

Half Year Results

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Shanks Group PLC
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3 November 2011

Shanks Group plc

Shanks Group plc, one of Europe's leading waste management businesses, today announces its results for the six months ended 30 September 2011.

Continuing Operations

	2011	2010	Change % Reported	Change % Constant Currency*
Revenue	£398m	£348m	14%	11%
EBITDA	£53.7m	£48.9m	10%	5%
Trading profit	£28.1m	£24.7m	14%	10%
Underlying free cash flow	£18.3m	£18.4m	0%	(7%)
Underlying profit before tax	£20.8m	£16.8m	24%	20%
Profit before tax (statutory basis)	£17.9m	£10.5m	70%	64%
Underlying EPS	3.9p	3.1p	26%	21%
Basic EPS (statutory basis)	4.4p	4.3p	2%	(1%)
Dividend per share	1.1p	1.0p	10%	

* Not adjusted for the effect of small acquisitions.

Underlying measures exclude exceptional items, financing fair value measurements and amortisation of acquisition intangibles. Trading profit is operating profit before amortisation of acquisition intangibles and exceptional items. Underlying free cash flow is before dividends, growth capex, acquisitions and disposals.

Financial Highlights

- Revenue up 11% at constant currency to £398m.
- Underlying profit before tax up 20% at constant currency to £20.8m.
- Strong balance sheet, with net debt of £166m representing an EBITDA ratio of 1.7x.
- Underlying EPS up 26% to 3.9p per share and interim dividend increase of 10% to 1.1p per share.
- Net exceptional tax credit of £4.3m in respect of prior year liabilities.

Business Highlights

- Municipal strategy further strengthened with existing UK PFI contracts achieving margins of 9%.
- In final two bidders for seven PFI contracts representing 1.1m tonnes of waste per annum.
- Strong performance from Dutch Hazardous Waste (trading profit growth of 47%).
- Continued expansion in organics with the Amsterdam and Glasgow AD plants commissioned and London Ontario facility now operating at target levels.
- Strategic investment programme progressing well with overall annualised 9% post tax returns and 12% for projects which are fully operational.
- £60m of the new £150m investment programme already committed.
- Overall recycling rate up from 77% to 80%.

Commenting on the results, Chris Surch, acting Group Chief Executive of Shanks Group plc, said:

"These are good results which demonstrate our ability to deliver continued growth of revenues and profits against a challenging macro-economic background. They reflect the success of our strategic focus on recycling and re-processing which has helped us to increase our overall recycling rate to 80% of all waste handled.

"Overall we achieved strong growth in the UK and Canada and performed well in our more mature Benelux market, while our strategic investment programme in recycling and organics continues to deliver its targeted returns. At the same time, we have increased margins on existing municipal contracts and strengthened our pipeline of potential future contracts. Whilst we are mindful of the uncertain macro-economic environment, we remain on track to achieve the Board's expectations for the full year and the Board is pleased to declare a 10% increase in the interim dividend to 1.1p per share as a reflection of its confidence in continued further progress."

Notes:

1. The interim dividend of 1.1p per share will be paid on 13 January 2012 to shareholders on the register at close of business on 9 December 2011.
2. Management will be holding an analyst presentation at 9:30 a.m. today, 3 November at the offices of RBS, 250 Bishopsgate, London, EC2M 4AA.
3. Audio dial in details for the presentation at 9.30 a.m.:
 - Telephone conference +44 (0)20 7136 2051 or UK toll free 0800 279 4841
 - Confirmation code: 2542596
 - Slide Share Link: www.storm-events.co.uk/webcasts/live/03112011_01
4. A copy of this announcement is available on the Company's website, (www.shanksplc.com), as will the presentation being made today to financial institutions.
5. A separate announcement concerning a new CEO has been issued today.

For further information contact:

Shanks Group plc

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Helen Tarbet

Forward-looking statements

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

OVERVIEW

	2011	2010
Revenue	£398m	£348m
EBITDA	£54m	£49m
Trading margin	7.1%	7.1%
Return on operating assets*	15.4%	13.5%
Return on capital employed	6.7%	6.3%
Post tax return on investments**	9.0%	-
Post tax return on fully operational investments	12.1%	-

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

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

Shanks aims to be Europe's leading provider of sustainable waste management solutions and we continue to focus on our three growth areas of recycling technology, organics technology and municipal contracts.

In the first six months of 2011/12, market conditions have been in line with our expectations and we have continued to make good progress in implementing our strategy of delivering sustainable alternatives to landfill and mass burn incineration. Overall we have delivered a robust performance with revenue up 11% and underlying profit before tax up 20% at constant currency.

The pricing pressures evident in the Solid Waste markets in the Netherlands have continued. Overall, market pressures have been more than offset by increasing recycle prices, a continued focus on cost savings and returns from our investment programme and municipal strategy. This has produced revenue and profit growth in the more mature Benelux market and strong growth in the UK and Canada. Further details of the performance in each territory can be found in the Business Review.

The recently commissioned materials recycling facility in Glasgow will deliver a high recovery rate of recycled material from both non-segregated general waste and co-mingled recyclates with any remaining waste being converted into solid recovered fuel (SRF) for heat and power. The £150m investment programme includes the building of similar plants in other key areas in the UK in the next few years.

Our investment in organic technology has continued with the final commissioning of the anaerobic digestion (AD) plants in Amsterdam and Glasgow. Activity at both sites is now increasing and they are delivering green energy to their local electricity grids from the biogas produced by the AD process. Construction is now underway of the next UK facility in Bicester, Oxfordshire. In Canada, the London Ontario plant is back on line and operating at target levels. We continue to pursue other opportunities which could support additional plants in this region.

The majority of our initial £100m strategic investment programme has been commissioned and is now ramping up. At the end of September 2011 the annualised post tax return for the programme was 9%. Those projects which are fully up and running at normal operating levels have achieved a 12% return and those commissioned and ramping up at 5%. This rate of return remains in line with the post tax target of 12-15% once the assets are fully operational which usually occurs after two or three years. As at the end of September 2011, c. £60m has been approved on the new three year £150m programme.

Our municipal strategy has been further strengthened with increasing margins for the existing contracts and a stronger pipeline of potential future contracts.

We continue to successfully implement the cultural change programme across all of Shanks' businesses as described in the Annual Report and Accounts 2011. This enhances entrepreneurial management at a local level within a stronger central framework that ensures consistency, accountability, risk management and the sharing of know-how and technology across the Group.

As previously announced, our intention is to pursue a progressive dividend policy within a range of 2 to 2.5 times cover in the medium term. Consistent with this, the Board has declared an interim dividend of 1.1p per share. This represents an increase of 10% compared with the same period last year and reflects the Board's confidence in the Group's long term prospects.

Outlook

Our clear strategy of delivering sustainable alternatives to landfill and mass burn incineration means we are well positioned to capitalise on market conditions as and when they improve. We will also continue to benefit from our municipal strategy and the expected returns from our investment programme.

In the short term we are mindful of the continuing uncertain macro-economic environment; however we are on track to achieve the Board's expectations for the full year.

BUSINESS REVIEW

In the period to 30 September 2011, our business in the Netherlands contributed 67% of the Group's profits before group central services, with Belgium contributing 18%, the UK 9% and Canada the remaining 6%.

Shanks Netherlands

Shanks Netherlands has continued to perform well, with overall revenue and trading profit, excluding exchange, rising by 10% and trading margins continuing to be above 10%.

	Revenue				Trading Profit			
	Six months ended September				Six months ended September			
	2011	2010	Variance		2011	2010	Variance	
	€m	€m	€m	%	€m	€m	€m	%
Solid Waste	130	126	4	3	10.6	12.8	(2.2)	(17)
Hazardous Waste	90	76	14	18	13.5	9.2	4.3	47
Organic Treatment	10	7	3	37	2.0	1.7	0.3	18
Country Central Services	(3)	(3)	-	-	(2.4)	(2.2)	(0.2)	(8)
Total (€m)	227	206	21	10	23.7	21.5	2.2	10
Total £m (at average FX rates)	201	174	27	15	20.9	18.1	2.8	15
	2011	2010						
EBITDA	€42m	€39m						
Trading margin	10.4%	10.4%						
Return on operating assets*	18%	17%						

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

The Solid Waste business continued to be affected by downward pricing pressure which has been offset in part by strong recycle prices and the benefits of cost savings. Prices in Commercial waste and Construction and Demolition (C&D) waste have declined on average by 7% compared with the same period last year and by 3.5% compared with the second half of last year. Overall, volumes are 1% up in Commercial and 3% in C&D; however, this has been offset by less project work which is principally associated with landfill. Plant utilisation rates continued to improve.

In Hazardous Waste, our ATM waste water and soil treatment facility has had an exceptional performance. Volumes for the waste water treatment and storage activities were 22% up on the prior period which was partly due to work commissioned following the serious fire at a neighbouring site in early 2011. This work has now been successfully completed. In soil treatment, pricing has remained favourable and volumes were 22% ahead of the prior period in part due to the timing of the annual maintenance shut down. Reym, our industrial cleaning business, has had another good performance with strong revenues but has seen continued pressures on pricing.

Growth in the Organic Treatment division was partly attributable to the final commissioning and ramping up of the Orgaworld AD and waste water facility in the port of Amsterdam. In July, heat from the plant processes was exported to the Amsterdam 'heat grid' and this will continue to improve the energy efficiency of the project. Margins have reduced slightly in the period due to further business development expenditure as we continue to investigate opportunities to expand.

The contract to handle commercial and organic waste for Unilever in the Benelux began as planned on 1 April and is progressing well.

Outlook

Markets in the mature Solid Waste business are expected to continue to be challenging due to pricing pressures. Earnings growth is expected to come from the recent investments made in Orgaworld and the Hazardous Waste business.

Shanks Belgium

Trading profit, excluding exchange, declined by 21% on revenues 3% ahead.

	Revenue				Trading Profit			
	Six months ended September				Six months ended September			
	2011	2010	Variance		2011	2010	Variance	
	€m	€m	€m	%	€m	€m	€m	%
Solid Waste	77	75	2	2	4.0	4.9	(0.9)	(18)
Hazardous Waste	27	28	(1)	(5)	1.5	2.3	(0.8)	(34)
Landfill	4	3	1	29	0.9	1.1	(0.2)	(13)
Power	3	4	(1)	(7)	1.7	2.0	(0.3)	(13)
Sand Quarry	2	2	-	(7)	0.4	0.4	-	-
Country Central Services	(9)	(11)	2	17	(2.2)	(2.7)	0.5	17
Total (€m)	104	101	3	3	6.3	8.0	(1.7)	(21)
Total £m (at average FX rates)	91	85	6	7	5.6	6.8	(1.2)	(17)

	2011	2010
EBITDA	€15m	€16m
Trading margin	6.1%	7.9%
Return on operating assets*	17%	19%

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

The core Solid Waste businesses have performed well with Industrial and Commercial (I&C) volumes at the sorting centres up 11% and improved pricing of 2% for the total Solid Waste businesses. There was a significant year-on-year increase in throughput at the enhanced SRF line in Ghent as it was fully operational in this six month period. The result for the period has been adversely affected by a €0.7m reduction in return from our investment in an inter-municipality incinerator and a delay in commissioning at the combined heat and power plant. The underlying businesses, however, are performing well.

As mentioned previously, a number of changes have been made to strengthen the Foronex management team and this has started to have a beneficial impact despite the continuing difficult trading in the wood-based markets, which reported volumes 13% down on the prior year. Overall the business was at break even for the first half.

Profits in Hazardous Waste were down on the prior period primarily due to lower power prices at the green energy plant in Roeselare. Biogas production has been lower and a further compressor is being added together with other efficiency improvements to address this issue.

Power revenues and profits continued to be affected by biogas production and pricing. Pricing in the electricity market is expected to increase in the medium term.

Outlook

With continued stabilisation of volumes and prices in the core Solid Waste markets, overall we expect an improvement in results over the remainder of 2011/12.

Shanks United Kingdom

Revenue and trading profit before PFI bid costs rose by 18% and 28% respectively and trading margins before bid costs continued to improve.

	Revenue				Trading Profit			
	Six months ended September				Six months ended September			
	2011	2010	Variance		2011	2010	Variance	
	£m	£m	£m	%	£m	£m	£m	%
Solid Waste	35	34	1	2	3.2	2.4	0.8	31
Hazardous Waste	7	8	(1)	(13)	1.4	1.5	(0.1)	(9)
Organic Treatment	-	1	(1)	(87)	(0.1)	0.1	(0.2)	>100
Municipal - PFI Contracts	55	39	16	40	4.8	2.4	2.4	>100
Landfill & Power	3	3	-	12	(0.2)	0.1	(0.3)	>100
Country Central Services	-	-	-	-	(4.3)	(2.7)	(1.6)	(59)
UK Operations	100	85	15	18	4.8	3.8	1.0	28
PFI Bid Team	-	-	-	-	(1.8)	(1.9)	0.1	4
TOTAL	100	85	15	18	3.0	1.9	1.1	60

	2011	2010
EBITDA	£4m	£3m
Trading margin*	4.9%	4.5%
Return on operating assets**	20%	7%

*Trading margin before PFI bid team costs

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

As expected, the structural decline in volumes in the UK Solid Waste market has continued, with our overall volumes in the collections business down 9% on the prior period. This loss of volume has been compensated by a number of decisive management actions, including price increases of c. 3%, greater diversion from landfill through improved processing and the integration of the Allied Waste Services business.

Further enhancements have been made to the Glasgow recycling facility, which is now fully commissioned and output is ramping up. The next phase of our investment in recycling continues with construction in the final stages at the Kettering plant.

Hazardous Waste activities have continued to benefit from a number of good contracts in the contaminated land services business in the first half.

Our Organics AD plant in Glasgow, a joint venture partnership in Energen Biogas, is now operational and electricity is being produced. The decline in revenue from the prior year related to an Organics collection contract which has now ceased. Development of other AD plants in England remains on track.

The profitability of the existing PFI portfolio has continued to improve with further operational enhancements and a full six months benefit from the management of the Derby waste collection service. Margins in the portfolio were at 9%. The Cumbria contract has continued to perform well and management expect the first of the two mechanical biological treatment (MBT) facilities to be delivered five months ahead of schedule and within budget.

The PFI market remains active and our bid pipeline is strong. We are currently preferred bidder on three contracts and we remain one of the final two bidders for seven other bids representing 1.1m tonnes of waste per annum. It is anticipated that the Barnsley, Doncaster and Rotherham contract will reach financial close this calendar year and the Wakefield contract before the end of the financial year.

Reduced volumes and pricing pressures have resulted in a lower performance at our Landfill and Power joint venture.

As anticipated, there has been an increase in central overhead costs in the period as the organisation has been strengthened to support the growth and development of the business.

Outlook

The continued improvements from the recent investments in recycling and organics facilities, together with a strong performance from our municipal business should compensate for any further decline in overall volumes.

Shanks Canada

Profits in the first half were significantly up on the prior year. The London Ontario facility ramped up to target levels following last year's temporary closure for an upgrade to increase efficiency and reduce odour levels. The Ottawa site continued to perform satisfactorily.

	Revenue				Trading Profit			
	Six months ended September				Six months ended September			
	2011	2010	Variance		2011	2010	Variance	
	C\$m	C\$m	C\$m	%	C\$m	C\$m	C\$m	%
Organic Treatment	11	7	4	53	3.0	0.3	2.7	>100
Total £m (at average FX rates)	7	5	2	58	1.9	0.2	1.7	>100

	2011	2010
EBITDA	C\$4m	C\$1m
Trading margin	25.9%	3.5%
Return on operating assets*	8%	5%

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

Outlook

Both plants are anticipated to be operating at normal run rates for the remainder of 2011/12.

FINANCE REVIEW

Revenue and Trading Profit by Geographical Region

	Revenue				Trading Profit			
	Six months ended September				Six months ended September			
	2011	2010	Variance		2011	2010	Variance	
	£m	£m	£m	%	£m	£m	£m	%
Netherlands	201	174	27	15	20.9	18.1	2.8	15
Belgium	91	85	6	7	5.6	6.8	(1.2)	(17)

United Kingdom	100	85	15	18	3.0	1.9	1.1	60
Canada	7	5	2	58	1.9	0.2	1.7	>100
Central Services	(1)	(1)	-	-	(3.3)	(2.3)	(1.0)	43
Total	398	348	50	14	28.1	24.7	3.4	14

Revenue

Revenue from continuing operations increased by 14% to £398m. Excluding the effects of currency translation of £12m, revenue was up 11% on the same period last year.

H1 versus H1 profit causal

The following table summarises the effect of the external and internal business drivers on the change in trading profit. Sterling weakened against the Euro during the period resulting in a 4% increase in the value of Euro denominated profits.

	<u>£m</u>
Six months ended September 2010	24.7
<u>Market factors:</u>	
Cost pressures	(19.8)
Net price	6.8
Recyclates	5.2
Volumes	(0.4)
<u>Management actions</u>	
Cost savings	5.8
Projects and investments	4.8
Bid costs	<u>0.1</u>
At constant currency	27.2
Effect of currency	<u>0.9</u>
Six months ended September 2011	<u>28.1</u>

A good performance in management actions has continued to counter the market pressures.

Inflationary and market cost pressures have, where possible, been offset with price increases. Price increases have been positive in UK and Belgian Solid Waste and in Netherlands Hazardous Waste businesses. However as described in the Netherlands business review, there has been continued downward pressure on pricing in our core Dutch Solid Waste markets. Pricing for our core recyclates of metal and paper has been maintained at the high levels achieved in the second half of last year and this has resulted in an overall benefit of £5m in the first six months. Overall volumes are flat year-on-year with the declines in UK Solid Waste being mitigated by strong growth in both Hazardous Waste and Organics. Cost savings come from reductions in final costs of disposal to landfill or incineration and other operational and support function savings.

The projects and investments value of £4.8m includes the year-on-year profit impact of strategic investments. The principal growth projects which contributed in the period were the Ghent SRF plant, ATM waste water treatment improvements, the Orgaworld Amsterdam AD plant and the Canadian plants. The recycling and AD plants in Scotland had not been fully commissioned by the end of September and consequently have had a minimal effect on the result for the period.

Operating profit on a statutory basis, which takes into account non-trading and exceptional items including the amortisation of acquisition intangibles, has decreased 2% from £26.6m to £26.2m.

Profit before tax on a statutory basis has increased 70% from £10.5m to £17.9m.

H2 to H2 trading outlook

We are mindful of the uncertain macro-economic conditions but we have achieved a robust business performance to date.

Considering the outlook against the actual performance in H2 last year: recyclate prices should be beneficial albeit not as significant as H1; continued pricing pressure in Netherlands Solid Waste is expected to impact H2 but it should not be as severe as in H1; UK and Netherlands Hazardous Waste businesses had one-off contracts in H2 last year which we are not expecting to be repeated; management actions including the investment programme and improved PFI margins should enhance the H2 comparison and interest costs in H2 are expected to increase given the higher level of growth capital expenditure. Currency could also have an impact as the average for the Euro for H2 last year was 1.16.

Overall we remain on track to achieve our expectations for the full year.

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

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

Total non-trading and exceptional items of £2.9m (2010: £6.3m) include:

- Amortisation of intangible assets acquired in business combinations of £1.9m (2010: £1.8m)

- Financing fair value remeasurement charge of £1.0m (2010: £8.2m)
- The exceptional credit of £3.7m in the prior period related to the profit on sale of all of the subordinated debt and 80 per cent of the equity in the East London Waste Authority (ELWA) and Dumfries and Galloway (D&G) PFI contracts to John Laing Investments

Net finance costs

Finance charges, excluding the change in fair value of derivatives, have decreased £0.5m to £7.4m (2010: £7.9m), which is due to a lower amortisation charge for loan fees incurred as part of refinancing earlier in 2011 and lower net financial asset income of £0.9m following the sale of the PFI equity in September 2010.

Taxation

The average tax rate on underlying profits reduced to 26% (2010: 26.8%). This was attributable to reductions in statutory rates in both the UK and the Netherlands.

An exceptional tax credit of £4.3m in the current year related to a favourable judgement issued with regard to certain tax liabilities in Belgium.

The exceptional tax credit of £8.5m in the prior year related to the release of provisions relating to the withdrawal of industrial buildings allowances enacted in the Finance Act 2008 following a detailed review of historic capital expenditure.

Earnings per share (EPS)

Underlying EPS, which excludes the effect of non-trading and exceptional items, increased by 26% to 3.9p per share (2010: 3.1p) as a result of the increased profits and a further reduction in the effective tax rate.

Basic EPS from continuing operations increased from 4.3p per share to 4.4p per share.

Retirement Benefits

At 30 September 2011 the net retirement benefit relating to the UK schemes was a deficit of £11m compared to an asset of £5m at 31 March 2011 as a result of the movement in discount rates and fall in asset values in the period. The Group currently funds the deficit of the scheme at a rate of £1.8m per annum and this is scheduled to increase to £3.0m per annum from April 2012.

Cash Flow and Net Debt

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

Six months ended 30 September	2011 £m	2010 £m	Variance £m
EBITDA	54	49	5
Working capital movement and other	(7)	(10)	3
Net replacement capital expenditure	(21)	(17)	(4)
Financing & tax	(8)	(4)	(4)
Underlying free cash flow	18	18	-
Dividends	(9)	(8)	(1)
Net growth capital expenditure	(14)	(20)	6
Acquisitions and Disposals	(1)	24	(25)
PFI funding & others	(5)	(8)	3
Net core cash flow	(11)	6	(17)
Free cash flow conversion *	65%	74%	

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

The strong focus on cash management has continued throughout the period. There has been an increase in working capital levels to fund our growth strategy.

The ratio of replacement capital spend to depreciation was 78% for the period.

The increase in cash interest spend in the period is attributable to a phasing variance from the prior year.

Growth capital spend of £14m included the UK organics and recycling facilities and a number of other growth projects in the Netherlands.

The acquisitions and disposals income of £24m in the prior year included the proceeds from the PFI equity sale in September 2010.

The exchange rate on the Euro has moved from 1.13 at 31 March 2011 to 1.16 at 30 September 2011. The net cash outflow of £11m offset by £5m benefit on the translation into Sterling of the Group's Euro and Canadian Dollar denominated debt has increased core debt by £6m to £166m.

Principal Risks and Uncertainties

The Group Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The objectives of the risk management process are to identify, assess and control the most serious risks facing the Group and these, along with any mitigating actions are monitored on a continuing basis at both operating and Group Board level. The Board believes that the key risks and their mitigation have not changed in the period from those disclosed on pages 36 to 39 of the Annual Report and Accounts 2011, namely:

- Sufficient waste volumes
- Market and legislative drivers

- Long term contracts in municipal markets
- Foreign exchange and interest rates
- Price competition for incoming waste streams and recycle material sales
- Project management of capital investments in our infrastructure
- Product quality of SRF, compost and secondary building materials
- The health and safety environment

We remain vigilant to these potential risks and we are mindful of the current economic uncertainty.

Shanks Group plc

Responsibility statement of the Directors in respect of the half year financial report

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

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

There has been one amendment to the Board of Directors of Shanks Group plc since the 2011 Annual Report, namely Mr Tom Drury who resigned from the Board on 30 September 2011. A list of current Directors is maintained on the Shanks Group plc website: www.shanksplc.com.

By order of the Board

A Auer
Chairman
3 November 2011

C Surch
Acting Group Chief Executive
3 November 2011

Consolidated Interim Income Statement (unaudited)

First half ended 30 September 2011

	Note	First half 2011/12			First half 2010/11		
		Trading £m	Non trading & exceptional items £m	Total £m	Trading £m	Non trading & exceptional items £m	Total £m
Continuing operations							
Revenue	2	397.7	-	397.7	348.4	-	348.4
Cost of sales		(330.9)	(1.9)	(332.8)	(294.1)	(1.8)	(295.9)
Gross profit		66.8	(1.9)	64.9	54.3	(1.8)	52.5
Administrative expenses	3	(38.7)	-	(38.7)	(29.6)	3.7	(25.9)
Operating profit (loss)	2,3	28.1	(1.9)	26.2	24.7	1.9	26.6
Finance charges		(10.1)	(1.0)	(11.1)	(13.1)	(8.2)	(21.3)
Finance income		2.7	-	2.7	5.2	-	5.2
Net finance charges	2	(7.4)	(1.0)	(8.4)	(7.9)	(8.2)	(16.1)
Income from associates		0.1	-	0.1	-	-	-
Profit (loss) before taxation	2	20.8	(2.9)	17.9	16.8	(6.3)	10.5
Taxation	3,4	(5.4)	5.1	(0.3)	(4.5)	11.2	6.7
Profit for the period attributable to shareholders		15.4	2.2	17.6	12.3	4.9	17.2
Earnings per share							
- basic	5	3.9p	0.5p	4.4p	3.1p	1.2p	4.3p
- diluted	5	3.9p	0.5p	4.4p	3.1p	1.2p	4.3p

Consolidated Interim Statement of Comprehensive Income (unaudited)

First half ended 30 September 2011

	First half 2011/12	First half 2010/11
	£m	£m
Profit for the period	17.6	17.2
Exchange loss on translation of foreign operations	(9.3)	(9.2)
Interest rate hedges	(9.4)	(4.7)
Actuarial loss on defined benefit pension schemes	(17.3)	(7.2)
Tax in respect of other comprehensive income items	6.7	3.2
Other comprehensive loss for the period, net of tax	(29.3)	(17.9)
Total comprehensive loss for the period	(11.7)	(0.7)

The notes on pages 17 to 24 are an integral part of these consolidated interim financial statements.

Consolidated Interim Balance Sheet (unaudited)

As at 30 September 2011

	As at 30 September 2011	As at 30 September 2010	As at 31 March 2011
	£m	£m	£m
Note			
Non-current assets			
Intangible assets	280.7	289.1	289.6
Property, plant and equipment	393.9	381.8	397.5
Other investments and loans to joint ventures	7.5	5.6	7.1
Trade and other receivables	59.6	44.4	53.4
Retirement benefit asset	9	-	4.9
Derivative financial instruments	-	-	0.1
Deferred tax assets	17.8	23.4	15.3
	759.5	744.3	767.9
Current assets			
Inventories	9.9	8.9	9.9
Trade and other receivables	168.1	157.7	179.5
Derivative financial instruments	-	-	0.2
Cash and cash equivalents	52.5	64.3	54.5
	230.5	230.9	244.1
Total assets	990.0	975.2	1,012.0
Liabilities			
Non-current liabilities			
Borrowings	(256.8)	(254.5)	(222.6)
Derivative financial instruments	(16.2)	(13.7)	(6.1)
Other non-current liabilities	(2.9)	(19.7)	(18.7)
Deferred tax liabilities	(39.0)	(49.4)	(51.4)
Provisions	8	(38.0)	(40.2)
Retirement benefit obligations	9	(10.7)	(12.6)
	(363.6)	(390.1)	(338.2)
Current liabilities			
Borrowings	(14.0)	(19.8)	(39.3)
Trade and other payables	(216.9)	(178.7)	(225.4)
Current tax payable	(10.7)	(4.7)	(4.7)
Provisions	8	(7.7)	(5.1)
	(249.3)	(208.3)	(276.4)
Total liabilities	(612.9)	(598.4)	(614.6)
Net assets	377.1	376.8	397.4
Equity attributable to shareholders			
Ordinary shares	39.7	39.7	39.7
Share premium	99.4	99.3	99.4
Exchange reserve	46.3	48.6	55.6
Retained earnings	191.7	189.2	202.7
Total equity	377.1	376.8	397.4

Consolidated Interim Statement of Changes in Equity (unaudited)

First half ended 30 September 2011

	Share capital	Share premium	Exchange reserve	Retained earnings	Total equity
Note	£m	£m	£m	£m	£m
Balance at 1 April 2011	39.7	99.4	55.6	202.7	397.4
Profit for the period	-	-	-	17.6	17.6
Other comprehensive loss	-	-	(9.3)	(20.0)	(29.3)
Total comprehensive loss for the period	-	-	(9.3)	(2.4)	(11.7)
Share based compensation	-	-	-	0.3	0.3
Dividends	6	-	-	(8.9)	(8.9)
Balance at 30 September 2011	39.7	99.4	46.3	191.7	377.1
Balance at 1 April 2010	39.7	99.3	57.8	188.4	385.2
Profit for the period	-	-	-	17.2	17.2
Other comprehensive loss	-	-	(9.2)	(8.7)	(17.9)
Total comprehensive (loss) income for the period	-	-	(9.2)	8.5	(0.7)
Share based compensation	-	-	-	0.2	0.2
Dividends	6	-	-	(7.9)	(7.9)
Balance at 30 September 2010	39.7	99.3	48.6	189.2	376.8

The exchange reserve comprises all foreign exchange differences arising since 1 April 2005 from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Group's net investment in foreign operations.

The notes on pages 17 to 24 are an integral part of these consolidated interim financial statements.

Consolidated Interim Statement of Cash Flows (unaudited)

First half ended 30 September 2011

	Note	First half 2011/12 £m	First half 2010/11 £m
Net cash from operating activities	10	42.9	34.8
Investing activities			
- Purchases of intangible assets		(0.6)	-
- Purchases of property, plant and equipment		(36.3)	(40.8)
- Disposals of property, plant and equipment		1.7	1.7
- Financial asset capital advances		(9.7)	(12.6)
- Financial asset capital repayments		1.6	5.7
- Acquisition of subsidiary and other businesses		(1.6)	(2.6)
- Disposal of subsidiary and other businesses		0.5	26.4
- Income received from other investments		0.1	0.1
- Net movement on loans granted to joint ventures		(0.4)	0.9
Net cash used in investing activities		(44.7)	(21.2)
Financing activities			
- Finance charges and loan fees paid		(7.2)	(5.7)
- Finance income		1.9	4.7
- Dividends paid		(8.9)	(7.9)
- Net proceeds from the issuance of senior notes		19.6	-
- Other (decrease) increase in net borrowings		(2.7)	12.6
- Repayments of obligations under finance leases		(2.2)	(2.7)
Net cash from financing activities		0.5	1.0
Net (decrease) increase in cash and cash equivalents		(1.3)	14.6
Effect of foreign exchange rate changes		(0.7)	(1.6)
Cash and cash equivalents at beginning of period		54.5	51.3

The notes on pages 17 to 24 are an integral part of these consolidated interim financial statements.

Notes to the Consolidated Interim Financial Statements (unaudited)

1. Basis of Preparation

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

The Directors have made a presentational change to the income statement in this interim report. The Group has opted to present its income statement for the periods ended 30 September 2011 and 30 September 2010 in a three-column format. Such presentation allows non-trading and exceptional items to be presented separately in the middle column of the income statement. The various line items of the income statement are therefore shown both before and after these items in the first and last columns, respectively. This allows shareholders to understand better the elements of financial performance in the current period, so as to facilitate comparison with the prior periods.

The condensed interim financial report should be read in conjunction with the Annual Report and Accounts 2011, which have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The Annual Report and Accounts 2011 are available from the Company's website www.shankspc.com.

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

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

Statement of Compliance

This condensed set of consolidated interim financial information for the six months ended 30 September 2011 has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom Financial Services Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

The comparative figures as at 31 March 2011 have been extracted from the Group's statutory Annual Report and Accounts for that financial year but do not constitute those accounts. Those statutory accounts for the year ended 31 March 2011 were approved by the Board of Directors on 26 May 2011 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The condensed interim financial information was approved by the Board of Directors on 3 November 2011.

Significant Accounting Policies

These primary statements and selected notes comprise the unaudited interim consolidated financial results of the Group for the six months ended 30 September 2011 and 2010, together with the audited results for the year ended 31 March 2011. These interim financial results do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006.

The results have been prepared applying the accounting policies and presentation that were used in the preparation of the Annual Report and Accounts 2011. The condensed interim financial information is presented in the Group's functional currency of Sterling, rounded to the nearest hundred thousand.

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

Estimates

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

In preparing these condensed consolidated interim financial statements, the nature of the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that were applied to the Annual Report and Accounts 2011.

Notes to the Consolidated Interim Financial Statements (unaudited)

1. Basis of Preparation - continued

Exchange Rates

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

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

Closing Rates

Value of £1	30 September	30 September	Change	30 September	31 March	Change
	2011	2010		2011	2011	
Euro	1.16	1.15	0.9%	1.16	1.13	2.6%
Canadian dollar	1.62	1.62	0.4%	1.62	1.56	3.8%

Average Rates

Value of £1	30 September	30 September	Change
	2011	2010	
Euro	1.13	1.18	(4.2)%
Canadian dollar	1.58	1.64	(3.7)%

Non-GAAP information

Trading profit, underlying profit before tax, underlying profit after tax, underlying free cash flow, underlying earnings per share and EBITDA.

Shanks Group plc believes that the above non-GAAP measures provide useful information on underlying trends to shareholders. These measures are used by the Group for internal performance analysis and incentive compensation arrangements for employees.

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

The term 'underlying' refers to the relevant measure being reported for continuing operations excluding exceptional items, financing fair value remeasurements and amortisation of acquisition intangibles, excluding landfill void and computer software. Trading profit is defined as continuing operating profit before amortisation of acquisition intangibles and exceptional items.

Notes to the Consolidated Interim Financial Statements (unaudited)

2. Segmental reporting

Management has determined the operating segments based on the reports reviewed by the Board of Directors and the executive committee. The Group operates in The Netherlands, Belgium, the United Kingdom and Canada. The Group is organised and managed mainly by geographical location. Each geographical location can be analysed according to the following types of activity:

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

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

The profit measure the Group uses to evaluate performance is trading profit. Trading profit is operating profit before the amortisation of acquisition intangibles (excluding landfill void and computer software) and exceptional items. The Group accounts for inter-segment trading on an arm's length basis.

		First half	First half
		2011/12	2010/11
Revenue		£m	£m
Netherlands	Solid Waste	114.5	106.3
	Hazardous Waste	79.7	64.5
	Organic Treatment	8.7	6.1
	Intra-segment revenue	(2.4)	(2.5)
		200.5	174.4
Belgium	Solid Waste	67.9	63.7
	Hazardous Waste	24.1	24.2

	Landfill	3.2	2.4
	Power	2.5	2.6
	Sand Quarry	1.6	1.7
	Intra-segment revenue	(7.9)	(9.2)
		<u>91.4</u>	<u>85.4</u>
United Kingdom	Solid Waste	34.9	35.0
	Hazardous Waste	7.0	8.0
	Organic Treatment	0.1	-
	Municipal - PFI Contracts	55.0	39.2
	Landfill and Power	3.1	2.8
		<u>100.1</u>	<u>85.0</u>
Canada	Organic Treatment	7.3	4.8
	Inter-segment revenue	(1.6)	(1.2)
	Total revenue from continuing operations	397.7	348.4
Group		<u>391.6</u>	<u>343.1</u>
	Share of joint ventures	6.1	5.3
	Total revenue from continuing operations	397.7	348.4

Notes to the Consolidated Interim Financial Statements (unaudited)

2. Segmental reporting - continued

Segment Results		First half	First half
		2011/12	2010/11
		£m	£m
Trading Profit			
Netherlands	Solid Waste	9.3	10.8
	Hazardous Waste	12.0	7.8
	Organic Treatment	1.7	1.4
	Country Central Services	(2.1)	(1.9)
		<u>20.9</u>	<u>18.1</u>
Belgium	Solid Waste	3.6	4.1
	Hazardous Waste	1.3	1.9
	Landfill	0.9	0.9
	Power	1.5	1.7
	Sand Quarry	0.3	0.4
	Country Central Services	(2.0)	(2.2)
		<u>5.6</u>	<u>6.8</u>
United Kingdom	Solid Waste	3.2	2.5
	Hazardous Waste	1.4	1.5
	Organic Treatment	(0.1)	-
	Municipal - PFI Contracts	4.8	2.4
	PFI Bid Team	(1.8)	(1.9)
	Landfill and Power	(0.2)	0.1
	Country Central Services	(4.3)	(2.7)
		<u>3.0</u>	<u>1.9</u>
Canada	Organic Treatment	1.9	0.2
	Group Central Services	(3.3)	(2.3)
	Total trading profit	28.1	24.7
	Amortisation of acquisition intangibles	(1.9)	(1.8)
	Exceptional items	-	3.7
		<u>(1.9)</u>	<u>1.9</u>
	Total operating profit from continuing operations	26.2	26.6
Group		<u>26.8</u>	<u>26.5</u>
	Share of joint ventures	(0.6)	0.1
	Total operating profit	26.2	26.6
Finance charges			
	Interest payable	(11.1)	(21.3)
	Interest receivable	2.7	5.2
	Net finance charges	(8.4)	(16.1)
	Income from associates	0.1	-
	Profit before tax for the period	17.9	10.5

Notes to the Consolidated Interim Financial Statements (unaudited)

3. Reconciliation of trading information and exceptional items

	First half 2011/12	First half 2010/11
	£m	£m
Non-trading and exceptional items		
Amortisation of acquisition intangibles	1.9	1.8
Gain on disposal of subsidiaries	-	(3.7)
Total non-trading and exceptional items in operating profit	1.9	(1.9)
Change in fair value of derivatives	1.0	8.2
Tax on non-trading and exceptional items	(0.8)	(2.7)
Exceptional tax	(4.3)	(8.5)
Total non-trading and exceptional items in profit after tax	(2.2)	(4.9)

The exceptional tax credit of £4.3m in the current period related to a favourable judgement issued with regard to certain tax liabilities in Belgium. Following this decision, current and deferred tax balances have been reviewed and appropriately classified to reflect all remaining tax assets and liabilities.

In the prior period the Group recognised an exceptional gain of £3.7m net of associated taxes arising from the £24.6m sale of all of the subordinated debt and 80 per cent of the equity in the East London Waste Authority (ELWA) and Dumfries and Galloway (D&G) PFI contracts.

	First half 2011/12	First half 2010/11
	£m	£m
Trading profit to EBITDA		
Trading profit	28.1	24.7
Depreciation of property, plant and equipment	25.9	24.0
Amortisation of intangibles assets (excl. acquisition intangibles)	0.6	0.7
Non-exceptional gains on property, plant and equipment	(0.9)	(0.6)
Non cash landfill related expense and provisioning	-	0.1
EBITDA	53.7	48.9

4. Tax

Tax expense is recognised based on management's best estimate of the weighted average annual tax rate expected for the full financial year. The estimated average underlying annual tax rate for the year to 31 March 2012 is 26.0% (2010/11: 26.8%).

Notes to the Consolidated Interim Financial Statements (unaudited)

5. Earnings per share

	First half 2011/12	First half 2010/11
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	396.8m	396.8m
Effect of share options in issue	0.3m	0.3m
Weighted average number of ordinary shares for diluted earnings per share	397.1m	397.1m
Calculation of basic and underlying basic earnings per share		
Earnings for basic earnings per share being profit for the period (£m)	17.6	17.2
Non-trading and exceptional items (net of tax) (£m) (see note 3)	(2.2)	(4.9)
Earnings for underlying basic earnings per share (£m)	15.4	12.3
Basic earnings per share	4.4p	4.3p
Underlying earnings per share (see note below)	3.9p	3.1p
Calculation of diluted earnings per share		
Earnings for basic earnings per share being profit for the period (£m)	17.6	17.2
Effect of dilutive potential ordinary shares (£m)	-	-
Earnings for diluted earnings per share (£m)	17.6	17.2
Diluted earnings per share	4.4p	4.3p

The Directors believe that adjusting earnings per share for the effect of the amortisation of acquisition intangibles (excluding landfill void and computer software) and exceptional items enables comparison with historical data calculated on the same basis. Exceptional items are those items that need to be disclosed separately on the face of the income statement because of their size or incidence to enable a better understanding of performance.

6. Dividends

	First half 2011/12	First half 2010/11
	£m	£m
Amounts recognised as distributions to equity holders in the period:		
Final dividends	8.9	7.9
Interim dividend per share	1.1p	1.0p

An interim dividend of 1.1p per share was approved by the Board on 3 November 2011 and will be paid on 13 January 2012 to shareholders on the register at close of business on 9 December 2011. In 2010/11 an interim dividend of 1.0p per share was paid. The final dividend for 2010/11 of 2.25p per share (2009/10: 2.0p) was approved by the shareholders at the Annual General Meeting on 21 July 2011 and was paid on 5 August 2011.

7. Property, plant and equipment

During the six months ended 30 September 2011, the Group acquired assets with a cost of £33.2m (2010/11: £34.1m), disposed of assets with a net book value of £0.8m (2010/11: £1.2m) and charged depreciation of £25.9m (2010/11: £24.0m). The major growth projects are as described in the finance review.

At 30 September 2011, the Group had capital commitments of £40.1m (2010/11: £45.0m). This included £17.6m (2010/11: £34.6m) in relation to financial assets for the Cumbria PFI contract.

Notes to the Consolidated Interim Financial Statements (unaudited)

8. Provisions

	Site restoration and aftercare	Other	Total
	£m	£m	£m
At 31 March 2011	28.8	17.6	46.4
Provided - cost of sales	0.1	-	0.1
Finance charges - unwinding of discount	0.8	0.9	1.7
Utilised	(0.2)	(1.2)	(1.4)
Exchange	(0.8)	(0.3)	(1.1)
At 30 September 2011	28.7	17.0	45.7
Current	0.3	7.4	7.7
Non-current	28.4	9.6	38.0
At 30 September 2011	28.7	17.0	45.7
Current	0.6	6.4	7.0
Non-current	28.2	11.2	39.4
At 31 March 2011	28.8	17.6	46.4
Current	0.5	4.6	5.1
Non-current	27.9	12.3	40.2
At 30 September 2010	28.4	16.9	45.3

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

9. Retirement benefits

The only significant change in the pension assumptions from those presented in the annual financial statements for the year ended 31 March 2011 was the discount rate applied. The discount rate applied to the UK retirement benefit plans has moved from 5.6% to 5.0% in line with market data. This and other changes in actuarial assumptions have led to an increase of £15.6m in the liability.

10. Net cash from operating activities

	2011/12	2010/11
	£m	£m
Operating profit from continuing operations	26.2	26.6
Amortisation of intangible assets	2.5	2.5
Depreciation of property, plant and equipment	25.9	24.0
Exceptional gain on disposal of subsidiary	-	(3.7)
Non-exceptional gain on disposal of property, plant and equipment	(0.9)	(0.6)
Net decrease in provisions	(2.4)	(1.5)
Share based compensation	0.3	0.2
Operating cash flows before movement in working capital	51.6	47.5
(Increase) decrease in inventories	(0.4)	0.7
Decrease (increase) in receivables	7.9	(5.7)
Decrease in payables	(13.2)	(4.7)
Cash generated by operations	45.9	37.8
Income taxes paid	(3.0)	(3.0)
Net cash from operating activities	42.9	34.8

Notes to the Consolidated Interim Financial Statements (unaudited)

11. Net debt

Consolidated movement in net debt

	First half 2011/12	First half 2010/11
	£m	£m
Net (decrease) increase in cash and cash equivalents	(1.3)	14.6
Net increase in borrowings and finance leases	(14.7)	(9.1)
Amortisation of loan fees	(0.6)	(2.3)
Capitalisation of loan fees	0.1	-
Disposal of subsidiaries and other businesses	-	100.0
Exchange gain	5.6	6.5
Movement in net debt	(10.9)	109.7
Net debt at beginning of period	(207.4)	(319.7)
Net debt at end of period	(218.3)	(210.0)

Analysis of net debt

	At 30 September 2011	At 30 September 2010
	£m	£m
Cash and cash equivalents	52.5	64.3
Current borrowings	(14.0)	(19.8)
Non-current borrowings	(256.8)	(254.5)
Total Group net debt	(218.3)	(210.0)
Core Business net debt	(166.3)	(175.1)
PFI companies and other project finance net debt	(52.0)	(34.9)
Total Group net debt	(218.3)	(210.0)

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

12. Related party transactions

There have been no additional significant or unusual related party transactions to those disclosed in the Annual Report and Accounts 2011.

13. Contingent liabilities

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

Independent Review Report to Shanks Group plc

Introduction

We have been engaged by the company to review the condensed consolidated interim financial information in the half-yearly financial report for the six months ended 30 September 2011 which comprises the consolidated interim income statement and consolidated interim statement of comprehensive income, consolidated interim balance sheet, consolidated interim statement of changes in equity, consolidated interim statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information in the half-yearly financial report for the six months ended 30 September 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London

3 November 2011

Notes:

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

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

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