehensive training for the people involved. CI is gaining traction, with impressive results. The programme not only reduces downtime and increases throughput, but also

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helps to empower our teams, improve health and safety, and increase two-way communication. It has generated significant savings, by showing how we can work smarter and get more out of our facilities.

At our Van Vliet Groep site in the Netherlands, CI has halved downtime and increased productivity. In East London, the CI programme has increased throughput at our Jenkins Lane facility by 100 tonnes a week. In Belgium, we increased the production, quality and off-take of solid recovered fuel (SRF) at our Ghent site.

Engaging our blue collar employees is key to the success of CI. As part of the programme, site management teams have introduced daily discussions focused on managing performance and identifying improvement opportunities, based around noticeboards called 'communication cells'. Due to the success of the CI programme, we will be rolling it out to the entire Group next year.

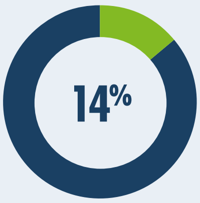
Another successful initiative has been the Group Off-take project, which was identified by our leadership team as a key opportunity to deliver growth. The project ensures that we get the best value for our products by working across the divisions. Our teams have been able to share knowledge and support each other to maximise our existing contracts and win new ones. Through the power of teamwork, we have made great progress, with over €1m of cost savings identified to date.

Our HR team has also focused on helping local leaders to reduce both long-term and short-term sickness rates. This has involved the roll-out of our vitality programme and also better management of the process of tracking sickness rates and helping people back into the workplace.

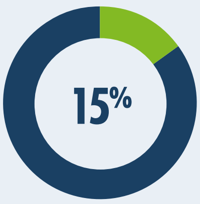
Up to the task
Our Reym business offers a range of industrial cleaning services including quayside cleaning.

We have a clear strategy to actively manage our portfolio, in order to improve the quality of our earnings and increase the return on capital employed.

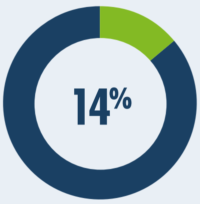
GENDER DIVERSITY



OF OUR WORKFORCE IS FEMALE



OF SENIOR MANAGEMENT ARE FEMALE



OF THE BOARD MEMBERS ARE FEMALE

Pleased to be here
The 2016 Pulse survey showed that our employees feel a sense of belonging at their place of work.

Supporting the commissioning of new assets

Over the course of the year, we have brought two flagship facilities on-line through contracts with Barnsley, Doncaster and Rotherham (BDR) and Wakefield Councils. We are also accelerating recruitment at our new waste treatment facility in Derby, which is due to come on-line in April 2017. The recruitment of new talent to operate and manage these facilities has been a crucial element of the overall plan for these multi-million pound contracts.

For new contracts we always strive to recruit people from the local area. We held very successful open days near our new sites for the recruitment of a variety of roles at the facilities. Altogether we had over 1,500 interested applicants for a wide variety of roles, and have hired some high calibre talent into the business. Once the new teams were recruited, they undertook a number of job-specific training programmes to develop their skills.

Supporting portfolio management

We have a clear strategy to actively manage our portfolio, in order to improve the quality of our earnings and increase the return on capital employed. It takes significant effort to manage our people carefully and appropriately through such strategic moves. We ensure that we fully consult with all those affected by these transactions, both in an HR capacity and, more broadly, through comprehensive communications using a range of channels.

For example, during the year we disposed of our Industrial Cleaning Wallonia business in Belgium and a small business in France. The sale of the Industrial Cleaning Wallonia business was preceded by regional restructuring. Extensive and sensitive consultation was required, not only with those directly working in the business for sale, but also with those employees indirectly involved who remained at Shanks. The sale was completed with no industrial disruption, reflecting the appropriateness, sensitivity and effectiveness of our actions.

We also made a small tuck-in acquisition of PRA, a paper recycling company in the Netherlands. The business was fully integrated soon after the deal was completed.

Engaging with our people

We launched the Pulse employee engagement survey in June 2014 to enable us to better understand our people's perspectives and take resulting action to improve their engagement. This survey tested the 'pulse' of the organisation by gaining anonymous feedback in a number of key areas, including how our people feel about their work, their manager, and about how well we communicate throughout the organisation. The survey aimed to discover what we are doing well and to identify areas for improvement.

Since this first survey, our teams have been creating locally managed action plans. Our HR and management teams were given training on how to successfully run

PEOPLE

Pulse action planning sessions, and this has led to productive sessions with tangible, targeted actions. The Executive Committee had a specific overall action to improve communication across the Group and they have delivered a number of improvements including employee roadshows, aligned and improved local internal newsletters, town hall meetings and a refreshed communications cascade.

To ensure we maintained momentum with our people, we carried out our second Pulse survey in January 2016. We achieved an excellent 84% response rate, an 18% increase on last year. This was a great achievement, given that the majority of employees work offline. The rich data and written comments received will help to shape team-managed action plans for future improvement. By encouraging our teams to own and manage these plans it gave a sense of empowerment to our people throughout the Group.

The 2016 survey showed that our people feel a sense of belonging to their place of work, and have had more opportunities to learn and grow over the last year. Over 80% are described as committed to their jobs, well above the industry benchmark. In addition to the positive feedback, a number of areas for improvement have been identified and these will be actioned in the year ahead.

Our ethics

The Group is an equal opportunities employer; full and fair consideration is given to applications from, the continuing employment of, and career development and training of disabled people. Two-way communication is actively promoted wherever appropriate. This report does not contain information about any policies of the business in relation to human rights, since it is not considered necessary for an understanding of the development, performance or position of the Group's business activities.

We benefit enormously from our diverse workforce. Our people come with differing backgrounds and from a wide range of cultures, creating a vibrant workforce where we can all learn from one another. The importance of diversity, equality and non-discrimination is highlighted in our Code of Conduct and is underpinned by our values, guiding the respectful way we behave towards one another.

Around 14% of our workforce are female, with approximately 473 women employed. At a senior leadership level, five managers and one Board member are female.

Further to the enactment of the Modern Slavery Act 2015 the Group is reviewing its policies concerned with combatting the possibility of human trafficking and slavery in any of its businesses or supply chains. A resulting policy statement, once approved by the Board, will be placed on the Group website.

Our values

Our values are central to all that we do at Shanks. They outline what is important to us, how we operate, and what differentiates us from our competitors.

They also demonstrate that *how* we do things is just as important as *what* we do. Embedding these values into our daily working lives allows us to operate the right way, while creating a unique identity which meets the expectations of our people and our stakeholders.

We have six core values, and to ensure that they are easily remembered we use the mnemonic IMPACT (see below). The mnemonic also reflects the fact that our values have an impact on every aspect of our business.

OUR VALUES

I – INTEGRITY
We commit to being open, honest and doing the right thing. We have strong ethical principles which guide the way that we make decisions.

M – MAKING MORE FROM WASTE
We believe that waste is a resource. We use sustainable technology to make valuable products from what is otherwise thrown away.

P – PASSION
We are excited by what we do, how we do it and where we are going. We are committed to making a difference and putting in extra effort to get the job done.

A – ACCOUNTABILITY
We take full responsibility for what we say and do. We deliver on our commitments.

C – CUSTOMER FOCUS
We are dedicated to exceeding our customers' needs. We seek to build lasting relationships by delivering real value to our customers.

T – TEAMWORK
We believe in working together to achieve shared goals. This makes the most of our skills and maximises the value we can deliver to our customers.

The way that our people live these values is measured through our performance and development review (PDR) system. This ensures that we give direct and regular feedback on how individuals perform relative to our values and shared vision.

more information at **www.shanksplc.com/people**

CORPORATE RESPONSIBILITY

84%

RECYCLING AND RECOVERY RATE UP FROM 74% IN 2010

13%

IMPROVEMENT IN OUR MORE SERIOUS ACCIDENT RATE

>3 DAY ACCIDENT RATE HALVED OVER PAST TEN YEARS

167%

INCREASE IN NEAR-MISSES REPORTED

5,932 NEAR-MISSES REPORTED IN 2015/16

AT THE HEART OF ALL THAT WE DO

Our commitment to corporate responsibility aligns with our vision to be the most respected waste-to-product company.

At Shanks our vision is to be the most respected waste-to-product company. Our approach to corporate responsibility (CR) is completely aligned with this vision, as we strive to deliver our services in a sustainable, responsible and ethical way.

Sustainability is at the heart of all that we do. Our business is centred on meeting society's need to deal with its waste in a way that protects the environment for future generations. We make valuable products out of material that is otherwise thrown away. In doing so, we reduce greenhouse gas emissions, generate renewable energy, save virgin resources and protect air quality.

To be the most respected waste-to-product company we need to be responsible in how we operate our business. Put simply, we believe in 'doing the right thing'. This is reflected in the way we define integrity as the first and foremost of our values.

We drive our business based on the needs of our wide range of stakeholders: our customers' requirement for sustainable waste-to-product services; the duty we owe our employees of providing a safe and healthy workplace; the requirements of regulators and communities near to our sites to minimise any unintentional impacts of our activities and the ethical behaviour demanded by all our stakeholders. Feedback from our stakeholders is a critical input in our approach to CR, and informs where we target our CR efforts, reporting and objectives.

Our waste-to-product business model is driven by the needs of our customers, and of society at large, to deal with waste sustainably. Our commitment to CR in all of its aspects is central to our business, and fully aligned with our vision to be the most respected waste-to-product company.

How we deliver sustainability

We deliver sustainability by taking society's waste that would have gone to landfill or mass burn incineration, and instead convert it into usable products. We do this by using the latest technologies:

- **Our sorting centres and recycling facilities** take mixed or partially separated waste and sort it into individual components such as paper, card, plastics and metals, for use in the manufacturing of products. This reduces valuable virgin raw material use and provides a significant carbon avoidance benefit.
- **Our mechanical biological treatment (MBT) facilities** first remove recyclable materials from waste, and then process the remaining residual material to produce a waste derived fuel, such as solid recovered fuel (SRF), which displaces fossil fuels. The fuels provide a carbon avoidance benefit and can be used in power production and industrial processes.

CORPORATE RESPONSIBILITY

EMISSIONS FROM OUR ACTIVITIES

SOURCE	CO_2 EQUIVALENT ('000 TONNES)[1] 2016	CO_2 EQUIVALENT ('000 TONNES)[1] 2015
PROCESS BASED EMISSIONS		
Emissions from anaerobic digestion and composting	105	79
Emissions from hazardous waste treatment	295	225
Emissions from landfill	71	73
Emissions from mechanical biological treatment (MBT)	24	17
TRANSPORT BASED EMISSIONS		
Fuel used by waste transport vehicles and business travel	60	61
ENERGY USE EMISSIONS		
Electricity used on sites and in offices	75	64
Gas and other fuels used	28	27
Total emissions from significant sources	**658**	**546**
CARBON AVOIDED AS A RESULT OF OUR ACTIVITIES		
Renewable energy generated	45	38
Waste derived fuels produced and sold	848	891
Materials separated for re-use/recycling (some re-used directly, others undergo re-processing by third parties)[2]	482	482
Potential avoided emissions excluding energy from waste used on site[3]	**1,375**	**1,411**
Energy from waste used on site as a fuel[3]	334	255
Total potential avoided emissions	1,709	1,666

1 Figures rounded to nearest 1,000 tonnes – figures may not total as a result of rounding. Some data based on carbon 'factors'. These vary from country to country and are periodically updated, such as by government agencies.
2 Some separated materials are re-used directly, others undergo re-processing by third parties.
3 The Hazardous Waste ATM plant uses waste as an energy source for its on-site processes. Some 81% of the plant's energy requirements are sourced this way. Measurement of this did not commence until partway through our previous five year CR objectives cycle. As such, for consistency reasons, this data was not included in our Group carbon footprint in previous reports. This has now been added and will be measured going forward. As a result the 2015 total potential avoided emissions figure given above has been restated to allow an appropriate baseline; a direct comparison without energy from waste used on site is also given for consistency.

GREENHOUSE GAS EMISSIONS AND AVOIDANCE INTENSITY RATIOS	2016	2015
Greenhouse gases emitted (CO_2 equivalent '000 tonnes) per unit of revenue (£m)	1.07	0.91
Greenhouse gases avoided by our activities (CO_2 equivalent '000 tonnes) per unit of revenue (£m)	2.78	2.77

Greenhouse gas emissions and avoidance are as CO_2 equivalents '000 tonnes. Revenue is £ million.
2015 carbon avoidance intensity ratio has been revised in line with the inclusion of waste used as energy at our ATM plant in our carbon footprint (see Group carbon footprint). Ratio reported in 2015 was 2.35 and the inclusion of waste used as energy increased this to 2.77.

72%

INCREASE IN SAFETY LEADERSHIP VISITS. OUR SENIOR MANAGERS MADE 455 VISITS IN 2015/16

14%

REDUCTION IN COMMUNITY COMPLAINTS AND 65% REDUCTION SINCE 2010

84%

RESPONSE TO OUR PULSE EMPLOYEE ENGAGEMENT SURVEY IN 2016

18%

IMPROVEMENT IN PULSE EMPLOYEE ENGAGEMENT SURVEY RESPONSE RATE IN 2016

- **Our anaerobic digestion (AD) and in-vessel composting (IVC) facilities** take organic waste, such as food waste, and turn it into fertilisers. AD plants also generate green electricity from the resulting gases. This prevents emissions of methane during landfill disposal, reduces virgin raw material use, and provides a carbon benefit compared to fossil fuel energy production.
- **Our main hazardous waste treatment facility**, located in the Netherlands, uses thermal and other treatments to destroy the hazardous components of waste, such as paints and contaminated soil and water. This reduces the risk of hazardous emissions to the environment. The facility also uses some of the waste it receives to power its own treatment processes, so saving more than 330,000 tonnes a year of carbon emissions.

Our delivery of waste-to-product strategy and sustainability is demonstrated by our recycling and recovery rate, which is one of our key 2020 CR objectives.

Our 2016 performance against these objectives can be found in the table overleaf.

Our carbon performance

Our sustainable waste-to-product activities produce a carbon avoidance benefit. Recycling reduces the carbon burden associated with virgin raw material use, and waste derived fuels and green energy production both reduce the carbon burden of fossil fuels. This carbon avoidance benefit is included in our carbon footprint. We also target the carbon emissions produced by our operations. During 2015/16 many of our larger facilities underwent energy efficiency assessments. Our aim is to produce the maximum carbon avoidance benefit, while reducing our relative carbon emissions.

Living up to our CR objectives

We set our first five year key CR objectives back in 2010, in the areas of employee accident, carbon avoidance, and recycling and recovery rates. We more than achieved these targets we set ourselves. In 2015 we announced our new key five year CR objectives for achievement by 2020. These new objectives are wider in scope and more sophisticated and ambitious than our original targets set in 2010, and support our vision of being the most respected waste-to-product company.

KEY FACTS AND FIGURES

MEASURE	BELGIUM COMMERCIAL	NETHERLANDS COMMERCIAL	HAZARDOUS WASTE	MUNICIPAL	GROUP
Active operating centres[1]	19	28	14	22	**83**
Operating centres with recycling/recovery	10	27	2	21	**60**
Operational landfill sites	1	1	–	2	**4**
Collection and transport lorries	172	461	161	23	**817**
Tonnes waste handled (million tonnes)	1.12	3.47	1.94	1.87	**8.40**
Tonnes materials recovered (million tonnes)[2]	0.83	2.85	1.94	1.41	**7.02**
Overall recycling and recovery rate[3]	74%	82%	99%	76%	**84%**

1 Active operating centres does not include small stand-alone civic amenity and similar sites.
2 For some technologies this includes water loss, such as during the production of waste derived fuels.
3 The calculation is based on waste diverted from landfill and incineration.

EMBEDDING A STRONG SAFETY CULTURE

All our divisions hold annual safety events to target improvement in specific areas of health and safety performance. In recent years many of these have evolved into full safety weeks, dedicated to engaging our employees on safety issues.

For its 2016 safety week our Netherlands Commercial Division concentrated on improving safety culture. Good safety standards depend on physical measures, such as machinery guards and traffic barriers, and good levels of health and safety management, such as site rules and accident investigation systems. These will not work, however, unless they are supported by a good safety culture.

During its safety week, Netherlands Commercial held more than 100 safety culture sessions which involved 1,300 employees. Knowledge sharing from Shanks UK operations was used to provide a motto for the week: 'veilig thuis' (home safe). A key component for the week was the use of a new in-house safety video concentrating on behaviour and culture, which was shown to all employees. This video has also been produced with English, French and Flemish subtitles so it can be used across the Group.

It is difficult to measure safety culture and the improvement it brings. However, Netherlands Commercial's safety event resulted in nearly 300 near-miss reports being raised in one week alone – more reports than were raised by the division in the previous 12 months put together.

CORPORATE RESPONSIBILITY

LIVING UP TO OUR CR OBJECTIVES

CR OBJECTIVE	2016 PERFORMANCE	FIVE YEAR OBJECTIVE	COMMENT ON PROGRESS
HEALTH AND SAFETY			
>3 DAY ACCIDENT RATE per 100,000 employees	1,650	-25%	**13% improvement – on track for 2020 objective**
MAJOR/FATAL ACCIDENTS number	ZERO	ZERO	Objective achieved for year
LOST TIME ACCIDENT RATE per 100,000 employees	2,850	-25%	13% up – better reporting
NEAR-MISSES & RATE CLOSED OUT % of those raised	57%	75% CLOSE OUT	First time measured – sets the baseline
SENIOR LEADERSHIP HEALTH & SAFETY VISITS % of target	161%	2 PER QUARTER	Objective more than achieved for year
SUSTAINABILITY			
RECYCLING & RECOVERY RATE % waste received at sites	84%	85%	**2% improvement – on track for 2020 objective**
CARBON AVOIDANCE '000 tonnes	1,709	+10%	3% improvement – on track for 2020 objective
GREEN ENERGY PRODUCTION megawatt hours	125,168	+60%	19% improvement – on track for 2020 objective
OPERATING CENTRES WITH ISO 14001 % operating centres	71%	100%	On expected trajectory towards 2020 objective
COMMUNITY			
IMPROVE COMMUNITY FEEDBACK Rate per operating centre	3.2	+25%	**14% improvement – on track for 2020 objective**
MAJOR ENVIRONMENT AND PERMIT BREACHES	1	ZERO	Objective not achieved for year
COMMUNITY ENGAGEMENT SCHEMES/INITIATIVES	–	NEW MEASURE	Under development
OUR PEOPLE			
EMPLOYEE ENGAGEMENT SCORE Overall Group score	7.4	10%	**14% towards 2020 target**
EMPLOYEE TRAINING AND DEVELOPMENT	–	NEW MEASURE	Under development
SHORT-TERM SICKNESS RATE	0.9%	NEW MEASURE	Under development
EMPLOYEE COMMUNICATION SCORE[1]	4.8	+20%	2.0% decline

1 Score given out of ten in Pulse employee engagement survey.

In 2015 we issued our first ever Green Retail Bond. The funds from this issue are for use on green projects. For an update on how we have allocated funds to green projects see our CR Full Data document, available at: www.shanksplc.com

DOWNLOAD OUR FULL CR REPORT AT SHANKSPLC.COM/CR_REPORT

Protecting our people
Our employees are our most valued resource and health and safety is a critical issue for the Group.

Development of our new CR objectives was undertaken by our dedicated CR and H&S committees, supported and encouraged by our Group Executive Committee. Our objectives have been approved by and had input from the Board, and are based on an extensive assessment of what issues are important to our stakeholders. Some of our measures are new for Shanks and are indicated as 'under development'.

We set our new CR objectives in four key overarching areas:

- **Health and safety** is a key issue for our employees and we must continue to drive improvement in this area.
- **Sustainability** is core to our vision to be the most respected waste-to-product company.
- **Community** relations are critical to us as good neighbours, and for the maintenance of our environmental permits.
- **Our people** are our most valued resource and their continued enthusiasm and commitment are key to our success.

For each of these four key areas we also developed a series of supporting corporate responsibility measures. These underpin our key objectives and provide focus for targeted improvement programmes.

Between our key CR objectives and underpinning corporate responsibility measures we have a complete suite of performance indicators, against which we can measure ourselves and our progress.

A summary of how we are living up to our CR values through our performance is given in the graphic opposite.

For more detail on our objectives and CR activities see our dedicated CR Report at: www.shanksplc.com.

RISKS AND UNCERTAINTIES

A DEVELOPING FRAMEWORK

Our multi-layered approach to risk management allows us to anticipate and respond effectively to trends and events that might affect our business.

Shanks faces a number of economic and market headwinds. Global and national economic trends affect our business, but are outside of our control. Falls in global oil prices affect our ability to sell recovered oil waste products and the price we can obtain for these. Economic conditions also affect the commodity market and our ability to sell recycled and recovered materials. These conditions result in decreased demand for products such as recycled plastics, paper and metals. They also affect the volumes of waste available for us to process, resulting in price competition.

We have responded to these pressures through our risk management processes. We exercise strict cost control across the Group and actively manage our portfolio to increase returns, such as selling loss-making businesses. We have also invested in infrastructure to expand capacity where we are strategically advantaged. During 2015/16 we brought on-line many new assets, including two new PFI operations in the UK at Wakefield and BDR (Barnsley, Doncaster and Rotherham), a new sorting line in the Netherlands and the expansion of storage and treatment capacity at our flagship ATM facility. Our new Derby facility in the UK and our Surrey facility in Canada are in the construction phase. The Derby plant utilises gasification technology, which is new to Shanks and illustrates the expansion in our technological base as well as our capacity. The Surrey facility will convert kitchen and yard waste into renewable natural gas.

We face other risks apart from economic conditions. Environmental regulation has tightened in some of the countries where we operate. The time and resources we devote to regulator communication has increased, and at some of our facilities we have invested in additional equipment and brought in measures to respond to increasing regulatory requirements. Our in-house teams of knowledgeable environmental and compliance specialists create targeted action plans to address these new issues as they arise.

The property and business interruption insurance market for waste management companies continues to be difficult, largely as the result of fire risk. We have widened the base of insurers we use to gain best premium cost at no reduction in quality of insurance cover.

FIVE OBJECTIVES OF OUR RISK MANAGEMENT FRAMEWORK

KNOW WHAT RISKS WE FACE

Identify and evaluate our universe of potential risks to allow the creation and management of registers of risks faced by the Group.

KNOW WHAT RISK WE WANT TO ACCEPT

Manage a risk strategy in which the tolerance and appetite of the Group for differing levels and types of risk is clearly understood.

MANAGE OR MITIGATE OUR RISKS

Ensure that all identified key risks are effectively mitigated or, where appropriate, transfer risks through insurance.

TRAIN OUR PEOPLE IN RISK MANAGEMENT

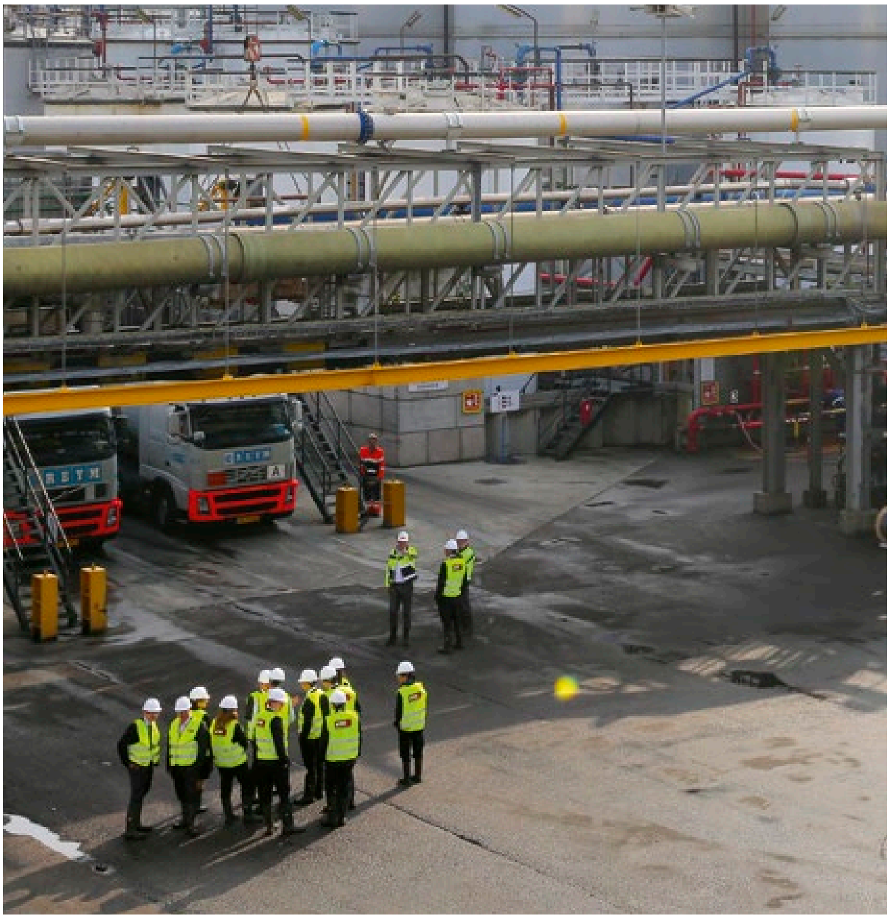
Ensure that management is trained in the effective identification, assessment and management of risk.

CONTROL SYSTEMIC RISK

Maintain and improve a system of internal controls to manage risks in decision making, contract management and financial transactions.

More information at **www.shanksplc.com/risksanduncertainties**

Risk assessment
Each of our divisions produces a summary of risks, which are reviewed by the committees and the Board.



We have made improvements in fire systems across our key facilities and have developed a mitigation strategy to address our retained risk level not covered by conventional insurance. We have implemented a new business continuity plan framework at our major sites and will spread this to our smaller sites during 2016.

There is a direct link between our risk management activities and how we do business. All of the above risks and actions are directly linked to the key risks identified in the heat diagram on page 63, and all are in the upper sector of this diagram. We understand our risk universe, identify the key risks we face, and produce and implement effective mitigations.

During 2015/16 we improved the robustness of our key risk identification process. Our divisional key risks registers were discussed by our Risk Committee and senior Group executives. The key Group risks identified by this process were presented to the Audit Committee for challenge, before being developed further by the Risk Committee and divisional teams. The summary outcomes of this process were approved by the Board. This process gives us the confidence that our identification of our key risks is robust and that our application of resources to mitigate these risks is targeted and effective.

We have long-established risk management processes and frameworks in place. We continue to develop these and to make them more robust to meet the challenges we face.

Our risk framework

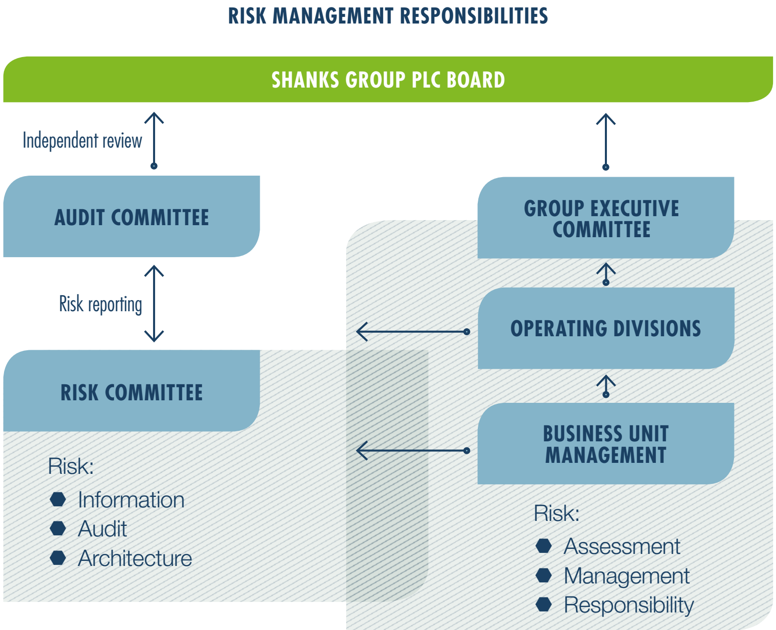
The core elements of our risk management framework include:

- Our schedule of matters reserved for the Board and our strict adherence to it. This ensures that all significant issues affecting Group strategy, structure, viability and financing are properly managed by the directors.
- Our Group risk management framework. This ensures that each of our businesses identifies the risks it faces and their importance, designs and implements effective mitigations to control key risks, and that these mitigations are monitored and remain effective. The output of this process is a summary of all our significant strategic, operational, financial and compliance risks, our mitigating controls, and the action plans necessary to reduce risks to a level aligned with our risk appetite. These are reviewed by both divisional management, our Risk Committee, Audit Committee and the Board to ensure the appropriateness of the risks identified and the effectiveness of the controls and actions reported.
- Embedded risk management systems that are part of the day-to-day running of the Group. These underpin the effectiveness of our risk management processes by involving a wide audience in risk systems, such as divisional registers, to ensure that all risks are considered and ranked appropriately and that mitigations are informed and practical.
- Enhanced risk assessment for all major capital requests. This ensures we allocate funds in a risk-aware manner to maximise the value of our investments and minimise the risk of under-performance.
- Review of key risks at each divisional review meeting to ensure that we monitor our key risks and mitigations at an appropriate level. It also supports risk management as an embedded feature of our decision-making process.

RISKS AND UNCERTAINTIES

Our risk responsibilities and architecture

Our operating divisions and business unit management have responsibility for the assessment and management of risk. Our Risk Committee supports how we manage risk through information, frameworks, policy, strategy and processes. Reporting through our Audit Committee and Executive Committee ensures the identification and communication of critical risks, and that key risks are brought to the attention of the Board. The decisions of the Board and their risk appetite are cascaded back through our risk architecture to ensure that the approach to risk appetite and tolerance are aligned and consistent across the Group.



Our progress against 2015 objectives and the future

In our 2015 Annual Report we outlined a series of improvements we had already made in our risk management processes. We also committed to further actions in 2015/16. A synopsis of how we performed against our 2015 objectives, and how we intend to improve in the future, is shown in the table below.

WHAT WE SAID WE WOULD DO IN 2015/16	HOW WE PERFORMED	WHAT WE PLAN TO DO IN 2016/17
Produce and progress enhanced mitigations identified through our thorough review and revision of divisional risk registers conducted during 2014/15.	We have pursued mitigations identified in our 2014/15 review of divisional risk registers and entered identified control actions into our new web-based risk system to ensure these are tracked to completion.	Use our new web-based risk tool to provide coherent reporting of performance and mitigation progress, including to the highest levels in our divisions and at Group level.
Formalise the discussion of key risks at divisional reviews by creating and enacting a common process embedded in our business review rhythm.	Key risks are now scheduled as a routine item on our divisional review meeting agendas, one key risk per month being analysed by divisional and Group directors attending reviews.	Implement routine guest spots into our Risk Committee agenda for senior divisional management to present on their key risks allowing our Risk Committee to comment on these and share knowledge across the Group.
Roll-out our enhanced business continuity framework to all of our operations.	Our new business continuity plan framework has been successfully rolled-out to our major sites.	Roll-out the business continuity plan framework across our smaller sites.
Implement the actions and improvements identified by our recent dedicated fire management systems audits to reduce business continuity risk.	We have upgraded fire detection, alarm and suppression systems at several key sites, and plan further improvements.	Continue to upgrade our fire systems at additional key sites, in co-operation with our insurers to ensure high standards are met.
Conduct further risk management training seminars for our divisional teams.	Risk management training sessions for our divisional management teams were held during 2015.	Investigate how our risk management ConnectUs community can be adapted to provide an induction for employees in risk management.

WHAT WE SAID WE WOULD DO IN 2015/16	HOW WE PERFORMED	WHAT WE PLAN TO DO IN 2016/17
Investigate and develop a strategy for funding potential costs associated with retained risks from our property and business interruption insurance.	A solution to mitigate retained risk on our property and business interruption insurance has been investigated, designed and is ready to be enacted as required.	Monitor the level of retained risk associated with our property and business interruption insurance and be ready to implement the designed solution as required.
Develop and implement a strategy to ensure our new internal audit resource has the maximum effect and targets our key financial risk areas.	Our internal audit resource has assessed areas of strength and weakness across our operations.	Make enhanced use of our new web-based risk tool, entering audit outcomes into it and tracking audit action progress across the Group and reporting on progress.
Implement fully our new web-based risk register and management system across the Group.	Divisional risk registers have been uploaded to our new web-based risk system and the process will go live from the first quarter of 2016/17.	Allocate divisional 'leaders and administrators' for our new web-based risk tool to allow our divisions full access and use of the tool.
Create a dedicated community on our ConnectUs collaboration tool to provide easy employee access to key risk management documents and policies.	A dedicated risk management community has been established on ConnectUs with risk management documents and guidance.	Develop and enhance this risk management community, adding to its content and accessibility.

Key risks, risk direction and mitigations

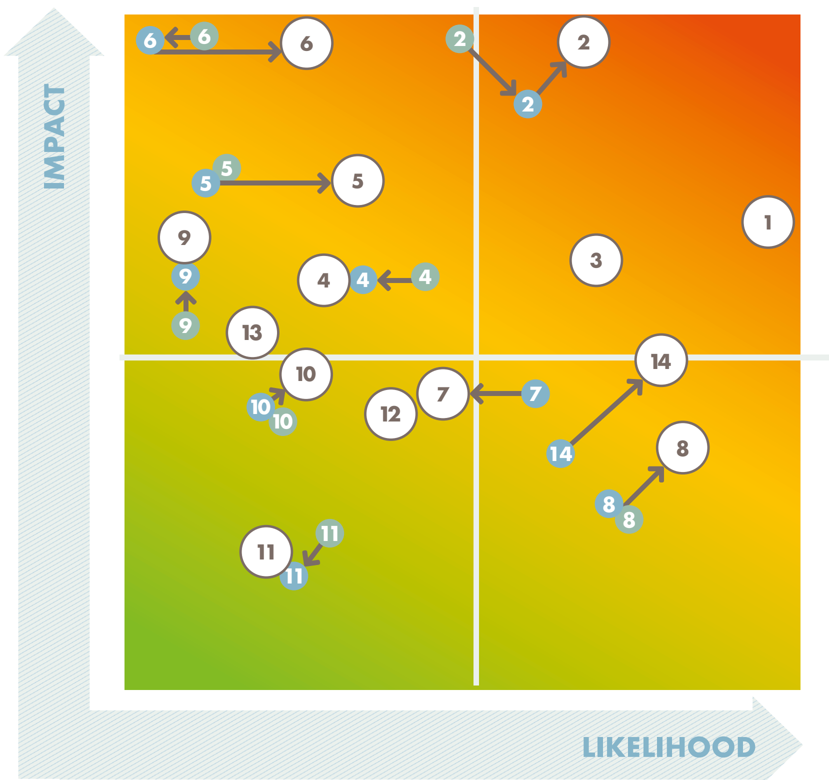
Our key risks, mitigations and risk direction are outlined in the heat diagram below and in the tables on the following pages. These are graphical representations and summaries of more detailed risk management processes active within Shanks. For 2016 our key risks have been discussed in detail by our Group Risk Committee, senior Group directors and employees and no new risks were identified this year. The resulting heat diagram showing risk changes and directions was assessed, commented on and revised by the Risk Committee and Audit Committee. This final version has been approved by the Board.

Overarching Group risks

All risk levels in the heat diagram are shown with the current level of mitigation. Direction of risk is indicated by arrows.

KEY:

- Risk position 2014
- Risk position 2015
- Risk position 2016
- Direction of risk
- 1 Waste volumes
- 2 Investment and growth – cash risk
- 3 Pricing competition
- 4 Talent development/leadership
- 5 Long-term contracts
- 6 Investment and growth – financing risk
- 7 Health and safety risk
- 8 Recyclate pricing
- 9 Fire and business continuity planning
- 10 Project execution
- 11 ICT failure
- 12 Operational failure
- 13 Output recyclate/recovered product volumes
- 14 Environmental permit risk



Note: Where no direction arrow is shown risk rating remains static. If a risk has not moved position since 2014 or 2015 only its 2016 position is shown (risks 1, 3, 12 and 13).

RISKS AND UNCERTAINTIES

Summary of key risks, mitigations and risk direction

KEY RISK	MITIGATIONS	PROGRESS & RISK DIRECTION
1 **WASTE VOLUMES:** that incoming waste volumes in the market may fall	• Market-facing organisation to compete most effectively • Reporting of incoming waste volumes across the Group • Investment to secure new waste streams and volumes • Securing of long-term contracts to underpin major deployment of capital • Municipal contracts in the UK and Canada to secure significant long-term base volumes	• New municipal contracts in the UK at Wakefield and BDR • Continued investment in key facilities to secure volumes • Continuing commercial effectiveness project in Benelux operations Risk direction: underlying waste volumes have been maintained or increased over the past five years. However, macro-economic conditions persist and risk level remains static
2 **INVESTMENT AND GROWTH. CASH RISK:** that funding sources are available, but that cash generation is insufficient to allow access to funding	• Portfolio management • Continuous improvement of cash control • Reinvestment only where profitable • Good budget control on capital projects • Good balance of leased and owned assets	• Disposal of non-profitable assets in Belgium operations in late 2015 • Strong cash control across Group • Continued control of investment Risk direction: weaker trading offset to an extent by cash performance. Risk level increased due to economic factors
3 **PRICING COMPETITION:** that market pricing may put pressure on our margins	• Cost management, both structural and operational, to deliver cost leadership in core markets • Constant reporting and monitoring of price via operational systems • Use of long-term contracts, where appropriate • Effective commercial organisations to maximise margins	• Continued commercial effectiveness project in Benelux operations • Maximise benefits of investment in new storage facilities in Hazardous and Commercial Divisions • Price increases in targeted areas Risk direction: risk remains at previous levels as a result of macro-economic factors outside of our control
4 **TALENT DEVELOPMENT/ LEADERSHIP:** that we lack the required management capabilities	• Group HR Director and divisional teams to ensure good HR leadership • Performance appraisal process across Group • First-class talent mapping and development process • Leadership programmes in place • Annual Group-wide employee engagement survey (Pulse), with key objectives set for absence management and employee development	• Pulse employee engagement survey in early 2016: employee response rate of 84% indicates good employee engagement • Implementation of plans to address engagement and communications from Pulse 2016 survey • Continued succession planning and development process, such as new management development programme in Hazardous Waste Division Risk direction: risk level static, but continued improvement in processes likely to reduce risk
5 **LONG-TERM CONTRACTS:** that we enter into long-term contracts at disadvantageous terms or we rely on a small number of large contracts	• Selective bidding on contracts • Detailed risk assessment and due diligence on contracts • Strict Board controls on entering into major contracts • Tight controls and reviews on build programmes, to ensure on track	• New systems to prevent contract penalty deductions in the UK • BDR and Wakefield PFI contracts in full service • New Derby and Surrey contracts in construction phase Risk direction: tighter processes around contract structures, but increased economic pressure on clients leading to rising risk level as customers strive to reduce their costs

(Risk numbers relate to heat diagram on page 63)

KEY RISK	MITIGATIONS	PROGRESS & RISK DIRECTION
6 **INVESTMENT AND GROWTH. FINANCING RISK:** that funding is not available	• Good quality external advice • Diverse range of financing options and timings • Strong relations with investors • Good management reputation and planning	• Diverse range of funding options of medium to long-term maturity • Successful Green Retail Bond issue Risk direction: increased risk level as the result of economic factors
7 **HEALTH AND SAFETY RISK:** that we incur reputational loss, or civil and criminal costs	• Group Health and Safety Manager and Health and Safety Committee in place • Defined and tracked health and safety improvement plan in place • Active engagement with regulators • Safety leadership programme in place • Coherent targets in place for near-miss reporting and leadership performance • Top agenda item on all management meetings • Significant improvements made over past five years	• Good results from recent initiatives, such as doubling in near-miss reporting rate over the year • Targeted strategy at Belgium operations showing success: more serious accident rate in Belgium reduced by more than 30% Risk direction: progress has been made over the year in reducing risk, but the intrinsic nature of the industry results in a static risk rating
8 **RECYCLATE PRICING** that the value we receive for recycled and recovered product falls	• Focus on improving product quality • Group off-take initiative to renegotiate long-term contracts and maximise pricing leverage, where appropriate • Cost control actions to offset impact of lost revenue • Optimise commercial effectiveness to improve quality of incoming waste, and raise gate fees • Sustainable technologies used in alignment with market needs	• Development of new technologies to ensure continuing fit with market needs, such as new gasification facility under construction at Derby • Continued development of quality schemes to maximise value Risk direction: while enhanced risk management is in place, macro-economic pressures such as oil pricing have resulted in rise in risk rating
9 **FIRE AND BUSINESS CONTINUITY PLANNING:** business interruption and other costs as the result of a disaster such as fire	• Active monitoring and enforcement of maintenance, environmental, safety and training standards • Effective insurance programmes supported by experienced brokers • Improvements in fire control through common fire control standards • Common risk survey process in place, including engagement with insurers • New business continuity plan framework in place at major sites	• New business continuity plan framework being rolled-out to smaller operations • Targeted improvements in fire systems at key sites • Strategy for retained risk funding developed for placement, as appropriate • Continued improvements at ATM site in line with Seveso III requirements Risk direction: improvements in risk management in place and being developed, but pressures in the insurance market for the waste sector result in increased potential impact rating
10 **PROJECT EXECUTION:** that we fail to deliver our investment and cost reduction programmes	• Regular senior management review of all programmes including post-investment reviews • Strong financial oversight of project costs and effective capital authorisation processes • Strong due diligence of potential opportunities to ensure returns • Use of skilled and trained project management teams • Fixing of contractual costs, where possible	• Continued development and knowledge sharing of project risk management processes via Group Risk Committee • Wakefield and BDR projects full service delivery, with Derby and Surrey projects in construction phase Risk direction: while enhanced controls are in place and being developed, the number and variety of projects result in a rise in risk rating

(Risk numbers relate to heat diagram on page 63)

RISKS AND UNCERTAINTIES

Summary of key risks, mitigations and risk direction, *continued*

KEY RISK	MITIGATIONS	PROGRESS & RISK DIRECTION
11 **ICT FAILURE:** that ICT failure causes business interruption or loss	• Group Information Director to deliver ICT leadership • Development of greater centralisation of ICT systems to allow common risk approach • Continued investment in upgraded systems and infrastructure • Business continuity planning in place for ICT and tested • Increased robustness of ICT systems through shared services centres • Assessment of ICT resilience conducted by insurers	• Continued maximisation of benefits of shared service centre project • Continued increases in robustness of ICT systems • Specific assessments of robustness of key systems by competent external consultants Risk direction: static risk level, with increased robustness and resilience of ICT systems offset by complexity of systems
12 **OPERATIONAL FAILURE:** operational failure at a key facility leading to business interruption and other costs	• Highly experienced operational teams with in-depth knowledge of processes • Regular annual and other shutdowns at key facilities to ensure they remain well invested and maintained • Mechanical breakdown insurance in place for high-risk facilities and reviewed on a regular basis for adequacy • New business continuity plan framework includes breakdown risk and mitigation measures	• Continued investment at major facilities to ensure breakdown resilience • Continued improvements at ATM critical site in line with Seveso III requirements Risk direction: improved risk management processes in place, but the nature and complexity of major facilities results in the risk rating remaining static
13 **OUTPUT RECYCLATE/ RECOVERED PRODUCT VOLUMES:** that the volumes of products we place to market falls	• Diversity of product off-takers to spread risk • Quality control systems in place to ensure quality of products is as required • Investment in technologies which fit with market needs for products • Experienced employees dedicated to product off-take markets	• Continuous review of market needs to ensure fit of products • Continued investment in technologies and facilities which meet market needs, such as new gasification plant in construction at Derby Risk direction: static risk rating as a result of balance between investment, alignment with markets and macro-economic conditions
14 **ENVIRONMENTAL PERMIT RISK:** that our environmental permits to operate are restricted or removed	• Monthly environmental issues reporting across all levels of organisation • Effective management of all environmental matters arising • Environment management systems and regular inspections and audits in place • Experienced and competent environmental specialist employees in place • Community environmental engagement performance in place as key business objective • Five-year target for 100% of operating centres to be accredited to the ISO1 4001 international environmental standard in place	• Strategy working in practice: adverse community comment rate has decreased by more than 50% over past five years • Targeted strategies for sites at risk • Increased regulator contact and communication Risk direction: risk rating has risen as the result of a tightening of regulator attitude, in particular in the UK and Canada

(Risk numbers relate to heat diagram on page 63)

Credit control
Credit management is key in mitigating credit and fraud risk.

Financial risks

The Group takes action to insure or hedge against the most material financial risks. Details of our key policies for control of financial risks are:

- **Interest rate risk**
  The Group has continued to limit its exposure to interest rate risk by entering into fixed rate retail bonds and interest rate swaps for PFI/PPP projects that fix a substantial proportion of floating rate debt. At the end of March 2016, circa 75% of core borrowings were on fixed terms. For all long-term PFI contracts, interest rate swaps for the duration of the contracts are entered into as part of financial close of the project.

- **Foreign exchange risk**
  The Group 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. Hedging agreements, such as forward exchange contracts, are in place to minimise known currency transactional exposures. The Group does not hedge its foreign currency exposures on the translation of profits into Sterling. Assets denominated in Euros and Canadian Dollars are hedged by borrowings in the same currency to manage translational exposure.

- **Trade credit risk**
  Trade credit risk is the risk of financial loss where counterparties are not able to meet their obligations. The Group has implemented the setting and monitoring of appropriate customer credit limits. Credit limits and outstanding receivables are reviewed monthly. The Group has a policy to ensure that any surplus cash balances are held by financial institutions, meeting minimum acceptable credit ratings.

- **Fraud risk**
  To mitigate the exposure to losses arising from fraud committed on the Group or by Group employees, robust internal controls and financial procedures are reviewed and tested regularly.

VIABILITY STATEMENT

In accordance with provision C.2.2 of the 2014 UK Corporate Governance Code, the Board has assessed the prospects of the Group over a longer period than 12 months and has adopted a period of three years for the assessment. The Board's strategic planning horizon is five years, however the first three years of the plan were selected for the testing as most of our Group risks reside in this horizon.

The Board assessed the principal risks to the business as set out in the preceding pages and agreed that a total of six severe but plausible risk scenarios should be explicitly modelled. The scenario modelling included further deterioration in the macro-economic environment and under-performance on a major contract. For each scenario the Group identified the appropriate mitigation steps it would take to reduce the risk. These mitigations include the identification of structural cost programmes, business continuity and commercial effectiveness plans.

The Group's net worth, liquidity and financial headroom have all been assessed and incorporated within the risk scenario modelling. Based on the consolidated financial impact of the sensitivity analysis and associated mitigating actions that are either in place or could be implemented, it has been demonstrated that the Group maintained adequate headroom during the different scenarios.

Based on the results of this analysis, the Directors confirm they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of assessment.

GOVERNANCE

THE BOARD OF DIRECTORS

The Board is committed to maintaining a sound governance framework through which the strategy and objectives of the Group are set and the means of attaining these objectives and monitoring performance is determined.

Colin Matthews

COLIN MATTHEWS CBE, FREng
Group Chairman

Appointed: March 2016 and appointed as Chairman in April 2016. Chairman of the Nomination Committee and member of the Remuneration Committee.

Skills and Experience: Colin currently chairs Highways England Company Limited, formerly the Highways Agency. In his executive career he has been Chief Executive Officer of Heathrow Airport, Hays plc and Severn Trent plc. He has also been Managing Director of Transco and Engineering Director of British Airways. Earlier he worked in the motor industry in Japan and the UK, in strategy consulting and for General Electric in the UK, France and Canada. He has also served as a non-executive director for Mondi plc and Severn Trent plc. Colin is a Fellow of the Royal Academy of Engineering and was awarded the CBE in 2014 for his services to aviation. Colin is a non-executive director of Johnson Matthey plc.

Colin is considered by the Board to be independent.

Peter Dilnot

PETER DILNOT, B.Eng
Group Chief Executive

Appointed: February 2012.

Skills and Experience: Prior to joining Shanks, Peter was a senior executive at Danaher Corporation, a leading global industrial business listed on the NYSE. He held a number of progressive general management roles including President Danaher Middle East, Group President Emerging Markets, and President EMEA and Asia of its Gilbarco Veeder-Root subsidiary. Before Danaher, Peter spent seven years at the Boston Consulting Group (BCG) in London and Chicago, working with industrial and pharmaceutical clients and was a leader in BCG's global Sales & Marketing Practice. Peter's earlier career after graduating from RMA Sandhurst was spent as an officer in the British Armed Forces. He originally trained as an Army helicopter pilot and saw active service with both NATO and the UN.

Toby Woolrych

TOBY WOOLRYCH, MA, ACA
Group Finance Director

Appointed: August 2012.

Skills and Experience: Toby began his career at Arthur Andersen where he qualified as a Chartered Accountant before becoming Finance Director of Medicom International Ltd, a medical publishing company, in 1992. He joined Johnson Matthey plc as Corporate Development Manager in 1997, going on to become Divisional Finance Director and then Managing Director of one of Johnson Matthey's global speciality chemicals business units. From 2005 to 2008 he was the Chief Financial Officer and Chief Operating Officer at Acta SpA, a renewable energy company, before joining Consort Medical plc as Finance Director.


Eric van Amerongen

ERIC VAN AMERONGEN
Senior Independent Director

Appointed: February 2007 and appointed as Senior Independent Director in July 2007. Chairman of the Remuneration Committee and member of the Audit and Nomination Committees.

Skills and Experience: Eric has wide-ranging European business experience, including in the telecoms, defence and publishing sectors. He holds a number of non-executive and advisory positions. Until January 2008 Eric was a non-executive director of Corus Group plc, a position he held for seven years. Eric is Vice Chairman of the Supervisory Boards of BT Nederland BV and Thales Nederlands BV and also Supervisory Board Member of ANWB BV, Royal Wegener NV and Essent NV.

Eric is considered by the Board to be independent.


Marina Wyatt

MARINA WYATT, MA, FCA
Non-executive Director

Appointed: April 2013. Chair of the Audit Committee and member of the Remuneration and Nomination Committees.

Skills and Experience: Marina is a Fellow of the Institute of Chartered Accountants and is currently the Chief Financial Officer at UBM Plc. Following nine years with Arthur Andersen in London and the US, she then joined Psion Plc as its Group Controller and became Group Finance Director in 1996. In 2002 she was appointed Chief Financial Officer of Colt Telecom Plc and joined TomTom as its Chief Financial Officer in September 2005, where she remained until taking up her current position at UBM Plc in September 2015. Marina is a member of the Supervisory Board of Lucas Bols NV.

Marina is considered by the Board to be independent.


Stephen Riley

STEPHEN RILEY, B.Eng, PhD
Non-executive Director

Appointed: March 2007. Member of the Audit, Remuneration and Nomination Committees.

Skills and Experience: Stephen is a chartered engineer, having graduated with a First-Class Honours degree in Mechanical Engineering from Liverpool University before completing a Ph.D. He joined International Power in 1985 as a graduate, before going on to hold senior positions in two UK power stations. In 2000 he was appointed Managing Director of their Australian operations. From January 2004 to February 2011, he was a director of International Power plc, resigning from that Board following the amalgamation of International Power and GDF SUEZ, now ENGIE. Stephen remained as CEO and President of GDF SUEZ Energy UK-Turkey, following his resignation, where he was responsible for plant operations, finance, energy trading and business development until his retirement at the end of 2015.

Stephen is considered by the Board to be independent.


Jacques Petry

JACQUES PETRY, MBA
Non-executive Director

Appointed: September 2010. Member of the Audit, Remuneration and Nomination Committees.

Skills and Experience: As at the date of this report Jacques was Chairman and CEO of energy provider, Albioma. From 1 June 2016 these roles will be separated and he will continue in post as the Chairman of Albioma. He was Chairman and Chief Executive of SITA and its parent company, Suez Environnement. In 2005 he was appointed Chief Executive of Sodexo Continental Europe and South America. Since 2007 he has advised corporate and financial sponsors, specialising in Infrastructure and Environmental Services investments worldwide. He has extensive international non-executive and executive experience.

Jacques is considered by the Board to be independent.

GOVERNANCE

CHAIRMAN'S INTRODUCTION

The Group remains committed to the highest standards of legal compliance, environmental protection and safety.

COLIN MATTHEWS
GROUP CHAIRMAN

On behalf of the Board, I am pleased to present our Corporate Governance Report and confirm our compliance with the UK Corporate Governance Code for the year ended 31 March 2016. We believe that both the Board collectively and directors individually have a responsibility to set and demonstrate high standards of corporate governance. The following pages outline the structures, processes and procedures by which the Board ensures that these high standards are maintained throughout the Group.

The non-executive directors, all of whom the Company regard as independent, bring considerable international experience to the Board across a number of sectors. They play a full role in constructively challenging and developing strategic proposals, as well as chairing and being members of Board committees. The executive directors implement Board strategy, with a view to driving margin expansion, investing in infrastructure and actively managing the portfolio of businesses, all to deliver profitable growth and increased returns. In particular the Board ensures that the Group as a whole remains committed to achieving the highest standards of legal compliance, environmental protection and safety.

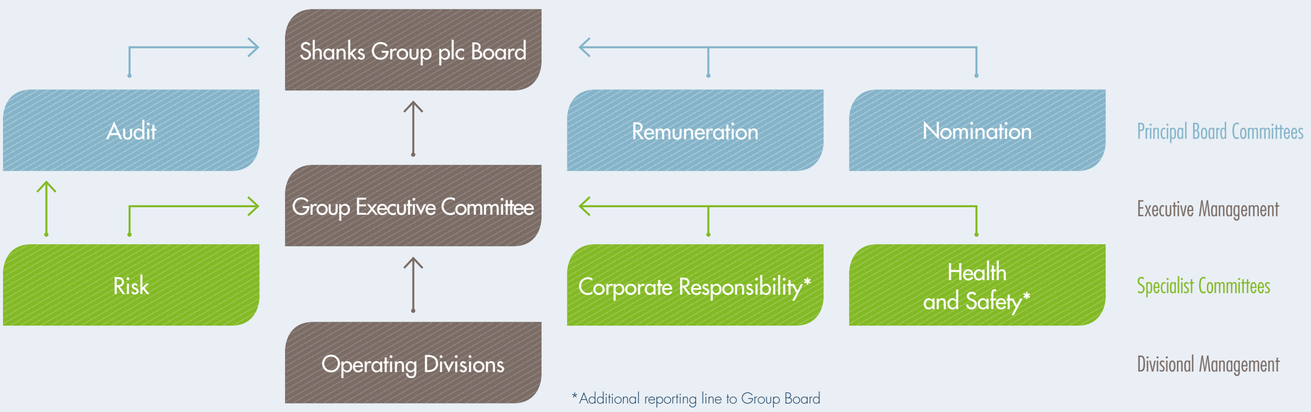
The Board is required to confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. The Audit Committee has again assisted the Board in this regard throughout the year. This Committee has also provided support and guidance in connection with the new viability statement disclosure requirements of the UK Corporate Governance Code.

Following on from shareholder approval at the 2014 AGM our Directors' Remuneration Policy will next be submitted for approval at the AGM to be held in 2017. An advisory resolution to approve the Annual Report on Directors' Remuneration, which details payments and awards made to directors during the year to 31 March 2016, will as usual be submitted to the forthcoming AGM.

Finally, while our internal procedures are essential to the efficient running of the Group, it is also my responsibility to ensure the Board maintains transparent external communications and an effective investor relations programme. Having recently joined the Company I look forward particularly to meeting with many more shareholders and other stakeholders over the coming months.

Colin Matthews
Group Chairman

OUR CORPORATE GOVERNANCE REPORTING MANAGEMENT FRAMEWORK



*Additional reporting line to Group Board

CORPORATE GOVERNANCE REPORT

The non-executive directors bring a wide range of experience to the Group.

Corporate Governance Statement

The Board fully supports the principles of good corporate governance. This report, together with the Directors' Remuneration Report on pages 77 to 92, explains how the Group has applied and complied fully with the provisions of the UK Corporate Governance Code in force for the year to 31 March 2016.

The Board

The Board comprises the Chairman, a further four independent non-executive directors, the Group Chief Executive and Group Finance Director.

The Chairman, who is independent, 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 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 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 where such contact is inappropriate.

The table on the right details the number of formal Board meetings held in the year and the attendance record of each director.

The calendar of meetings of the Board and its committees for 2015/16 is shown in the table below.

DIRECTOR	BOARD MEETINGS
Adrian Auer (Retired 31 March 2016)	13 (13)
Peter Dilnot	13 (13)
Colin Matthews (Appointed 7 March 2016)	1 (1)
Jacques Petry	11 (13)
Stephen Riley	11 (13)
Eric van Amerongen	11 (13)
Toby Woolrych	13 (13)
Marina Wyatt	12 (13)

Bracketed figures indicate maximum potential attendance of each director.
Colin Matthews was appointed to the Board on 7 March 2016 as Chairman Designate, succeeding Adrian Auer who retired from the Board on 31 March 2016.

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 budgets and new borrowing facilities. The Board meets regularly, having met 13 times during the year; of which 11 were scheduled and two were additional meetings. Specifically during the year under review the Group successfully launched the first Green Bond to be listed on the London Stock Exchange's Green Market.

The Board is provided with appropriate information in a timely manner to enable it to discharge its duties effectively. All directors have access to the Company Secretary, whose role includes ensuring that Board procedures and regulations

THE CALENDAR OF MEETINGS OF THE BOARD AND ITS COMMITTEES FOR 2015/16

	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH
Board (main meeting)	•	••	•	•		•	•	•		•	••	••
Audit Committee		•					•				•	
Remuneration Committee		•	•	•								•
Nomination Committee	•			•			•			•	•	
Shareholder (AGM)				•								

In addition, 26 duly authorised Board Committee meetings, comprising at least two directors, were held during the year. These were primarily in connection with the allotment of shares under employee share schemes and transaction completion formalities.

GOVERNANCE

are followed. In addition, directors are entitled, if necessary, to seek independent professional advice in connection with their duties at the Company's expense.

In recognition of the importance of their stewardship responsibilities, the first standing item of business at every scheduled Board meeting is the consideration of the Safety, Health and Environmental report. Other regular reports include those from the Group Chief Executive and Group Finance Director covering business performance, markets and competition, investor and analyst updates as well as progress against strategic objectives and capital expenditure projects.

All directors are required to notify the Company on an ongoing basis of any 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). In addition, while 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 the Group Executive Committee. This Committee meets monthly and comprises the Group Chief Executive and Group Finance Director, the Divisional Managing Directors, Group Human Resources Director and Group Information Director. In addition there are three specialist committees reporting through to the Group Executive Committee: Risk, Corporate Responsibility and Health and Safety.

In reviewing the Group's overall corporate governance arrangements, the Board continues to give due consideration to balancing the interests of customers, shareholders, employees and the wider communities in which the Group operates.

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 different Group locations in order to review local operations, with a focus on health and safety during site visits.

Board evaluation

Performance evaluation of the Board, its Committees and directors during the year was based upon formalised self-assessment questionnaires supplemented by introductory meetings conducted by the new Chairman with individual directors. The evaluation of the Chairman was undertaken by the non-executive directors, led by the Senior Independent Director. The process was designed to cover the key aspects of Board and Board Committee effectiveness and directors' performance. The results were particularly helpful for the incoming Group Chairman. A number of areas for increased focus in the coming year were identified including Board succession planning by the Nomination Committee and a review of Board Committee membership.

In conclusion, it was determined that the Board and its Committees continued to operate effectively during the year and that each director continued to demonstrate commitment to their role and perform effectively. The Board was therefore able to recommend the re-election of the directors standing at the forthcoming AGM.

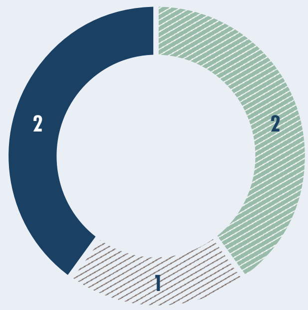
Nomination Committee

The Nomination Committee is chaired by Colin Matthews but was chaired throughout the year by Adrian Auer until his retirement from the Board on 31 March 2016. The Committee also comprises the non-executive directors: Eric van Amerongen, Stephen Riley, Jacques Petry and Marina Wyatt. The Committee is formally constituted with written terms of reference which are available on the Group's website. It met five times 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

BALANCE OF NON-EXECUTIVE AND EXECUTIVE DIRECTORS

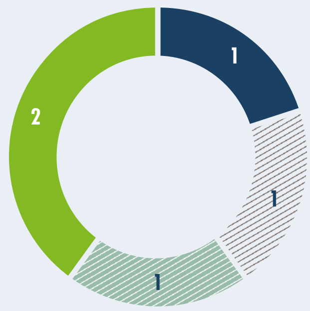
- Non-executive Chairman
- Executive directors
- Independent non-executive directors

LENGTH OF TENURE OF CHAIRMAN AND NON-EXECUTIVE DIRECTORS



- 0-4 years
- 5-8 years
- 9 years

BACKGROUND/EXPERIENCE OF CHAIRMAN AND NON-EXECUTIVE DIRECTORS



- Transport
- Electricity
- Water/waste
- Telecoms/marketing

ensure a sufficient supply of competent executive and senior management.

During the year, the Committee was primarily involved with the recruitment of a successor to Adrian Auer to the role of Group Chairman. The Senior Independent Director, Eric van Amerongen, chaired the Committee when dealing with this appointment. Following a tender process among executive search companies, the Lygon Group, who have no other connection with the Group, were appointed to undertake a formal search process against a description of the role and its required capabilities. Colin Matthews was subsequently appointed as Chairman Designate on 7 March 2016 and succeeded to the position of Group Chairman following Adrian Auer's retirement from the Board at the end of the 2015/16 financial year.

In addition, the Committee reviewed high level talent management and succession plans for both the Board and Group Executive Committee.

Any new director appointed to the Board is subject to election by shareholders at the first opportunity after their appointment. All non-executive directors are required under the Company's Articles of Association to stand for re-election at each AGM. In accordance with best corporate governance practice, the executive directors also stand for re-election at each AGM.

The Committee at the current time has not determined to set a specific female Board member quota. Appointments to the Board and throughout the Group continue to be based on the diversity of contribution and required competencies, irrespective of gender, age, nationality or any other personal characteristic. Summarised statistical employment data for the Group can be found in the Corporate Responsibility Report available on the Group website.

Remuneration Committee

The Remuneration Committee met four times in the year and is formally constituted with written terms of reference which are available on the Group's website. The Committee is solely comprised of non-executive directors: Eric van Amerongen, Colin Matthews, Stephen Riley, Jacques Petry and Marina Wyatt. Adrian Auer also served on the Committee until his retirement on 31 March 2016. The Committee, which is chaired by Eric van Amerongen, formulates the Company's remuneration policy and the individual remuneration packages for executive directors.

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 Directors' Remuneration Report on pages 77 to 92 contains particulars of directors' remuneration and their interests in the Company's shares.

Audit Committee

The Audit Committee met three times in the year and is formally constituted with written terms of reference which are available on the Group's website. The Committee is solely comprised of non-executive directors: Stephen Riley, Jacques Petry, Eric van Amerongen and Marina Wyatt who chairs the Committee. As required under the UK Corporate Governance Code, Marina Wyatt has current and relevant financial experience. She is a chartered accountant and currently holds the position of Chief Financial Officer at UBM Plc.

The Chairman, the executive directors and representatives from the external auditors PricewaterhouseCoopers LLP 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 Report on pages 74 to 76 sets out the role of the Committee and its main activities during the year.

Other information

Other information, necessary to fulfil the requirements of the Corporate Governance Statement, relating to the Company's share capital structure and the appointment and powers of the directors, can be found in the Other Disclosures section on pages 93 to 95.

DIRECTOR	NOMINATION COMMITTEE MEETINGS
Adrian Auer (Retired 31 March 2016)	5 (5)
Colin Matthews (Appointed 7 March 2016)	0 (0)
Jacques Petry	5 (5)
Stephen Riley	5 (5)
Eric van Amerongen	5 (5)
Marina Wyatt	5 (5)

DIRECTOR	REMUNERATION COMMITTEE MEETINGS
Eric van Amerongen (Chair)	4 (4)
Adrian Auer (Retired 31 March 2016)	4 (4)
Colin Matthews (Appointed 7 March 2016)	0 (0)
Jacques Petry	2 (4)
Stephen Riley	4 (4)
Marina Wyatt	3 (4)

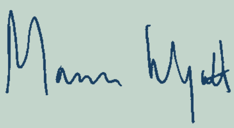
DIRECTOR	AUDIT COMMITTEE MEETINGS
Marina Wyatt (Chair)	3 (3)
Jacques Petry	2 (3)
Stephen Riley	3 (3)
Eric van Amerongen	2 (3)

Bracketed figures indicate maximum potential attendance of each director.
Colin Matthews was appointed to the Board, Nomination and Remuneration Committees on 7 March 2016. He succeeded to the positions of Group Board Chairman and Chairman of the Nomination Committee upon Adrian Auer's retirement on 31 March 2016.

GOVERNANCE

AUDIT COMMITTEE REPORT

Assisting the Board in preparing the new viability statement was a key task for the Audit Committee in 2015/16.



MARINA WYATT
CHAIR OF AUDIT COMMITTEE

On behalf of the Board I am pleased to present the Audit Committee Report for the year ended 31 March 2016. The 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's oversight of the internal audit function during the year is supported by the work of a dedicated Group Internal Audit and Reporting executive. The Committee also considers and regularly reviews other risk management and control documentation, including the Group's policy on whistle-blowing and security reporting procedures.

At their May 2015 meeting, the Committee considered corporate governance compliance, taxation and the 2015 financial statements. The October meeting was concerned primarily with the interim results and a review of authority levels and the treasury policy. The February 2016 meeting considered year end accounting matters and treatments, the external audit plan and preparation of the 2016 financial statements and reviewed risk systems and internal control improvements.

During the year the Committee was also responsible for agreeing the approach and framework to assist the Board in their preparation of the new viability statement as required by provision C.2.2 of the UK Corporate Governance Code. This included reviewing the Company's principal risks and the methodology for stress testing those risks against modelled scenarios. The Group's viability statement on page 67 confirms the Board's reasonable expectation that the Company and the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period ending 31 March 2019.

Accounting policies and issues

In carrying out its duties, the Committee reviewed and made recommendations in respect of the full year and interim financial statements with a particular focus on the appropriateness of the Group's accounting policies and practices, material areas in which significant judgements have been applied and compliance with financial reporting standards and relevant financial and governance reporting requirements. The significant accounting issues considered by the Committee during the year were:

- **Revenue recognition.** In particular, the Committee has reviewed revenue recognition with regard to long-term municipal contracts and also in our principal Hazardous Waste activity where revenue is recognised as processing occurs. In the latter, the value of the deferred revenue is based on a number of assumptions including the quantity of unprocessed waste at the end of the period. Further to a revenue recognition error identified in the first half, controls and processes for the verification of the closing deferred revenue balance have been enhanced and supporting information shared with the Committee.
- **Impairment.** A number of significant assumptions have to be made when preparing cash flow projections including long-term growth rates, discount rates and future profitability. The Committee has reviewed the papers and supporting documentation prepared by management and concluded that the level of impairment required this year is minimal. The appropriate level of disclosures for any reasonably possible changes in assumptions have been included in the financial statements.
- **Presentation of non-trading and exceptional items.** The Group discloses non-trading and exceptional items separately due to their size or incidence to enable a better understanding of performance. This is a key judgemental area which has been subject to recent pronouncements on quantum and presentation from the Financial Reporting Council. Based on a review of the supporting papers and calculations from management, the Committee considers that these items have been appropriately classified.
- **Landfill and other liability provisioning.** Landfill provisions due to their nature are judgemental as they are subject to a number of factors including changes in legislation and uncertainty

over timing of payments. The key change in the current year has been the four year extension to the permit of the Belgian landfill which will result in the aftercare works starting four years later than originally envisaged. There has been no material change in government bond yields in the year to March 2016 and consequently no change to the discount rates used for such long-term provisions was required. The Committee has reviewed the annual reassessment of these provisions as presented by management and have determined that the closing balances were appropriate.

- **Accounting for service concession arrangements under PFI/PPP contracts.** This is a highly complex and technical area of accounting and during the year the Committee considered the position with regard to the PPP contract with the City of Surrey municipality in Canada which is different from the UK contracts. Various discussions have been held with senior management and the external auditors to determine whether the Group acts as agent or principal during the construction phase of this contract. Based on the level of works and rewards residing with the Group it has been concluded that the Group acts as principal for this Canadian contract which has resulted in revenue and costs during construction being recorded gross in the Income Statement.
- **Accounting for Wakefield.** The Committee has considered the accounting for the sale of 49.99% equity in the Wakefield PFI contract which was agreed on 30 March 2016 subject to the final consent from the relevant parties. No legal transfer occurred at that date. Having considered the specific terms of the share purchase agreement it has been concluded that joint control exists from that date and consequently the investment is now accounted for as a joint venture.
- **Accounting for various tax related matters including the level of provisions.** The most significant judgement in 2015/16 related to the recognition of £2m of deferred tax assets for losses in Belgium. The Committee received verbal and written reports from senior management and the external auditors and the level of losses recognised on the balance sheet at March 2016 was considered appropriate.

The Committee is satisfied that the judgements made by management are reasonable and the appropriate disclosures in relation to key judgements and estimates have been included in the financial statements.

Fair, balanced and understandable

The Committee has assisted the Board in their consideration as to whether the Annual Report and Accounts are fair, balanced and understandable, such that shareholders are provided with the necessary information to assess the Group's performance, business model and strategy. Having reviewed the results of the year end internal verification and approval processes at their meeting in May 2016, the Committee was able to confirm this to be the case.

External audit

PricewaterhouseCoopers LLP (PwC) were appointed as the Company's external auditors by shareholders at the AGM in 1994. The Committee expects to schedule an external audit tender process by no later than 2020.

The Committee continues to review the performance and independence of the auditors on an annual basis.

PwC rotate their lead audit engagement partner as a minimum at least every five years, as required by their own rules and by regulatory bodies. In line with this requirement a new audit partner was appointed following the conclusion of the 2014/15 financial year. Rotation ensures a fresh look without sacrificing institutional knowledge. The rotation of lead audit partners, other partners including specialist partners and senior engagement personnel is reviewed on a regular basis by the lead audit engagement partner in consultation with the Committee. As well as the lead audit partner being required to rotate every five years, key partners involved in the audit are required to do so every seven years and other partners and senior staff members every ten years.

The Committee's responsibility to monitor and review the objectivity and independence of the external auditor is supported by a non-audit services policy. Specified 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. While the Group Finance Director may approve any new engagement up to the value of £25,000, anything in excess requires Committee approval up to an agreed annual aggregate limit of 50% of the prior year's 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. The external auditor may not provide services involving the preparation of accounting records or financial statements, the design, implementation and operation of financial information systems, actuarial and internal control functions or the management of internal audits. During the year £0.1m of non-audit services were provided by PwC, while their total audit fees, as disclosed in note 5 of the financial statements, amounted to £0.7m.

A resolution will be put to shareholders at the forthcoming AGM proposing PwC's re-appointment as Group auditors.

As part of the external audit process, the Committee discusses and agrees the scope of the audit which is based around a structured methodology to help ensure quality and rigour as well as regulatory compliance. The 2015/16 audit process was based on PwC's acceptance and independence procedures reflecting their understanding of the business and focusing on scoped areas determined to be of highest risk.

Tax and other professional services have also been provided to the Group by audit firms KPMG, Deloitte and EY during the year.

Internal audit

During the year internal audit activities included a programme of internal cross-divisional peer reviews designed to bring the benefits of:

- wider spread of specialist knowledge during audits;

- enhanced operational and business model knowledge input to internal audits;
- better ability to share knowledge across the Group on audit outcomes and improvements; and
- independent assessment as divisional auditors do not audit their own divisions.

The Group Internal Audit and Reporting executive co-ordinates the process to ensure consistency, quality of reporting and close-out of improvement actions and reports up to the Committee. Internal audit services from suitably qualified external providers were also engaged during the year. KPMG performed a control review which covered UK VAT and payroll taxes. The detailed findings from all reviews were presented to and considered by the Committee. Any necessary actions including improvements from both the internal and external reviews are acted upon by local divisional teams.

Accountability and audit

The responsibilities of the directors and the auditors in relation to the financial statements are set out on pages 97 to 103.

Risk management

The Group risk management framework, major risks and the steps taken to manage these risks are outlined on pages 60 to 67.

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 on pages 60 to 67. 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 risk management and internal control systems

In addition to the Board's ongoing internal control monitoring process, it has also conducted an annual effectiveness review of the Group's risk management and internal control systems in compliance with provision C.2.1 of the UK Corporate Governance Code and Turnbull guidance. This covered risk management systems and all material controls including financial, operational and compliance controls.

Specifically, the Board's review included consideration of changes in the risk universe and the Group's ability to respond to these through its review of business risk registers controls and improvement action plans. It also reviewed the six-monthly certification by divisional management to ensure that appropriate internal controls are in place and reports by internal audit and external auditors.

The main elements of the internal control framework which contribute towards its continuous monitoring are as follows:

- a defined schedule of matters for decision by the Board;
- a Group finance manual setting out financial and accounting policies, minimum internal financial control standards and the delegation of authority matrix over items such as capital expenditure, pricing strategy and contract authorisation;
- 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 are also extensively used to help management of the business and to provide early warning of potential additional risk factors;
- monthly meetings and visits to key operating locations by the executive directors and most senior managers to discuss performance and plans;
- appointment and retention of appropriately experienced and qualified staff to help achieve business objectives;
- an annual risk-based internal audit plan approved by the Committee. Summaries of audit findings and the status of action plans to remedy significant failings are discussed at Group Board and Committee meetings on a regular basis;
- a range of quality assurance, safety and environmental management systems in use across the Group. Where appropriate these are independently certified to internationally recognised standards and subject to regular independent auditing;
- a minimum of three scheduled Committee meetings each year, to consider all key aspects of the risk management and internal control systems; and
- prompt review by the Committee of any fraudulent activity or whistle-blowing reports with appropriate rectifying action.

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 implemented internal controls specific to the financial reporting process and the preparation of the annual consolidated 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;
- consideration by the Board of whether the Annual Report is fair, balanced and understandable; and
- bi-annual certification by divisional managing and finance directors and executive directors on compliance with appropriate policies and accuracy of financial information.
- the Committee also receives regular reports from the Group Tax Manager on the Group's tax policy, tax management and compliance.

Anti-bribery and corruption

An anti-bribery policy is in place which is applicable to all business units throughout the Group. A 24-hour/seven-days-a-week confidential reporting, 'whistle-blowing' service for employees has also been in operation throughout the year, with all notifications being reported to and considered by the Committee.

DIRECTORS' REMUNERATION REPORT

DIRECTORS' REMUNERATION REPORT

TOTAL REWARD ALIGNED WITH GROUP PERFORMANCE

Remuneration Committee Chairman's Annual Statement

ERIC VAN AMERONGEN
CHAIRMAN OF THE REMUNERATION COMMITTEE

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2016. I have summarised below the key decisions the Committee has taken during the year and provided explanation of the context in which they were made. Further details on the Directors' remuneration during 2015/16 and how we intend to implement the policy in 2016/17 can be found in the Annual Report on Remuneration on pages 85 to 92.

2015/16 Annual bonus

In spite of strong headwinds, the underlying performance of our three main divisions was robust, with the Commercial Division in particular performing above expectations. As a result, the Group exceeded the threshold profit target and prudent cash management has meant that the cash flow target has been met in full. The result of this financial performance in combination with the Executive Directors both performing admirably against their personal objectives has meant that a bonus of 69% of the maximum will be paid to the Group Chief Executive and the Group Finance Director respectively.

2013 LTIP

The Long Term Incentive Plan (LTIP) granted in June 2013 was designed to incentivise and reward the achievement of financial and share price performance over the three year period concluding at the end of 2015/16 financial year. While the Company has made steady progress over this period, the stretching targets set for EPS and share price growth have not been met. These awards therefore lapsed in full.

Arrangements for 2016/17

There are no significant changes to the remuneration arrangements of the Group Chief Executive or the Group Finance Director for 2016/17.

For 2016/17, the Committee has determined that the Executive Directors' salaries will not be increased given the market and trading conditions currently being faced by the Company.

The annual bonus will operate on the same basis as last year with 75% based on financial performance and 25% on personal objectives, with one third of any bonus earned deferred into shares over three to five years. No changes are proposed to the LTIP for 2016 which will continue to be based on three year performance: 50% on EPS growth, 25% on share price growth and 25% on improvement in ROCE. LTIP shares vest over three to five years.

Chairman and Non-executive director fees

Prior to the appointment of Colin Matthews as Chairman of the Company, the Remuneration Committee undertook a review of the fee paid for the role. The Committee decided to increase the fee for the role of Group Chairman to £150,000 to appropriately reflect the scope of the role and experience of the individual. In particular it was noted that the previous fee was positioned at the lower end of market practice compared to similar roles. The Board determined that no other increases be made to non-executive director fees for 2016/17.

Malus and clawback

As noted in last year's report, we have now introduced the ability to recover ('clawback')

DIRECTORS' REMUNERATION REPORT

sums paid under the bonus and LTIP. This is applicable to the 2015/16 bonus and the 2015 LTIP awards. We already have the ability to withhold and reduce annual bonus and LTIP awards which have not yet been paid ('malus'). This is compliant with the UK Corporate Governance Code. Further details on the provisions and the circumstances in which they can be applied can be found on page 80.

Review of Remuneration Policy

The Remuneration Policy will next be submitted to shareholders for approval at the 2017 AGM. While the Committee believes that the current Remuneration Policy is largely proving effective they will take this opportunity to review the terms to ensure it supports the long-term success of the Company. As part of this review the Committee will consider the further alignment of remuneration with shareholders through the use of longer time horizons on incentive plans and the interplay with shareholding requirements.

The remainder of this Report is divided into two sections:

- the Directors' Remuneration Policy, as approved by shareholders at the 2014 AGM with a 97.9% vote in favour. This details our remuneration policies and their link to Group strategy and is reproduced here to provide context to the decisions made by the Committee during the year; and
- the Annual Report on Remuneration, which details how the Remuneration Policy has been implemented during 2015/16 and how the Committee intends to implement the Remuneration Policy in 2016/17.

A resolution seeking the approval of the Annual Report on Remuneration will be put to shareholders at the 2016 AGM.

Eric van Amerongen
Chairman of the Remuneration Committee
19 May 2016

This Report, prepared by the Committee on behalf of the Board, takes full account of the UK Corporate Governance Code and the latest Investment Association (IA) and Pensions and Lifetime Savings Association (PLSA) guidelines, and has been prepared in accordance with the provisions of the Companies Act 2006, the Listing Rules of the Financial Conduct Authority and the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Act requires the Auditor to report to the Group's shareholders on the audited information within this Report and to state whether in their opinion those parts of the Report have been prepared in accordance with the Act. The Auditor's opinion in this regard is set out on page 103 and those aspects of the Report which have been subject to audit are clearly marked.

Directors' Remuneration Policy

The principal objectives of the Remuneration Committee, which is chaired by Eric van Amerongen and comprises all the non-executive directors, are to help attract, retain and motivate high-calibre senior management and to provide a competitive remuneration package linked to performance and the interests of shareholders.

The Committee seeks to ensure that the senior executives are fairly rewarded in light of the Group's performance, taking into account all elements of their remuneration package. A significant proportion of executive remuneration is performance related. This comprises an annual bonus and a Long Term Incentive Plan (LTIP). The fixed portion of remuneration comprises basic salary, benefits and a payment in lieu of pension.

This section of the report sets out the Remuneration Policy for executive directors. This Policy was approved and formally came into effect at the AGM held on 25 July 2014.

POLICY TABLE

Base salary: To pay a competitive basic salary to attract, retain and motivate the talent required to operate and develop the Group's businesses

OPERATION	OPPORTUNITY	PERFORMANCE METRICS
Base salaries are generally reviewed on an annual basis or following a significant change in responsibilities. Salary levels are reviewed by reference to FTSE-listed companies of similar size and complexity. The Committee also has regard to individual and Group performance and changes to pay levels across the Group.	Any basic salary increases are applied in line with the outcome of the review. For executive directors, it is anticipated that salary increases will normally be in line with those of salaried employees as a whole. In exceptional circumstances (including, but not limited to, a material increase in job size or complexity or a material market misalignment), the Committee has discretion to make appropriate adjustments to salary levels to ensure they remain market competitive.	None.

Pension: To provide an opportunity for executives to build up a provision for income on retirement

OPERATION	OPPORTUNITY	PERFORMANCE METRICS
Executive directors receive a cash pension allowance in lieu of company pension scheme contributions.	Executive directors may receive a cash allowance of up to 25% of salary.	None.

Benefits: To provide market-competitive benefits

OPERATION	OPPORTUNITY	PERFORMANCE METRICS
Benefits include life assurance, medical insurance, income protection and car/travel allowances.	Benefits may vary by role. However, the total cost of taxable benefits will not normally exceed 10% of salary. The Committee retains discretion to approve a higher cost in exceptional circumstances (e.g. relocation or ex-patriation) or in circumstances where factors outside the Group's control have changed (e.g. increases in market insurance premia).	None.

Sharesave Scheme: To encourage share ownership among UK employees and use the benefits available under an HMRC approved scheme

OPERATION	OPPORTUNITY	PERFORMANCE METRICS
In line with HMRC's requirements for such schemes, Sharesave options may be granted to all UK employees. The options are granted at the higher of the nominal value of an ordinary share and an amount determined by the Committee being not less than 80% of the market value. UK executive directors participate on the same terms as other UK employees.	The maximum opportunity will not exceed the relevant HMRC limits.	None.

DIRECTORS' REMUNERATION REPORT

POLICY TABLE CONTINUED

Annual bonus: To motivate senior executives to maximise short-term performance and help drive initiatives which support long-term value creation

OPERATION	OPPORTUNITY	PERFORMANCE METRICS
Performance measures, targets and weightings are set at the start of the year. The maximum bonus is payable only if all performance targets are met in full. One third of any annual bonus award is deferred into shares for at least three years, subject to continued employment. The Group's current policy is for 50% of the bonus to vest after three years, 25% to vest after four years, and 25% to vest after five years. **CLARIFICATION OF THE POLICY ON CLAWBACK:** Malus provisions exist which entitle the Committee, at its discretion, to reduce the final award or deem it to have lapsed (to the extent it has not yet vested) in exceptional circumstances, e.g. material financial misstatement or gross misconduct. Effective from the 2015/16 performance year (i.e. payments from 1 April 2016) the bonus will also be subject to clawback, i.e. recovery of paid amounts for material financial misstatement or conduct justifying summary dismissal.	For executive directors, the maximum annual bonus opportunity is 150% of salary. For threshold performance, the bonus earned is generally 25% of maximum and for on-target performance 80% of maximum.	Executive director performance is assessed by the Committee on an annual basis by reference to Group financial performance (75% weighting) and the achievement of personal or strategic objectives (25% weighting). When assessing financial performance, the primary measures are underlying profit before tax and underlying free cash flow, but may include other indicators of performance defined at the start of the year. The Committee retains discretion to vary the weightings of measures +/- 25%, to help ensure alignment with the business priorities for the year. Bonus targets are generally calibrated with reference to the Group's budget for the year. The Committee has the discretion to adjust the formulaic bonus outcomes both upwards (within the plan limits) and downwards, to ensure that payments are a true reflection of performance over the performance period, e.g. in the event of unforeseen circumstances outside management control. Details of the measures, weightings and targets applicable for the financial year under review are provided in the Annual Report on Remuneration.

Long Term Incentive Plan (LTIP): To motivate and retain executives and senior managers to deliver the Group's strategy and long-term goals and to help align executive and shareholder interests

OPERATION	OPPORTUNITY	PERFORMANCE METRICS
Executive directors and senior employees may be granted awards annually, as determined by the Committee. The vesting of these awards is subject to the attainment of performance conditions. Awards are in the form of Group shares. Dividends accrue over the vesting period but would be paid only on shares that vest. Awards made under the LTIP have a performance and vesting period of at least three years. If no entitlement has been earned at the end of the relevant performance period, then the awards will lapse. Once vested awards may, at the discretion of the Committee, be subject to further holding in whole, or in part, for a period of up to two years following the end of the performance period. The Group's current policy is for 50% to be released immediately (subject to continued employment), 25% after a further year and 25% after two more years. **CLARIFICATION OF THE POLICY ON CLAWBACK:** Malus provisions exist which entitle the Committee to reduce the final award or deem it to have lapsed during the period between the granting and end of the later of the vesting or holding period, if there has been material misstatement, gross misconduct or something which causes significant reputational damage to the Group. From May 2015, LTIP awards will also be subject to clawback, i.e. recovery of vested awards for material financial misstatement or conduct justifying summary dismissal.	The maximum award limit in normal circumstances under the 2011 Long Term Incentive Plan will be 150% of salary (up to 200% in exceptional circumstances). The Committee's current intention is to grant awards of 150% of salary to the Group Chief Executive and 120% of salary to the Group Finance Director. Threshold performance will result in vesting of 25% of maximum under each element.	Vesting of LTIP awards will be subject to continued employment and performance over a period of at least three years. The performance measures for 2014 onwards are EPS, share price and ROCE, weighted 50%, 25% and 25% respectively. The Committee has the discretion to adjust the performance measures and weightings up to +/- 25% to ensure they continue to be linked to the delivery of Group strategy. In addition to the Group achieving its EPS, share price and ROCE targets, the Committee must satisfy itself that the recorded outcome is a fair reflection of the underlying performance of the Group. The Committee has discretion (within the limits of the scheme) to adjust the formulaic performance outcomes to ensure that payments fairly reflect underlying performance over the period. Adjustments may be upwards or downwards. Details of LTIP targets are included in the Annual Report on Remuneration.

NOTES TO THE POLICY TABLE

Payments from existing awards

The Group will honour any commitment entered into, and executive directors will be eligible to receive payment from any award made, prior to the approval and implementation of the Remuneration Policy detailed in this report, including previous awards under the LTIP. Details of any such awards are disclosed in the Annual Report on Remuneration.

Use of discretion

The Committee may apply discretion as detailed below. Under each element of remuneration, a full description of how discretion can be applied is set out in line with UK reporting requirements.

To ensure fairness and align executive remuneration with individual and underlying company performance the Committee may adjust up or down the outcome of the annual bonus and LTIP. Any adjustments in light of 'non-regular events' (including, but not limited to, corporate events, changes in the Group's accounting policies, minor or administrative matters, internal promotions, external recruitment and terminations of employment) are expected to be made on a 'neutral' basis – i.e. adjustments will be designed so that the event is not expected to be to the benefit or the detriment of participants. Adjustments to incentives to ensure that outcomes reflect underlying performance may be made in exceptional circumstances to help ensure outcomes are fair to shareholders and participants.

Performance measurement selection

The measures used in the annual bonus are selected annually to reflect the Group's main business priorities for the year, and capture both financial and non-financial objectives. Group financial performance targets relating to the annual bonus plan are based around the Group's annual budget, which is reviewed and approved by the Board prior to the start of each financial year. Underlying profit before tax and underlying free cash flow are typically used as the key financial performance measures in the annual bonus plan because they are clear and well-understood measures of Group performance.

Performance targets are reviewed annually and set to be stretching and achievable, taking into account the Group's resources, strategic priorities and the economic environment in which the Group operates. Targets are set taking into account a range of internal and external reference points, including the Group's strategic plan and broker forecasts for both the Group and sector peers. The Committee believes that the performance targets are stretching, and that to achieve maximum outcomes requires truly outstanding performance.

The Committee considers the combination of three-year EPS growth, ROCE improvement and share price growth in the LTIP to be key indicators of success for the Group. These measures are transparent, visible and motivational to participants, balance growth and returns, and provide good line-of-sight for executives and alignment with shareholders.

Remuneration policy for our senior leaders

The Group's approach to annual salary reviews is broadly consistent across the Group, with consideration given to the scope of the role, level of experience, responsibility, individual performance and pay levels for comparable roles in comparable companies. The broader Remuneration Policy across the Group is also consistent with that set out in this report for the executive directors. For example, remuneration is linked to Group and individual performance in a way that is ultimately aimed at reinforcing the delivery of shareholder value.

Senior employees generally participate in an annual bonus scheme with a similar structure to that described for the executive directors. Opportunities and specific performance conditions vary by organisational level, with business area-specific metrics incorporated where appropriate.

Members of the Group Executive Committee and other senior managers participate in the LTIP on a similar basis to, but at lower levels than, executive directors. All UK employees are eligible to participate in the Sharesave Scheme on the same terms.

Share ownership guidelines

The Committee recognises the importance of executive directors aligning their interests with shareholders through building up significant shareholdings in the Group. Share ownership guidelines are in place that require executive directors to acquire a holding equivalent to 100% of their salaries over five years. Executive directors are required to retain 50% of any LTIP and deferred bonus shares acquired on vesting (net of tax) until they reach their ownership guideline.

Approach to recruitment remuneration

External appointments

In the cases of hiring or appointing a new executive director, the Committee may make use of any of the existing components of remuneration, as described in the Policy Table on pages 79 and 80. The maximum limits for variable pay (excluding buy-outs) will be as for existing executive directors.

In determining the appropriate remuneration for a new executive director, the Committee will take into consideration all relevant factors (including the overall quantum and nature of remuneration, and the jurisdiction from which the candidate is being recruited) to ensure that all such arrangements are in the best interests of Shanks Group and its shareholders.

The Committee may also make an award in respect of a new appointment to buy-out incentive arrangements forgone on leaving a previous employer on a like-for-like basis, in addition to providing the normal remuneration elements.

In constructing a buy-out, the Committee will consider all relevant factors including time to vesting, any performance conditions attached to awards, and the likelihood of those conditions being met. Any such buy-out awards will typically be made under the existing annual bonus and LTIP schemes, although in exceptional circumstances the Committee may exercise the discretion available under the FCA Listing Rule 9.4.2 R to make awards using a different structure. Any buy-out awards would have a fair value no higher than that of the awards forgone.

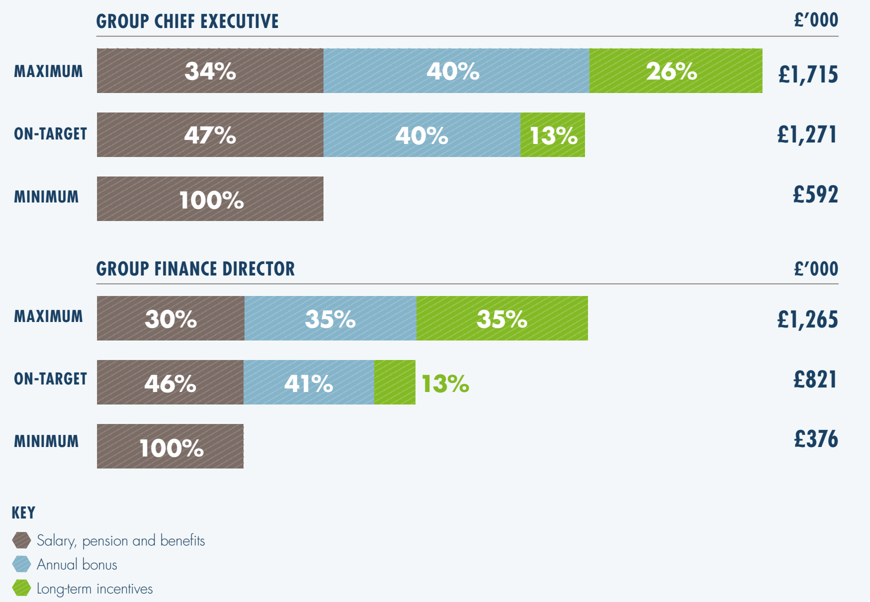
Internal appointments

In cases of appointing a new executive director by way of internal promotion, the Committee will determine remuneration in line with the policy for external appointees. Where an individual has contractual commitments made prior to promotion to the Board, the Group will continue to honour these. Incentive opportunities for below Board employees are typically no higher than for executive directors, but measures may vary to ensure they are relevant to the role.

Non-executive director recruitment

In recruiting a new non-executive director, the Committee will use the policy as set out in the table on page 84. A base fee in line with the prevailing rate for Board membership would be payable, with additional fees payable for acting as Senior Independent Director or Chairman of a Committee, as appropriate.

Proportion of fixed and variable remuneration for 2016/17



Pay scenario charts

The charts above provide an estimate of the potential future reward opportunities for the executive directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'On-target' and 'Maximum'.

Potential reward opportunities are based on our Remuneration Policy, applied to basic salaries as at 1 April 2016. Note that the projected values exclude the impact of any share price movements and dividends.

The 'Minimum' scenario shows basic salary, pension and benefits (i.e. fixed remuneration). These are the only elements of the executive directors' remuneration packages which are not at risk.

The 'on-target' scenario reflects fixed remuneration as above, plus a target bonus of 75% of maximum and threshold LTIP vesting of 25%.

The 'Maximum' scenario reflects fixed remuneration plus full pay-out of all incentives, excluding any share price appreciation and dividends (as per the regulations).

Service contracts and exit payment policy

Executive director service contracts, including arrangements for early termination, are carefully considered by the Committee. The Committee has agreed that the policy with regard to the notice period for executive directors is one year's written notice from the Group and from the individual. The contracts provide for an obligation to pay salary plus contractual benefits for any portion of the notice period waived by the Group. The Group has the ability to pay such sums in instalments, requiring the director to mitigate loss (for example, by gaining new employment) over the relevant period.

EXECUTIVE DIRECTOR	DATE OF SERVICE CONTRACT
Peter Dilnot	1 February 2012
Toby Woolrych	27 August 2012

If employment is terminated by the Group, the departing executive director may have a legal entitlement (under statute or otherwise) to certain payments, which would be met. In addition, the Committee retains discretion to settle any other amounts reasonably due to the executive director, for example to meet the legal fees incurred by the executive director in connection with the termination of employment, where the Group wishes to enter into a settlement agreement (as provided for below), and the individual must seek independent legal advice.

In certain circumstances, the Committee may approve new contractual arrangements with departing executive directors including (but not limited to) settlement, confidentiality, restrictive covenants and/or consultancy arrangements. These will be used sparingly and only entered into where the Committee believes that it is in the best interests of the Group and its shareholders to do so.

When considering exit payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table on page 83 summarises how the awards under the annual bonus and LTIP are typically treated in different circumstances, with the final treatment remaining subject to the Committee's discretion.

Treatment of awards on exit

SCENARIO	TIMING OF VESTING	TREATMENT OF AWARDS
ANNUAL CASH BONUS		
Ill-health, disability, death, retirement (with Group consent) or any other reasons the Committee may determine in its absolute discretion.	Normal payment date, although the Committee has discretion to accelerate.	Cash bonuses will only be paid to the extent that Group and personal objectives set at the beginning of the year have been achieved. Any resulting bonus will generally be pro-rated for time served during the year.
Change of control.	Immediately.	Performance against targets will be assessed at the point of change of control and any resulting bonus will generally be pro-rated for time.
Any other reason.	Not applicable.	No bonus is paid.
DEFERRED ANNUAL BONUS (DAB)		
Ill-health, disability, death, retirement (with Group consent) or any other reasons the Committee may determine in its absolute discretion.	Normal payment date, although the Committee has discretion to accelerate.	Any outstanding DAB awards will generally be pro-rated for time.
Change of control.	Immediately.	Any outstanding DAB awards will generally be pro-rated for time.
Any other reason.	Not applicable.	Awards lapse.
LONG TERM INCENTIVE PLAN (LTIP)		
Ill-health, disability, death, retirement (with Group consent) or any other reasons the Committee may determine in its absolute discretion.	Normal vesting date, although the Committee has discretion to accelerate.	Any outstanding LTIP awards will generally be pro-rated for time and performance.
Change of control.	Immediately.	Any outstanding LTIP awards will generally be pro-rated for time and performance, subject to the Committee's discretion. In the event of a change of control, awards may alternatively be exchanged for new equivalent awards in the acquirer where appropriate.
Any other reason.	Not applicable.	Awards lapse.

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 and the Company's Articles of Association make provision for annual renewal at each AGM. Details of the non-executive directors' terms of appointment are shown in the table on the right. The appointment and re-appointment and the remuneration of non-executive directors are matters reserved for the full Board.

The non-executive directors are not eligible to participate in the Group's performance-related incentive plans and do not receive any pension contributions.

NON-EXECUTIVE DIRECTOR	INITIAL AGREEMENT DATE	RENEWAL DATE
Adrian Auer	16 May 2005	Retired on 31 March 2016
Colin Matthews	7 March 2016	31 July 2016
Jacques Petry	30 September 2010	31 July 2016
Stephen Riley	29 March 2007	31 July 2016
Eric van Amerongen	9 February 2007	31 July 2016
Marina Wyatt	2 April 2013	31 July 2016

DIRECTORS' REMUNERATION REPORT

Details of policy on fees paid to non-executive directors are set out in the table below:

OBJECTIVE	OPERATION	OPPORTUNITY	PERFORMANCE MEASURES
To attract and retain non-executive directors of the highest calibre with broad commercial and other experience relevant to the Group.	Fee levels are reviewed annually, with any adjustments effective 1 April each year. The fee paid to the Chairman is determined by the Committee and fees to non-executive directors are determined by the Board. Additional fees are payable for acting as Senior Independent Director and as Chairman of the Board's Committees (Audit and Remuneration). Fee levels are reviewed by reference to FTSE-listed companies of similar size and complexity. The required time commitment and responsibilities are taken into account when reviewing fee levels.	Non-executive director fee increases are applied in line with the outcome of the review. Fees in respect of the year under review, and for the following year, are disclosed in the Annual Report on Remuneration. It is expected that any increases to non-executive director fees will normally be in line with those for salaried employees. However, in the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a non-executive director role, the Board has discretion to make an appropriate adjustment to the fee level.	None.

External appointments

The 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 Group. 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.

Consideration of conditions elsewhere in the Group

Although the Committee does not consult directly with employees on executive Remuneration Policy, the Committee does consider general basic salary increases across the Group, remuneration arrangements and employment conditions for the broader employee population when determining Remuneration Policy for the executive directors.

Consideration of shareholder views

When determining executives' remuneration, the Committee takes into account views of shareholders and best practice guidelines issued by institutional shareholder bodies. The Committee is always open to feedback from shareholders on Remuneration Policy and arrangements, and commits to undergoing shareholder consultation in advance of any significant changes to Remuneration Policy.

The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure that the structure of the executive remuneration remains appropriate.

Further detail of the votes received in relation to the Remuneration Policy approved in 2014 and last year's Annual Report on Remuneration is provided below.

2014/15 ANNUAL REPORT ON REMUNERATION:

SUMMARY OF SHAREHOLDER VOTING AT THE AGM ON 23 JULY 2015	TOTAL NUMBER OF VOTES	% OF VOTES CAST
For (including discretionary)	284,064,579	90.4%
Against	30,068,670	9.6%
Total votes cast (excluding withheld votes)	314,133,249	100%
Votes withheld	103,760	

REMUNERATION POLICY:

SUMMARY OF SHAREHOLDER VOTING AT THE AGM ON 25 JULY 2014	TOTAL NUMBER OF VOTES	% OF VOTES CAST
For (including discretionary)	280,656,244	97.9%
Against	6,030,596	2.1%
Total votes cast (excluding withheld votes)	286,686,840	100%
Votes withheld	10,225,806	

Annual Report on Remuneration

The following section provides details of how our Remuneration Policy was implemented during the financial year ended 31 March 2016.

Remuneration Committee membership in 2015/16

The role of the Committee is to:

- Determine the Group's policy on remuneration and monitor its careful implementation;
- Review and set performance targets for incentive plans;
- Set the remuneration of the Group's senior management;
- Approve the specific remuneration package for each of the executive directors;
- Determine the remuneration of the Chairman;
- Determine the terms on which LTIP and Sharesave awards are made to employees; and
- Determine the policy for and scope of pension arrangements for the executive directors.

The Committee's full terms of reference are set out on the Group's website.

As at 31 March 2016, the Committee comprised six independent non-executive directors:

- Eric van Amerongen (Committee Chairman)
- Adrian Auer*
- Colin Matthews**
- Jacques Petry
- Stephen Riley
- Marina Wyatt

* Adrian Auer retired from the Board and its Committees on 31 March 2016.

** Colin Matthews was appointed to the Board and Remuneration Committee on 7 March 2016. No Committee meetings were held between his date of appointment and 31 March 2016.

Only members of the Committee have the right to attend Committee meetings. Other individuals, such as the Group Chief Executive, Group HR Director and external consultants, advise the Committee and may attend from time to time by invitation. The Company Secretary acts as secretary to the Committee. No individuals are involved in decisions relating to their own remuneration.

The Remuneration Committee met four times during the year and details of members' attendance at meetings are provided in the Corporate Governance section on page 73.

Advisers

Deloitte LLP ('Deloitte') were appointed by the Remuneration Committee following the 2015 AGM to provide independent advice on Committee matters. Prior to this, Kepler Associates Partnership ('Kepler') were the appointed independent advisers to the Committee. Kepler's fees to the Committee for 2015/16 were £14,000. Both Deloitte and Kepler are members of the Remuneration Consultants Group and are signatories to the Code of Conduct for Remuneration Committees consultants which can be found at www.remunerationconsultantsgroup.com.

In 2015/16 Deloitte provided independent advice on executive remuneration including remuneration benchmarking data and regular market and best practice updates. Deloitte reports directly to the Chairman of the Committee. Their total fees for the provision of remuneration services to the Committee in 2015/16 were £17,000 charged on a time and materials basis. The wider Deloitte firm also provides the Company and Group with tax and other financial services advice.

The Committee periodically undertakes due diligence to ensure that the Remuneration Committee advisers remain independent of the Group and that the advice provided is impartial and objective. The Committee is satisfied that the advice provided is independent.

DIRECTORS' REMUNERATION REPORT

Single total figure of remuneration for executive directors (audited)

The table below sets out a single figure for the total remuneration received by each executive director for the year ended 31 March 2016 and the prior year.

	PETER DILNOT		TOBY WOOLRYCH	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Basic salary	443	452	290	296
Taxable benefits[1]	27	27	21	21
Pension[2]	111	113	58	59
Single-year variable[3]	313	465	205	305
Multiple-year variable[4]	–	–	–	–
Other[5]	8	6	46	5
TOTAL	902	1,063	620	686

1 Taxable benefits comprise car allowance and medical insurance.
2 During the year, Peter Dilnot and Toby Woolrych received cash supplements in lieu of pension contribution of 25% and 20% of salary respectively.
3 Payment for performance during the year under the annual bonus including any deferred annual bonus. (See following sections for further details.)
4 Includes any LTIP awards based on the value at vesting of shares vesting on performance over the three year period ending 31 March 2016 for 2015/16, and for shares vesting on performance over the three year period ending 31 March 2015 for 2014/15.
5 Includes Sharesave awards, valued based on embedded gain at grant, life assurance and income protection. For Toby Woolrych in 2014/15, this also included a temporary salary supplement of £4,160 per month between 1 June 2014 and 31 March 2015 for taking on additional responsibilities as interim Managing Director for the Belgium Solid Waste business, in addition to his role as Group Finance Director.

Single total figure of remuneration for non-executive directors (audited)

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 31 March 2016 and the prior year.

	BASE FEE		ADDITIONAL FEES		TOTAL	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Adrian Auer[1]	116	118	–	–	116	118
Colin Matthews (Chairman)[1]	–	13	–	–	–	13
Jacques Petry	39	40	–	–	39	40
Stephen Riley	39	40	–	–	39	40
Eric van Amerongen[2]	39	40	12	12	51	52
Marina Wyatt[3]	39	40	7	7	46	47

1 Adrian Auer retired as Chairman and from the Board on 31 March 2016. Colin Matthews was appointed Chairman Designate on 7 March 2016 and succeeded Adrian Auer as Chairman on 1 April 2016.
2 Eric van Amerongen's additional fees comprise amounts for his role as the Senior Independent Director and for his role as the Chair of the Remuneration Committee. His fees are set in Sterling and paid in Euros each month at the prevailing monthly exchange rate.
3 Marina Wyatt's additional fee is in respect of her role as the Chair of the Audit Committee.

Incentive outcomes for the year ended 31 March 2016

Performance-related annual bonus in respect of 2015/16 performance

The annual bonus was measured against underlying profit before tax (50% weighting), underlying free cash flow (25% weighting) and the achievement of personal objectives (25% weighting).

A summary of the performance against the targets set for each of these elements is shown below.

Financial element outcomes

The financial targets and corresponding outcomes for the 2015/16 annual bonus are shown below.

MEASURE	WEIGHTING	2015/16 FINAL OUTCOME	THRESHOLD	MAX	BONUS PAYOUT (% OF MAX)
Underlying profit before tax	50%	£21.4m	£20.1m	£24.5m	47%
Underlying free cash flow	25%	£57.3m	£13.9m	£13.9m	100%

Both the underlying profit before tax and underlying free cash flow are set based on the Group's expected budget outcome for the year with all values for the divisions converted to Sterling at the budgeted rates of exchange. Actual performance is also measured at this constant exchange rate. Profit performance for the Group was above the threshold as a result of a good performance in the Commercial Division and as such the bonus threshold was met and a partial payout was achieved. Strong cash actions including delivery of quarterly UFCF targets and bi-annual net-debt targets resulted in a full maximum pay-out for underlying free cash flow.

Personal element outcomes

The personal performance measures were based on individual objectives, as detailed below:

EXECUTIVE DIRECTOR	PERSONAL OBJECTIVES DURING THE YEAR	BONUS PAYOUT (% OF MAX)
Peter Dilnot	Refine Group growth strategy; define portfolio management plan; deliver commercial effectiveness gains; talent management and succession planning; investor relations; drive health and safety improvements	80%
Toby Woolrych	Define portfolio management plan; deliver commercial effectiveness gains; investor relations; strengthen balance sheet; improve financial controls processes; support continuous improvement programme; drive health and safety improvements	80%

Overall bonus outcomes

EXECUTIVE DIRECTOR	FINANCIAL ELEMENT BONUS OUTCOME (% OF SALARY)	PERSONAL ELEMENT BONUS OUTCOME (% OF SALARY)	OVERALL BONUS OUTCOME (% OF SALARY / £)
Peter Dilnot	73%	30%	103% / £465,042
Toby Woolrych	73%	30%	103% / £304,514

One third of the bonus will be awarded in shares, which will vest in the proportion 50%, 25% and 25% on the third, fourth and fifth anniversary of the date of grant, respectively.

Performance-related annual bonus in respect of 2014/15 performance financial element outcomes

The financial targets for the 2014/15 annual bonus were considered commercially sensitive at the time of publication of last year's Report. They are no longer considered commercially sensitive and as such the targets for the 2014/15 bonus are disclosed below.

MEASURE	WEIGHTING	2014/15 FINAL OUTCOME	THRESHOLD	MAX	BONUS PAYOUT (% OF MAX)
Underlying profit before tax	50%	£23.0m	£27.0m	£33.0m	0%
Underlying free cash flow	25%	£27.5m	£19.9m	£19.9m	100%

Both the underlying profit before tax and underlying free cash flow are set based on the Group's expected budget outcome for the year with all values for the divisions converted to Sterling at the budgeted rates of exchange. Actual performance is also measured at this constant exchange rate. Profit performance for the Group was below the budgeted target and as such the bonus threshold was not met. Underlying free cash flow was strong and as a result the full maximum pay-out was achieved.

DIRECTORS' REMUNERATION REPORT

2013 LTIP vesting

Peter Dilnot and Toby Woolrych were granted awards under the 2013-2016 LTIP cycle to the value of circa 200% and 150% of salary respectively. Vesting was dependent on three year adjusted underlying EPS and share price performance. Further details, including vesting schedules and performance against targets, are provided in the table below:

PERFORMANCE MEASURE	PERFORMANCE TARGETS	ACTUAL PERFORMANCE	VESTING OUTCOME (% OF MAXIMUM)
EPS growth	0% vesting for EPS growth below 7% p.a. 5% vesting for EPS growth of 7% p.a. 50% vesting for EPS growth of 25% p.a. or more Straight line vesting between these points	<7%	0%
Share price growth	1x multiplier for share price growth at or below 15% p.a. 2x multiplier for share price growth of 25% p.a. or more Straight line vesting between these points	<15%	0%
TOTAL LTIP VESTING			**0%**

Share price growth was calculated using three month average share prices immediately prior to the start and end of the performance period. The three year period over which performance was measured ended on 31 March 2016. Having failed to achieve the performance targets, the award has therefore lapsed in full.

Scheme interests awarded in 2015/16 (audited)

In May 2015, Peter Dilnot and Toby Woolrych were granted awards under The Shanks Group plc 2011 Long Term Incentive Plan with a face value of circa 150% and circa 120% of their respective salaries. The three year period over which performance will be measured began on 1 April 2015 and will end on 31 March 2018. Performance will be assessed 50% on EPS, 25% on share price and 25% on ROCE over the three year performance period. 25% of maximum is payable for threshold performance. Detail on performance targets is provided in the table opposite. For any shares to vest, the Committee will also need to satisfy itself that the recorded outcome is a fair reflection of the overall performance of the Group over the period.

Half of any amounts earned will be released following the end of the performance period with the remaining portion being delivered to the individuals in two equal tranches after a further year and two years respectively, subject to continued employment.

MEASURE	WEIGHTING	TARGETS
EPS CAGR	50%	0% vesting below 5% p.a. 25% vesting for 5% p.a. 50% vesting for 10% p.a. 100% vesting for 15% p.a. Straight-line vesting between these points
Share price CAGR	25%	0% vesting below 9% p.a. 25% vesting for 9% p.a. 50% vesting for 13% p.a. 100% vesting for 17% p.a. Straight-line vesting between these points
Improvement in ROCE	25%	0% vesting below +0.5% 25% vesting for +0.5% 100% vesting for +2.0% Straight-line vesting between these points

EXECUTIVE DIRECTOR	DATE OF GRANT	AWARDS MADE DURING THE YEAR (SHARES)	MARKET PRICE AS PER PLAN RULES	GRANT VALUE
Peter Dilnot	29 May 2015	622,000	108.92p	£677,482
Toby Woolrych	29 May 2015	326,000	108.92p	£355,079

Exit payments and payments to past directors made in the year (audited)

No exit payments or payments to past directors were made in the year.

Implementation of Remuneration Policy for 2016/17

Basic salary

Market positioning of basic salary is reviewed on an individual basis, taking account of the individual performance and experience of each executive director and advice received from the Committee's independent advisers on remuneration levels for similar roles in comparable companies.

For 2016/17, the Committee has determined that the Executive Directors' salaries will not be increased given the market and trading conditions currently being faced by the Company.

EXECUTIVE DIRECTOR	BASIC SALARY AT 1 APRIL 2015	BASIC SALARY FROM 1 APRIL 2016	PERCENTAGE INCREASE
Peter Dilnot	£452,285	£452,285	0%
Toby Woolrych	£296,160	£296,160	0%

Pension

The Group Chief Executive and Group Finance Director receive a cash supplement in lieu of pension of 25% and 20% of salary, respectively, or an equivalent pension contribution.

Annual bonus

The maximum annual bonus opportunity for executive directors in 2016/17 will be 150% of salary, with one third of any bonus pay-out deferred into shares vesting 50% after three years, 25% after four years and 25% after five years. Pay-out for achievement of target performance will be 75% of maximum.

Bonuses will be based 50% on underlying profit before tax, 25% on underlying free cash flow and 25% on personal objectives. Proposed target levels have been set to be challenging relative to the 2016/17 business plan. The specific targets are currently deemed to be commercially sensitive, however we will disclose them retrospectively in the 2016/17 Annual Report.

LTIP

The Committee intends that LTIP awards granted in 2016 will be granted on the same terms as the awards granted in 2015. The performance conditions will therefore remain EPS, share price growth and ROCE weighted 50%, 25% and 25% respectively. Further details on the measures, targets and vesting schedule can be found on page 88. LTIP opportunities will remain at 150% of salary for the Group Chief Executive and 120% of salary for the Group Finance Director.

For any shares to vest, the Committee will also need to satisfy itself that the recorded outcome is a fair reflection of the overall performance of Shanks over the period. Furthermore, half of any shares earned will be subject to an additional holding period, delivered to the individual in equal tranches after a further one and two years, subject to continued employment.

Chairman and non-executive director fees

Prior to the appointment of Colin Matthews as Chairman of the Company, the Remuneration Committee undertook a review of the fee paid for the role. The Committee decided to increase the fee for the role of Group Chairman to £150,000 to appropriately reflect the scope of the role and experience of the individual. In particular it was noted that the previous fee was positioned at the lower end of market practice compared to similar roles.

The basic non-executive director fee was reviewed by the Board, however, it was decided that no increase should be provided to the fees for 2016/17. A summary of the fees, which are effective from 1 April 2016, are set out in the table on the right.

	2015/16	2016/17
Base fees		
Chairman	£118,320	£150,000
Non-executive director	£39,780	£39,780
Additional fees		
Audit Committee Chair	£7,140	£7,140
Remuneration Committee Chair	£7,140	£7,140
Senior Independent Director	£5,100	£5,100

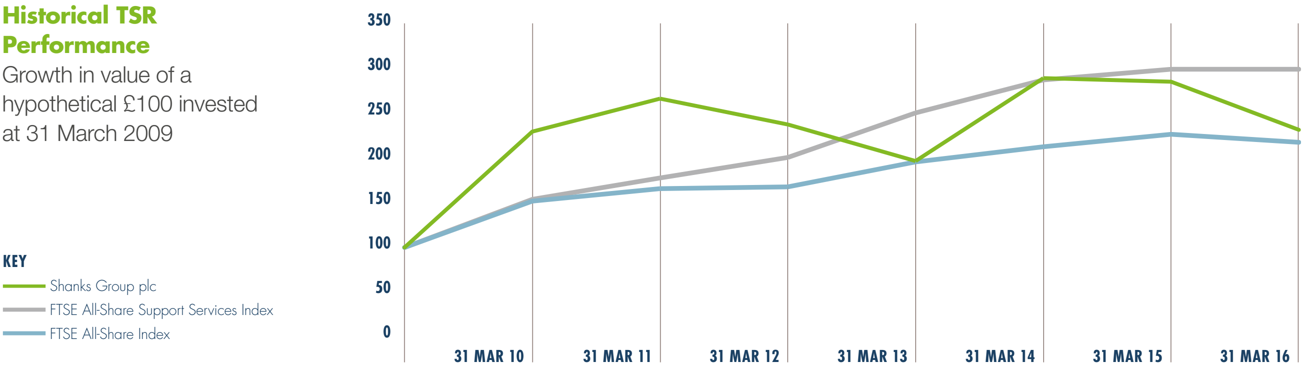
Colin Matthews was appointed Chairman Designate on 7 March 2016.

DIRECTORS' REMUNERATION REPORT

Pay for performance

The graph below shows the Total Shareholder Return (TSR) of the Group over the seven year period to 31 March 2016. While there is no comparator index or group of companies that truly reflects the activities of the Group, the FTSE Support Services Sector has been selected as a comparator index as it is the sector in which Shanks is classified and tends to be the index against which analysts judge the performance of the Group. The Group is also a member of the FTSE All-Share Index. The table below details the Group Chief Executive's single figure remuneration and actual variable pay outcomes over the same period.

Historical TSR Performance
Growth in value of a hypothetical £100 invested at 31 March 2009



Group Chief Executive's single figure of remuneration over the seven year period to 31 March 2016

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
PETER DILNOT[1]							
Group Chief Executive single figure of remuneration (£'000)			157	657	860	902	1,063
Annual bonus outcome (% of maximum)			87%	19%	66%	47%	69%
LTIP vesting outcome (% of maximum)			–	0%	0%	0%	0%
TOM DRURY[2]							
Group Chief Executive single figure of remuneration (£'000)	663	840	284				
Annual bonus outcome (% of maximum)	38%	69%	0%				
LTIP vesting outcome (% of maximum)	0%	0%	0%				

1 Peter Dilnot was appointed as Group Chief Executive on 1 February 2012.
2 Tom Drury resigned as Group Chief Executive on 30 September 2011.

Relative importance of spend on pay

The table shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends and share buy-backs) from the financial year ended 31 March 2015 to the financial year ended 31 March 2016.

The Directors are proposing a final dividend for the year ended 31 March 2016 of 2.35 pence per share (2015: 2.35p).

	2014/15 £m	2015/16 £m	% CHANGE
Distribution to shareholders	13.7	13.7	0%
Employee remuneration	156.2	144.1	-8%

Percentage change in Group Chief Executive's remuneration

The table below shows the percentage change in the Group Chief Executive's remuneration from the prior year compared to the average percentage change in remuneration for all UK-based employees. This group was selected because the Committee believes it provides a sufficiently large comparator group to give a reasonable understanding of underlying increases that are based on similar incentive structures, while on the other hand reducing any distortion arising from including all of the geographies in which the Group operates, with their different economic conditions. To provide a meaningful comparison, the analysis includes all UK based employees and is based on a consistent set of employees.

	GROUP CHIEF EXECUTIVE			OTHER EMPLOYEES
	2014/15 £'000	2015/16 £'000	% CHANGE	% CHANGE
Salary	443	452	2%	2%
Taxable benefits	27	27	0%	0%
Single-year variable	313	465	49%	19%

Directors' interests (audited)

The interests of the directors and their families in the ordinary shares of the Group during the year and as at 19 May 2016 were as shown on the right.

Details of directors' interests in shares and options under the long-term share schemes are set out in the sections below.

	ORDINARY SHARES AT 1 APRIL 2015	ORDINARY SHARES AT 31 MARCH 2016 AND 19 MAY 2016
Peter Dilnot	83,210	95,538
Toby Woolrych	27,493	39,821
Adrian Auer (Retired 31 March 2016)	123,333	123,333
Colin Matthews (Appointed 7 March 2016)	–	–
Jacques Petry	–	–
Stephen Riley	20,000	20,000
Eric van Amerongen	–	–
Marina Wyatt	–	–

Directors' shareholding (audited)

The table below shows the shareholding of each executive director, against their respective shareholding requirement as at 31 March 2016:

	SHARES HELD			OPTIONS HELD					
	OWNED OUTRIGHT OR VESTED	UNVESTED BUT SUBJECT TO HOLDING PERIOD	UNVESTED AND SUBJECT TO PERFORMANCE CONDITIONS	VESTED BUT NOT EXERCISED	EXERCISED DURING THE YEAR	UNVESTED AND SUBJECT TO CONTINUOUS EMPLOYMENT	SHAREHOLDING REQUIREMENT[1] (% SALARY)	CURRENT SHAREHOLDING[2] (% SALARY)	REQUIREMENT MET?
Peter Dilnot	95,538	95,688	1,274,000	–	12,328	22,714	100%	17%	On track
Toby Woolrych	39,821	62,645	667,000	–	12,328	22,714	100%	11%	On track

1 Share ownership guidelines of 100% of salary to be achieved over five years were introduced for executive directors in 2014 to further align their interests with those of shareholders. The executive directors are currently working towards meeting these guidelines.
2 Shareholdings were calculated using the mid-market price at 31 March 2016 of 83.0 pence.

Directors' interests in shares options and shares in the Deferred Annual Bonus Plan, Long Term Incentive Plan and all-employee plans (audited)

The executive directors have been made awards under the Group's Deferred Annual Bonus Plan:

	OUTSTANDING AWARDS AT 31 MARCH 2015	AWARDS MADE DURING THE YEAR	AWARDS LAPSED DURING THE YEAR	AWARDS EXERCISED DURING THE YEAR	OUTSTANDING AWARDS AT 31 MARCH 2016	DATE OF AWARD	SHARE PRICE ON DATE OF AWARD (PENCE)	RESTRICTED PERIOD END
Peter Dilnot	–	95,668	–	–	95,668	29.05.15	108.92	29.05.20
Toby Woolrych	–	62,645	–	–	62,645	29.05.15	108.92	29.05.20

50% of the awards will be released three years after the date of award, 25% after four years and the remaining 25% after five years.

The executive directors have been made notional allocations of shares under the Group's Long Term Incentive Plan:

	OUTSTANDING AWARDS AT 31 MARCH 2015	AWARDS MADE DURING THE YEAR	AWARDS LAPSED DURING THE YEAR[1]	AWARDS EXERCISED DURING THE YEAR	OUTSTANDING AWARDS AT 31 MARCH 2016[2]	DATE OF AWARD	SHARE PRICE ON DATE OF AWARD (PENCE)	PERFORMANCE PERIOD END	RESTRICTED PERIOD END[3]
Peter Dilnot	1,037,000	–	1,037,000	–	–	07.06.13	83.42	31.03.16	07.06.16
	652,000	–	–	–	652,000	29.05.14	102.00	31.03.17	29.05.17
	–	622,000	–	–	622,000	29.05.15	108.92	31.03.18	29.05.18
Toby Woolrych	509,000	–	509,000	–	–	07.06.13	83.42	31.03.16	07.06.16
	341,000	–	–	–	341,000	29.05.14	102.00	31.03.17	29.05.17
	–	326,000	–	–	326,000	29.05.15	108.92	31.03.18	29.05.18

1 Awards lapse to the extent the performance conditions are not met.
2 The performance conditions relating to the vesting of outstanding awards are shown on page 88.
3 For LTIP awards made from 2014, half of the awards will be released following the end of the performance period, with the remaining portion delivered in two equal tranches after a further one and two years respectively.

The executive directors held options to subscribe for ordinary shares under the Shanks Group plc Sharesave Schemes:

	DATE OF GRANT	NORMAL EXERCISE DATES FROM	NORMAL EXERCISE DATES TO	OPTION PRICE (PENCE)[1]	NUMBER AT 1 APRIL 2015	GRANTED IN YEAR	LAPSED IN YEAR	EXERCISED IN YEAR	NUMBER AT 31 MARCH 2016
Peter Dilnot	20.09.12	01.11.15	30.04.16	73.0	12,328	–	–	12,328	–
	25.09.14	01.11.17	30.04.18	84.0	10,714	–	–	–	10,714
	24.09.15	01.11.18	30.04.19	75.0	–	12,000	–	–	12,000
Toby Woolrych	20.09.12	01.11.15	30.04.16	73.0	12,328	–	–	12,328	–
	25.09.14	01.11.17	30.04.18	84.0	10,714	–	–	–	10,714
	24.09.15	01.11.18	30.04.19	75.0	–	12,000	–	–	12,000

1 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.

The highest closing mid-market price of the ordinary shares of the Group during the year was 112.5 pence and the lowest closing mid-market price during the year was 71.0 pence. The mid-market price at the close of business on 31 March 2016 was 83.0 pence.

Other interests

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

By order of the Board

Eric van Amerongen
Chairman of the Remuneration Committee
19 May 2016

OTHER DISCLOSURES

The Company's Articles of Association
Many of the matters described below are governed by the Company's Articles of Association (Articles) as well as by current legislation and regulations. The Articles can be found on the website at www.shanksplc.com/investor-centre/shareholder-information. Unless expressly specified to the contrary in the Articles they may be amended by special resolution passed at a general meeting.

Strategic report
The Strategic Report set out on pages 2 to 67 provides a fair review of the Group's business for the year ended 31 March 2016. It also explains the objectives and strategy of the Group, its competition and the markets in which it operates, the principal risks and uncertainties it faces, the Group's financial position, key performance indicators and likely future developments of the business. The Strategic Report was approved by a duly authorised committee of the Board on 19 May 2016 and signed on its behalf by the Company Secretary.

Directors' report
The Directors' Report comprises pages 68 to 96. The Directors' Report was approved by a duly authorised committee of the Board on 19 May 2016 and signed on its behalf by the Company Secretary.

Other information
Apart from the details of the Company's Long Term Incentive Plans, as set out in the Directors' Remuneration Report on pages 77 to 92, no further information requires disclosure for the purposes of complying with the Financial Conduct Authority's Listing Rule 9.8.4C.

Directors
The composition of the Board at the date of this Report, together with directors' biographical details, are shown on pages 68 and 69. All served on the Board throughout the financial year under review together with Adrian Auer who retired from the Board on 31 March 2016. All remaining Directors will be offering themselves for re-election at the Company's AGM.

Appointment and replacement of directors
The Company's minimum requirement is to appoint at least two directors. The appointment and replacement of directors may be made as follows:

- the Company's members may, by ordinary resolution, appoint any person who is willing to act to be a director;
- 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 director shall retire from office at every AGM but may be re-appointed by ordinary resolution if eligible and willing;
- the Company may, by special resolution, remove any director before the expiry of his or her period of office or may, by ordinary resolution, remove a director where special notice has been given and the necessary statutory procedures are complied with; and
- a director must vacate their office if any of the circumstances in Article 100 of the Articles of the Company arise.

Powers of directors
The business of the Company is 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 and by any directions given by special resolution of the members of the Company. Specific provisions relevant to the exercise of powers by the directors include the following:

- pre-emptive rights and new issues of shares – under the Companies Act 2006, (the Act), 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 or given by its shareholders in general meeting. In addition, under the Act, the Company may 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 £3,978,594. This authority lasts until the earlier of the AGM in 2016 or 30 September 2016;
- repurchase of shares – subject to authorisation by shareholder resolution, the Company may purchase all or any of its own shares in accordance with the Act 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 39,785,941 ordinary shares. This authority lasts until the earlier of the AGM in 2016 or 30 September 2016; and
- 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 of the Group outstanding at any time does not exceed the limit set out in the Articles, unless sanctioned by an ordinary resolution of the Company's shareholders.

Directors' indemnities

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

Corporate governance

The Board is fully committed to high standards of corporate governance. Details relating to the Company's compliance with the UK Corporate Governance Code for the financial year are given in the Corporate Governance and Directors' Remuneration Reports on pages 70 to 92.

Corporate responsibility

Shanks Group plc is a leading international waste-to-product company. Information on Corporate Responsibility (CR) matters including those on environment, social, community and employment policies and health and safety are set out in the Corporate Social Responsibility section on pages 55 to 59, and in the People section on pages 50 to 54 of the Strategic Report. These include disclosures on greenhouse gas emissions reporting as well as human rights and gender diversity policies. Further details on the Company's approach to carbon avoidance and the benefits of sustainable waste management can also be found in the Group CR Report and CR Policy, both of which are available on the Group website.

Results and dividends

The Group's Consolidated Income Statement, which appears on page 104 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 loss for the year was £3.9m (2015: loss of £16.9m).

The directors recommend a final dividend of 2.35 pence (2015: 2.35 pence) per share be paid on 29 July 2016 to ordinary shareholders on the register of members at the close of business on 1 July 2016. This dividend, if approved by shareholders, together with the interim dividend of 1.1 pence (2015: 1.1 pence) per share already paid on 8 January 2016, will make a total dividend for the year of 3.45 pence per share (2015: 3.45 pence).

Going concern and viability

After making enquiries, the directors have formed the view, at the time of approving the financial statements, that the Company and Group have adequate resources to continue to operate 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.

Taking account also of the Company's current position and principal risks, the Board set out on page 67 how they have assessed the prospects of the Company and, in compliance with UK Corporate Governance Code provision C.2.2, confirm that they have a reasonable expectation that the Company and the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period ending 31 March 2019.

Share capital

The Company's share capital comprises ordinary shares of 10 pence each par value. As at 31 March 2016 and as at the date of this Report there were 398,189,557 and 398,205,237 ordinary shares in issue respectively. During the year ended 31 March 2016 no ordinary shares were issued other than 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.

Principal rights and obligations attaching to shares

- Dividend rights – the Company 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 their ordinary shares.
- Voting rights – 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. In the case of joint holders of an ordinary share, the vote of the senior who tenders a vote 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 its 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 amongs 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 law, divide among the shareholders in kind the whole or any part of the Company's assets or vest the Company's assets, but no shareholder may be compelled to accept any assets upon which there is any liability.

Share restrictions

There are no limitations under the Company's Articles of Association that restrict the rights of members to hold the Company's shares. Certain restrictions may from time to time be imposed on the transfer of the Company's shares by laws and regulations such as insider trading laws. In limited situations, as permitted by the Articles, the Board may also decline to register a transfer. The Company is not aware of any agreements between holders of its shares that may result in restrictions on the transfer of securities.

Employee share schemes – control rights

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. The trustees have full discretion to vote or abstain from voting at general meetings of the Company in respect of such shares.

Notifiable interests

The Company has been notified of direct and indirect interests in voting rights equal to or exceeding 3% of the ordinary share capital of the Company as set out in the table below.

Retail bonds

As at 31 March 2016 the Company had in issue two Retail Bonds: the first, comprising €100m 4.23% guaranteed notes due 30 July 2019; and the second, comprising €100m 3.65% guaranteed notes due 16 June 2022. There are no restrictions under the instruments governing these notes that restrict the rights of investors to hold or transfer them. The Company is not aware of any agreements between the holders of the notes that may result in restrictions on their transfer.

Change of control – significant agreements

The Group's principal financing instrument at 31 March 2016, a €180m multi-currency revolving credit facility with seven 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 2016, would have required the repayment of £61.3m (2015: £32.6m) in principal and interest.

The Group's Retail Bonds issued in October 2010 (which were repaid in October 2015), in July 2013 and in June 2015 require notice to be given to bondholders within seven 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 ten business days of the expiry of the option period. If exercised at 31 March 2016, repayment of £164.7m (2015: £146.2m) in principal and interest would have been required.

Under the terms of the June 2015 redemption of the Group's 2011 private placement, a remaining make-whole payment of £2.5m, which is not provided for in these financial statements, would also be payable to noteholders on a change of control.

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.

Research and development

The Group spent £86,000 (2015: £206,000) on research and development during the year. This related to the development of technologies for mapping landfill sites, optimising waste decomposition processes and the recovery of energy and materials through excavation techniques and waste pre-treatment.

Political donations

No donations were made by the Group for political purposes during the financial year (2015: £nil).

Annual General Meeting

Notice of the AGM of the Company to be held at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA on Thursday, 14 July 2016 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.shanksplc.com. The directors consider that all the AGM resolutions are in the best interests of the Company and they recommend unanimously that all shareholders vote in favour, as they intend to do in respect of their own shareholdings.

Investor relations

Shanks has an active investor relations programme to engage with institutional investors, analysts, press and other stakeholders. The Company uses a number of channels to do this including its AGM, face-to-face meetings, roadshows, videos, presentations, reports and its corporate website. During the year, Shanks launched a new website which has undergone extensive redevelopment to improve usability and to support the growing number of users viewing on smartphones and tablets.

By order of the Board

P. Griffin-Smith

Philip Griffin-Smith
Company Secretary
19 May 2016

Shanks Group plc
Registered in Scotland no. SC077438

NOTIFIABLE INTERESTS

	NOTIFIICATIONS RECEIVED UP TO 19 MAY 2016	
	NUMBER OF SHARES	PERCENTAGE
Aberforth Partners LLP	40,320,249	10.13
Kabouter Management LLC	35,758,622	8.98
Neptune Investment Management Ltd	19,923,624	5.00
FIL Limited	19,709,383	4.95
Schroders plc	19,398,311	4.88
Sterling Strategic Value Ltd	19,135,000	4.81
Royal London Asset Management Ltd	15,952,727	4.01

GOVERNANCE

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 (IFRS) as adopted by the European Union (EU).

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 EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 68 and 69 of the Annual Report confirms 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 loss of the Group;
- the Strategic Report and Directors' Report include 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

P. Griffin-Smith

Philip Griffin-Smith
Company Secretary
19 May 2016

Shanks Group plc
Registered in Scotland no. SC077438

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHANKS GROUP PLC

Report on the financial statements

Our opinion

In our opinion:

- Shanks Group plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2016 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the 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.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Group and Company Balance Sheets as at 31 March 2016;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Group and Company Statement of Changes in Equity for the year then ended;
- the Group and Company Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Our audit approach – Overview

Materiality

- Overall group materiality: £1.1 million which represents 5% of underlying profit before tax.

Audit scope

- We performed an audit of the complete financial information of five out of the seven reporting units being the Hazardous Waste, Netherlands Commercial, Belgium Commercial, UK Municipal and Group Central Services divisions.
- We obtained coverage of 94% of the Group underlying profit before tax from the audit procedures performed on full scope components.
- Additional procedures were performed over the remaining two reporting units, being Netherlands Organics at the Group level and a team visited Municipal Canada.

Areas of focus

- Goodwill, intangible and tangible asset impairment assessment.
- Presentation of non-trading and exceptional items.
- Accounting for provisions.
- Accounting for taxation.
- Accounting for PFI contracts.
- Revenue recognition on contracts where performance occurs over time.

INDEPENDENT AUDITORS' REPORT

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
GOODWILL, INTANGIBLE AND TANGIBLE ASSET IMPAIRMENT	
At 31 March 2016 the Group had £194.5m of goodwill and intangible assets and £297.0m of tangible assets on the Group balance sheet. See notes 14 and 15 to the financial statements respectively. The Group is required to annually assess the carrying value of goodwill by performing a value in use calculation based on the future trading projections of the relevant cash generating unit (CGU). As a result of performing value in use calculations, no goodwill impairment charges have been recorded by the Group for the year ended 31 March 2016. We focused on this area because the value in use calculations include key assumptions and judgements in the calculation of the recoverable amounts, namely forecast revenue growth rates, trading margin, the long term growth rate and discount rate assumptions. We also specifically focussed on the Netherlands Commercial CGU as an impairment charge of £11.1m had been recognised for this CGU in the prior year and reasonably possible changes in the revenue growth rate or average trading margin could cause the carrying amount of the CGU to exceed its recoverable amount. Separately to the consideration of the carrying value of goodwill, the Group must also consider whether any indicators of impairment have been identified in relation to other intangible assets subject to amortisation and tangible assets subject to depreciation in CGUs without goodwill. Accordingly we focused on this area because the consideration of whether indicators of impairment exist in CGUs without goodwill is judgemental. Impairment reviews were performed for certain of the Group's CGUs without goodwill as a result of deterioration in the markets in which these CGUs are located. As a result of this exercise impairments of £0.5m have been recognised. Therefore increased work was performed on this area to verify whether the assumptions used in determining the quantum of the asset impairments were appropriate.	For all CGUs we obtained the discounted cash flow forecasts prepared by management. Details of the key assumptions included in the cash flow forecasts prepared by the Group are included in notes 14 and 15. We evaluated the accuracy of the future cash flow forecasts by comparing them with the latest Board approved budgets and considering the historic accuracy of management's forecasts by comparing prior year forecasts to actual outturn. We challenged management on: • Forecast revenue growth rates and trading margins for the CGUs over the period of the forecasts by comparing them with historical results and industry forecasts; • The key assumptions for long term growth rates in the forecasts by comparing them with historical results and economic and industry forecasts; and • The discount rate used. Specifically, we recalculated the Group's weighted average cost of capital using market comparable information and compared it to the rate calculated by management. We also performed sensitivity analysis on the discounted cash flow forecasts and on the ability of the Group to generate the forecast cash flows. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill, intangible and/or tangible assets to be impaired, we considered the likelihood of such a movement in those key assumptions arising. For all CGUs with goodwill, we were satisfied that the carrying value of goodwill was supported by the value in use calculations and that appropriate disclosures have been made regarding reasonably possible changes in key assumptions. In the CGUs without goodwill, we considered whether any indicators of impairment existed other than in the specific CGUs identified by management. We compared actual performance of the relevant CGUs with budget/forecast and, where performance was below budget/forecast, investigated the underlying causes. Having performed these procedures, and those on the cash flow forecasts prepared by management above, we concluded that the tangible asset impairments recorded by the Group in CGUs without goodwill were appropriate and that the quantum of these impairments were within a reasonable range of outcomes.

Area of focus	How our audit addressed the area of focus
PRESENTATION OF NON-TRADING AND EXCEPTIONAL ITEMS	
The Group presents two measures of performance in the Income Statement; statutory and trading/underlying, the latter after adjusting for certain items of income or expense that management believes do not reflect the true underlying performance of the Group. The determination of which items of income or expense are classified as exceptional or non-trading is subject to judgement and therefore users of the accounts could be misled if amounts are not classified appropriately. A description of the amounts presented as non-trading or exceptional is included in note 4 to the financial statements.	We considered the appropriateness of the adjustments made to statutory profit before tax to derive Trading Profit and underlying profit before tax. In order to do this we considered: • The Group's accounting policy on exceptional and non-trading items; and • Pronouncements by the Financial Reporting Council on this matter. We challenged management on the appropriateness of the classification of such items being mindful that classification should be even handed between gains and losses, the basis for the classification clearly disclosed, and applied consistently from one year to the next. Our work highlighted certain items that management had classified as exceptional which were judgemental. Having considered the nature and quantum of these items, overall we are satisfied that the presentation of non-trading and exceptional items in the financial statements for the year ended 31 March 2016 is appropriate.
ACCOUNTING FOR PROVISIONS	
The Group operates in different jurisdictions and in an industry that is heavily regulated and subject to change. Non-compliance with laws and regulations has the potential to lead to litigation and associated financial or reputational damage. The Group has long term landfill provisions for site restoration and aftercare of £36.9m at 31 March 2016. Separately the Group has other provisions of £20.0m principally comprising onerous contracts, warranties and indemnities. Due to their nature, these provisions are judgmental. Changes to the environment in which the Group operates can impact both the amounts required to settle the provision and the period over which the provision is recognised.	Our audit work on provisions as a whole comprised: • Understanding the processes and controls in place to ensure compliance and a discussion of any instances of non-compliance in the year with management; • Reading significant contracts entered into by the Group to determine whether any other contracts, other than those identified by management, are onerous; • Reading board minutes to identify any relevant matters reported to the board; • Meeting with in-house legal counsel to determine the status of known claims against the Group and assess the appropriateness of the associated provisions held; and • Discussions with management to understand the basis of the calculation of the provision; In addition to the procedures above, for the Group's long term landfill provisions we specifically: • Considered the appropriateness of the discount rates applied to the forecast future cash flows in light of market risk free rates and the nature of the risks in the future cash flows; and • Considered the estimation accuracy of the forecast spend on which the provision is based on our knowledge of the industry, the sites and contracts involved. Having performed the procedures above we found that appropriate premia for the risks inherent in the cash flows had been included in the discount rates applied to each provision, which differed depending on the nature of the provision. We also found that management had appropriately taken account of new information or changes in the year in calculating the closing provisions at the balance sheet date.
ACCOUNTING FOR TAXATION	
The Group has recognised £19.9m of a total potential deferred tax asset of £42.4m as at 31 March 2016. The amount of deferred tax asset recognised is judgemental and is determined by reference to future forecasts of taxable profits. In the current year the group has increased the level of deferred tax assets recognised to represent a greater amount of future taxable profits. This reflects improved long term forecasts of profits in the UK and restructuring of certain Belgian legal entities during the year.	As part of our work on deferred tax we have considered the appropriateness of management's assumptions and estimates in relation to the likelihood of generating suitable future taxable profits to support the recognition of deferred tax assets. Specifically we considered: • Board approved budgets and forecasts; • The level of forecast profits by legal entity; and • The historic level of utilisation of deferred tax assets. Having performed the procedures above we found that the level of deferred tax asset recognised at 31 March 2016 is reasonable.

INDEPENDENT AUDITORS' REPORT

Area of focus	How our audit addressed the area of focus
ACCOUNTING FOR PFI/PPP CONTRACTS	
On 26 February 2015 the Group secured financial close on the Surrey Canada PPP contract. In addition, the Group has considered whether it acts as agent or principal during the construction phase of the project. Based on the level of risks and rewards residing with the Group it has been concluded that the Group acts as principal in this arrangement. Determination of the amount of revenue and margin recognised in connection with the construction of the waste management facilities, which has commenced in the year ended 31 March 2016, is judgemental. Separately, on 30 March 2016 the Group entered into an agreement to dispose of 100% of the subordinated debt and to dispose of 49.99% of its equity interest in Wakefield Waste PFI Holdings Limited. As a consequence of entering into this agreement, the Group now has joint control of the entity. A loss of £5.0m has been recorded in the year ended 31 March 2016 as shown in note 4. In calculating the quantum of the loss, management has taken judgements in respect of the fair value of the interest retained by the Group and, separately, the value of the assets to be retained on the Group balance in connection with the operating agreement. We focused on this area because the accounting for revenue recognition on the Surrey Canada contract and the calculation of the loss to be recognised on the disposal of Wakefield are judgemental.	We have considered the basis of management's conclusion that the Group acts as principal during the construction phase of the project and separately, the appropriateness of the revenue and margin recognised on the Surrey Canada contract by considering the requirements of the accounting framework and the nature of the contractual arrangements. We have evaluated the amount of revenue and margin recognised by reference to the proportion of costs incurred at 31 March 2016 compared to the total costs expected to be incurred, which included holding discussions with persons outside of the finance team to understand the status of the build programme and the appropriateness of the assessment of costs to complete. We re-performed the calculation of revenue recognised based on this information to confirm that an appropriate amount of revenue and margin has been recognised in the year ended 31 March 2016. On the basis of our work we consider the amount of revenue and margin recognised to be appropriate. We have audited the accuracy of the loss recognised in connection with the disposal of Wakefield with reference to the agreements that the Group have signed together with an assessment of the appropriateness of the judgements taken in relation to the fair value of the retained interest and the value of assets to be retained on the balance sheet in connection with the operating agreement. We assessed management's judgements in this area by considering the commercial substance of the retained interest and by performing a detailed assessment of items of expense that have been capitalised during the construction of the facilities together which included enquiries of persons outside of the finance team. Having performed these procedures we are satisfied with the judgements taken by management and that the disposals of the subordinated debt and equity interest have been appropriately accounted for.
REVENUE RECOGNITION ON CONTRACTS WHERE PERFORMANCE OCCURS OVER TIME	
The nature of the Group's performance obligations under revenue contracts varies from business to business and from customer to customer. In the Netherlands Commercial business a number of contracts give rise to an obligation to process waste received. In the Hazardous Waste division substantially all of the contracts give rise to an obligation to process waste received. Where such obligations exist revenue is deferred when invoices to customers are raised in advance of processing the waste. The calculation of deferred revenue in the Hazardous Waste division is based on a number of assumptions and judgments, principally in relation to the quantity of unprocessed material on site at the year end. At 31 March 2016 the Group has £17.4m of deferred revenue on its balance sheet. Due to the varying nature of the Group's contractual obligations and the judgemental nature of the amount of unprocessed material on site at the year-end we have focused effort on this area to address the risk of undetected material errors in the recording of revenue and deferred revenue. Separately, as a result of changes in operational processes at a site in the Hazardous Waste division, it was identified that £1.0m of revenue from processing contaminated soil was estimated to have been over-recognised in the prior year. Consequently, the Group recorded a £1.0m non-trading charge to revenue representing revenue recognised in the past that should have been deferred to future periods. Management's assessment of the quantum of this amount is judgemental.	We audited management's calculation of deferred revenue, which is calculated based on waste tonnages and pricing, by: • attending year-end inventory counts of unprocessed waste at three sites to test the existence and completeness of waste tonnages at year-end; • assessing the professional competence and objectivity of management's third party expert used in determining the quantity of unprocessed material at year-end at sites in the Hazardous Waste division; • considering the reasonableness of management's assumptions included in the calculation of deferred revenue by benchmarking data points used by management to external sources of information; • performing substantive tests of detail on the pricing of individual waste components by tracing to invoices raised to customers; and • re-performing management's calculation of deferred revenue at year-end. Having performed the procedures above we were satisfied that the assumptions and judgments taken by management in calculating quantities of unprocessed waste at year-end were supportable and that appropriate prices had been used to calculate the deferred revenue balance. In respect of the £1.0m adjustment to revenue, we challenged management as to whether it was more appropriate to present the correction of the accounting treatment as a prior year adjustment and restate the comparative numbers, rather than as an exceptional item in the current year. We considered the quantum of the adjustment that relates to the prior year and note that it is not material to the prior year adjusted profit before tax. Accordingly we are satisfied that it is appropriate for the adjustment to be accounted for in the current period as non-trading.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of seven reporting units being Netherlands Commercial (excluding Organics), Netherlands Organics, Belgium Commercial, Hazardous Waste, UK Municipal, Canada Municipal and Group Central Services. Of the Group's seven reporting units, we identified Netherlands Commercial (excluding Netherlands Organics), Belgium Commercial, Hazardous Waste, UK Municipal and Group Central Services which, in our view, required an audit of their complete financial information due to their size compared to the Group. This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole. As a result of our scoping we performed audit procedures over 94% of the Group's adjusted profit before tax.

Additional procedures were performed over non-reporting components, specifically Netherlands Organics and Municipal Canada, which included specified procedures, site visits and analytical review.

The Group's accounting function is structured into local or regional finance centres for each of the territories in which the Group operates. These functions maintain their own accounting records and controls and report to the head office finance team in Milton Keynes UK through an integrated consolidation system.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at the reporting units by us, as the group engagement team (who were also responsible for the audit of the Municipal reporting unit), or component auditors from other PwC network firms operating under our instruction in the Netherlands, Belgium and Canada. Where the work was performed by our component audit teams we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. This included attendance at a planning day held in Rotterdam with the component teams, attendance by the group engagement team at the clearance meetings held for the Netherlands Commercial, Belgium Commercial, and Hazardous Waste reporting units and a review of the audit working papers of our component teams by the group engagement team.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

OVERALL GROUP MATERIALITY	£1.1 million (2015: £1.1 million).
HOW WE DETERMINED IT	5% of underlying profit before tax.
RATIONALE FOR BENCHMARK APPLIED	We believe that profit before tax, adjusted for non-trading and exceptional items (underlying profit before tax) provides us with a consistent year on year basis for determining materiality by eliminating the impact of these items.
COMPONENT MATERIALITY	For each component in our audit scope, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £0.8 million and £1.0 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.1 million (2015: £0.1 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 94, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

Other required reporting

Consistency of other information

Companies Act 2006 opinions
In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting
Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• information in the Annual Report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or • otherwise misleading.	We have no exceptions to report.
• the statement given by the directors on page 96, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on page 74, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the directors' confirmation on page 67 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the directors' explanation on page 67 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement
Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 96, 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 ISAs (UK & 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.

What an audit of financial statements involves

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 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Matthew Mullins
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
19 May 2016

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2016

		2016			2015		
	Note	**Trading £m**	**Non trading & exceptional items £m**	**Total £m**	Trading £m	Non trading & exceptional items £m	Total £m
Revenue	3,4	**614.8**	**(1.0)**	**613.8**	601.4	(2.0)	599.4
Cost of sales	4	**(517.8)**	**(0.6)**	**(518.4)**	(506.1)	(21.5)	(527.6)
Gross profit (loss)		**97.0**	**(1.6)**	**95.4**	95.3	(23.5)	71.8
Administrative expenses	4	**(63.6)**	**(22.0)**	**(85.6)**	(61.0)	(23.2)	(84.2)
Operating profit (loss)	3,4,5	**33.4**	**(23.6)**	**9.8**	34.3	(46.7)	(12.4)
Finance income	4,8	**16.6**	**0.1**	**16.7**	14.8	0.1	14.9
Finance charges	8	**(30.0)**	**–**	**(30.0)**	(28.2)	–	(28.2)
Share of results from associates and joint ventures	4,16	**1.0**	**–**	**1.0**	0.8	4.4	5.2
Profit (loss) before taxation	3	**21.0**	**(23.5)**	**(2.5)**	21.7	(42.2)	(20.5)
Taxation	4,9	**(2.3)**	**0.8**	**(1.5)**	(1.7)	4.0	2.3
Profit (loss) for the year from continuing operations		**18.7**	**(22.7)**	**(4.0)**	20.0	(38.2)	(18.2)
Discontinued operations							
(Loss) profit for the year from discontinued operations	4,10	**(0.3)**	**0.4**	**0.1**	(0.2)	1.5	1.3
Profit (loss) for the year		**18.4**	**(22.3)**	**(3.9)**	19.8	(36.7)	(16.9)
Attributable to:							
Owners of the parent		**18.4**	**(22.3)**	**(3.9)**	19.7	(36.7)	(17.0)
Non-controlling interest		**–**	**–**	**–**	0.1	–	0.1
		18.4	**(22.3)**	**(3.9)**	19.8	(36.7)	(16.9)
Basic earnings (loss) per share attributable to owners of the parent (pence per share)							
Continuing operations	12	**4.7**	**(5.7)**	**(1.0)**	5.0	(9.6)	(4.6)
Discontinued operations	12	**(0.1)**	**0.1**	**–**	(0.1)	0.4	0.3
		4.6	**(5.6)**	**(1.0)**	4.9	(9.2)	(4.3)
Diluted earnings (loss) per share attributable to owners of the parent (pence per share)							
Continuing operations	12	**4.7**	**(5.7)**	**(1.0)**	5.0	(9.6)	(4.6)
Discontinued operations	12	**(0.1)**	**0.1**	**–**	(0.1)	0.4	0.3
		4.6	**(5.6)**	**(1.0)**	4.9	(9.2)	(4.3)

The notes on pages 109 to 164 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Note	**2016 £m**	2015 £m
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign subsidiaries		**13.0**	(25.2)
Fair value movement on cash flow hedges	17	**(4.8)**	(28.1)
Deferred tax on fair value movement on cash flow hedges	19	**0.2**	5.6
Share of other comprehensive income of investments accounted for using the equity method	16	**0.1**	(3.1)
		8.5	(50.8)
Items that will not be reclassified to profit or loss:			
Actuarial gain (loss) on defined benefit pension scheme	27	**3.2**	(5.8)
Deferred tax on actuarial gain (loss) on defined benefit pension scheme	19	**(0.9)**	1.2
		2.3	(4.6)
Other comprehensive income (loss) for the year, net of tax		**10.8**	(55.4)
Loss for the year		**(3.9)**	(16.9)
Total comprehensive income (loss) for the year		**6.9**	(72.3)
Attributable to:			
Owners of the parent		**7.1**	(70.7)
Non-controlling interest		**(0.2)**	(1.6)
Total comprehensive income (loss) for the year		**6.9**	(72.3)
Total comprehensive income (loss) attributable to owners of the parent arising from:			
Continuing operations		**7.0**	(72.0)
Discontinued operations		**0.1**	1.3
		7.1	(70.7)

The notes on pages 109 to 164 are an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

BALANCE SHEETS

As at 31 March 2016

		Group		Company	
	Note	**31 March 2016 £m**	31 March 2015 £m	**31 March 2016 £m**	31 March 2015 £m
Assets					
Non-current assets					
Intangible assets	14	**194.5**	173.8	**0.3**	0.5
Property, plant and equipment	15	**297.0**	282.9	**0.3**	0.3
Investments	16	**12.1**	10.1	**498.8**	487.4
Financial assets relating to PFI/PPP contracts	21	**145.8**	246.6	**–**	–
Trade and other receivables	22	**1.1**	2.2	**81.1**	82.8
Deferred tax assets	19	**19.9**	21.7	**3.1**	4.5
		670.4	737.3	**583.6**	575.5
Current assets					
Inventories	20	**6.8**	6.9	**–**	–
Financial assets relating to PFI/PPP contracts	21	**12.8**	31.6	**–**	–
Trade and other receivables	22	**122.4**	121.0	**175.0**	219.3
Derivative financial instruments	17	**0.3**	0.1	**–**	0.1
Current tax receivable		**–**	0.1	**–**	0.9
Cash and cash equivalents	23	**34.7**	60.8	**2.6**	8.0
		177.0	220.5	**177.6**	228.3
Assets classified as held for sale	10	**–**	3.5	**–**	–
		177.0	224.0	**177.6**	228.3
Total assets		**847.4**	961.3	**761.2**	803.8
Liabilities					
Non-current liabilities					
Borrowings – PFI/PPP non-recourse net debt	24	**(87.9)**	(160.3)	**–**	–
Borrowings – Other	24	**(224.9)**	(140.8)	**(209.3)**	(80.5)
Derivative financial instruments	17	**(28.8)**	(43.8)	**(0.7)**	–
Other non-current liabilities	25	**(6.4)**	(0.6)	**(96.9)**	(152.4)
Deferred tax liabilities	19	**(31.6)**	(30.2)	**–**	–
Provisions	26	**(43.9)**	(40.4)	**–**	–
Defined benefit pension scheme deficit	27	**(10.7)**	(16.4)	**(10.7)**	(16.4)
		(434.2)	(432.5)	**(317.6)**	(249.3)
Current liabilities					
Borrowings – PFI/PPP non-recourse net debt	24	**(3.2)**	(62.3)	**–**	–
Borrowings – Other	24	**(2.4)**	(75.0)	**–**	(72.2)
Derivative financial instruments	17	**(2.4)**	(0.3)	**(2.4)**	(0.9)
Trade and other payables	25	**(203.3)**	(187.0)	**(39.7)**	(84.2)
Current tax payable		**(6.1)**	(6.3)	**(0.3)**	–
Provisions	26	**(13.0)**	(8.8)	**(0.8)**	(1.1)
		(230.4)	(339.7)	**(43.2)**	(158.4)
Total liabilities		**(664.6)**	(772.2)	**(360.8)**	(407.7)
Net assets		**182.8**	189.1	**400.4**	396.1
Equity					
Share capital	28	**39.8**	39.8	**39.8**	39.8
Share premium	28	**100.2**	100.0	**124.2**	124.0
Exchange reserve		**24.4**	11.4	**–**	–
Retained earnings		**20.4**	39.7	**236.4**	232.3
Equity attributable to owners of the parent		**184.8**	190.9	**400.4**	396.1
Non-controlling interest		**(2.0)**	(1.8)	**–**	–
Total equity		**182.8**	189.1	**400.4**	396.1

The notes on pages 109 to 164 are an integral part of these consolidated financial statements.

The Financial Statements on pages 104 to 164 were approved by the Board of Directors and authorised for issue on 19 May 2016. They were signed on its behalf by:

Colin Matthews
Group Chairman

Toby Woolrych
Group Finance Director

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 March 2016

Group	Note	Share Capital £m	Share Premium £m	Exchange Reserve £m	Retained Earnings £m	Non-controlling interest £m	Total Equity £m
Balance at 1 April 2015		**39.8**	**100.0**	**11.4**	**39.7**	**(1.8)**	**189.1**
Loss for the year		**–**	**–**	**–**	**(3.9)**	**–**	**(3.9)**
Other comprehensive income (loss):							
Exchange gain on translation of foreign subsidiaries		**–**	**–**	**13.0**	**–**	**–**	**13.0**
Fair value movement on cash flow hedges	17	**–**	**–**	**–**	**(4.6)**	**(0.2)**	**(4.8)**
Actuarial gain on defined benefit pension scheme	27	**–**	**–**	**–**	**3.2**	**–**	**3.2**
Tax in respect of other comprehensive income items	19	**–**	**–**	**–**	**(0.7)**	**–**	**(0.7)**
Share of other comprehensive income of investments accounted for using the equity method	16	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Total comprehensive income (loss) for the year		**–**	**–**	**13.0**	**(5.9)**	**(0.2)**	**6.9**
Share-based compensation	7	**–**	**–**	**–**	**0.5**	**–**	**0.5**
Movement on tax arising on share-based compensation	19	**–**	**–**	**–**	**(0.2)**	**–**	**(0.2)**
Proceeds from exercise of employee options	28	**–**	**0.2**	**–**	**–**	**–**	**0.2**
Dividends	11	**–**	**–**	**–**	**(13.7)**	**–**	**(13.7)**
Balance as at 31 March 2016		**39.8**	**100.2**	**24.4**	**20.4**	**(2.0)**	**182.8**
Balance at 1 April 2014		39.8	99.9	36.6	97.4	(0.2)	273.5
(Loss) profit for the year		–	–	–	(17.0)	0.1	(16.9)
Other comprehensive (loss) income:							
Exchange loss on translation of foreign subsidiaries		–	–	(25.2)	–	–	(25.2)
Fair value movement on cash flow hedges	17	–	–	–	(26.0)	(2.1)	(28.1)
Actuarial loss on defined benefit pension scheme	27	–	–	–	(5.8)	–	(5.8)
Tax in respect of other comprehensive income items	19	–	–	–	6.4	0.4	6.8
Share of other comprehensive income of investments accounted for using the equity method		–	–	–	(3.1)	–	(3.1)
Total comprehensive loss for the year		–	–	(25.2)	(45.5)	(1.6)	(72.3)
Share-based compensation	7	–	–	–	1.3	–	1.3
Movement on tax arising on share-based compensation	19	–	–	–	0.2	–	0.2
Proceeds from exercise of employee options	28	–	0.1	–	–	–	0.1
Dividends	11	–	–	–	(13.7)	–	(13.7)
Balance as at 31 March 2015		39.8	100.0	11.4	39.7	(1.8)	189.1

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	Note	Share Capital £m	Share Premium £m	Retained Earnings £m	Total Equity £m
Balance at 1 April 2015		**39.8**	**124.0**	**232.3**	**396.1**
Profit for the year	13	**–**	**–**	**14.6**	**14.6**
Other comprehensive income (loss):					
Fair value movement on cash flow hedges		**–**	**–**	**0.8**	**0.8**
Actuarial gain on defined benefit pension scheme	27	**–**	**–**	**3.2**	**3.2**
Tax in respect of other comprehensive income items	19	**–**	**–**	**(1.1)**	**(1.1)**
Total comprehensive gain for the year		**–**	**–**	**17.5**	**17.5**
Share-based compensation	7	**–**	**–**	**0.5**	**0.5**
Movement on tax arising on share-based compensation	19	**–**	**–**	**(0.2)**	**(0.2)**
Proceeds from exercise of employee options	28	**–**	**0.2**	**–**	**0.2**
Dividends	11	**–**	**–**	**(13.7)**	**(13.7)**
Balance at 31 March 2016		**39.8**	**124.2**	**236.4**	**400.4**
Balance at 1 April 2014		39.8	123.9	251.6	415.3
Loss for the year	13	–	–	(2.3)	(2.3)
Other comprehensive (loss) income:					
Fair value movement on cash flow hedges		–	–	(0.3)	(0.3)
Actuarial loss on defined benefit pension scheme	27	–	–	(5.8)	(5.8)
Tax in respect of other comprehensive income items	19	–	–	1.3	1.3
Total comprehensive loss for the year		–	–	(7.1)	(7.1)
Share-based compensation	7	–	–	1.3	1.3
Movement on tax arising on share-based compensation	19	–	–	0.2	0.2
Proceeds from exercise of employee options	28	–	0.1	–	0.1
Dividends	11	–	–	(13.7)	(13.7)
Balance as at 31 March 2015		39.8	124.0	232.3	396.1

The notes on pages 109 to 164 are an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS

For the year ended 31 March 2016

		Group		Company	
	Note	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Cash flows from (used in) operating activities	30	**72.2**	55.8	**(39.3)**	50.8
Income tax (paid) received		**(4.8)**	(5.7)	**1.1**	0.9
Net cash inflow (outflow) from operating activities		**67.4**	50.1	**(38.2)**	51.7
Investing activities					
Purchases of intangible assets		**(4.9)**	(1.2)	**–**	(0.1)
Purchases of property, plant and equipment		**(29.5)**	(39.0)	**–**	(0.2)
Disposals of property, plant and equipment		**6.2**	2.2	**–**	–
Acquisition of business assets	18	**(0.2)**	(0.4)	**–**	–
Proceeds from disposal of subsidiary		**0.4**	–	**–**	–
Proceeds from sale of subordinated debt and on loss of control of subsidiary	18	**25.8**	–	**25.8**	–
Proceeds from discontinued assets		**2.4**	0.8	**–**	–
Outflow from disposal of subsidiaries	18	**(1.4)**	–	**–**	–
Receipt of deferred consideration		**0.9**	1.9	**–**	–
Payment of deferred consideration		**(0.1)**	(0.1)	**–**	–
Investment in subsidiaries	16	**–**	–	**(15.0)**	(56.4)
Investment in joint venture	16	**(0.7)**	(1.3)	**–**	–
Proceeds from disposal of investments and other assets		**–**	1.2	**–**	–
Dividends received from associates and joint ventures	16	**0.1**	–	**–**	–
Repayment of loans granted to joint ventures	16	**–**	1.0	**–**	–
Outflows in respect of PFI/PPP arrangements under the financial asset model		**(29.3)**	(73.0)	**–**	–
Capital received in respect of PFI/PPP financial assets		**22.8**	3.4	**–**	–
Finance income		**12.6**	4.0	**5.5**	4.6
Net cash inflow (outflow) from investing activities		**5.1**	(100.5)	**16.3**	(52.1)
Financing activities					
Finance charges and loan fees paid		**(25.4)**	(16.8)	**(9.0)**	(8.9)
Proceeds from issuance of ordinary shares	28	**0.2**	0.1	**0.2**	0.1
Dividends paid	11	**(13.7)**	(13.7)	**(13.7)**	(13.7)
Proceeds from issuance of retail bonds		**71.4**	–	**71.4**	–
Repayment of retail bonds		**(73.5)**	–	**(73.5)**	–
Repayment of senior notes		**(28.5)**	–	**–**	–
Proceeds from (repayment of) bank borrowings		**25.1**	(18.9)	**41.1**	8.0
Proceeds from PFI/PPP net debt		**9.2**	64.4	**–**	–
Repayment of PFI/PPP net debt		**(63.4)**	(1.8)	**–**	–
Repayments of obligations under finance leases		**(2.8)**	(3.3)	**–**	–
Net cash (outflow) inflow from financing activities		**(101.4)**	10.0	**16.5**	(14.5)
Net decrease in cash and cash equivalents		**(28.9)**	(40.4)	**(5.4)**	(14.9)
Effect of foreign exchange rate changes		**2.8**	(3.0)	**–**	–
Cash and cash equivalents at the beginning of the year		**60.8**	104.2	**8.0**	22.9
Cash and cash equivalents at the end of the year	23	**34.7**	60.8	**2.6**	8.0

The notes on pages 109 to 164 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies – Group and Company

General information

Shanks Group plc is a public limited company listed on the London Stock Exchange and is incorporated and domiciled in Scotland under the Companies Act 2006, registered number SC077438. The address of the registered office is given on page 167. The nature of the Group's operations and its principal activities are set out in note 3.

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for derivative financial instruments and share-based payments, 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 2015.

Changes in presentation

The Group changed the composition of its reportable segments with effect from 1 April 2015. This was undertaken following the implementation of a new divisional structure to align the business more closely with our customers and to reflect the information provided to the chief operating decision maker in order to assess performance and to make decisions on allocating resources. The following changes were made to the reportable segments:

- Commercial Waste combines the Benelux Solid Waste division with the Netherlands Organics segment and the Belgium Organics business unit.
- Municipal combines the UK Municipal division with the Canada segment and the UK Organics business unit.
- Hazardous Waste and Group central services reportable segments are unchanged by the new structure.

As required under IFRS 8 Operating Segments, the Group has restated the corresponding items of segment information for earlier periods to ensure consistent comparisons to the new structure. Segment information under the previous format is also included for information purposes.

Going concern

Having assessed the principal risks and other matters in connection with the viability statement, the directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations issued by the IFRS Interpretations Committee (IFRS IC) 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.

Adoption of new and revised accounting standards and interpretations

There were no new standards, amendments to standards and interpretations adopted for the first time for the Group's financial year beginning 1 April 2015 that had a significant impact on these financial statements.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies – Group and Company continued

New standards and interpretations not yet adopted

Standards and interpretations issued by the International Accounting Standards Board (IASB) are only applicable if endorsed by the European Union.

At the date of approval of these financial statements, the following standards and interpretations were in issue but not yet effective:

- IFRS 9 Financial Instruments, effective for annual periods beginning on or after 1 January 2018, subject to EU endorsement. This standard addresses the classification, measurement and recognition approaches for financial assets and liabilities and requires additional disclosures in relation to hedging activities. The Group is yet to assess the full effect of the standard, however it is not expected to have a significant impact on the recognition and measurement of its financial instruments.
- IFRS 15 Revenue from contracts with customers, effective for annual periods beginning on or after 1 January 2018, subject to EU endorsement. The standard addresses revenue recognition and establishes principles for reporting information about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Group is yet to assess the impact of this standard.
- IFRS 16 Leases, effective for annual periods beginning on or after 1 January 2019, subject to EU endorsement. The Group is yet to assess the impact of this standard which requires almost all operating leases to be recognised as a liability together with a corresponding "right of use asset".

There are no other IFRSs or IFRS IC interpretations not yet effective that would be expected to have a material impact on the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Shanks Group plc and all its subsidiary undertakings (subsidiaries). Subsidiaries are entities which are directly or indirectly controlled by the Group. Control exists where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with those used by the Group. The results of subsidiaries acquired or sold during the year are included in the consolidated financial statements up to, or from, the date control passes. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Subsidiary companies under PFI/PPP contracts are fully consolidated by the Group and where there is a non-controlling interest this is identified separately from the Group's equity.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. An associate is an entity, other than a subsidiary or joint venture, over which the Group has significant influence. Significant influence is the power to participate in the financial and operating decisions of an entity but is not in control or joint control over those policies. Investments in associates and joint ventures 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, at fair value. The cumulative post-acquisition profits or losses and movements in other comprehensive income are adjusted against the carrying amount of the investment. When the Group's share of losses exceeds the carrying amount of the joint venture or associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate. Accounting policies of associates and joint ventures have been adjusted where necessary to ensure consistency with the policies of the Group.

Where the Group is party to a jointly-controlled operation, the Group proportionately accounts for its share of the income and expenditure, assets and liabilities and cash flows on a line-by-line basis in the consolidated financial statements.

Equity investments in entities that are neither associates, joint ventures nor subsidiaries are held at cost, less any provision for impairment.

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 transferred and liabilities incurred or assumed. Identifiable assets acquired and liabilities and contingent liabilities assumed, meeting the conditions for recognition under IFRS 3, are recognised at their fair value at the acquisition date. The fair value of businesses acquired may include waste permits, licences and customer lists with the value calculated by discounting the future revenue stream attributable to these lists or relationships, which are recognised as intangible assets and amortised. 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 year in which they are incurred.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost in the Company's balance sheet less any provision for impairment in value.

Revenue recognition

Revenue

Revenue represents the fair value of consideration received or receivable, including landfill tax but excluding sales taxes, discounts and inter-company sales, for goods and services provided in the normal course of business. Revenue is recognised when it can be reliably measured and when it is probable that future economic benefits will flow to the entity.

Revenue recognition criteria for the key types of transaction are as follows:

- Waste collection services – revenue is recognised once the waste is delivered to the transfer station or processing facility.
- Waste processing services – where the Group's revenue contracts include an obligation to process waste, revenue is recognised as processing occurs.
- Hazardous waste industrial cleaning – revenue is recognised by reference to the stage of completion based on services performed to date.
- Sales of recyclate materials and products from waste – revenue is based on contractually agreed prices and is recognised when the risks and rewards have passed to the buyer.
- Income from power generated from gas produced by processes at anaerobic digestion facilities and landfill sites is recognised at the time of supply based on the volumes of energy produced and an estimation of the amount to be received.
- Construction services under the Canada Municipal service concession arrangement – revenue is recognised based on the stage of completion of the work performed.

Accrued income

Accrued income at the balance sheet date is recognised at the fair value based on contractually agreed prices. It is subsequently invoiced and accounted for as a trade receivable.

Unprocessed waste

Unprocessed waste may give rise to deferred revenue, where invoices to customers are raised in advance of performance obligations being completed, or require an accrual for the costs of disposing of residual waste to be created once the Group has an obligation for its disposal. These amounts are shown in deferred revenue or accruals in the financial statements as appropriate.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies – Group and Company continued

PFI/PPP contracts

The Group's PFI/PPP contracts are waste management contracts which require the building of new infrastructure and all rights to the infrastructure pass to the Local Authority at the termination or expiry of the contract. The Group applies IFRIC 12 (Service Concession Arrangements) which specifies the accounting treatment applied by concession operators. Under IFRIC 12, the operator's rights over infrastructure operated under concession arrangements should be accounted for based on having considered the extent to which the grantor (the local authority) controls the assets, over what services the operator must provide with the infrastructure, to whom it must provide them and at what price. Having considered these factors the Group applies the 'financial asset' model to account for the infrastructure as it has an unconditional right to receive cash. 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.

Income and costs relating to specific rights and obligations within the contracts are transferred to accruals or other receivables and released or charged to the Income Statement over the period of delivery. Under the terms of these contracts, the Group is required to maintain the infrastructure such that it is handed over to the local authority in good working order. Where such expenditure required to fulfil these obligations constitutes major refurbishments and renewals (lifecycle expenditure) a provision is recorded for the best estimate of these costs as the facility is used.

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.

Intangible assets

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition and is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is charged immediately to the Income Statement and is not reversed in a subsequent period.

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.

Landfill void

Landfill void represents the acquisition of a landfill operation in the Netherlands, the landfill void was capitalised based on the fair value of the void acquired. This asset is amortised over its estimated useful life on a void usage basis and measured at cost less accumulated amortisation. The estimated remaining useful life is 19 years.

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. They are subsequently measured at cost less accumulated amortisation. They are amortised over the estimated useful life on a straight-line basis, as follows:

Contract right relating to leasehold land	Term of the lease
Contract right relating to PFI/PPP contracts in Municipal	Term of the contract
Computer software	1 to 5 years
Acquisition related intangibles:	
Waste permits and licences	5 to 20 years
Others including customer lists	5 to 10 years

1. Accounting policies – Group and Company continued

Property, plant and equipment

Property, plant and equipment, except for freehold land and assets under construction, is stated at cost less accumulated depreciation and provision for impairment. 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. Freehold land and assets under construction are not depreciated. The asset's residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

Assets other than goodwill are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. 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. An impairment loss is recognised immediately as an operating expense and at each subsequent reporting date the impairment is reviewed for possible reversal.

Buildings, plant and machinery

Depreciation is provided on these assets to write off their cost (less the expected residual value) on a straight line basis over the expected useful economic lives as follows:

Buildings	Up to 30 years
Fixtures and fittings	10 years
Plant	5 to 10 years
Cars and service vehicles	5 to 10 years
Heavy goods vehicles	10 years
Other items of plant and machinery	5 to 15 years
Computer equipment	3 to 5 years

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.

Leased assets

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 borrowings. Depreciation is provided to write down the assets over the shorter of the expected useful life and the lease term, unless there is reasonable certainty that the Group will obtain ownership of the asset by the end of the lease term, in which case it is depreciated over its useful life.

Operating leases

All leases other than finance leases are treated as operating leases. Rentals payable under operating leases are charged to the Income Statement on a straight-line basis over the term of the relevant lease. The future aggregate minimum lease payments for operating leases are shown in note 32.

Inventories

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

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies – Group and Company continued

Provisions

Provisions are recognised where there is a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material the value of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rates are reviewed at each year end with consideration given to appropriate market rates and the risk in relation to each provision. The unwinding of the discount to present value is included within finance costs.

The Group's policies on provisions for specific areas are:

Site restoration provision

Full provision is made for the net present value (NPV) of the Group's unavoidable costs in relation to restoration liabilities at its landfill sites. 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.

Restructuring provision

Provision for restructuring costs is recognised when a detailed formal plan exists and those affected by that plan have a valid expectation that the restructuring will be carried out.

Employee benefits

Retirement benefits

The Group accounts for pensions and similar benefits under IAS 19 (revised) Employee Benefits. For defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at fair value. The operating and financing costs of the plans are recognised separately in the Income Statement. Interest is calculated by applying the discount rate to the net defined pension liability. Actuarial gains and losses are recognised in full through the Statement of Comprehensive Income; surpluses 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 and Belgium. With the exception of certain schemes in Belgium, 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.

Share-based payments

The Group issues equity-settled share-based awards to certain employees. The fair value of share-based awards is determined at the date of grant and expensed on a straight-line basis over the vesting period with a corresponding increase in equity based on the Group's estimate of the shares that will eventually vest. At each balance sheet date the Group revises its estimates of the number of options that are expected to vest based on service and non-market performance conditions. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest, save for changes resulting from any market-related performance conditions.

1. Accounting policies – Group and Company continued

Taxation

Current tax

Current tax is based on taxable profit or loss 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 asset or liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, at the balance sheet date.

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 have been substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the Income Statement, except where it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity.

Deferred income tax liabilities are not provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements as the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority.

Foreign currencies

The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Sterling, which is the Group's and Parent Company's presentation currency.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency of the Group and Parent Company as follows:

- assets and liabilities at each balance sheet date are translated into Sterling at the closing year end exchange rate;
- income and expenses in each Income Statement are translated at the average rate of exchange for the year; and
- the resulting exchange differences are recognised in the exchange reserve in other comprehensive income.

Cumulative exchange differences are recognised in the Income Statement in the year in which an overseas subsidiary undertaking is disposed of.

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

	Closing rates			Average rates		
Value of £1	**31 March 2016**	31 March 2015	Change	**31 March 2016**	31 March 2015	Change
Euro	**1.26**	1.38	(8.7)%	**1.37**	1.28	6.8%
Canadian Dollar	**1.86**	1.88	(1.1)%	**1.97**	1.84	7.5%

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 STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies – Group and Company continued

Deferred consideration

Deferred consideration is provided for at the NPV of the Group's expected cost or receipt at the date of acquisition or disposal. The likelihood of payment or receipt for deferred consideration where 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 and before this date any differences are adjusted through goodwill.

Financial instruments

Trade receivables

Trade receivables do not carry interest and are recognised initially at their fair value and are subsequently measured at amortised cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the value of estimated future cash flows. Subsequent recoveries of amounts previously written off are credited in the Income Statement.

Trade receivables are derecognised when the Group's rights to receive cash flows and substantially all the risks and rewards of ownership have been transferred.

Financial assets relating to PFI/PPP contracts

Financial assets relating to PFI/PPP contracts are classified as loans and receivables and are initially recognised at fair value of consideration receivable and subsequently at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity of three months or less. Where the Group has a legally enforceable right to offset with a financial institution, then bank overdrafts are offset against the cash balances.

External borrowings

Interest bearing loans and retail 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 in the Income Statement using the effective interest rate method.

Trade payables

Trade payables are not interest bearing and are stated initially at fair value and subsequently held at amortised cost.

Other receivables and other payables

Other receivables and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Derivative financial instruments and hedging activities

In accordance with its treasury policy, the Group only holds or issues derivative financial instruments to manage the Group's exposure to financial risk. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Such financial risk includes:

- Interest risk on the Group's variable rate borrowings;
- Commodity risk in relation to diesel consumption; and
- Foreign exchange risk on transactions.

The Group manages these risks through a range of derivative financial instruments, including interest rate swaps, forward foreign exchange contracts and fuel derivatives.

1. Accounting policies – Group and Company continued

Interest rate swaps are considered to be used for hedging purposes when they alter the risk profile of an underlying exposure of the Group in line with the Group's risk management policies. At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item. For interest rate swaps which are not designated as a hedge the gains or losses between period ends are taken to finance income or charges in the Income Statement.

The change in the fair value of the portion of the hedging instrument that is determined to be an effective hedge is recognised in equity and subsequently recycled to the Income Statement when the hedged cash flow impacts the Income Statement. The ineffective portion of the fair value of the hedging instrument is recognised immediately in the Income Statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs at which point it is recognised in the Income Statement. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is recognised in the Income Statement immediately.

Details of the fair values of the derivative financial instruments used for hedging purposes are disclosed in note 17.

Assets classified as held for sale

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets are available for sale in their present condition.

Called up share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or share options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the net proceeds over the nominal value of any shares issued is credited to the share premium account.

Dividends

Dividend distributions to the equity holders are recognised in the period in which they are approved by the shareholders in general meeting. Interim dividends are recognised when paid.

Segmental reporting

The Group's segmental reporting reflects the management structure which is aligned with the core activities of the Group. The reportable segments are Commercial Waste, Hazardous Waste, Municipal and Group central services.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

2. Key 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 expenditure. The areas involving a higher degree of judgement or complexity are set out below and in more detail in the related notes.

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

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

The term 'underlying' refers to the relevant measure being reported for continuing operations excluding non-trading and exceptional items, financing fair value remeasurements and amortisation of acquisition intangibles. 'Trading profit' is defined as continuing operating profit before amortisation of acquisition intangibles and exceptional items. EBITDA comprises trading profit from continuing operations before depreciation, amortisation and profit or loss on disposal of property, plant and equipment. Reconciliations are set out in note 4.

Non-trading and exceptional items
Items classified as non-trading and exceptional are disclosed separately due to their size or incidence to enable a better understanding of performance. These include, but are not limited to, significant impairments, restructuring of the activities of an entity including employee severance costs, acquisition and disposal transaction costs, onerous contracts, significant provision releases and the profit or loss on disposal of properties. A full listing of those items presented as non-trading and exceptional is shown in note 4.

Service concession arrangements under 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.

UK PFI/PPP contracts
The Group's UK PFI/PPP arrangements involve the construction of waste management facilities to be provided to local authorities. The building of the facilities is governed by the engineer, procure and construct contract entered into by the Group. The construction work is undertaken by third party contractors with drawdowns of financing from the UK PFI/PPP funders used to pay the subcontractor for the construction works.

The Group has considered all relevant factors in the contractual arrangements between the parties to determine whether the Group acts as agent or principal during the construction phase of the contracts. The considerations taken into account in reaching this conclusion are:

- The Group obtains quotes for the fixed price construction contract from a number of contractors as part of the preparation to submit a bid to the municipality. Once the Group has been selected as preferred bidder it has no further opportunity to vary the prices it has bid other than indexation for inflation following delay to financial close. The detailed specification and prices of the works are agreed in advance and milestone payments are only made against works to the agreed specification. In the event that a revision to the specification of works is required these and the pricing adjustment are jointly agreed with the municipality and the funders.
- At the date of Financial Close direct agreements are signed between the municipality, the funders and the construction contractors which govern the procedures for the completion of the waste management facilities.
- The Group has an obligation to pay the construction contractor from the non-recourse bank debt regardless of any non-payment by the municipality. In the event that the municipality fails to pay tonnage fees after the construction period there is a termination procedure which calculates the amount of damages due to all parties including fully repaying the debt. We consider that the likelihood of the risk of the municipality becoming insolvent is remote. Therefore in our view the weight of this factor in coming to our overall judgement is reduced.

2. Key accounting judgements and estimates continued

- In the event that the construction contractor fails to perform under the terms of the contract the Group holds performance and retention bonds which guarantee the obligations of the contractor. Any additional costs arising from having to replace the contractor, should they arise, would be satisfied by payments from the bonds.
- The Group earns certain fixed fees in connection with UK PFI/PPP arrangements. These fees represent consideration for services delivered before financial close or for ongoing project management.

In summary we consider that, on the basis that the construction contractor is known to the municipality at the date of financial close and in view of the negligible credit risk taken by the Group, on balance, despite some overall risk residing with the Group for delivery of services, we consider that we act as agent versus principal in the provision of construction services. Accordingly, revenue and costs for the construction are not recognised gross in the Income Statement.

In light of these conclusions and the presentation of the revenue and costs associated with the construction services net in the Income Statement, we consider that the most appropriate classification of the PFI/PPP non-recourse debt cash flows associated with the construction of the waste management facilities in the Statement of Cash Flows is as financing and investing cash flows respectively and not as operating cash flows. This classification has been consistently applied to all periods presented in the financial statements.

The Group is the operator for one class of service concession arrangements, that of the provision of waste treatment and waste treatment facilities, and these are classified as service concession arrangements in accordance with IFRIC. If the Group underperforms, including failure to divert waste from landfill, the contract can be terminated before the end of its term.

Canadian PPP contract
The Group's Canadian PPP arrangement involves the construction of waste management facilities to be provided to the City of Surrey. The building of the facilities is governed by the design-build agreement entered into by the Group. The construction work is undertaken by third party contractors with the financing provided from the Group's core bank facilities.

All relevant factors in the contractual arrangements between the parties have been considered to determine whether the Group acts as agent or principal during the construction phase of the contracts. Given the level of risks and rewards borne by the Group it has been concluded that we act as principal in this contract. Revenue and costs for the construction are therefore recognised gross in the Income Statement and the cash flows associated with the construction of the waste management facilities are classified as operating cash flows in the Statement of Cash Flows. For the year ended March 2016 the construction revenue recognised was £13.8m (2015: £nil).

Other information for PFI/PPP contracts
The table below sets out the Group's interest in service concession arrangements as at 31 March 2016.

Contract	Financial close	Full Service Commencement	Contract Expiry	Interests in Special Purpose Vehicle
Argyll & Bute	September 2001	April 2003	September 2026	Shanks: 100%
Cumbria	June 2009	April 2013	June 2034	Shanks: 100%
Wakefield	January 2013	September 2015	February 2038	Shanks: 100%
City of Surrey (Canada)	February 2015	January 2017	January 2042	Shanks: 100%
Barnsley, Doncaster and Rotherham	March 2012	July 2015	June 2040	Shanks: 75% SSE Generation Limited: 25%
Derby City and Derbyshire	August 2014	April 2017	March 2042	Shanks: 50% Interserve Developments No 4 Limited: 50%
Dumfries and Galloway	November 2004	February 2007	September 2029	Shanks: 20% John Laing Environmental Assets Group (UK) Limited: 80%
East London Waste Authority	December 2002	August 2007	December 2027	Shanks: 20% John Laing Environmental Assets Group (UK) Limited: 80%

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NOTES TO THE FINANCIAL STATEMENTS

2. Key accounting judgements and estimates continued

On 30 March 2016 the Group signed a share purchase agreement to dispose of 100% of the subordinated debt and 49.99% of the equity interest in Wakefield Waste PFI Holdings Limited and therefore the Group's interest in the Wakefield PFI. The sale of the subordinated debt completed on 30 March 2016. The transfer of the equity requires authority approval which is expected to be received in the near future. Having considered the nature of the relevant activities that could give rise to variable returns together with the specific terms of the agreement the Group has concluded that it has joint control over the Wakefield PFI with rights to the net assets of the arrangement effective from 30 March 2016. The arrangement is therefore recognised as a joint venture and the fair value of the retained interest is £nil.

The design and build phase of the facility for the City of Surrey service concession arrangement remains in progress with full service commencement scheduled for early in 2017. There have been no changes to the other arrangements during the year ended 31 March 2016.

Further disclosures in respect of service concession arrangements as required by paragraph 6 SIC 29 are provided on page 49 of the operating review of Municipal.

Invoice finance facilities
During the year the Group entered into invoice finance facilities whereby certain of its trade receivables are sold to third parties on a monthly basis. Trade receivables subject to the arrangement are derecognised if it is assessed that substantially all risks and rewards and rights to receive cash flows have been transferred. The Group continues to perform the servicing of the receivables sold and is not authorised to use the receivables sold other than in its capacity as servicer. Residual amounts owed from the third parties under the arrangement are disclosed in note 22.

Impairment of intangible assets
In conducting the impairment review on goodwill and intangibles, management is required to make estimates of pre-tax discount rates, future profitability and growth rates. Detailed descriptions of assumptions and values are given in note 14.

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 obligations. 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 onerous contracts. Further information is set out in note 26.

Retirement benefit scheme
The Group operates a defined benefit scheme in the UK for which an actuarial valuation is carried out as determined by the trustees at intervals of not more than three years. The pension cost under IAS 19 (revised) Employee Benefits 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 UK retirement benefit scheme are set out in note 27.

Taxation
The Group operates in the Netherlands, Belgium, the UK and Canada, all of which have their own tax legislation. Deferred tax assets and liabilities have been calculated based on the substantially enacted tax rates in the relevant jurisdictions at the balance sheet date or those rates expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. 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 19.

3. Segmental reporting

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

Following the implementation of the new divisional structure as at 1 April 2015 the Group's reportable segments are:

Commercial Waste	Collection and treatment of commercial waste in the Netherlands and Belgium.
Hazardous Waste	Industrial cleaning and treatment of hazardous waste.
Municipal	Operation of waste management facilities under long-term municipal contracts in the UK and Canada.
Group central services	Head office corporate function.

The Commercial Waste division includes the Netherlands and Belgium operating segments and the Municipal division includes the UK and Canada operating segments, based on geographical location. Operating segments within the Commercial Waste and Municipal divisions have been aggregated as they operate in similar markets in relation to the nature of the products, services, production processes and type of customer.

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

Revenue

	2016 £m	2015 £m
Netherlands Commercial Waste	**185.5**	189.7
Belgium Commercial Waste	**111.8**	124.5
Commercial Waste	**297.3**	314.2
Hazardous Waste	**136.2**	138.0
UK Municipal	**163.5**	144.6
Canada Municipal	**24.2**	12.0
Municipal	**187.7**	156.6
Inter-segment revenue	**(6.4)**	(7.4)
Total revenue from continuing operations#	**614.8**	601.4

The comparatives have been restated to reflect the new reportable segments.
#Total revenue from continuing operations in 2016 excludes the impact of the non-trading item of £1.0m (2015: £2.0m).

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NOTES TO THE FINANCIAL STATEMENTS

3. Segmental reporting continued

Results

	2016 £m	2015 £m
Netherlands Commercial Waste	**10.0**	7.7
Belgium Commercial Waste	**5.4**	6.3
Commercial Waste	**15.4**	14.0
Hazardous Waste	**15.6**	16.4
UK Municipal	**7.8**	9.8
Canada Municipal	**2.0**	2.8
Bid costs	**(0.4)**	(1.3)
Municipal	**9.4**	11.3
Group central services	**(7.0)**	(7.4)
Total trading profit	**33.4**	34.3
Non-trading and exceptional items	**(23.6)**	(46.7)
Total operating profit (loss) from continuing operations	**9.8**	(12.4)
Finance income	**16.7**	14.9
Finance charges	**(30.0)**	(28.2)
Share of results from associates and joint ventures	**1.0**	5.2
Loss before taxation and discontinued operations	**(2.5)**	(20.5)

The comparatives have been restated to reflect the new reportable segments.

Net Assets

	Operating Assets							
	Commercial Waste £m	Hazardous Waste £m	Municipal £m	Group central services £m	Tax, net debt and derivatives £m	Total continuing operations £m	Discontinued operations £m	**Total £m**
31 March 2016								
Gross non-current assets	**267.6**	**171.3**	**209.5**	**1.6**	**19.9**	**669.9**	**0.5**	**670.4**
Gross current assets	**61.0**	**26.6**	**53.1**	**0.6**	**35.0**	**176.3**	**0.7**	**177.0**
Gross liabilities	**(125.6)**	**(38.2)**	**(92.1)**	**(21.2)**	**(387.3)**	**(664.4)**	**(0.2)**	**(664.6)**
Net assets (liabilities)	**203.0**	**159.7**	**170.5**	**(19.0)**	**(332.4)**	**181.8**	**1.0**	**182.8**
31 March 2015								
Gross non-current assets	255.4	155.6	301.7	1.9	21.7	736.3	1.0	737.3
Gross current assets	64.3	32.0	63.2	0.5	61.0	221.0	3.0	224.0
Gross liabilities	(112.4)	(38.5)	(76.6)	(25.7)	(519.0)	(772.2)	–	(772.2)
Net assets (liabilities)	207.3	149.1	288.3	(23.3)	(436.3)	185.1	4.0	189.1

The comparatives have been restated to reflect the new reportable segments.

3. Segmental reporting continued

Other disclosures

	Commercial £m	Hazardous Waste £m	Municipal £m	Group central services £m	**Total £m**
31 March 2016					
Capital expenditure:					
Property, plant and equipment	**18.8**	**8.5**	**1.1**	**–**	**28.4**
Intangible assets	**0.8**	**0.2**	**3.9**	**–**	**4.9**
Depreciation charge	**22.5**	**8.4**	**2.3**	**–**	**33.2**
Amortisation of intangibles	**3.5**	**0.5**	**0.2**	**0.2**	**4.4**
Impairment charge:					
Property, plant and equipment	**0.5**	**–**	**–**	**–**	**0.5**
31 March 2015					
Capital expenditure:					
Property, plant and equipment	19.5	23.7	3.0	0.2	46.4
Intangible assets	0.4	0.4	0.4	–	1.2
Depreciation charge	26.1	7.6	2.1	–	35.8
Amortisation of intangibles	3.8	0.3	0.1	0.2	4.4
Impairment charge:					
Property, plant and equipment	4.3	0.2	6.0	–	10.5
Intangible assets	11.4	–	–	–	11.4

The comparatives have been restated to reflect the new reportable segments.

Geographical information – continuing operations

The Group's revenue from external customers and information about its segment assets (non-current assets excluding cash, financial instruments and deferred tax assets) by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Netherlands	**315.3**	321.2	**401.3**	374.1
Belgium	**110.8**	123.6	**37.6**	36.9
UK	**163.5**	142.6	**178.8**	276.4
Canada	**24.2**	12.0	**32.3**	27.2
	613.8	599.4	**650.0**	714.6

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NOTES TO THE FINANCIAL STATEMENTS

3. Segmental reporting continued

The segmental results as prepared under the previous structure are as follows:

Revenue

	2016 £m	2015 £m
Netherlands Solid Waste	173.0	176.0
Belgium Solid Waste	69.2	82.8
Belgium Other	49.1	50.9
Intra-segment revenue	(9.8)	(12.5)
Solid Waste Benelux	**281.5**	297.2
Hazardous Waste	**136.2**	138.0
Netherlands	13.7	14.7
Canada	24.2	12.0
Other Organics	5.2	3.3
Organics	**43.1**	30.0
UK Municipal	**161.6**	144.6
Inter-segment revenue	(7.6)	(8.4)
Total revenue from continuing operations#	**614.8**	601.4

#Total revenue from continuing operations in 2016 excludes the impact of the non-trading item of £1.0m (2015: £2.0m).

3. Segmental reporting continued

Results

	2016 £m	2015 £m
Netherlands Solid Waste	**13.3**	9.3
Belgium Solid Waste	**2.7**	3.9
Belgium Other	**8.3**	7.8
Divisional central services	**(10.6)**	(9.1)
Solid Waste Benelux	**13.7**	11.9
Hazardous Waste	**16.9**	17.7
Divisional central services	**(1.3)**	(1.3)
Hazardous Waste	**15.6**	16.4
Netherlands	**1.1**	1.3
Canada	**1.8**	2.8
Other Organics	**(0.4)**	0.6
Divisional central services	**–**	(1.3)
Organics	**2.5**	3.4
UK Municipal	**13.4**	15.0
Divisional central services	**(4.8)**	(5.0)
UK Municipal	**8.6**	10.0
Group central services	**(7.0)**	(7.4)
Total trading profit	**33.4**	34.3
Non-trading and exceptional items	**(23.6)**	(46.7)
Total operating profit (loss) from continuing operations	**9.8**	(12.4)
Finance income	**16.7**	14.9
Finance charges	**(30.0)**	(28.2)
Share of results from associates and joint ventures	**1.0**	5.2
Loss before taxation and discontinued operations	**(2.5)**	(20.5)

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NOTES TO THE FINANCIAL STATEMENTS

3. Segmental reporting continued

Net Assets

	Operating Assets								
	Solid Waste Benelux £m	Hazardous Waste £m	Organics £m	UK Municipal £m	Group central services £m	Tax, net debt and derivatives £m	Total continuing operations £m	Discontinued operations £m	**Total £m**
31 March 2016									
Gross non-current assets	**225.9**	**171.3**	**93.2**	**158.0**	**1.6**	**19.9**	**669.9**	**0.5**	**670.4**
Gross current assets	**58.6**	**26.6**	**13.9**	**41.6**	**0.6**	**35.0**	**176.3**	**0.7**	**177.0**
Gross liabilities	**(121.6)**	**(38.2)**	**(9.7)**	**(86.4)**	**(21.2)**	**(387.3)**	**(664.4)**	**(0.2)**	**(664.6)**
Net assets (liabilities)	**162.9**	**159.7**	**97.4**	**113.2**	**(19.0)**	**(332.4)**	**181.8**	**1.0**	**182.8**
31 March 2015									
Gross non-current assets	215.1	155.6	85.4	256.6	1.9	21.7	736.3	1.0	737.3
Gross current assets	61.5	32.0	5.8	60.2	0.5	61.0	221.0	3.0	224.0
Gross liabilities	(108.7)	(38.5)	(6.1)	(74.2)	(25.7)	(519.0)	(772.2)	–	(772.2)
Net assets (liabilities)	167.9	149.1	85.1	242.6	(23.3)	(436.3)	185.1	4.0	189.1

Other disclosures

	Solid Waste Benelux £m	Hazardous Waste £m	Organics £m	UK Municipal £m	Group central services £m	**Total £m**
31 March 2016						
Capital expenditure:						
Property, plant and equipment	**17.4**	**8.5**	**2.1**	**0.4**	**–**	**28.4**
Intangible assets	**0.7**	**0.2**	**0.1**	**3.9**	**–**	**4.9**
Depreciation charge	**19.4**	**8.4**	**4.9**	**0.5**	**–**	**33.2**
Amortisation of intangibles	**2.8**	**0.5**	**0.8**	**0.1**	**0.2**	**4.4**
Impairment charge:						
Property, plant and equipment	**0.5**	**–**	**–**	**–**	**–**	**0.5**
31 March 2015						
Capital expenditure:						
Property, plant and equipment	19.6	23.7	2.3	0.6	0.2	46.4
Intangible assets	0.3	0.4	0.1	0.4	–	1.2
Depreciation charge	23.1	7.6	4.8	0.3	–	35.8
Amortisation of intangibles	3.1	0.3	0.8	–	0.2	4.4
Impairment charge:						
Property, plant and equipment	4.3	0.2	6.0	–	–	10.5
Intangible assets	11.4	–	–	–	–	11.4

4. Non-trading and exceptional items

To improve the understanding of the Group's financial performance, items which do not reflect the underlying performance are presented as non-trading and exceptional items.

	Note	2016 £m	2015 £m
Continuing operations			
Restructuring charges		**2.4**	6.5
Portfolio management activity:			
Industrial Cleaning in Belgium	18	**3.7**	–
Wakefield equity and subordinated debt disposal	18	**5.0**	–
Acquisition and disposal costs		**0.8**	1.6
Reassessment of contingent consideration		**–**	(0.8)
		9.5	0.8
Other items:			
Onerous contract provisions		**5.0**	0.7
Municipal contract issues		**4.9**	3.0
ATM waterside contamination		**1.3**	–
ATM soil revenue recognition		**1.0**	–
Profit on disposal of land (Vliko)		**(2.7)**	–
Prior period exceptional provision releases		**(0.1)**	(0.1)
UK Municipal lifecycle (including £2m revenue recognition)		**–**	2.3
Costs relating to fires		**–**	1.0
UK Associates income		**–**	(4.4)
Reassessment of discount rate for long-term provisions		**–**	7.1
		9.4	9.6
Impairment of assets and goodwill		**0.5**	23.5
Amortisation of acquisition intangibles	14	**1.8**	1.9
Change in fair value of derivatives		**(0.1)**	(0.1)
Continuing non-trading and exceptional items in loss before tax		**23.5**	42.2
Tax on non-trading and exceptional items		**(0.8)**	(4.0)
Continuing non-trading and exceptional items in loss after tax		**22.7**	38.2
Discontinued operations	10	**(0.4)**	(1.5)
Total non-trading and exceptional items in loss after tax		**22.3**	36.7

The above non-trading and exceptional items include the following:

Restructuring charges
Restructuring charges and associated costs of £2.4m (2015: £6.5m) relate to structural cost reduction programmes across the Group in response to the current macro-economic environment. The total cost of £2.4m is recorded in administrative expenses (2015: £1.2m in cost of sales and £5.3m in administrative expenses).

Portfolio management activity
The sale of the loss-making industrial cleaning business in Wallonia to a local player resulted in a loss on sale of £3.7m (2015: £nil). A charge of £5.0m (2015: £nil) as a result of the disposal of the subordinated debt and 49.99% of the equity in the Wakefield SPV. Other acquisition and disposal related costs of £0.8m (2015: £1.6m) have been incurred. The total charge of £9.5m is recorded £9.4m in administrative expenses and £0.1m in cost of sales (2015: £0.1m in cost of sales and £0.7m in administrative expenses).

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4. Non-trading and exceptional items continued

Other items

The onerous contract charge in the current year of £5.0m relates to the Cumbria PPP facilities as the contract has become loss-making in the second half of the year due to permanent changes in the UK off-take market. The prior year included a £2.1m charge following the reassessment of the best estimate of the required provisions for other contracts net of a credit of £1.4m following the final negotiated exit from a loss-making contract in Belgium.

As a result of the late delivery of full service on the Wakefield contract due to the insolvency of a subcontractor, the Group incurred damages under contract and other associated costs of £4.9m. The prior year charge of £3.0m related to contractual issues in the Canadian organics business following an arbitration ruling which included the write off of trade receivables and associated operating and legal costs.

In June 2015 the waterside processing plant at ATM was contaminated by the delivery of sludges containing a large quantity of molybdenum. Associated costs incurred were £1.3m (2015: £nil).

At ATM the identification of an over-recognition of revenue of £1.0m (2015: £nil) arose from the processing of soil following a change in operational processes as part of the investment programme in late 2014.

Following the fire at the Vliko site in 2014 and as part of the relocation programme agreed with the municipality, the old site was sold to the municipality in October 2015 and a profit on sale of £2.7m was recorded (2015: £nil). The proceeds from this sale have been used to start construction at the new location.

The total charge of £9.4m is recorded as £1.0m in revenue, £1.4m credit in cost of sales and £9.8m in administrative expenses (2015: £2.0m in revenue, £5.9m in cost of sales, £6.1m in administrative expenses and a credit of £4.4m in share of results from associates and joint ventures).

Impairment of assets and goodwill

Impairment of assets of £0.5m (2015: £23.5m) principally relate to plant and equipment at the Shanks Wood Products biomass facility in Belgium as a result of market changes. The prior year charge of £23.5m included goodwill impairment of £11.1m relating to Solid Waste Netherlands as a result of lower than expected performance in the division and an associated revision of the future trading performance and an impairment of plant and equipment of £12.4m at Belgian and UK facilities. The charge is split as to £0.1m (2015: £12.4m) in cost of sales and £0.4m (2015: £11.1m) in administrative expenses.

Amortisation of intangible assets acquired in business combinations of £1.8m (2015: £1.9m) is all recorded in cost of sales.

Financing fair value measurements credit of £0.1m (2015: £0.1m) is recorded in finance income.

Reconciliation of trading profit to EBITDA from continuing operations	**2016 £m**	2015 £m
Trading profit	**33.4**	34.3
Depreciation of property, plant and equipment	**33.2**	35.8
Amortisation of intangible assets (excluding acquisition intangibles)	**2.6**	2.5
Non-exceptional gains on disposal of property, plant and equipment	**(0.3)**	(0.2)
Non cash landfill related expense and provisioning	**(0.4)**	0.6
EBITDA from continuing operations	**68.5**	73.0

5. Operating profit

Operating profit for the year is stated after charging (crediting):

Continuing operations	Note	2016 £m	2015 £m
Staff costs	6	**144.1**	156.2
Depreciation of property, plant and equipment	15	**33.2**	35.8
Amortisation of intangible assets	14	**4.4**	4.4
Repairs and maintenance expenditure on property, plant and equipment		**35.1**	33.2
Net profit on disposal of property, plant and equipment		**(0.3)**	(0.2)
Non-trading and exceptional items	4	**23.6**	46.7
Trade receivables impairment	22	**1.3**	2.9
Government grants		**(0.3)**	(0.1)
Operating lease costs:			
– Minimum lease payments		**11.2**	11.3
– Less sub-lease rental income		**(0.2)**	(0.2)
		11.0	11.1

	2016 £m	2015 £m
Remuneration of the Group’s auditor, PricewaterhouseCoopers LLP and its associates:		
– Audit of parent company and consolidated financial statements	**0.2**	0.2
– Audit of subsidiaries pursuant to legislation	**0.5**	0.4
Fees payable to the auditors pursuant to legislation	**0.7**	0.6
Total non-audit fees – Other services	**0.1**	0.1
Total fees	**0.8**	0.7

6. Employees

Staff costs and the average monthly number of employees analysed by reportable segment are shown below:

	Note	2016 £m	2015 £m
Wages and salaries		**112.0**	120.6
Social security costs		**21.3**	23.9
Share-based benefits	7	**0.5**	1.3
Other pension costs	27	**10.3**	10.4
Total staff costs		**144.1**	156.2

	2016	2015
The average monthly number of employees by reportable segment during the year was:		
Commercial Waste	**2,012**	2,105
Hazardous Waste	**783**	789
Municipal	**631**	592
Group central services	**20**	20
Total average number of employees	**3,446**	3,506

The comparatives have been restated to reflect the new reportable segments.

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7. Share-based payments

Group and Company

As described in the Remuneration Report, the Group issues equity-settled share-based payments under a Savings Related Share Option Scheme (SRSOS), a Long Term Incentive Plan (LTIP) and a Deferred Annual Bonus (DAB) arrangement. The final options under the Executive Share Option Scheme (ESOS) expired on 5 June 2015.

Outstanding options

	SRSOS		ESOS		LTIP
	Options Number	Weighted average exercise price	Options Number	Weighted average exercise price	Options Number
Outstanding at 1 April 2014	1,293,714	76p	59,148	107p	10,359,000
Granted during the year	576,407	84p	–	–	3,358,000
Forfeited during the year	(189,190)	77p	(6,292)	114p	(300,000)
Expired during the year	(243,196)	77p	–	–	(1,792,000)
Exercised during the year	(130,366)	81p	(18,877)	91p	–
Outstanding at 31 March 2015	1,307,369	79p	33,979	114p	11,625,000
Granted during the year	816,336	75p	–	–	3,708,000
Forfeited during the year	(425,838)	80p	–	–	(880,000)
Expired during the year	(25,260)	90p	(33,979)	114p	(3,856,000)
Exercised during the year	(339,140)	74p	–	–	–
Outstanding at 31 March 2016	1,333,467	77p	–	–	10,597,000
Exercisable at 31 March 2016	70,910	73p	–	–	
Exercisable at 31 March 2015	31,297	92p	33,979	114p	
Weighted average share price at date of exercise		95p			
At 31 March 2016:					
Range of price per share at exercise		73p to 84p			
Weighted average remaining contractual life		1-2 years			

Fair value of options granted during the year

	SRSOS		LTIP			
Valuation model	**2016 Black-Scholes**	2015 Black-Scholes	**2016 Discounted**	2015 Discounted	**2016 Monte Carlo**	2015 Monte Carlo
Weighted average fair value	**18p**	24p	**109p**	104p	**29p**	22p
Weighted average share price	**90p**	103p	**109p**	104p	**109p**	104p
Weighted average exercise price	**75p**	84p	**–**	–	**–**	–
Expected volatility	**26%**	28%	**–**	–	**26%**	28%
Expected life	**3 years**	3 years	**3 years**	3 years	**3 years**	3 years
Risk-free interest rate	**0.5%**	1.35%	**–**	–	**0.7%**	1.4%
Dividend yield	**3.4%**	3.2%	**–**	–	**3.4%**	3.5%

For the LTIP awards granted, the fair value of the element subject to non-market conditions has been calculated using a discounted model based on the share price at the award date and the expense recognised is based on expectations of these conditions being met which are reassessed at each balance sheet date. The awards granted during 2014/15 and 2015/16 vest after three years, four years and five years, however there is no service condition after three years just a holding period of one and two years.

The Monte Carlo valuation model is used to determine the weighted average fair value of the market conditions element of awards granted. Expected volatility has been calculated using average volatility historical data over a three-year period from the grant date. The risk-free interest rate is based on the implied yield of zero-coupon government bonds with a remaining term equal to the expected life. The expected life used in the models equals the vesting period.

7. Share-based payments continued

On 29 May 2015 158,313 shares were granted in relation to the DAB for the year ended March 2015. The DAB awards for the year ended March 2016 have not yet been granted and therefore the charge is based on an estimate.

Further details and performance metrics of both LTIPs and DABs can be found in the Directors' Remuneration Report on pages 77 to 92.

Charge for the year
The Group recognised a total charge of £0.5m (2015: £1.3m) relating to equity-settled share-based payments.

8. Net finance charges

Continuing operations	**2016 £m**	2015 £m
Finance charges		
Interest payable on borrowings wholly repayable within five years	**9.5**	11.9
Interest payable on borrowings repayable after five years	**1.9**	–
Interest payable on PFI/PPP non-recourse net debt	**14.2**	12.8
Unwinding of discount on provisions (note 26)	**2.3**	2.1
Interest charge on the retirement pension scheme (note 27)	**0.5**	0.5
Amortisation of loan fees	**1.1**	0.9
Other finance costs	**0.5**	–
Total finance charges	**30.0**	28.2
Finance income		
Interest receivable on financial assets relating to PFI/PPP contracts (note 21)	**(16.2)**	(14.1)
Unwinding of discount on deferred consideration receivable	**(0.2)**	(0.2)
Interest income on bank deposits	**(0.1)**	(0.1)
Interest receivable on other loans and receivables	**(0.1)**	(0.4)
Total finance income	**(16.6)**	(14.8)
Change in fair value of derivatives at fair value through profit or loss	**(0.1)**	(0.1)
Net finance charges	**13.3**	13.3

9. Taxation

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

	2016 £m	2015 £m
Current tax:		
UK corporation tax		
– Current year	**1.0**	0.7
– Prior year	**–**	(0.2)
Overseas tax		
– Current year	**3.1**	4.2
– Prior year	**0.2**	(0.4)
Total current tax	**4.3**	4.3
Deferred tax (note 19)		
– Origination and reversal of temporary differences in the current year	**(2.6)**	(6.7)
– Adjustment in respect of prior year	**(0.2)**	0.1
Total deferred tax	**(2.8)**	(6.6)
Total tax charge (credit) for the year	**1.5**	(2.3)

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9. Taxation continued

The tax on the Group's loss for the year from continuing operations differs from the UK standard rate of tax of 20% (2015: 21%), as explained below:

	2016 £m	2015 £m
Total loss before taxation	**(2.5)**	(20.5)
Tax credit based on UK tax rate of 20% (2015: 21%)	**(0.5)**	(4.3)
Effects of:		
Adjustment to tax charge in respect of prior years	**–**	(0.5)
Profits taxed at overseas tax rates	**–**	(1.5)
Non-deductible impairments of goodwill	**–**	2.8
(Non-taxable) non-deductible other items	**(1.2)**	0.3
Non-taxable disposals	**(1.6)**	–
Unrecognised deferred tax assets	**3.8**	1.6
Change in tax rate	**1.0**	0.2
Revised income from equity accounted associates	**–**	(0.9)
Total tax charge (credit) for the year	**1.5**	(2.3)

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015. As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. As a result the UK deferred tax for the year has been calculated based on the enacted rates of 18%, 19% and 20% depending on when the timing differences are expected to reverse (2015: 20%).

10. Assets classified as held for sale and discontinued operations

Assets classified as held for sale

	2016 £m	2015 £m
Property, plant and equipment	**–**	3.5

The prior year included the material recycling facility at Kettering which was sold in September 2015 generating a profit of £0.4m which is reflected as a discontinued exceptional and non-trading item. In addition the land and buildings at Jaartsveld, a closed Hazardous Waste location, have been reclassified back to land and buildings as set out in note 15.

Discontinued operations

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

Income Statement

	2016 £m	2015 £m
Revenue	**0.1**	0.5
Cost of sales	**(0.2)**	(0.5)
Administrative expenses	**(0.2)**	(0.2)
Trading loss before exceptional and non-trading items	**(0.3)**	(0.2)
Exceptional and non-trading items	**0.4**	1.5
Operating profit before tax on discontinued operations	**0.1**	1.3
Taxation	**–**	–
Profit after tax on discontinued operations	**0.1**	1.3

10. Assets classified as held for sale and discontinued operations continued

Cash Flow Statement

	2016 £m	2015 £m
Net cash flows used in operating activities	**(0.3)**	(1.5)
Net cash flows generated from investing activities	**3.1**	0.8
Net cash flows generated from (used in) discontinued operations	**2.8**	(0.7)

11. Dividends

	2016 £m	2015 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend paid for the year ended 31 March 2015 of 2.35p per share (2014: 2.35p)	**9.3**	9.3
Interim dividend paid for the year ended 31 March 2016 of 1.1p per share (2015: 1.1p)	**4.4**	4.4
	13.7	13.7
Proposed final dividend for the year ended 31 March 2016 of 2.35p per share (2015: 2.35p)	**9.4**	9.3
Total dividend per share	**3.45p**	3.45p

12. Earnings per share

	2016	2015
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	**398.0m**	397.8m
Effect of share options in issue	**0.4m**	0.3m
Weighted average number of ordinary shares for diluted earnings per share	**398.4m**	398.1m
Continuing operations		
Loss attributable to owners of the parent used to determine basic and diluted earnings per share (£m)	**(4.0)**	(18.3)
Non-trading and exceptional items (net of tax) (£m) (see note 4)	**22.7**	38.2
Earnings attributable to owners of the parent for underlying basic and underlying diluted earnings per share (£m)	**18.7**	19.9
Basic and diluted loss per share	**(1.0)p**	(4.6)p
Underlying and underlying diluted earnings per share (see note below)	**4.7p**	5.0p
Discontinued operations		
Profit attributable to owners of the parent used to determine basic and diluted earnings per share (£m)	**0.1**	1.3
Non-trading and exceptional items (net of tax) (£m) (see note 4)	**(0.4)**	(1.5)
Loss attributable to owners of the parent for underlying basic and underlying diluted earnings per share (£m)	**(0.3)**	(0.2)
Basic and diluted earnings per share	**–**	0.3p
Underlying and underlying diluted loss per share (see note below)	**(0.1)p**	(0.1)p
Total operations		
Loss attributable to owners of the parent used to determine basic and diluted earnings per share (£m)	**(3.9)**	(17.0)
Non-trading and exceptional items (net of tax) (£m) (see note 4)	**22.3**	36.7
Earnings attributable to owners of the parent for underlying basic and underlying diluted earnings per share (£m)	**18.4**	19.7
Basic and diluted loss per share	**(1.0)p**	(4.3)p
Underlying and underlying diluted earnings per share (see note below)	**4.6p**	4.9p

The Directors believe that adjusting basic earnings per share for the effect of the amortisation of acquisition intangibles, the change in fair value of derivatives and exceptional items enables comparison with historical data calculated on the same basis. Exceptional items are those items that need to be disclosed separately on the face of the Income Statement, because of their size or incidence, to enable a better understanding of performance.

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13. Profit of parent company

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own Income Statement or Statement of Comprehensive Income. Shanks Group plc reported a profit for the year ended 31 March 2016 of £14.6m (2015: £2.3m loss). The Company operates solely in the UK providing central services.

14. Intangible assets

	Group					Company
	Goodwill £m	Landfill void £m	Computer software and others £m	Acquisition related intangibles £m	Total £m	Computer Software £m
Cost						
At 1 April 2014	229.3	21.2	10.0	28.2	288.7	1.1
Acquisition through business combination	0.1	–	–	–	0.1	–
Additions	–	–	1.2	–	1.2	0.1
Disposals	(0.7)	–	(1.1)	(1.0)	(2.8)	–
Reclassification	–	–	2.6	–	2.6	–
Exchange	(28.1)	(2.6)	(1.1)	(3.4)	(35.2)	–
At 31 March 2015	200.6	18.6	11.6	23.8	254.6	1.2
Acquisition through business combination	0.3	–	–	–	0.3	–
Additions	–	–	4.9	–	4.9	–
Disposals	(0.1)	–	(0.1)	–	(0.2)	–
Reclassification	–	–	3.9	–	3.9	–
Exchange	18.7	1.7	1.1	2.2	23.7	–
At 31 March 2016	**219.5**	**20.3**	**21.4**	**26.0**	**287.2**	**1.2**
Accumulated amortisation and impairment						
At 1 April 2014	41.1	9.4	7.1	20.0	77.6	0.4
Amortisation charge	–	1.5	1.0	1.9	4.4	0.3
Impairment charge	11.1	–	0.3	–	11.4	–
Disposals	–	–	(1.2)	(1.0)	(2.2)	–
Exchange	(6.0)	(1.2)	(0.7)	(2.5)	(10.4)	–
At 31 March 2015	46.2	9.7	6.5	18.4	80.8	0.7
Amortisation charge	–	1.4	1.2	1.8	4.4	0.2
Disposals	(0.1)	–	(0.1)	–	(0.2)	–
Exchange	4.4	0.8	0.7	1.8	7.7	–
At 31 March 2016	**50.5**	**11.9**	**8.3**	**22.0**	**92.7**	**0.9**
Net book value						
At 31 March 2016	**169.0**	**8.4**	**13.1**	**4.0**	**194.5**	**0.3**
At 31 March 2015	154.4	8.9	5.1	5.4	173.8	0.5
At 31 March 2014	188.2	11.8	2.9	8.2	211.1	0.7

The £4.9m (2015: £1.2m) additions in the year include £3.7m (2015: £nil) contract rights in relation to UK Municipal contracts. The reclassification of £3.9m in the year relates to UK Municipal contract rights which have been reclassified from financial assets. The reclassification in the prior year of £2.6m related to a contract right over leasehold land that was reclassified from land and buildings.

Of the total £4.4m (2015: £4.4m) amortisation charge for the year, £1.8m (2015: £1.9m) related to intangible assets arising on acquisition. Of the remaining amortisation expense of £2.6m (2015: £2.5m), £1.6m (2015: £1.7m) has been charged in cost of sales and £1.0m (2015: £0.8m) has been charged in administrative expenses.

The acquisition related intangibles net book value of £4.0m (2015: £5.4m) included customer lists of £1.3m (2015: £2.6m) and permits of £1.8m (2015: £1.9m).

14. Intangible assets continued

Goodwill impairment

Impairment testing is carried out at cash generating unit (CGU) level on an annual basis. The following is a summary of the goodwill allocation for each reporting segment:

	2016 £m	2015 £m
Commercial Waste	**61.9**	56.3
Hazardous Waste	**92.3**	84.3
Municipal	**14.8**	13.8
Total goodwill	**169.0**	154.4

The comparatives have been restated to reflect the new reportable segments.

Following the divisional restructuring described in note 3, the Netherlands Solid Waste and Netherlands Organics CGUs combined to form the Netherlands Commercial Waste CGU. This now represents the lowest level at which goodwill is monitored by management for internal reporting purposes and the level which represents the smallest identifiable group of assets which generate largely independent cash inflows.

The Group estimates the recoverable amount of a CGU using a value in use model by projecting cash flows for the next five years together with a terminal value using a growth rate. The key assumptions underpinning the recoverable amounts of the CGUs tested for impairment is forecast revenue and trading profit. The forecast revenues in these models are based on management's predictions of overall market growth rates, including both volume and price. Trading margin is the average trading profit margin as a percentage of revenue over the five-year forecast period. The five-year plans used in the impairment models are based on management's past experience and future expectations of performance and reflect the planned changes in the CGUs as a result of restructuring programmes and actions instigated in the current year together with limited recovery and improvement in general market and economic conditions.

For each of the CGUs with significant goodwill in comparison with the total carrying value of goodwill of the Group, the key assumptions, long-term growth rate and discount rate used in the value in use calculations are shown below. In addition, where there has been an impairment loss in a CGU, the recoverable amount is also disclosed below:

31 March 2016	Netherlands Commercial Waste	Hazardous Waste
Revenue (% annual growth rate)	2.9%	2.5%
Trading margin (average % of revenue)	7.8%	13.2%
Long-term growth rate	2.0%	2.0%
Pre-tax discount rate	8.6%	8.6%

31 March 2015	Netherlands Solid Waste	Hazardous Waste
Revenue (% annual growth rate)	3.5%	4.7%
Trading margin (average % of revenue)	5.5%	13.5%
Long-term growth rate	2.0%	2.0%
Pre-tax discount rate	9.9%	10.1%
Recoverable amount of the CGU	£174m	N/A

The recoverable amount of the Netherlands Commercial Waste CGU exceeds its carrying amount by £113m (€142m) at 31 March 2016. The recoverable amount would equal the carrying amount of the CGU if the annual revenue growth rate fell to 1.3% or if the average trading margin decreased to 4.2%. No other reasonably possible changes for key assumptions have been identified that could cause the recoverable amount of the CGU to equal its carrying amount.

In the current and prior years, the recoverable amounts of the Hazardous Waste and Municipal CGUs were in excess of the carrying values and it is considered unlikely that any reasonably possible change to key assumptions would result in an impairment charge.

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14. Intangible assets continued

Goodwill impairment losses
The prior year net impairment loss of £11.1m recognised in the consolidated Income Statement within exceptional administrative expenses, related to the Netherlands Solid Waste CGU as a result of lower than expected performance in the division in that year and an associated revision of the future trading performance. Following this impairment the carrying value of the goodwill of the Netherlands Solid Waste CGU was £51.8m. At 31 March 2015, any decrease in the growth rate in revenue over the review period (without any further cost actions) or in the long-term growth rate or any increase in the pre-tax discount rate would have meant that the carrying value of the Netherlands Solid Waste CGU would have exceeded its recoverable amount resulting in a further impairment.

15. Property, plant and equipment

Group	Land and buildings £m	Landfill sites £m	Plant and machinery £m	Total £m
Cost				
At 1 April 2014	246.5	41.7	510.7	798.9
Acquisition through business combination	–	–	0.3	0.3
Additions	12.0	–	34.4	46.4
Disposals	(0.7)	–	(11.7)	(12.4)
Transfer to assets held for sale	(2.8)	–	–	(2.8)
Reclassification	(2.1)	–	(0.5)	(2.6)
Exchange	(26.2)	(5.2)	(63.1)	(94.5)
At 31 March 2015	226.7	36.5	470.1	733.3
Acquisition through business combination	–	–	0.1	0.1
Additions	11.5	–	16.9	28.4
Disposals	(6.6)	–	(34.2)	(40.8)
Transfer from assets held for sale	3.3	–	–	3.3
Exchange	17.9	3.4	40.9	62.2
At 31 March 2016	**252.8**	**39.9**	**493.8**	**786.5**
Accumulated depreciation and impairment				
At 1 April 2014	90.9	38.4	346.9	476.2
Depreciation charge	8.0	0.3	27.5	35.8
Impairment charge	0.6	–	9.9	10.5
Disposals	(0.4)	–	(9.9)	(10.3)
Transfer to assets held for sale	(1.7)	–	–	(1.7)
Reclassification	1.6	–	(1.6)	–
Exchange	(10.7)	(4.8)	(44.6)	(60.1)
At 31 March 2015	88.3	33.9	328.2	450.4
Depreciation charge	8.0	0.2	25.0	33.2
Impairment charge	0.2	–	0.3	0.5
Disposals	(3.9)	–	(32.6)	(36.5)
Transfer from asset held for sale	1.7	–	–	1.7
Exchange	7.6	3.2	29.4	40.2
At 31 March 2016	**101.9**	**37.3**	**350.3**	**489.5**
Net book value				
At 31 March 2016	**150.9**	**2.6**	**143.5**	**297.0**
At 31 March 2015	138.4	2.6	141.9	282.9
At 31 March 2014	155.6	3.3	163.8	322.7

15. Property, plant and equipment continued

During the year the assets relating to the Jaartsveld Hazardous Waste site were transferred back to property, plant and equipment as the sale process was not successful.

Included in plant and machinery are assets held under finance leases with a net book value of £11.0m (2015: £11.7m) and in land and buildings are assets under finance leases with a net book value of £2.8m (2015: £2.6m).

Included above are plant and machinery assets under construction of £4.2m (2015: £6.5m) and land and buildings assets under construction of £3.0m (2015: £7.4m).

Depreciation expense of £32.1m (2015: £34.8m) has been charged in cost of sales and £1.1m (2015: £1.0m) in administrative expenses.

The reclassification of £2.6m in the prior year related to a contract right over leasehold land that was reclassified to intangible assets.

The current year impairment charge of £0.5m (2015: £10.5m) relates principally to plant and equipment at the Belgium Commercial Shanks Wood Products facility as a result of market changes. The recoverable amount of this facility was determined with reference to the estimated fair value less costs of disposal of the land and buildings based on an external valuation. The prior year charge of £10.5m included £6.0m relating to the UK Organics Westcott Park site, £4.4m relating to the Belgium Solid Waste Ghent site and £0.1m as a result of portfolio activities. The pre-tax discount rates applied to the value in use calculations were 9.5% and 9.3% respectively. The impairment charge was split £0.1m (2015: £10.5) cost of sales and £0.4m (2015: £nil) administrative expenses.

Company	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 April 2014	0.1	0.1	0.2
Additions	–	0.2	0.2
Disposals	–	(0.1)	(0.1)
At 31 March 2015 and March 2016	**0.1**	**0.2**	**0.3**
Accumulated depreciation			
At 1 April 2014	–	0.1	0.1
Disposals	–	(0.1)	(0.1)
At 31 March 2015 and March 2016	**–**	**–**	**–**
Net book value			
At 31 March 2016	**0.1**	**0.2**	**0.3**
At 31 March 2015	0.1	0.2	0.3
At 31 March 2014	0.1	–	0.1

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16. Investments

	Group					Company
	Loans to joint ventures £m	Joint ventures £m	Associates £m	Other unlisted investments £m	Total £m	Investments in subsidiary undertakings £m
At 1 April 2014	2.3	1.3	1.7	3.1	8.4	533.4
Additions	–	1.3	–	–	1.3	56.4
Disposals	–	–	–	(0.3)	(0.3)	–
Repayment	(1.0)	–	–	–	(1.0)	(102.4)
Share of retained profits	–	0.5	4.7	–	5.2	–
Fair value adjustment on cash flow hedges	–	(0.1)	(3.0)	–	(3.1)	–
Exchange	–	–	–	(0.4)	(0.4)	–
At 31 March 2015	1.3	3.0	3.4	2.4	10.1	487.4
Additions	–	0.7	–	–	0.7	15.0
Share of retained profits	–	0.6	0.4	–	1.0	–
Disposals	–	–	–	–	–	(3.6)
Dividend income	–	(0.1)	–	–	(0.1)	–
Fair value adjustment on cash flow hedges	–	–	0.1	–	0.1	–
Exchange	–	–	–	0.3	0.3	–
At 31 March 2016	**1.3**	**4.2**	**3.9**	**2.7**	**12.1**	**498.8**

On 30 March 2016 the Group signed a share purchase agreement to dispose of 100% of the subordinated debt and 49.99% of the equity interest in Wakefield Waste PFI Holdings Limited. The Group's remaining holding in the Wakefield PFI is now recognised as a joint venture, see notes 2 and 18 for further details.

Joint ventures are held at nil value when the Group’s share of losses exceeds the carrying amount as a result of the charge in relation to the fair value movement on cash flow interest rate hedges. The Group’s share of losses in the year was £1.9m (2015: £7.9m), cumulatively £9.8m (2015: £7.9m) which are unrecognised.

Where the associate or joint venture holds non-recourse PFI/PPP debt there is a restriction on payment of dividends, this is due to the terms of the financing facility agreements and requires lender approval.

Details of subsidiary undertakings, joint ventures and investments in associates are shown in note 35. The nature of the Group’s principal joint ventures and associates are typically in companies holding UK PFI arrangements with non-recourse borrowings. We have assessed each entity and have not identified any as individually material for further disclosure.

Disposals in the Company of £3.6m relate to its investment in a dormant non-trading subsidiary which was placed into voluntary liquidation on 14 December 2015. The prior year repayment in the Company relates to an in specie dividend of £104.4m of which £102.4m was deemed to be a return of investment resulting in a £2.0m credit to the Income Statement.

17. Derivative financial instruments

Group	2016 Assets £m	2016 Liabilities £m	2015 Assets £m	2015 Liabilities £m
Interest rate swaps – effective hedges	**–**	**27.9**	–	42.6
Interest rate swaps – at fair value through profit or loss	**–**	**0.2**	–	0.3
Forward foreign exchange contracts – effective hedges	**0.3**	**0.1**	–	0.3
Fuel derivatives – effective hedges	**–**	**3.0**	0.1	0.9
Total	**0.3**	**31.2**	0.1	44.1
Current	**0.3**	**2.4**	0.1	0.3
Non-current	**–**	**28.8**	–	43.8
Total	**0.3**	**31.2**	0.1	44.1

The fair value of a cash flow hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than one year and as a current asset or liability when the remaining maturity is less than one year.

The notional principal amount of the outstanding interest rate swap contracts at 31 March 2016 was £104.3m (2015: £237.0m). The expiry dates of the contracts range from 16 January 2023 (earliest) to 30 June 2037 (latest).

The notional principal amount of the forward foreign exchange contracts was £5.6m (2015: £4.0m). The hedged highly probable forecast transactions denominated in a foreign currency are expected to occur at various dates up to 3 March 2017.

The value of wholesale fuel covered by fuel derivatives at 31 March 2016 amounted to £9.6m (2015: £7.3m), the hedged highly probable forecast purchases of wholesale fuel are expected to occur throughout the years ending 31 March 2017 and 31 March 2018.

Cumulative losses recognised in equity on the derivative financial instruments at 31 March 2016 were £30.7m (2015: £43.7m) with a loss of £4.8m recognised in the current year (2015: £28.1m loss) in the Statement of Comprehensive Income and £17.8m of losses reclassified from equity to the Income Statement in the year as a result of the interest rate swap contracts disposed of in relation to Wakefield Waste PFI Limited as set out in note 18.

The Company held fuel derivatives with a current liability of £2.3m (2015: £0.9m) and a non-current liability of £0.7m (2015: £nil) and the prior year also included a current asset of £0.1m. Forward foreign exchange contracts were also held with a current liability of £0.1m (2015: £nil). The notional value of the wholesale fuel covered by fuel derivatives as at 31 March 2016 amounted to £9.6m (2015: £7.3m) and the notional value of the forward foreign exchange contracts was £2.4m (2015: £nil).

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18. Acquisitions and disposals

Acquisitions

On 23 December 2015 the Netherlands Commercial Waste division acquired Paper Recycling Alphen BV for a total consideration of £0.3m net of cash acquired. The business included plant and machinery assets of £0.1m and the residual excess of £0.3m over the net assets acquired has been recognised in goodwill representing the synergies of acquiring this recycling business.

Disposals

On 30 November 2015 Shanks sold 100% of its holding in Shanks Wallonia Industrial Cleaning SA, a non-core industrial cleaning business in the Belgium Commercial Waste segment. A loss of £3.7m was recognised in non-trading administrative expenses as a result of the transaction. This included a working capital adjustment which is recorded within deferred consideration and is payable during the year ending March 2017.

As detailed in note 2, on 30 March 2016 the Group signed a share purchase agreement to dispose of 100% of the subordinated debt and 49.99% of its equity interest in the Wakefield Waste PFI Holdings Limited. A loss of £5.0m was recognised in non-trading administrative expenses as a result of the transaction. Total cash consideration was £30.0m of which £25.8m was received before the year end. The remaining deferred consideration of £4.2m is expected to be received within the next year. As explained in note 2 the remaining holding in the Wakefield SPV is now recognised as a joint venture.

The aggregate effect of the disposals on the Group's assets and liabilities was as follows:

Net assets disposed	Total £m
Property, plant and equipment	(0.6)
Financial assets relating to PFI/PPP contracts	(133.7)
Deferred taxation	(2.6)
Trade and other receivables	(4.1)
Trade and other payables	6.6
Provisions	0.8
Derivative financial instruments	17.8
Cash	(0.7)
Borrowings – PFI/PPP non-recourse net debt	80.4
Net assets sold	(36.1)
Costs directly related to the disposals	(2.2)
Loss on disposal	8.7
Consideration receivable	(29.6)
Net cash flow effect	
Consideration receivable	29.6
Less deferred consideration	(3.8)
Less cash and cash equivalents disposed	(0.7)
Less costs associated with the disposals	(0.7)
Net cash inflow	**24.4**

19. 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 scheme £m	Tax losses £m	Derivative financial instruments £m	Capital allowances £m	Other timing differences £m	Total £m
At 1 April 2014	2.6	4.0	3.3	(33.6)	(2.8)	(26.5)
(Charge) credit to Income Statement (note 9)	(0.5)	5.2	–	2.7	(0.8)	6.6
Credit to equity	1.2	–	5.6	–	0.2	7.0
Exchange	–	–	–	3.6	0.8	4.4
At 31 March 2015	3.3	9.2	8.9	(27.3)	(2.6)	(8.5)
(Charge) credit to Income Statement (note 9)	(0.5)	0.4	–	1.7	1.2	2.8
(Charge) credit to equity	(0.9)	–	0.2	–	(0.2)	(0.9)
Disposal of subsidiary	–	(2.9)	(3.2)	4.9	(1.4)	(2.6)
Exchange	–	0.2	–	(2.2)	(0.5)	(2.5)
At 31 March 2016	**1.9**	**6.9**	**5.9**	**(22.9)**	**(3.5)**	**(11.7)**
Deferred tax assets	**1.9**	**1.7**	**5.9**	**7.2**	**3.2**	**19.9**
Deferred tax liabilities	**–**	**5.2**	**–**	**(30.1)**	**(6.7)**	**(31.6)**
At 31 March 2016	**1.9**	**6.9**	**5.9**	**(22.9)**	**(3.5)**	**(11.7)**
Deferred tax assets	3.3	1.0	8.9	4.6	3.9	21.7
Deferred tax liabilities	–	8.2	–	(31.9)	(6.5)	(30.2)
At 31 March 2015	3.3	9.2	8.9	(27.3)	(2.6)	(8.5)

At 31 March 2016, £19.1m (2015: £21.2m) of the deferred tax asset and £31.6m (2015: £30.2m) of the deferred tax liability is expected to be recovered after more than one year.

As at 31 March 2016, the Group had unused trading losses (tax effect) of £29.4m (2015: £29.7m) available for offset against future profits. A deferred tax asset has been recognised in respect of £6.9m (2015: £9.2m) of such losses and recognition is based on management's projections of future profits in the relevant companies. No deferred tax asset has been recognised in respect of the remaining £22.5m (2015: £20.5m) due to the uncertainty of future profit streams. Tax losses may be carried forward indefinitely in the relevant companies.

No liability has been recognised on the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries. This is because the Group is in a position to control the timing and method of the reversal of the differences and it is probable that such differences will not give rise to a tax liability in the foreseeable future. The total temporary difference at 31 March 2016 amounted to £157.5m (2015: £140.7m) and the unrecognised deferred tax on the unremitted earnings is estimated to be £0.3m (2015: £0.4m) which relates to taxes payable on repatriation and dividend withholding taxes levied by overseas jurisdictions. UK tax legislation relating to company distributions provides for exemption from tax for most repatriated profits, subject to certain exemptions.

Company	Retirement benefit schemes £m	Derivative financial instruments £m	Other timing differences £m	Total £m
At 1 April 2014	2.6	0.1	0.8	3.5
Charge to Income Statement	(0.5)	–	–	(0.5)
Credit to equity	1.2	0.1	0.2	1.5
At 31 March 2015	3.3	0.2	1.0	4.5
(Charge) credit to Income Statement	(0.5)	0.4	(0.2)	(0.3)
Charge to equity	(0.9)	–	(0.2)	(1.1)
At 31 March 2016	**1.9**	**0.6**	**0.6**	**3.1**

At 31 March 2016, £3.1m (2015: £4.5m) of the deferred tax asset is expected to be recovered after more than one year.

As at 31 March 2016, the Company has unused tax losses (tax effect) of £5.9m (2015: £5.0m) 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.

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20. Inventories

	Group	
	2016 £m	2015 £m
Raw materials and consumables	**6.1**	6.2
Finished goods	**0.7**	0.7
	6.8	6.9

21. Financial assets relating to PFI/PPP contracts

Financial assets result from the application of IFRIC 12 on accounting for concession arrangements relating to the UK and Canada PFI/PPP Municipal contracts and they are measured initially at fair value of consideration receivable and subsequently at amortised cost.

The movement in the carrying value of financial assets follows:

Group	£m
At 1 April 2014	195.6
Income recognised in the income statement: Interest Income (note 8)	14.1
Advances	73.7
Repayments	(7.3)
Reclassified to provisions	2.1
At 31 March 2015	278.2
Income recognised in the income statement: Interest Income (note 8)	16.2
Advances	37.3
Disposal	(133.7)
Repayments	(36.4)
Reclassified to intangible assets (note 14)	(3.9)
Exchange	0.9
At 31 March 2016	**158.6**
Current	**12.8**
Non-current	**145.8**
At 31 March 2016	**158.6**
Current	31.6
Non-current	246.6
At 31 March 2015	278.2

Further to the agreement to sell 49.99% of the equity of the Wakefield Waste SPV the financial assets relating to this contract have been disposed of as set out in note 18.

The reclassification of £3.9m in the year relates to UK Municipal contract rights which have been reclassified to intangible assets as set out in note 14 and the prior year reclassification of £2.1m to provisions also related to UK Municipal contracts.

22. Trade and other receivables

	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Non-current assets				
Amounts owed by subsidiary undertakings	**–**	–	**81.1**	82.8
Deferred consideration	**0.5**	1.0	**–**	–
Other receivables	**0.6**	1.2	**–**	–
	1.1	2.2	**81.1**	82.8
Current assets				
Trade receivables	**71.2**	81.2	**–**	–
Provision for impairment of receivables	**(7.5)**	(6.6)	**–**	–
Trade receivables – net	**63.7**	74.6	**–**	–
Accrued income	**20.0**	26.0	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**174.5**	218.9
Deferred consideration	**4.7**	0.7	**–**	–
Other receivables	**22.5**	8.0	**0.4**	0.3
Prepayments	**11.5**	11.7	**0.1**	0.1
	122.4	121.0	**175.0**	219.3

As at 31 March 2016, the carrying amount included in trade receivables and other receivables representing the Group's continuing involvement in trade receivables sold to third parties under invoice finance facilities (as described on page 120) totalled £3.3m (2015: £nil) and £3.4m (2015: £nil) respectively.

Movement in the provision for impairment of receivables:

	Group 2016 £m	Group 2015 £m
At 1 April	**6.6**	5.6
Charged to Income Statement	**1.3**	2.9
Utilised	**(0.7)**	(1.2)
Disposal of subsidiary	**(0.2)**	–
Exchange	**0.5**	(0.7)
At 31 March	**7.5**	6.6

The allowance for bad and doubtful debts is equivalent to 10.5% (2015: 8.1%) of gross trade receivables.

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

	Group 2016 £m	Group 2015 £m
Neither impaired nor past due	**47.3**	53.6
Not impaired but overdue by less than three months	**14.7**	20.1
Not impaired but overdue by between three and six months	**0.5**	0.4
Not impaired but overdue by more than six months	**1.2**	0.5
Impaired	**7.5**	6.6
Impairment provision	**(7.5)**	(6.6)
	63.7	74.6

Past due and current amounts are not impaired where collection is considered likely. The Group considers that the carrying amount of trade and other receivables approximates their fair value.

There is no other concentration of credit risk with respect to trade and other receivables as the Group has a large number of customers internationally dispersed with no individual customer owing a significant amount.

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22. Trade and other receivables continued

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

	Group		Company	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Sterling	**41.2**	32.0	**65.3**	107.8
Euro	**80.9**	88.7	**163.1**	191.7
Canadian Dollar	**1.4**	2.5	**27.7**	2.6
	123.5	123.2	**256.1**	302.1

23. Cash and cash equivalents

	Group		Company	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Cash at bank and in hand	**34.6**	60.6	**2.6**	8.0
Short-term deposits	**0.1**	0.2	**–**	–
	34.7	60.8	**2.6**	8.0

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

	Group		Company	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Sterling	**9.3**	18.2	**1.5**	1.5
Euro	**24.7**	40.8	**0.8**	6.3
Canadian Dollar	**0.7**	1.8	**0.3**	0.2
	34.7	60.8	**2.6**	8.0

24. Borrowings

	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Current borrowings				
Retail bonds	**–**	72.2	**–**	72.2
Finance lease obligations	**2.4**	2.8	**–**	–
Core borrowings	**2.4**	75.0	**–**	72.2
PFI/PPP non-recourse net debt	**3.2**	62.3	**–**	–
	5.6	137.3	**–**	72.2
Non-current borrowings				
Senior notes	**–**	28.8	**–**	–
Retail bonds	**157.5**	71.8	**157.5**	71.8
Bank loans	**59.6**	31.3	**51.8**	8.7
Finance lease obligations	**7.8**	8.9	**–**	–
Core borrowings	**224.9**	140.8	**209.3**	80.5
PFI/PPP non-recourse net debt	**87.9**	160.3	**–**	–
	312.8	301.1	**209.3**	80.5

The table below details the maturity profile of non-current borrowings:

	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Between one and two years	**5.0**	7.1	**–**	–
Between two years and five years	**150.0**	152.1	**130.4**	80.5
Over five years	**157.8**	141.9	**78.9**	–
	312.8	301.1	**209.3**	80.5

At 31 March 2016, the Group's core bank financing was a £142.7m (€180m) (2015: £130.2m (€180m)) multi-currency revolving credit facility with seven major banks expiring in January 2019. At 31 March 2016, £61.3m (€77.4m) (2015: £37.0m (€51.1m)) of the revolving credit facility was drawn and the remaining £81.4m (€102.6m) (2015: £93.2m (€128.9m)) funds were available for drawing by way of a revolving credit facility on a maximum of three days notice or for ancillaries.

On 16 June 2015 the Group issued €100m of seven year green retail bonds and on 22 October 2015 the €100m five year retail bonds issued in October 2010 were redeemed for £73.5m. At 31 March 2016 the Group has two tranches of retail bonds to investors in Belgium and Luxembourg which are listed on the London Stock Exchange. The 2019 retail bonds of £79.3m (€100m) (2015: £72.4m (€100m)) have an annual coupon of 4.23% and the 2022 green retail bonds of £79.3m (€100m) (2015: £nil) have an annual coupon of 3.65%.

On 26 June 2015 the Group repaid early the remaining £28.5m (€40m) of seven year Pricoa private placement senior notes issued in April 2011 at a fixed interest rate of 5.025%.

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

Group	2016 Minimum lease payments £m	2016 Interest £m	2016 Principal £m	2015 Minimum lease payments £m	2015 Interest £m	2015 Principal £m
Within one year	**2.8**	**(0.4)**	**2.4**	3.2	(0.4)	2.8
Between one and five years	**5.8**	**(0.9)**	**4.9**	6.9	(0.8)	6.1
More than five years	**4.5**	**(1.6)**	**2.9**	4.6	(1.8)	2.8
	13.1	**(2.9)**	**10.2**	14.7	(3.0)	11.7

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 further debt or leases.

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24. Borrowings continued

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

	Group		Company	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Sterling	**112.6**	228.4	**16.9**	5.8
Euro	**200.8**	187.3	**192.4**	146.9
Canadian Dollar	**5.0**	22.7	**–**	–
	318.4	438.4	**209.3**	152.7

Offsetting

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

	2016	2015
	Bank Loans PFI/PPP non-recourse net debt £m	Bank Loans PFI/PPP non-recourse net debt £m
PFI/PPP non-recourse gross debt	**105.8**	233.9
PFI/PPP cash and cash equivalents	**(14.7)**	(11.3)
PFI/PPP non-recourse net debt	**91.1**	222.6

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 committed term borrowings under the 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 drawdowns are arranged as necessary and an adequate level of headroom is maintained. The Group's exposure to and the way it manages liquidity risk has not changed from the previous year.

Undrawn committed borrowing facilities:

	Core borrowings		PFI/PPP non-recourse net debt		Total Group	
Group	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Expiring within one year	**–**	–	**–**	20.2	**–**	20.2
Expiring between one and two years	**–**	–	**–**	8.8	**–**	8.8
Expiring in more than two years	**81.4**	93.4	**1.9**	1.4	**83.3**	94.8
	81.4	93.4	**1.9**	30.4	**83.3**	123.8

In addition, the Group had access to £25.1m (2015: £26.8m) of undrawn uncommitted working capital facilities.

In the majority of cases subsidiaries holding non-recourse PFI/PPP debt and financial assets are restricted in their ability to transfer funds to the parent in the form of cash dividends or to repay loans and advances. This is due to the terms of the financing facility agreements and require lender approval to make such transfers.

As at 31 March 2016, the Company had undrawn committed borrowing facilities at floating interest rates of £81.4m (2015: £93.4m) expiring in more than two years.

24. Borrowings continued

The following table analyses the Group's financial liabilities and net settled derivative financial instruments into relevant maturity groupings. The maturities of the undiscounted cash flows, including interest and principal, at the balance sheet date are based on the earliest date on which the Group is obliged to pay.

	Within one year £m	Between one and five years £m	Over five years £m
At 31 March 2016			
Retail bonds	**5.7**	**99.0**	**84.5**
Bank loans – core borrowings	**1.4**	**63.9**	**–**
Bank loans – PFI/PPP non-recourse net debt	**6.7**	**26.7**	**116.0**
Finance lease liabilities	**2.8**	**5.8**	**4.5**
Net settled derivative financial instruments	**3.7**	**13.5**	**25.4**
Trade and other payables	**171.7**	**1.2**	**2.7**
	192.0	**210.1**	**233.1**
At 31 March 2015			
Senior notes	1.5	32.6	–
Retail bonds	79.0	84.6	–
Bank loans – core borrowings	0.9	35.0	–
Bank loans – PFI/PPP non-recourse net debt	70.5	47.8	191.9
Finance lease liabilities	3.2	6.9	4.6
Net settled derivative financial instruments	6.5	23.7	50.4
Trade and other payables	157.1	0.4	–
	318.7	231.0	246.9

Security of borrowing facilities

The Group's core bank loans and retail bonds are unsecured but are subject to cross guarantees within the Group. Each PFI/PPP company has non-recourse loan facilities which are secured by a legal mortgage over any land and a fixed and floating charge over the assets of the PFI/PPP company.

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

	Group		Company	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Current liabilities				
Trade payables	**89.2**	70.6	**0.3**	0.1
Other tax and social security payable	**16.4**	10.8	**0.3**	0.4
Other payables	**15.0**	15.4	**0.5**	0.6
Accruals	**66.3**	71.0	**8.1**	6.5
Deferred revenue	**15.2**	19.1	**–**	–
Deferred consideration	**1.2**	0.1	**–**	–
Amounts owed to Group undertakings	**–**	–	**30.5**	76.6
	203.3	187.0	**39.7**	84.2
Non-current liabilities				
Other payables	**2.9**	–	**–**	–
Deferred revenue	**2.2**	–	**–**	–
Deferred consideration	**1.0**	0.4	**–**	–
Government grants	**0.3**	0.2	**–**	–
Amounts owed to Group undertakings	**–**	–	**96.9**	152.4
	6.4	0.6	**96.9**	152.4

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

	Group		Company	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Sterling	**74.0**	64.3	**111.8**	222.3
Euro	**131.6**	121.6	**24.8**	14.3
Canadian Dollar	**4.1**	1.7	**–**	–
	209.7	187.6	**136.6**	236.6

26. Provisions

Group	Site restoration and aftercare £m	Restructuring £m	Other £m	Total £m
At 1 April 2015	32.9	1.7	14.6	49.2
Provided in the year	0.2	1.3	8.2	9.7
Released in the year	(0.3)	–	(0.1)	(0.4)
Disposal of subsidiary	–	–	(0.8)	(0.8)
Finance charges – unwinding of discount (note 8)	1.3	–	1.0	2.3
Utilised in the year	(0.3)	(1.8)	(4.3)	(6.4)
Exchange	3.1	0.1	0.1	3.3
At 31 March 2016	**36.9**	**1.3**	**18.7**	**56.9**
Current	**2.5**	**1.3**	**9.2**	**13.0**
Non-current	**34.4**	**–**	**9.5**	**43.9**
At 31 March 2016	**36.9**	**1.3**	**18.7**	**56.9**
Current	2.0	1.7	5.1	8.8
Non-current	30.9	–	9.5	40.4
At 31 March 2015	32.9	1.7	14.6	49.2

Site restoration
The site restoration provision as at 31 March 2016 related to the cost of final capping and covering of the landfill sites. The Group's minimum unavoidable costs have been reassessed at the year end and the net present value fully provided for. These costs are expected to be paid over a period of up to 23 years from the balance sheet date and may be impacted by a number of factors including changes in legislation and technology.

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

Restructuring
The restructuring provision relates to redundancy and related costs incurred as part of the previous structural cost programme and also recent restructuring initiatives. As at 31 March 2016 the remaining affected employees are expected to leave the business during the following year.

Other
Other provisions principally cover onerous contracts, onerous leases, lifecycle expenditure obligations, warranties and indemnities. Onerous contracts are provided at the net present value of the least net cost of either exiting the contracts or fulfilling our obligations under the contracts. The provisions are to be utilised over the period of the contracts to which they relate with the latest date being 2034. Under the terms of the agreements for the disposal of certain businesses, the Group has given a number of warranties and indemnities to the purchasers which may give rise to payments.

Company	Restructuring £m	Other £m	Total £m
At 1 April 2015	0.1	1.0	1.1
Utilised in the year	(0.1)	(0.2)	(0.3)
At 31 March 2016	**–**	**0.8**	**0.8**
Current	**–**	**0.8**	**0.8**
Non-current	**–**	**–**	**–**
At 31 March 2016	**–**	**0.8**	**0.8**
Current	0.1	1.0	1.1
Non-current	–	–	–
At 31 March 2015	0.1	1.0	1.1

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27. Retirement benefit schemes

Retirement benefit costs	Group **2016** **£m**	 2015 £m
UK defined contribution scheme	**1.0**	0.7
UK defined benefit scheme	**0.3**	0.3
Overseas pension schemes	**9.0**	9.4
	10.3	10.4

UK defined benefit scheme

The Group and Company's principal defined benefit pension scheme is the Shanks Group Pension Scheme which covers eligible UK employees and is closed to new entrants. The defined benefit plan provides benefits to members in the form of a guaranteed level of pension payable for life, the level of benefits provided depends on the members' length of service and salary. Plan assets are managed by the trustees. There are five trustees, three were appointed by the Company and two nominated by members, who are responsible for ensuring the scheme is run in accordance with the members' best interests and the pension laws of the UK (which are overseen by The Pensions Regulator).

The most recent triennial actuarial valuation of the Scheme, which was performed by independent qualified actuaries for the trustees of the Scheme, was carried out as at 5 April 2015. The valuation is not yet finalised but the Group has indicated that it will aim to eliminate the pension plan deficit over a further six years, with an agreed annual deficit contribution of £3.1m. The total estimated contributions expected to be paid to the scheme in the year ending 31 March 2017 are £3.3m.

The significant actuarial assumptions adopted at the balance sheet date were as follows:

	2016 **% p.a.**	2015 % p.a.
Discount rate	**3.5**	3.4
Rate of price inflation	**3.0**	3.1
Consumer price inflation	**2.0**	2.0

The discount rate assumption is derived from the single agency curve based on high quality AA rated bonds. 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 23 years if they are male and for a further 25 years if they are female. For a member who retires in 2036 at age 65 the assumptions are that they will live on average for around a further 25 years after retirement if they are male or for a further 27 years after retirement if they are female.

Income statement

	2016 **£m**	2015 £m
Current service cost	**0.3**	0.3
Interest expense on scheme net liabilities	**0.5**	0.5
Net retirement benefit charge before tax	**0.8**	0.8

27. Retirement benefit schemes continued

Balance sheet

The amounts recognised in the balance sheet are as follows:

	2016 £m	2015 £m
Present value of funded obligations	**(161.5)**	(169.2)
Fair value of plan assets	**150.8**	152.8
Pension scheme deficit	**(10.7)**	(16.4)
Related deferred tax asset (note 19)	**1.9**	3.3
Net pension liability	**(8.8)**	(13.1)

The movement in the net defined benefit obligation over the year was as follows:

	Present value of obligations £m	Fair value of plan assets £m	Total £m
At 1 April 2014	(148.0)	134.9	(13.1)
Current service cost	(0.3)	–	(0.3)
Interest (expense) income	(6.3)	5.8	(0.5)
Remeasurements:			
Actuarial loss on scheme liabilities arising from changes in financial assumptions	(19.6)	–	(19.6)
Actuarial gain on scheme liabilities arising from changes in experience	0.9	–	0.9
Return on plan assets excluding interest expense	–	12.9	12.9
Contributions from employer	–	3.3	3.3
Contributions from plan participants	(0.1)	0.1	–
Benefit payments	4.2	(4.2)	–
At 31 March 2015	(169.2)	152.8	(16.4)
Current service cost	(0.3)	–	(0.3)
Interest (expense) income	(5.7)	5.2	(0.5)
Remeasurements:			
Actuarial gain on scheme liabilities arising from changes in financial assumptions	3.8	–	3.8
Actuarial gain on scheme liabilities arising from changes in experience	6.0	–	6.0
Actuarial loss on scheme liabilities arising from changes in demographic assumptions	(0.2)	–	(0.2)
Return on plan assets excluding interest expense	–	(6.4)	(6.4)
Contributions from employer	–	3.3	3.3
Contributions from plan participants	(0.1)	0.1	–
Benefit payments	4.2	(4.2)	–
At 31 March 2016	**(161.5)**	**150.8**	**(10.7)**

The weighted average duration of the defined benefit obligation is approximately 17 years.

The assets held by the scheme:

	2016		2015	
	£m	%	£m	%
Equities	–	–	40.9	26.8
Index linked gilts	–	–	48.9	32.0
Corporate bonds	–	–	30.6	20.0
Newton Diversified Growth Fund	–	–	31.7	20.7
Aon's Delegated Consulting Service	**150.8**	**100.0**	–	–
Cash	**–**	**–**	0.7	0.5
Total	**150.8**	**100.0**	152.8	100.0

With effect from April 2015 the scheme's assets were invested via Aon's Delegated Consulting Service which is a fiduciary investment management platform managed by Hewitt Risk Management Services Limited. The delegated mandate is split into a growth and a hedging component and the allocation to each is determined by the investment objectives set by the trustees.

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27. Retirement benefit schemes continued

Statement of comprehensive income

	2016 £m	2015 £m
Actuarial gain (loss) on scheme liabilities	**9.6**	(18.7)
Actuarial (loss) gain on scheme assets	**(6.4)**	12.9
Actuarial gain (loss)	**3.2**	(5.8)

Cumulative actuarial gains and losses recognised in the statement of comprehensive income since 1 April 2004 are losses of £25.7m (2015: £28.9m).

Sensitivity to assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on net defined benefit obligation		
	Change in assumption %	Increase in assumption £m	Decrease in assumption £m
Discount rate	0.25	6.8	(7.1)
Rate of price inflation	0.25	(3.9)	3.6
Consumer price inflation	0.25	(3.9)	3.6

	Increase by 1 year in assumption £m	Decrease by 1 year in assumption £m
Life expectancy	(5.3)	5.3

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, as changes in assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

Risks

Through its defined benefit pension scheme the Group is exposed to a number of risks, the most significant of which are set out below:

Asset volatility

The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields and if plan assets underperform this yield, this will result in a deficit. In April 2015 the Group's pension scheme transferred its invested assets into a portfolio of pooled funds which are single priced at the net asset value. The investment objective of the portfolio is to achieve long-term total returns in excess of a nominal portfolio of long-dated Sterling bonds through a diversified portfolio of collective investment schemes, which may include derivatives. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The trustees have agreed an underlying strategy with the Company so that any ongoing improvements in the scheme's funding position would trigger movements from growth assets to non-growth assets in order to protect and consolidate such improvements.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the scheme's bond holdings.

Inflation risk

The majority of the scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation.

Life expectancy

The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in the life of the member will result in an increase in the liabilities.

27. Retirement benefit schemes continued

Overseas

The total cost in the year for overseas pensions was £9.0m (2015: £9.4m).

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, all of the pension schemes reported have to be considered as defined benefit schemes under IAS 19. At 31 March 2016 the potential liability to the Group was estimated and determined as not significant.

28. Share capital and share premium

Group	Number	Ordinary shares of 10p each £m	Share premium £m
Share capital allotted, called up and fully paid			
At 1 April 2014	397,701,174	39.8	99.9
Issued under share option schemes	149,243	–	0.1
At 31 March 2015	397,850,417	39.8	100.0
Issued under share option schemes	339,140	–	0.2
At 31 March 2016	**398,189,557**	**39.8**	**100.2**

During the year 339,140 (2015: 149,243) ordinary shares were allotted following the exercise of share options under the Savings Related Share Option Schemes for an aggregate consideration of £249,548 (2015: £123,435). Further disclosures relating to share-based options are set out in note 7.

Company	Number	Ordinary shares of 10p each £m	Share premium £m
Share capital allotted, called up and fully paid			
At 1 April 2014	397,701,174	39.8	123.9
Issued under share option schemes	149,243	–	0.1
At 31 March 2015	397,850,417	39.8	124.0
Issued under share option schemes	339,140	–	0.2
At 31 March 2016	**398,189,557**	**39.8**	**124.2**

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29. Financial instruments

Carrying value of financial assets and financial liabilities

Financial assets	Note	Group carrying value 2016 £m	Group carrying value 2015 £m	Company carrying value 2016 £m	Company carrying value 2015 £m
Loans and receivables					
Financial assets relating to PFI/PPP contracts	21	**158.6**	278.2	**–**	–
Loans to joint ventures	16	**1.3**	1.3	**–**	–
Trade and other receivables excluding prepayments	22	**112.0**	111.5	**256.0**	302.0
Cash and cash equivalents	23	**34.7**	60.8	**2.6**	8.0
Derivative financial instruments					
Forward foreign exchange contracts	17	**0.3**	0.1	**–**	0.1
Available for sale financial assets					
Unlisted investments	16	**2.7**	2.4	**–**	–
		309.6	454.3	**258.6**	310.1

The Group considers that the fair value of financial assets is not materially different to their carrying value. For unlisted investments the carrying value is measured at cost as the range of possible fair values is significant and the Group has no current plans to dispose of these investments.

Financial liabilities	Note	Group carrying value 2016 £m	Group carrying value 2015 £m	Company carrying value 2016 £m	Company carrying value 2015 £m
Financial liabilities at amortised cost					
Bank loans – core borrowings	24	**59.6**	31.3	**51.8**	8.7
Retail bonds	24	**157.5**	144.0	**157.5**	144.0
Senior notes	24	**–**	28.8	**–**	–
Finance lease obligations	24	**10.2**	11.7	**–**	–
Bank loans – PFI/PPP non-recourse net debt	24	**91.1**	222.6	**–**	–
Trade and other payables excluding non-financial liabilities	25	**175.6**	157.5	**136.3**	236.2
Derivative financial instruments					
Fuel derivatives	17	**3.0**	0.9	**3.0**	0.9
Forward foreign exchange contracts	17	**0.1**	0.3	**0.1**	–
Interest rate swaps	17	**28.1**	42.9	**–**	–
		525.2	640.0	**348.7**	389.8

The Group considers that the fair value of bank loans, trade and other payables and finance lease obligations are not materially different to their carrying value.

Fair value hierarchy

The Group uses the following hierarchy of valuation techniques to determine the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the year ended 31 March 2016, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3.

29. Financial instruments continued

The table below presents the Group's assets and liabilities measured at fair value:

	Level 2	
	2016 £m	2015 £m
Assets		
Derivative financial instruments	**0.3**	0.1
	0.3	0.1
Liabilities		
Derivative financial instruments	**31.2**	44.1
Retail bonds	**164.6**	149.6
Senior notes	**–**	31.7
	195.8	225.4

Risk management

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

Interest rate risk

The interest rate profile of financial assets and liabilities were as follows:

	2016			2015		
Group	**Floating rate £m**	**Fixed rate £m**	**Weighted average interest rate %**	Floating rate £m	Fixed rate £m	Weighted average interest rate %
Financial assets						
Financial assets relating to PFI/PPP contracts	**–**	**158.6**	**5.5**	–	278.2	6.1
Cash at bank and in hand	**34.6**	**–**	**–**	60.6	–	–
Short-term deposits	**0.1**	**–**	**0.1**	0.2	–	0.3
Financial liabilities						
Senior notes	**–**	**–**	**–**	–	28.8	5.0
Retail bonds	**–**	**157.5**	**3.9**	–	144.0	4.6
Bank loans – PFI/PPP non-recourse net debt	**91.1**	**–**	**3.5**	222.6	–	3.6
Bank loans – core borrowings	**59.6**	**–**	**2.3**	31.3	–	2.8
Interest rate swaps – notional principal	**(104.3)**	**104.3**	**4.1**	(237.0)	237.0	3.3

Excluded from the analysis above is £10.2m (2015: £11.7m) of amounts payable under finance leases as set out in note 24, which are subject to fixed rates of interest. In addition, trade and other receivables and trade and other payables have been excluded as they are not interest bearing.

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29. Financial instruments continued

The Group has continued to limit its exposure to interest rate risk by entering into fixed rate retail bonds that fix a substantial part of the Group's core borrowings.

Changes in interest rates could have a significant impact on core banking covenants relating to interest cover and on the interest charge in the Income Statement. 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 not significantly changed.

The PFI/PPP non-recourse borrowings in the UK are at floating rates and the Group entered into interest rate swaps at inception of these loans. The interest rate swaps hedge the interest cash flows. The interest rate swaps which are considered to be used for hedging purposes 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. Interest rate swaps which have not been designated as hedges by the Group are classified as held for trading in accordance with IAS 39. The interest rate swaps relating to the PFI/PPP non-recourse borrowings are presented in non-current liabilities as determined by the term of the related borrowings as the Group believes this best reflects the commercial reality of the instruments. The weighted average interest rate for the interest rate swaps is the weighted average of the fixed interest rates which ranges from 3.41% to 5.79% (2015: 0.99% to 5.79%).

The weighted average effective interest rate relating to the Company borrowing was 3.5% (2015: 4.5%). Interest on inter-company loan balances is charged at rates of between 0% and 13% (2015: 0% and 13%).

Interest rate sensitivity
The bank loans under the Group's core banking facility are on a floating interest rate basis. If interest rates had increased or decreased by 1% the impact on profit before tax would have been a loss or gain of £0.5m (2015: £0.3m), calculated on the average balance of the core bank loans during the year.

The fair values of interest rate swaps used for hedging of PFI/PPP non-recourse borrowings are determined with reference to floating market interest rate. A 1% increase in interest rates would have reduced the fair value of the interest rate hedge liabilities and resulted in a pre-tax gain in other comprehensive income of £41.0m (2015: £43.9m). A 1% decrease in interest rates would have increased the fair value of the interest rate hedge liabilities and led to a pre-tax loss in other comprehensive income of £25.2m (2015: £27.1m).

Foreign exchange risk
The Group operates in Europe and Canada and is exposed to foreign exchange translation risk for movements between the Euro, Canadian Dollar and Sterling. The Group's subsidiaries conduct the majority of their business in their respective functional currencies; therefore there is limited transaction risk. The Group mitigates some foreign exchange risk on financial assets and exports of processed waste arising in the UK but denominated in Euros through the use of forward exchange contracts. 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 (excluding finance leases) of £190.8m (2015: £144.0m) (fair value of £197.9m (2015: £149.6m)) as a net investment hedge of the Group's investments denominated in Euros. The hedge was 100% effective for the year ended 31 March 2016 (2015: 100%) and as a result the related exchange loss of £18.7m (2015: £20.7m gain) on translation of the borrowings into Sterling has been recognised in the exchange reserve.

Foreign exchange sensitivity
The impact of a decrease in foreign exchange rates of 10% on the Group's profit before tax would have been a £0.5m increase (2015: £1.3m decrease), the impact on underlying profit before tax would have been a £2.0m increase (2015: £1.8m increase). An increase in the foreign exchange rate of 10% would have had an equal but opposite effect of the amounts stated above.

Commodity price risk
The Group is exposed to fuel price risk therefore management's risk strategy aims to provide protection against sudden and significant increases in oil prices whilst ensuring that the Group is not competitively disadvantaged in the event of a substantial fall in the price of fuel.

29. Financial instruments continued

To meet these objectives the Group Treasury policy on fuel risk management allows for the use of a number of derivatives with approved counterparties and within approved limits. There were £9.6m of fuel derivatives in place at 31 March 2016 (2015: £7.3m). The fair value of wholesale fuel covered by derivatives at 31 March 2016 amounted to a liability of £3.0m (2015: £0.9m) and the prior year also included an asset of £0.1m. These contracts were designated as cash flow hedges against highly probable future fuel purchase forecasts to occur during the following 24 months from the balance sheet date.

Commodity price sensitivity
The impact of a change in wholesale fuel prices (excluding duty) of 10% on the Group's profit before tax would have been a loss or gain of £0.2m (2015: £0.6m).

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 in accordance with a policy that specifies the minimum acceptable credit rating and the maximum exposure to each counterparty. At 31 March 2016 the amount of credit risk on cash and short-term deposits totalled £34.7m (2015: £60.8m).

Trade and other receivables mainly comprise 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 2016 the amount of credit risk on trade and other receivables amounted to £120.1m (2015: £123.2m). 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 local authorities or councils, there is minimal credit risk. At 31 March 2016 the amount of credit risk on financial assets amounted to £158.6m (2015: £278.2m).

Capital management
The Group actively manages the capital available to fund the Group, comprising equity and reserves together with core debt funding. In order to make decisions over where capital is allocated, the Group monitors the return on capital employed. The Group has a funding strategy to ensure there is 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 borrowings should be limited to three times the level of capital and reserves, which is the equity attributable to the owners of the parent. The Group's funding strategy has not changed from the previous year.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as core net debt divided by total capital. The gearing ratios at 31 March 2016 and 2015 were as follows:

	Note	**2016 £m**	2015 £m
Total core borrowings	24	**227.3**	215.8
Less: cash and cash equivalents	23	**(34.7)**	(60.8)
Core net debt		**192.6**	155.0
Total equity		**182.8**	189.1
Total capital		**375.4**	344.1
Gearing ratio		**51%**	45%

The Group has to comply with a number of banking covenants which are set out in the bank facility agreements for bank loans. 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 during the year.

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30. Notes to the statements of cash flows

	Group		Company	
	2016 £m	2015 £m	**2016 £m**	2015 £m
(Loss) profit before tax	**(2.5)**	(20.5)	**14.6**	(2.3)
Fair value (gain) loss on financial instruments	**(0.1)**	(0.1)	**3.1**	–
Finance income	**(16.6)**	(14.8)	**(8.0)**	(5.4)
Finance charges	**30.0**	28.2	**11.6**	11.0
Share of results from associates and joint ventures	**(1.0)**	(5.2)	**–**	–
Operating profit (loss) from continuing operations	**9.8**	(12.4)	**21.3**	3.3
Operating profit from discontinued operations	**0.1**	1.3	**–**	–
Amortisation and impairment of intangible assets	**4.4**	15.8	**0.2**	0.3
Depreciation and impairment of property, plant and equipment	**33.7**	46.3	**–**	–
Gain on disposal of property, plant and equipment	**(3.0)**	(0.2)	**–**	–
Increase in service concession arrangement receivable	**(10.3)**	–	**–**	–
Current asset write offs	**–**	1.7	**–**	–
Exceptional gain on disposal of discontinued assets	**(0.4)**	–	**–**	–
Exceptional loss on disposal of subsidiaries	**8.7**	0.5	**3.6**	–
Exceptional gain on sale of impaired investment in associate	**–**	(0.6)	**–**	–
Reassessment of contingent consideration	**–**	(0.8)	**–**	–
Net in specie dividend (note 16)	**–**	–	**–**	(2.0)
Net increase (decrease) in provisions	**2.1**	5.4	**(0.3)**	(0.3)
Payments to fund defined benefit pension scheme deficit	**(3.1)**	(3.1)	**(3.1)**	(3.1)
Share-based compensation	**0.5**	1.3	**0.5**	1.3
Exchange gain (loss)	**–**	–	**4.7**	(0.3)
Exceptional non-cash contract costs	**2.3**	–	**–**	–
Operating cash flows before movement in working capital	**44.8**	55.2	**26.9**	(0.8)
Decrease in inventories	**0.8**	0.5	**–**	–
Decrease in receivables	**5.0**	1.7	**38.0**	38.7
Increase (decrease) in payables	**21.6**	(1.6)	**(104.2)**	12.9
Cash flows from operating activities	**72.2**	55.8	**(39.3)**	50.8

Consolidated movement in net debt

	2016 £m	2015 £m
Net decrease in cash and cash equivalents	**(28.9)**	(40.4)
Net decrease (increase) in borrowings and finance leases	**62.4**	(40.4)
Capitalisation of loan fees	**1.7**	–
Total cash flows in net debt	**35.2**	(80.8)
Disposal of PFI/PPP non-recourse debt	**80.4**	–
Finance leases entered into during the year	**(0.3)**	(6.5)
Deferred interest of PFI/PPP non-recourse debt	**(3.1)**	(8.8)
Amortisation of loan fees	**(1.1)**	(0.9)
Exchange (loss) gain	**(17.2)**	23.5
Movement in net debt	**93.9**	(73.5)
Net debt at beginning of year	**(377.6)**	(304.1)
Net debt at end of year	**(283.7)**	(377.6)

30. Notes to the statements of cash flows continued

Movement in net debt

	At 1 April 2015 £m	Cash flows £m	Other non-cash changes £m	Exchange movements £m	**At 31 March 2016 £m**
Cash and cash equivalents	60.8	(28.9)	–	2.8	**34.7**
Bank loans	(31.3)	(24.2)	(0.6)	(3.5)	**(59.6)**
Senior notes	(28.8)	28.5	(0.1)	0.4	**–**
Retail bonds	(144.0)	2.8	(0.4)	(15.9)	**(157.5)**
Finance leases	(11.7)	2.8	(0.3)	(1.0)	**(10.2)**
Total core net debt	(155.0)	(19.0)	(1.4)	(17.2)	**(192.6)**
PFI/PPP non-recourse net debt	(222.6)	54.2	77.3	–	**(91.1)**
Total net debt	(377.6)	35.2	75.9	(17.2)	**(283.7)**

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

	2016 £m	2015 £m
Net cash inflow from operating activities	**67.4**	50.1
Exclude provisions, working capital and restructuring spend	**7.4**	12.3
Exclude payments to fund denied benefit pension scheme	**3.1**	3.1
Exclude increase in service concession arrangement	**10.3**	–
Include finance charges and loan fees paid	**(25.4)**	(16.8)
Include finance income received	**12.6**	4.0
Include purchases of intangible assets	**(1.0)**	(1.2)
Include purchases of replacement items of property, plant and equipment	**(23.8)**	(30.3)
Include proceeds from disposals of property, plant and equipment	**6.2**	2.2
Underlying free cash flow	**56.8**	23.4

31. Capital commitments

Group	**2016 £m**	2015 £m
Contracts placed for future capital expenditure on financial assets	**17.2**	33.5
Contracts placed for future capital expenditure on property, plant and equipment	**9.6**	13.1
Contracts placed for future intangible assets	**1.1**	–
Joint venture contracts placed for future capital expenditure including financial assets	**30.2**	50.6

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32. Financial commitments

Group	2016 £m	2015 £m
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	**10.9**	10.8
Later than one year and less than five years	**24.1**	24.0
More than five years	**52.8**	52.6
	87.8	87.4
Future minimum lease payments expected to be received under non-cancellable sub-leases	**(0.2)**	(0.3)
	87.6	87.1

33. Contingent liabilities

Group and Company

Due to the nature of the industry in which the business operates, from time to time the Group is made aware of claims or litigation arising in the ordinary course of the Group's business. Provision is made for the Directors' best estimate of all known claims and all such legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

Under the terms of sale agreements, the Group has given a number of indemnities and warranties relating to the disposed operations for which appropriate provisions are held.

Under the terms of an agreement entered into in June 2015, the Group has an obligation to settle a deferred premium of €3.2m (£2.5m) to the holders of the private placement notes issued in April 2011 and redeemed in June 2015, should future interest cover calculations reach a specified level.

In respect of contractual liabilities the Company and its subsidiaries have given guarantees and entered into counter indemnities of bonds and guarantees given on their behalf by sureties and banks totalling £165.7m (2015: £199.1m).

The Company has given guarantees in respect of the Group's subsidiary and joint venture undertakings' borrowing facilities totalling £34.4m (2015: £57.8m). In addition, the Company has contingent liabilities in respect of both VAT and HM Revenue & Customs group payment arrangements of £2.5m (2015: £0.8m).

34. Related party transactions

Transactions between the Group and its associates and joint ventures

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

	Associates		Joint ventures	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Sales	**59.3**	52.9	**40.0**	20.9
Purchases	**0.1**	0.1	**1.4**	1.2
Management fees	**0.7**	0.8	**0.4**	0.6
Interest on loans to joint ventures	**–**	–	**0.1**	0.2
Receivables at 31 March	**5.9**	4.2	**3.2**	3.1
Payables at 31 March	**–**	–	**0.1**	0.1
Loans made by Group companies at 31 March	**–**	–	**1.3**	1.3
Loans made to Group companies at 31 March	**–**	–	**0.5**	0.4

The receivables and payables are due one month after the date of the invoice are unsecured in nature and bear no interest.

Transactions between the Group and its non-controlling interests

During the year a subordinated loan of £3.4m was advanced to the SPV for the Barnsley, Doncaster and Rotherham contract by SSE Generation Limited who hold a non-controlling interest in the SPV. The outstanding balance of £3.4m is included within other payables, £0.5m is due within one year and the balance is repayable over the term of the service concession arrangement.

Remuneration of key management personnel

Key management personnel comprises the Board of Directors and the members of the Group's Executive Committee. The disclosures required by the Companies Act 2006 and those specified by the Financial Conduct 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 77 to 92, and form part of these financial statements. The emoluments paid or payable to key management personnel were:

	2016 £m	2015 £m
Short-term employee benefits	**3.7**	3.2
Post employment benefits	**0.3**	0.2
Share-based payments	**0.3**	0.8
	4.3	4.2

Transactions between the Company and its subsidiaries

A list of the Company's subsidiaries is set out in note 35. Transactions with subsidiaries relate to interest on intercompany loans and management charges. Net interest income was £6.7m (2015: £4.0m) and management charges were £7.7m (2015: £6.8m). Total outstanding balances are listed in notes 22 and 25.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

35. Subsidiary undertakings and joint ventures and associates at 31 March 2016

Subsidiary undertakings

The Company held, through wholly-owned subsidiaries,100% of the issued share capital (unless otherwise stated) of the following subsidiaries all of which operate in the waste management sector, have a 31 March year end and have been consolidated in the Group's financial statements.

	Country of incorporation
Group subsidiary undertakings	
AB Civiel Beheer BV	Netherlands
Afvalstoffen Terminal Moerdijk BV	Netherlands
B.V. van Vliet Groep Milieu-Dienstverleners	Netherlands
Icopower BV	Netherlands
Icova BV	Netherlands
Jaartsveld Groen En Milieu BV	Netherlands
Klok Containers BV	Netherlands
Orgaworld International BV	Netherlands
Orgaworld Nederland BV	Netherlands
Orgaworld WKK 1 BV	Netherlands
Orgaworld WKK II BV	Netherlands
Orgaworld WKK III BV	Netherlands
Papier Recycling Alphen BV	Netherlands
Reym BV	Netherlands
Shanks Belgium Holding BV	Netherlands
Shanks BV	Netherlands
Shanks European Investments 1 Coop WA	Netherlands
Shanks European Investments 2 Coop WA	Netherlands
Shanks Hazardous Waste BV	Netherlands
Shanks Nederland BV	Netherlands
Shanks Netherlands Holdings BV	Netherlands
Shanks Netherlands Investments BV	Netherlands
Smink Afvalverwerking BV	Netherlands
Smink Beheer BV	Netherlands
Smink Handels-en Aannemingsbedrijf BV	Netherlands
Transportbedrijf Van Vliet BV	Netherlands
Vliko BV	Netherlands
ATM Entsorgung Deutschland GmbH	Germany
Reym GmbH	Germany
Enviro+ NV	Belgium
Ocean Combustion Services NV	Belgium
Shanks Belgium SSC bvba	Belgium
Shanks Brussels-Brabant SA	Belgium
Shanks Logistics NV	Belgium
Shanks SA	Belgium
Shanks Vlaanderen NV	Belgium
Shanks Wallonia Waste & Services SA (previously Shanks Liège-Luxembourg SA)	Belgium
Shanks Wood Products NV.	Belgium
Caird Group Limited	UK
Safewaste Limited	UK
Shanks & McEwan (Overseas Holdings) Limited	UK
Shanks Chemical Services Limited	UK
Shanks Environmental Services Limited	UK

35. Subsidiary undertakings and joint ventures and associates at 31 March 2016 continued

Group subsidiary undertakings – continued	Country of incorporation
Shanks European Holdings Limited	UK
Shanks Finance Limited	UK
Shanks Financial Management Limited	UK
Shanks Holdings Limited	UK
Shanks Investments	UK
Shanks PFI Investments Limited	UK
Shanks SRF Trading Limited	UK
Shanks Waste Management Limited	UK
Orgaworld Canada Limited	Canada
Orgaworld Design-Builder General Partner Limited	Canada
Orgaworld Design-Builder Limited Partnership	Canada
Orgaworld Surrey General Partner Limited	Canada
Orgaworld Surrey Limited Partnership	Canada
Subsidiary undertakings holding UK PFI/PPP contracts	
Shanks Argyll & Bute Limited	UK
Shanks Argyll & Bute Holdings Limited	UK
Shanks Cumbria Limited	UK
Shanks Cumbria Holdings Limited	UK
3SE (Barnsley, Doncaster & Rotherham) Holdings Limited (75%)	UK
3SE (Barnsley, Doncaster & Rotherham) Limited (75%)	UK

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

35. Subsidiary undertakings and joint ventures and associates at 31 March 2016 continued

Joint ventures, joint operations and associates

The Company held, through wholly-owned subsidiaries, the following interests in joint venture companies, joint operations and associates, all of which operate in the waste management sector.

	% Group holding	Most recent year end	Country of incorporation
Dorst BV	50%	31 December 2015	Netherlands
Induserve VOF	33.3%	31 December 2015	Netherlands
M&I Airport Waste Services VOF	50%	31 December 2015	Netherlands
Mokum Mariteam BV	50%	31 December 2015	Netherlands
Mokum Mariteam CV	20%	31 December 2015	Netherlands
Reym HMVT BV	50%	31 December 2015	Netherlands
Smink Boskalis Dolman VOF BV	50%	31 December 2015	Netherlands
Foronex France SARL	83.3%	30 June 2015	France
Marpos NV	45%	29 February 2016	Belgium
Silvamo NV	50%	31 March 2016	Belgium
Valorem SA	30%	31 December 2015	Belgium
Caird Evered Holdings Limited	50%	31 December 2015	UK
Caird Evered Limited	50%	31 December 2015	UK
ELWA Limited	20%	31 March 2016	UK
ELWA Holdings Limited	20%	31 March 2016	UK
Energen Biogas Limited	50%	31 March 2016	UK
Resource Recovery Solutions (Derbyshire) Holdings Limited	50%	31 March 2016	UK
Resource Recovery Solutions (Derbyshire) Limited	50%	31 March 2016	UK
Shanks Dumfries And Galloway Holdings Limited	20%	31 March 2016	UK
Shanks Dumfries And Galloway Limited	20%	31 March 2016	UK
Wakefield Waste Holdings Limited*	100%	31 March 2016	UK
Wakefield Waste PFI Holdings Limited*	100%	31 March 2016	UK
Wakefield Waste PFI Limited*	100%	31 March 2016	UK

*See note 16 for further details.

CONSOLIDATED FIVE YEAR FINANCIAL SUMMARY

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Consolidated income statement					
Revenue[1]	**614.8**	601.4	633.4	611.9	672.5
Trading profit from continuing operations[1]	**33.4**	34.3	45.6	44.9	52.5
Finance charges – interest	**(9.7)**	(10.6)	(11.7)	(10.8)	(11.0)
Finance charges – other	**(3.7)**	(2.8)	(4.1)	(3.8)	(4.8)
Share of results from associates and joint ventures	**1.0**	0.8	0.3	(0.3)	(0.8)
Profit from continuing operations before exceptional items and tax (underlying profit)	**21.0**	21.7	30.1	30.0	35.9
Non-trading and exceptional items	**(23.5)**	(42.2)	(22.5)	(40.3)	(3.8)
(Loss) profit before tax from continuing operations	**(2.5)**	(20.5)	7.6	(10.3)	32.1
Taxation	**(2.3)**	(1.7)	(7.2)	(7.5)	(9.6)
Exceptional tax and tax on exceptional items	**0.8**	4.0	1.4	6.7	5.2
(Loss) profit after tax from continuing operations	**(4.0)**	(18.2)	1.8	(11.1)	27.7
Profit (loss) after tax from discontinued operations	**0.1**	1.3	(30.0)	(24.1)	(2.0)
Loss for the year	**(3.9)**	(16.9)	(28.2)	(35.2)	25.7
(Loss) profit attributable to:					
Owners of the parent	**(3.9)**	(17.0)	(28.3)	(35.3)	25.7
Non-controlling interest	**–**	0.1	0.1	0.1	–
	(3.9)	(16.9)	(28.2)	(35.2)	25.7
Consolidated balance sheet					
Non-current assets	**670.4**	737.3	744.4	767.7	750.9
Other assets less liabilities	**(203.9)**	(170.6)	(166.8)	(179.7)	(172.9)
Net debt	**(283.7)**	(377.6)	(304.1)	(274.3)	(207.4)
Net assets	**182.8**	189.1	273.5	313.7	370.6
Equity attributable to owners of the parent					
Share capital and share premium	**140.0**	139.8	139.7	139.5	139.1
Reserves	**44.8**	51.1	134.0	174.1	231.5
	184.8	190.9	273.7	313.6	370.6
Non-controlling interest	**(2.0)**	(1.8)	(0.2)	0.1	–
Total equity	**182.8**	189.1	273.5	313.7	370.6
Financial ratios					
Underlying earnings per share – continuing operations	**4.7p**	5.0p	5.7p	5.7p	6.6p
Basic earnings per share – continuing operations	**(1.0)p**	(4.6)p	0.4p	(2.8)p	7.0p
Dividend per share	**3.45p**	3.45p	3.45p	3.45p	3.45p

[1]Revenue and trading profit from continuing operations is stated before non-trading and exceptional items and amortisation of acquisition intangibles.

ADDITIONAL INFORMATION

SHAREHOLDER INFORMATION

Analysis of shareholders as at 31 March 2016

	HOLDERS	%	SHARES HELD	%
Private shareholders	1,978	70.9	9,259,604	2.3
Corporate shareholders	810	29.1	388,929,953	97.7
Total	**2,788**	**100.0**	**398,189,557**	**100.0**
SIZE OF SHAREHOLDING	HOLDERS	%	SHARES HELD	%
1 – 5,000	1,925	69.0	3,673,952	0.9
5,001 – 25,000	538	19.3	5,965,158	1.5
25,001 – 50,000	92	3.3	3,142,248	0.8
50,001 – 100,000	69	2.5	5,217,168	1.3
100,001 – 250,000	50	1.8	8,287,055	2.1
250,001 – 500,000	26	0.9	9,210,875	2.3
over 500,000	88	3.2	362,693,101	91.1
Total	**2,788**	**100.0**	**398,189,557**	**100.0**

Financial calendar

30 June 2016	Ex-dividend date for final 2016 dividend
1 July 2016	Record date for final 2016 dividend
14 July 2016	Annual General Meeting
29 July 2016	Payment of final 2016 dividend
November 2016	Announcement of interim results and dividend
31 March 2017	2017 financial year end
May 2017	Announcement of 2017 results and dividend recommendation

For updates to the calendar during the year, please visit the Shanks Group website: www.shanksplc.com

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 0370 707 1290. Shareholders can also manage their holding online by registering at www.investorcentre.co.uk.

Dividends

Shareholders are strongly encouraged to receive their cash dividends by direct transfer as this ensures dividends are credited promptly and efficiently. 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. Overseas shareholders wishing to receive their dividend payment in local currency can now do so using Computershare's Global Payments Service.

New dividend tax allowance

In April 2016 dividend tax credits were replaced by an annual dividend tax allowance of up to £5,000 on dividend income for UK tax residents. Dividends in excess of this allowance will be taxed at 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers. Shanks Group plc will continue to provide registered shareholders with a confirmation of the dividends paid by the Company. Any dividends paid should be added to all other dividend income received by shareholders when calculating and reporting their total dividend income for that tax year. It is the responsibility of the shareholder to include all dividend income when calculating any tax liability.

ShareGift

If shareholders have only a small number of shares the value of which 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.

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. Please contact the Company Registrar for details.

Share fraud warning

Fraudsters use persuasive and high pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

How to avoid fraud

Firms authorised by the Financial Conduct Authority (FCA) will rarely contact you out of the blue with an offer to buy or sell your shares. If you feel that the person contacting you is not legitimate, note their name and the firm they work for; you can check the Financial Services Register at www.fca.org.uk to see if the person and firm is authorised by the FCA. Call the FCA on 0800 111 6768 if the firm does not have contact details on the register or they are out of date. You can search the list of unauthorised firms to avoid at www.fca.org.uk/scams. If you buy or sell shares from an unauthorised firm, you will not have access to the Financial Ombudsman or Financial Services Compensation Scheme. You should always consider getting independent financial advice before any transaction.

Report a scam

If you are approached by a fraudster please tell the FCA using the share fraud reporting form at www.fca.org.uk/scams, where you can find out more about investment scams, or call the FCA Consumer Helpline on 0800 111 6768. If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

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Group Company Secretary
Philip Griffin-Smith, FCIS

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BNP Paribas Fortis Bank s.a./ n.v.
HSBC Bank plc
ING Bank n.v.
KBC Bank n.v.
Rabobank International
The Royal Bank of Scotland plc

Financial Advisers
Greenhill & Co International LLP

Solicitors
Ashurst LLP
Dickson Minto W.S.

PR Advisers
Brunswick

Corporate Brokers
Investec

ADDITIONAL INFORMATION

GLOSSARY

AD	Anaerobic Digestion
AGM	Annual General Meeting
BDR	Barnsley, Doncaster and Rotherham
BENELUX	The economic union of Belgium, the Netherlands and Luxembourg
C&D	Construction and Demolition
CAGR	Compound Annual Growth Rate
CER	Constant exchange rate
CGU	Cash Generating Unit
CI	Continuous Improvement
CONNECTUS	Group-wide collaboration tool
CORE NET DEBT	Borrowings less cash from core facilities excluding PFI/PPP non-recourse debt
CR	Corporate Responsibility
DAB	Deferred Annual Bonus
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ELWA	East London Waste Authority
EPC	Engineering, procurement and construction
EPS	Earnings Per Share
EU	European Union
FCA	Financial Conduct Authority
HWRC	Household Waste Recycling Centre
I&C	Industrial and Commercial
ICT	Information and Communications Technology
IFRS	International Financial Reporting Standards
IVC	In-Vessel Composting
LTIP	Long Term Incentive Plan
M&A	Mergers and Acquisitions
MBT	Mechanical Biological Treatment
MRF	Material Recycling Facility
PDR	Performance Development Review
PFI	Private Finance Initiative
PPP	Public Private Partnership
RDF	Refuse Derived Fuel
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
ROCE	Return on Capital Employed
SPV	Special Purpose Vehicle
SRF	Solid Recovered Fuel
SRSOS	Savings Related Share Option Scheme
SSC	Shared Service Centre
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
UFCF (UNDERLYING FREE CASH FLOW)	Cash flow before dividends, growth capex, Municipal/PFI funding, acquisitions, disposals and exceptional items

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Making more from waste

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Front cover ▶
Van Vliet Contrans, part of
our Commercial Division