

6 November 2008

Shanks Group plc, Europe's largest listed independent waste solutions company, today issues its results for the six months ended 30 September 2008.

Financial Highlights

- 30% increase in Revenue to £351m (2007/8: £271m)
- 23% increase in Group Trading Profit¹ to £33.3m (2007/8: £27.0m)
- 22% increase in Group Operating Profit to £33.0m (2007/8: £27.0m)
- 13% increase in underlying PBT² to £24.7m (2007/8: £21.9m)
- 16% increase in underlying earnings per share³ to 7.3p (2007/8: 6.3p)
- 5% increase in half year dividend to 2.1p per share (2007/8: 2.0p)

Business Highlights

- A strong first half performance delivered with growth in all geographies
- ATM water treatment issue resolved
- Orgaworld 100k tonne p.a. anaerobic digestion project in Amsterdam
- Success in achieving lower than anticipated decline in Belgian landfill
- Good progress achieved towards each of our strategic goals as set out in May
 - UK Solid waste margin increased to 4.4% (H1 2007/8: 2.8%)
 - Growth in Dutch business excluding currency of 5%
 - Firm plans to launch Orgaworld in UK in 2009
 - Belgian non landfill growth excluding currency of 10%
 - Good progress with PFI pipeline and Cumbria expected to close in early 2009

Commenting on the results, Tom Drury, Group Chief Executive of Shanks Group plc, said:

'We are pleased to report a strong set of results slightly ahead of our expectations. All divisions reported growth during the period and the investments we have made position us strongly for the future.

A less certain economic environment is a challenge we all have to meet and therefore we continue to manage our businesses appropriately and invest only in those areas which will deliver attractive returns. On balance our businesses have remained robust during the first half and we believe that we are well positioned going forward due to the broad based nature of our portfolio and our focus on new technologies offering more sustainable waste management solutions. The Board therefore remains confident of meeting our expectations for the current year and making further progress for the future.'

¹ *Operating profit before amortisation of acquisition intangibles and exceptional items*

² *Profit before amortisation of acquisition intangibles, exceptional items and tax*

³ *Before amortisation of acquisition intangibles and exceptional items*

Financial Highlights

	<u>H1 2008/9</u>	<u>H1 2007/8</u>	<u>Change</u>
Revenue	£351m	£271m	30%
Operating profit	£33.0m	£27.0m	22%
Amortisation of acquisition intangibles ¹	£2.1m	£1.1m	
Exceptional profit on disposals ²	£(1.8)m	£(1.1)m	
Trading Profit³	£33.3m	£27.0m	23%
Profit before tax	£24.6m	£23.1m	6%
Amortisation of acquisition intangibles ¹	£2.1m	£1.1m	
Exceptional profit on disposals ²	£(1.8)m	£(1.1)m	
Change in fair value of interest rate swaps ²	£(0.2)m	£(1.2)m	
Underlying profit before tax⁴	£24.7m	£21.9m	13%
Tax on underlying profit 30% (2007/8: 32%)	£(7.3)m	£(7.0)m	
Underlying profit after tax⁵	£17.4m	£14.9m	17%
Amortisation of acquisition intangibles ¹ (net of tax)	£(1.5)m	£(0.9)m	
Exceptional profit on disposals ²	£1.8m	£1.1m	
Change in fair value of interest rate swaps ² (net of tax)	£0.1m	£0.9m	
Exceptional tax charge for loss of UK IBAs ²	£(24.5)m	£0.0m	
Profit after tax	£(6.7)m	£16.0m	
Underlying basic earnings per share⁵	7.3p	6.3p	16%
Basic earnings per share	-2.8p	6.8p	
Dividend per share	2.1p	2.0p	5%
EBITDA⁶	£57.0m	£44.2m	29%
Core net debt	£270m	£212m	
PFI Companies net debt⁷	£116m	£111m	
Total Group net debt before fair value adjustment ⁷	£386m	£323m	
Fair Value of PFI interest rate swaps	£3m	£4m	
Total Group net debt	£389m	£327m	

¹ Acquisition intangibles comprise intangible assets arising on acquisitions excluding landfill void and computer software

² The Group considers these items as exceptional for the purposes of determining underlying profit (see note 1 of financial statements)

³ Before amortisation of acquisition intangibles, exceptional items, interest and tax

⁴ Before amortisation of acquisition intangibles, exceptional items and tax

⁵ Before amortisation of acquisition intangibles and exceptional items, net of associated tax

⁶ Earnings before interest, tax, depreciation and amortisation (EBITDA)

⁷ Excluding fair value of interest rate swaps

Chief Executive's Statement

I am pleased to report performance slightly ahead of our expectations in the first half of 2008/9. Despite the general economic slowdown across Europe, underlying PBT¹ rose 13% to £24.7m (2007/8: £21.9m). There was good growth in trading profit², up 23% to £33.3m (2007/8: £27.0m), reflecting the strength of the Euro and solid trading. This was partially offset by increased interest charges due to investments in organic growth projects and the Foronex acquisition which have yet to contribute. In the second half we expect some benefit from these investments to come through giving a strong performance. We therefore remain confident with our expectations for the full year.

Revenue increased 30% to £351m (2007/8: £271m) and profit before tax was £24.6m (2007/8: £23.1m) after amortisation of acquisition intangibles of £2.1m (2007/8: £1.1m), exceptional disposal profits of £1.8m (2007/8: £1.1m) and a £0.2m non-cash gain (2007/8: £1.2m) on the change in the fair value of interest rate swaps.

During the period core net debt increased by £58m to £270m due principally to the investments mentioned above and increased working capital. The lower level of investment in the second half and an expected reduction in working capital should ensure this debt decreases by the year end.

Underlying basic earnings per share³ improved 16% to 7.3p helped by a 2% reduction in the tax rate on underlying PBT to 30%. Basic earnings per share fell to a loss of 2.8p (2007/8 6.8p profit) due to the impact of an exceptional deferred tax charge of £24.5m relating to the abolition of industrial building tax allowances in the UK.

The Board has increased the interim dividend by 5% to 2.1p per share.

Progress in implementing our strategy

In May, I outlined the Group's Strategy. Our vision is a bold one; to be Europe's leading provider of sustainable waste management solutions. I set some clear goals for us to achieve over the next three years to demonstrate progress towards this vision and to deliver increased returns to shareholders.

- Grow UK Solid Waste trading margins (post overheads) to a high single digit percentage.
- Grow our Dutch Solid and Hazardous Waste businesses ahead of GDP.
- Launch Orgaworld in the UK.
- Grow the trading profit of our non-landfill Belgian business by an average of 15% p.a.
- Win UK PFI contracts to increase the volume of residual municipal waste under management to 1.5m tonnes p.a. (currently 0.6m tonnes).

I am pleased to report that we are making good progress towards achieving each of these goals. This progress is expected to continue despite the general economic slowdown and the recent falls in end market prices for recyclable materials. Where we collect source segregated materials, our business model is premised on sharing the risks and rewards of price movements on the recyclable materials with our customers, rather than taking

¹ Profit before tax excluding amortisation of acquisition intangibles and exceptional items

² Operating profit before amortisation of acquisition intangibles and exceptional items

³ Before amortisation of acquisition intangibles and exceptional items, net of tax

speculative positions. Whilst there is still some risk from materials recovered from residual waste streams this has been incorporated into our full year projections.

With regard to the general economic downturn, with a few exceptions detailed in the country reviews below, our volumes remain robust. In addition the broad based nature of our portfolio and our focus on new technologies offering more sustainable waste management solutions, means that we have confidence in our ability to continue to perform well in difficult economic times.

Operating Review

Table 1: Revenue and Trading Profit by Geographical Region

	First Half Revenue				First Half Trading Profit			
	08/9	07/8	Variance		08/9	07/8	Variance	
	£m	£m	£m	%	£m	£m	£m	%
Netherlands	175	137	38	28%	22.0	18.0	4.0	22%
Belgium	91	62	29	47%	10.8	8.9	1.9	21%
United Kingdom	85	72	13	18%	2.9	2.6	0.3	12%
Canada	1	-	1	n/a	0.3	0.1	0.2	200%
Central Services	(1)	-	(1)	n/a	(2.7)	(2.6)	(0.1)	-4%
Total	351	271	80	30%	33.3	27.0	6.3	23%

Table 1 shows the geographical split of revenue and trading profit. The Netherlands remains the main source of the Group's profits contributing 61%, with Belgium and the UK contributing 30% and 8% respectively. Canada, still being in start up mode, currently contributes less than 1%.

The Netherlands

Table 2: Netherlands Revenue and Trading Profit by Activity

	First Half Revenue				First Half Trading Profit			
	08/9	07/8	Variance		08/9	07/8	Variance	
	€m	€m	€m	%	€m	€m	€m	%
Solid Waste	143	130	13	10%	21.5	20.2	1.3	6%
Hazardous Waste	73	69	4	6%	7.4	7.1	0.3	4%
Organic Treatment	7	5	2	40%	1.3	1.3	-	0%
Country Central Services	(3)	(2)	(1)	-50%	(2.4)	(2.2)	(0.2)	-9%
Total (€m)	220	202	18	9%	27.8	26.4	1.4	5%
Total (£m at avge FX rate)	175	137	38	28%	22.0	18.0	4.0	22%

The Netherlands delivered another good performance with trading profit increasing 22% to £22.0m. Removing the benefit of exchange rates and acquisitions, this represents 2% underlying organic growth.

Our Solid Waste activity derives approximately half of its trading profit from construction and demolition waste, the other half being from more general industrial and commercial waste. We have very strong local businesses and consistently achieve high levels of recycling of

waste through our operations. This strong local presence and recycling expertise provide us with a resilient and competitive business model.

The growth in trading profit of our Solid Waste activity of 6% was attributable to prior year acquisitions (4%) and organic volume growth (3%) offset by increases in fuel, labour and other costs not fully covered by an average 2% increase in prices. Whilst economies across Europe are slowing, forecasts of activity in the Dutch construction market continue to anticipate modest growth.

Our Hazardous Waste activity consists of two businesses: ATM, a hazardous waste treatment facility and Reym, an industrial cleaning operation. Both businesses continue to trade strongly as a result of their close alignment with the oil industry.

During July our ATM plant suffered an unexpected disruption in its wastewater treatment plant which caused a temporary shutdown and loss of capacity. This interruption was swiftly resolved and by August the plant was once more operating at full capacity. The financial impact of the shutdown of €2.7m was substantially offset by a favourable decision relating to a long running dispute on excise duties which will result in a rebate of historic charges.

Both pricing and volumes have been strong in ATM with overall average price increases of 6% compared to the first half of last year and, excluding the above incident, volume increases of 3% despite the first half including a scheduled maintenance shutdown at ATM which fell in the second half in last year.

Reym has recently extended a significant oil industry contract to 2014, which together with other long term contracts, results in approximately €20m of its annual revenue being secured under long term agreements.

Our Organic Treatment activity, Orgaworld, continues to trade satisfactorily in its home market of the Netherlands, generating post overhead trading margins of 18%. Investment in new capacity at its plant in Drachten in the first half year is expected to generate further growth in the second half. We have also been successful in obtaining environmental permits and green electricity subsidies for a large 100k tonne p.a. anaerobic digestion facility in Amsterdam known as the Greenmills project. This project will start construction later this year and is expected to complete towards the end of 2009/10.

Belgium

Table 3: Belgium Revenue and Trading Profit by Activity

	<u>First Half Revenue</u>				<u>First Half Trading Profit</u>			
	<u>08/9</u>	<u>07/8</u>	<u>Variance</u>		<u>08/9</u>	<u>07/8</u>	<u>Variance</u>	
	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>%</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>%</u>
Solid Waste	81	55	26	47%	5.7	6.3	(0.6)	-10%
Landfill & Power	14	14	-	0%	6.7	6.8	(0.1)	-1%
Hazardous Waste	30	30	-	0%	3.1	2.5	0.6	24%
Sand Quarry	2	2	-	0%	1.0	0.6	0.4	67%
Country Central Services	(12)	(10)	(2)	-20%	(2.9)	(3.1)	0.2	6%
Total (€m)	115	91	24	26%	13.6	13.1	0.5	4%
Total (£m at avge FX rates)	91	62	29	47%	10.8	8.9	1.9	21%

Overall trading profit grew by 21% to £10.8m. Removing the benefit of exchange gains, this represents 4% growth over last year. Declines in Solid Waste and the landfill element of Landfill and Power were offset by strong growth from Power, Hazardous Waste, the Sand Quarry and Central Services cost savings. Solid Waste decreased due to the non repeat of a substantial industrial disposal job in the prior year.

To offset the decline in Belgian landfill the Group has a strategy to grow its non landfill trading profits by an average of 15% over three years. Actual growth in the first half was 10%. This is expected to increase in the second half as the benefits of the Foronex acquisition and our investments in organic growth projects come through.

During the period we completed our solid recovered fuel (SRF) production facility in Ghent. This has been designed to accept industrial, commercial, construction and demolition waste and, following extraction of recyclable materials, produces a fuel which we dispose of via long term contracts with cement and other companies. The plant is operating as planned, having started up in June, and is proving successful in attracting waste at competitive prices in the market.

Solid Waste includes Foronex which was acquired in April. Foronex collects and trades over 1m tonnes p.a. of wood waste and by-products, making it the largest company in this field across France and Belgium. During the first half, considerable effort has been spent to transition the business from a family run organisation to part of an international group. This process is now substantially complete. We have made significant improvements to the operating procedures and management information used within the business, which has resulted in the renegotiation of a number of major input and output agreements. From a broadly breakeven trading position in the first half year, we expect the business to contribute in the second half and to play an important role in growing the profitability of the Belgian business in the future.

One of the key attractions of the Foronex business is its ability to produce fuel for the biomass industry from the wood waste and by-products it handles. As a strategic supplier to new project funded energy plants, we also have the opportunity to participate directly in the special purpose vehicles (SPVs) created to build and operate these plants allowing us to share in the attractive returns that they generate. This was one of our strategic drivers for the acquisition and so it is pleasing to be able to announce that we have secured such an opportunity so early in our ownership. In October we agreed terms for 50% of the equity in a combined heat and power plant, producing 5MW of green electricity and 12MW of steam, with specialist renewable energy investor Intrinergy Energy. The plant will be located near Liege in Belgium and will be fired by wood based biomass supplied by Foronex. It will use the heat produced to turn sawdust, also supplied by Foronex, into wood pellets for sale as a renewable fuel.

In Landfill and Power, there was an 8% decline in contribution from the landfill element which was a better than expected performance. Following the ban in Wallonia on untreated municipal solid waste (MSW) going to landfill from January 2008, inputs from these sources ceased. However, we have been successful in attracting new sources of waste from both municipal (treatment residues) and commercial sources. Our current expectation, based on these new contracts, is for there to be a more modest decline in volumes through calendar year 2009 with a significant step down from January 2010 as landfill tax is increased to €60 per tonne, from the current €20 on municipal and €35 on industrial and commercial waste, and further bans on MSW come into effect. The contribution from landfill power is unaffected by these developments, indeed it has increased during the period due to higher electricity prices and additional green electricity subsidies. In the medium term the contribution from this element of the activity is expected to grow as additional capacity is brought on line and the efficiency of the energy recovery is improved.

The strong growth in Hazardous Waste trading profit was due to increases in both volumes and prices at our treatment facility in Roeselare in Flanders. This is not evident in revenues as there was a reduction in lower margin, labour intensive industrial cleaning work.

We have also been investing in an anaerobic digestion facility in Roeselare in Flanders and a new sorting centre in Brabant in Wallonia. Both of these are expected to be operational during the fourth quarter.

United Kingdom

Table 4: United Kingdom Revenue and Trading Profit by Activity

	<u>First Half Revenue</u>				<u>First Half Trading Profit</u>			
	<u>08/9</u>	<u>07/8</u>	<u>Variance</u>		<u>08/9</u>	<u>07/8</u>	<u>Variance</u>	
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>%</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>%</u>
Solid Waste	41	37	4	11%	3.6	3.1	0.5	16%
Landfill & Power	8	7	1	14%	2.1	2.0	0.1	5%
Hazardous Waste	11	5	6	120%	0.7	0.7	-	0%
PFI Contracts	25	23	2	9%	0.2	0.4	(0.2)	-50%
Country Central Services	-	-	-		(2.8)	(3.2)	0.4	13%
UK Operations	85	72	13	18%	3.8	3.0	0.8	27%
PFI Bid Team					(0.9)	(0.4)	(0.5)	-125%
TOTAL	85	72	13	18%	2.9	2.6	0.3	12%

Trading Profit from operations increased by 27% to £3.8m as a result of continued strong growth in our Solid Waste business.

Our strategy for the Solid Waste business in the UK is to focus on our core regions of Scotland, East Midlands and Northern Home Counties and take advantage of rising landfill taxes to develop a recycling business using expertise from our Dutch operations. In July, as part of focusing on these core regions, we sold our Liverpool operation to Veolia for a consideration of £3m. We have also entered into a separate agreement with another party to sell our Swansea business early in 2009.

In our three core regions we grew our Solid Waste revenue by 15% and our trading profit by 17%. These increases are attributable to inclusion of the Wastecom acquisition from November 2007, price increases on the back of rising landfill tax, a surcharge to cover increased fuel costs and increasing our recycling rate. These increases were slightly offset by a 3% decline in volumes. We are currently working on a number of planning applications to allow us to further develop our recycling facilities, increasing our capacity and reducing our reliance on third party landfills in the regions mentioned above. During October we received planning approval from Glasgow City council for the development of a 150k tonne p.a. materials recycling facility on our existing Blochairn site near the city centre.

In line with our strategic goal to improve the trading margins of our Solid Waste activities, these have increased to 4.4% (H1 2007/8: 2.8%).

The downturn in the UK construction market has adversely impacted our Hazardous Waste activities which comprise the contaminated land services business. Here the number of site decontamination jobs from general construction activities is down substantially and we have reduced our headcount to reduce costs. On a more positive note, during the first half year we handled 120k tonnes of soil from the 2012 Olympic site clean up offsetting the decline in

profit from the underlying business. We expect activity from the general UK construction market to remain depressed in the medium term, but equally expect activity from the Olympic site clean up to continue into 2009/10.

The economic slowdown in construction activities has also impacted contaminated soil inputs into our joint venture landfills. Despite this slowdown, increased power generation at our Avondale joint venture has delivered solid overall growth in trading profit for the Landfill and Power activity.

Contribution from our existing PFI portfolio was slightly down as delays in achieving certain income supplements at ELWA offset the benefit of record levels of solid recovered fuel supply to the cement kilns. Action plans are in place and we are on target to achieve these supplements next year.

We have made good progress in negotiations with Cumbria County Council and expect this contract to close during this financial year. The 25 year contract covers the management of around 200k tonnes p.a. of waste arising in the county, a significant proportion of which will be processed through two of the innovative mechanical biological treatment (MBT) plants developed with our Italian partners EcoDeco.

In July 2008 we signed a cooperation agreement with Wheelabrator Technologies Inc to provide an energy from waste (EfW) solution to local authorities who have taken the decision to procure mass burn EfW facilities to address their residual waste disposal needs. Wheelabrator Technologies Inc., a wholly owned subsidiary of Waste Management Inc., the largest environmental services company in North America, is a recognised market leader in the design, construction and operation of EfW facilities, with 16 plants across North America. This alliance complements our EcoDeco MBT solution and allows us to offer what we believe are market leading solutions for the two principal residual municipal waste treatment techniques to the local authority PFI marketplace. It is pleasing that since announcing the alliance in June, we have already been successful in qualifying for the "invitation to submit detailed solution" shortlist stage for both Suffolk and Staffordshire county councils.

The PFI market is very active at the moment with many authorities now beginning their procurement processes. The next two years will see a large number of deals being closed. We believe that our extensive experience in bidding combined with the enhanced offering mentioned above positions us well to win our share.

In line with our strategic intent we have completed the market analysis for organic processing in the UK, which confirms that our Orgaworld technologies are very well placed to meet the needs of UK customers. We have put appropriate resources and plans in place and are moving forward.

Canada

Our emerging business in Canada is based on Orgaworld's tunnel composting technology. During the first half year trading profit increased to £0.3m (2007/8: £0.1m). We have substantially completed our first plant in London, Ontario and started work on our second plant in Ottawa. The business is already generating margins of 18% and will grow strongly in the second half.

As well as the contracts already signed with the municipality of York, the city of Toronto and the city of Ottawa, we are pursuing a number of promising similar opportunities, some of which will tuck into existing facilities, others which will support investment in further plants.

Financial Review

The major factors impacting revenue and trading profit are summarised in Table 5.

Table 5: Revenue and Trading Profit Bridge

	<u>Revenue</u>		<u>Trading Profit</u>	
	<u>£m</u>		<u>£m</u>	
H1 2007/8	271	100%	27.0	100%
Organic growth (excluding Belgium landfill)	19	7%	1.1	4%
Belgium landfill decline	(0)	0%	(0.3)	-1%
Current year acquisitions / divestments	16	6%	0.0	0%
Full six months of prior year acquisitions	7	3%	0.8	3%
Exchange	38	14%	4.7	17%
H1 2008/9	351	130%	33.3	123%

Details of the Group's trading performance, acquisitions and divestments are given in the Operating Review above.

The significant strengthening of the Euro versus Sterling since the latter part of 2007/8 financial year has caused a considerable 17% enhancement in the sterling value of Euro denominated profits; the impact on the sterling value of Euro denominated balance sheet items is far less substantial causing a 1% reduction since last year end.

Net Financial Income from PFI increased to £0.6m (2007/8: £0.2m). This comprises interest income on financial assets arising on the UK PFI contracts net of the interest charge on the PFI net debt¹ before taking into account the International Accounting Standard IAS 39 change in market value of financial instruments. The charge has reduced following the injection of £23m of subordinated debt and equity into the ELWA PFI company in December 2007.

Finance charges on core borrowings increased £3.9m to £9.2m (2007/8: £5.3m). The major factors behind this increase are detailed in Table 6.

Table 6: Finance Charge on Core Borrowings - Major Factor Analysis

	<u>H1 08/9</u>	<u>H1 07/8</u>	<u>Change</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Finance Charge on Core Borrowings	(9.2)	(5.3)	(3.9)
Major Factors:			
Increase in core borrowing levels			(2.3)
Increase in bank interest rates			(0.7)
Exchange			(0.9)
Total			(3.9)

Excluding exchange effects, the average level of core borrowings has risen since the 2007/8 first half due principally to investment in growth via acquisitions and organic growth projects, details of which are given below.

¹ PFI net debt is the external net debt in the Special Purpose Vehicles set up to project finance the UK PFI contracts

The majority of the Group's borrowings are in Euros to provide a natural hedge against the Euro denominated assets. This therefore attracts Euro denominated interest, the Sterling value of this has increased due to the strengthening of the Euro.

Over the last two years the Group has opted to leave a significant proportion of the core debt on variable interest rates due to the forward profile of interest rate curves. The variable rate borrowings are at a margin over the London Inter Bank Offer Rates (LIBOR) the half year average of which have risen by more than 8% compared to the first half of 2007/8.

The average tax rate on underlying profits fell to 30% (2007/8: 32%). This was attributable to the flow through of recent tax rate reductions in both the Netherlands and the UK. The underlying rates of tax in the Netherlands, Belgium and the UK were 25.5%, 34% and 28% respectively.

The exceptional disposal profits of £1.8m relate to the disposal of our Liverpool Solid Waste operations in the UK. These have been excluded from underlying profits due to their exceptional size. There was no tax payable on these disposals as the capital gains arising were sheltered by brought forward capital tax losses within the Group.

The £24.5m exceptional tax charge relates to the withdrawal of industrial buildings allowances which were enacted in the Finance Act 2008. This principally relates to the non discounted value of tax relief that would have been available on the PFI infrastructure towards the end of the 25 year PFI contracts. The discounted value of the increase in tax payments resulting from the loss of these allowances is approximately £12m.

Cash Flow and Net Debt

Details of the Group's cash flow performance are summarised in Table 7 below.

Table 7: Summarised Group Cashflow

	H1 08/9			H1 07/8	Diff £m
	<u>Non-PFI</u> £m	<u>PFI</u> £m	<u>Total</u> £m	<u>Total</u> £m	
Trading profit	33	-	33	27	6
Depreciation & landfill provisions	24	-	24	17	7
EBITDA	57	-	57	44	13
Working capital movement and other ¹	(21)	(5)	(26)	(6)	(20)
Net replacement capital expenditure	(23)	1	(22)	(11)	(11)
Interest & tax	(19)	1	(18)	(8)	(10)
Underlying cashflow	(6)	(3)	(9)	19	(28)
Dividends / issue of shares	(10)	-	(10)	(8)	(2)
PFI cross funding	(5)	5	-	-	-
Net growth capital expenditure	(13)	(7)	(20)	(11)	(9)
Acquisitions (incl wrkg cap. injection)	(25)	-	(25)	(21)	(4)
Net cashflow	(59)	(5)	(64)	(21)	(43)
Exchange	1	-	1	(6)	7
Opening net debt ²	(212)	(111)	(323)	(257)	(66)
Closing net debt ²	(270)	(116)	(386)	(284)	(102)

1 Other comprises non-landfill provision movements, add back of share based payments and non-exceptional disposal profits

2 Excluding fair value of interest rate swaps

The underlying cash outflow from the non-PFI business was £6m after an increase in working capital of £21m and net replacement capital expenditure of £23m. The £5m PFI cross funding represents the net cash flow into the PFI activities (including the PFI bid team). The £25m outflow on acquisitions relates principally to the Foronex acquisition in April 2008 and comprises the £10m paid, £10m of net debt in the acquired entities and a £5m post acquisition injection of working capital. This was due to the unsustainably low level of working capital at acquisition which had been identified in the due diligence process. There was a £1m reduction on the translation of the Group's Euro denominated debt into Sterling, giving an overall increase in core net debt of £58m to £270m.

The non-recourse aggregated net debt in the PFI companies, excluding fair value of interest rate swaps, increased by £5m to £116m due to some draw downs relating to final construction payments at ELWA. The return of the payment period for the ELWA contract debtor to a normal level caused the increase in PFI working capital, which delayed cash passing through to core net debt.

Non-PFI Working Capital

Working capital levels are normally higher at the half year due to activity levels within the businesses. This year however there are a number of additional factors which have caused the higher than usual increase.

- Working capital was unusually low at 31 March 2008. The reversal of this position accounts for approximately £10m of the increase in the first half.
- In Belgium a change in the basis of allocating Green Certificates for power from our landfill has resulted in a delay receiving certificates causing levels of accrued income to be approximately £1m higher than usual. This effect should reverse in the second half.
- In the Netherlands payment delays at Reym have increased due to administrative delays on the new contracts causing debtors to be approximately £2m above normal levels. These issues are expected to be resolved in the second half.
- Finally the majority of the excise duty rebate due at our ATM facility is expected to be received in the second half, reducing working capital by a further £1m.

The normal seasonal swing in working capital and the latter three items above should ensure a significant reversal of the first half adverse movement in the second half, however there is still likely to be an increase in working capital in the year overall due to the first item.

Capital Expenditure

Core net replacement capital expenditure at £23m was in line with depreciation. Expenditure on growth projects was £16m which was partially funded by the sale of our Liverpool site in the UK for £3m. Major growth projects included the installation of solid recovered fuel production facilities, an anaerobic digestion plant in Belgium and the construction of Orgaworld tunnel composting facilities in Canada.

The capital expenditure on PFI contracts comprised £11m (2007/8: £9m) of financial asset advances and £5m (2007/8: £4m) of financial asset repayments. £7m of the financial asset advances related to the completion of recyclables sorting facilities and final payments for the EcoDeco mechanical biological treatment facilities at our ELWA contract.

Principal Risks and Uncertainties

The Group has set out the principal risks which could impact the performance of the Group in its Annual Report and Accounts 2008 (available on our website at www.shanksplc.co.uk). There has been no material change in these risks. The Group operates a formal framework for the identification and evaluation of key risks applicable to each area of the business. These along with any mitigating actions are monitored on a continuing basis at both operating and Group Board level. Looking forward over the remainder of the year, the main areas of uncertainty are the impact of the down turn in the economy on our trading activities and the impact of the turmoil in the credit markets on the cost and availability of finance for new projects.

Outlook

The Group has a balanced portfolio of businesses that combine stable cash generating activities with high growth technology based solutions. Our strategic alignment with the direction of regulation and legislation means that we expect the Group to continue to perform well despite the economic downturn in the wider economy. Whilst the growth in volumes of waste being generated is likely to slow as GDP growth slows, our strategy of investing in projects that offer customers more sustainable alternatives to traditional waste management solutions, means that we will be well placed to win business. The Board therefore remains confident of achieving our expectations for the current year and making further progress in the future.

Notes:

1. Management will be holding an analyst presentation at 9:30 a.m. today, 6 November at the offices of RBS Hoare Govett, 250 Bishopsgate, London, EC2M 4AA.
2. A copy of this announcement is available on the Company's website (www.shanksplc.co.uk) as will the presentation being made today to financial institutions.
3. Copies of the Interim Report will be posted to shareholders by 19 November 2008, after which they will be available, on request from the Group Company Secretary at Dunedin House, Auckland Park, Mount Farm, Milton Keynes, Buckinghamshire, MK1 1BU, or on the Company's website.
4. The interim dividend of 2.1 pence per share will be paid on 9 January 2009 to shareholders on the register at close of business on 12 December 2008.

For further information contact:

Shanks Group plc
Tom Drury; Group Chief Executive
Fraser Welham; Group Finance Director

on 6 November: telephone +44 (0) 207 678 0160
thereafter, telephone: +44 (0) 1908 650580

Tulchan Communications
David Allchurch, Stephen Malthouse

on 6 November: telephone +44 (0) 207 678 0160
thereafter, telephone: + 44 (0) 207 353 4200

Consolidated Income Statement

First Half ended 30 September 2008

	Note	2008/9 First Half £m	2007/8 First Half £m	2007/8 Full Year £m
Continuing operations				
Revenue	2	350.9	271.1	563.7
Cost of sales before exceptional items		(287.7)	(218.9)	(456.0)
Amortisation of acquisition intangibles		(2.1)	(1.1)	(2.5)
Total cost of sales		(289.8)	(220.0)	(458.5)
Gross profit		61.1	51.1	105.2
Administrative expenses before exceptional items		(29.9)	(25.2)	(51.8)
Exceptional profit on disposal of property		1.8	1.1	1.9
Total administrative expenses		(28.1)	(24.1)	(49.9)
Operating profit	2	33.0	27.0	55.3
Finance charges:				
Interest payable		(14.2)	(11.4)	(23.8)
Interest receivable		5.6	6.3	12.7
Change in fair value of interest rate swaps		0.2	1.2	(2.9)
Total finance charges	2	(8.4)	(3.9)	(14.0)
Profit before tax	2	24.6	23.1	41.3
Tax before exceptional items		(6.8)	(7.1)	(13.0)
Exceptional tax		(24.5)	-	-
Total tax	3	(31.3)	(7.1)	(13.0)
(Loss) profit for the period		(6.7)	16.0	28.3
Dividend per share	4	2.1p	2.0p	6.2p
(Loss) earnings per share				
- basic	5	(2.8)p	6.8p	12.0p
- diluted	5	(2.8)p	6.8p	12.0p

The interim financial information and related comparative information is unaudited.

The notes on pages 16 to 23 form an integral part of this condensed consolidated interim financial information.

Consolidated Statement of Recognised Income and Expense

First Half ended 30 September 2008

	2008/9 First Half £m	2007/8 First Half £m	2007/8 Full Year £m
Exchange (loss) gain on translation of foreign operations	(2.5)	4.4	28.1
Actuarial (loss) gain on defined benefit pension schemes	(4.1)	4.5	16.0
	(6.6)	8.9	44.1
Deferred tax in respect of defined benefit pension schemes	1.1	(1.3)	(4.7)
Net (expense) income recognised directly in equity	(5.5)	7.6	39.4
(Loss) profit for the period	(6.7)	16.0	28.3
Total recognised income and expense for the period	(12.2)	23.6	67.7

The interim financial information and related comparative information is unaudited.

The notes on pages 16 to 23 form an integral part of this condensed consolidated interim financial information.

Consolidated Balance Sheet

At 30 September 2008

		At 30 September 2008 £m	At 30 September 2007 £m	At 31 March 2008 £m
	Note			
Non-current assets				
Intangible assets		276.9	226.6	273.7
Property, plant and equipment		309.8	232.4	287.5
Other investments and loans to joint ventures		1.4	1.5	1.6
Trade and other receivables		156.1	146.5	150.7
Retirement benefit assets		6.3	-	9.4
Deferred tax assets		5.8	7.8	3.7
		756.3	614.8	726.6
Current assets				
Inventories		9.2	5.9	7.7
Trade and other receivables		174.2	126.8	152.8
Current tax receivable		2.0	2.1	1.4
Cash and cash equivalents	11	13.9	35.4	53.2
		199.3	170.2	215.1
Total assets		955.6	785.0	941.7
Current liabilities				
Borrowings	11	(23.7)	(33.7)	(8.1)
Trade and other payables		(167.5)	(131.3)	(175.5)
Current tax payable		(11.5)	(16.4)	(16.2)
Provisions	8	(4.4)	(5.6)	(4.1)
		(207.1)	(187.0)	(203.9)
Non-current liabilities				
Borrowings	11	(379.1)	(284.5)	(371.8)
Other non-current liabilities		(16.8)	(14.2)	(18.5)
Deferred tax liabilities		(64.8)	(31.7)	(39.1)
Provisions	8	(28.5)	(23.9)	(28.3)
Retirement benefit obligations		-	(3.4)	-
		(489.2)	(357.7)	(457.7)
Total liabilities		(696.3)	(544.7)	(661.6)
Net assets		259.3	240.3	280.1
Equity				
Share capital		23.8	23.7	23.7
Share premium		99.0	97.2	97.4
Exchange reserve		26.7	5.5	29.2
Retained earnings		109.8	113.8	129.8
		259.3	240.2	280.1
Minority interest		-	0.1	-
Total equity	9	259.3	240.3	280.1

The interim financial information and related comparative information is unaudited.
The notes on pages 16 to 23 form an integral part of this condensed consolidated interim financial information.

Consolidated Cash Flow Statement

First Half ended 30 September 2008

	Note	2008/9 First Half £m	2007/8 First Half £m	2007/8 Full Year £m
Net cash flow from operating activities	10	14.3	35.8	87.1
Investing activities				
Purchases of intangible assets		(0.4)	(0.1)	(0.5)
Purchases of property, plant and equipment		(39.2)	(18.2)	(47.7)
Disposal of property, plant and equipment		3.7	1.9	5.3
Financial asset capital advances		(10.7)	(9.6)	(17.1)
Financial asset capital repayments		5.2	2.9	8.8
Acquisition of subsidiary and other businesses		(19.8)	(21.6)	(47.5)
Income received from other investments		0.1	0.2	0.4
Net cash from investing activities		(61.1)	(44.5)	(98.3)
Financing activities				
Interest paid		(12.8)	(10.5)	(21.1)
Interest received		5.1	6.3	10.6
Proceeds from issue of shares		0.5	2.1	2.3
Dividends paid		(10.0)	(9.5)	(14.3)
Increase in borrowings		24.2	12.5	38.5
Increase in obligations under finance leases		3.9	1.8	3.8
Repayments of obligations under finance leases		(3.3)	(1.4)	(2.7)
Net cash flow from financing activities		7.6	1.3	17.1
Net (decrease) increase in cash and cash equivalents		(39.2)	(7.4)	5.9
Effect of foreign exchange rate changes		(0.1)	0.1	4.6
Cash and cash equivalents at beginning of period		53.2	42.7	42.7
Cash and cash equivalents at end of period		13.9	35.4	53.2

The interim financial information and related comparative information is unaudited.

The notes on pages 16 to 23 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Statements

1 Basis of preparation and status of financial information

This condensed consolidated interim financial information for the half year ended 30 September 2008 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, Interim Financial Reporting as adopted by the European Union. The half-yearly condensed consolidated financial report should be read in conjunction with the Annual Report and Accounts 2008, which have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The condensed interim financial information is unaudited and was approved by the Board of Directors on 6 November 2008.

These interim financial results do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 March 2008 were approved by the Board of directors on 29 May 2008 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 237 of the Companies Act 1985.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2008, as described in those annual financial statements.

No new mandatory accounting standards, amendments to standards or interpretations are expected to materially impact the 31 March 2009 financial statements.

Use of adjusted measures

Shanks Group plc believes that trading profit, underlying profit before tax, underlying profit after tax and underlying earnings per share provide useful information on underlying trends to shareholders. These measures are used by Shanks for internal performance analysis and incentive compensation arrangements for employees. The terms 'trading profit', 'exceptional items' and 'adjusted' are not defined terms under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to GAAP measurements of profit. The term 'underlying' refers to the relevant measure being reported for continuing operations excluding exceptional items, financing fair value remeasurements and amortisation of acquisition intangibles, excluding landfill void and computer software. Trading profit is defined as continuing operating profit before amortisation of acquisition intangibles and exceptional items.

Notes to the Condensed Consolidated Interim Financial Statements

continued

2 Segmental analysis

The Group operates in the Netherlands, Belgium, the United Kingdom and Canada. As the waste markets are different in each member state of the European Union, 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 and recycling
Landfill and Power	Landfill disposal (including contaminated soils) and power generation from landfill gas
Hazardous Waste	Industrial cleaning, hazardous waste transport, treatment (including contaminated soils) and disposal and contaminated land remediation
Organic Treatment	Anaerobic digestion and tunnel composting of source segregated organic waste streams
PFI contracts	Long term United Kingdom municipal waste treatment contracts
Sand Quarry	Mineral extraction

The accounting policies of the reportable segments are the same as those described in note 1, except that pension expense for the United Kingdom is recognised and measured on the basis of cash payments to the pension plan. The profit measure the Group uses to evaluate performance is trading profit. Trading profit is operating profit before the amortisation of acquisition intangibles, excluding landfill void and computer software, and before exceptional items. The Group accounts for inter-segment trading on an arm's length basis. The information for the 30 September 2007 comparatives has been restated in the new format.

		2008/9 First Half £m	2007/8 First Half £m	2007/8 Full Year £m
(a)	Revenue			
	Netherlands			
	Solid Waste	113.4	88.5	189.5
	Hazardous Waste	58.0	46.6	100.6
	Organic Treatment	5.2	3.5	7.2
	Intra-segment revenue	(2.0)	(1.2)	(2.6)
		174.6	137.4	294.7
	Belgium			
	Solid Waste	64.1	37.0	77.2
	Landfill and Power	11.1	9.6	18.0
	Hazardous Waste	23.4	20.5	40.9
	Sand Quarry	1.7	1.4	2.2
	Intra-segment revenue	(9.5)	(6.5)	(13.2)
		90.8	62.0	125.1
	United Kingdom			
	Solid Waste	40.5	36.3	75.1
	Landfill and Power	8.0	7.1	15.2
	Hazardous Waste	11.3	5.0	10.9
	PFI Contracts	25.2	23.4	43.2
	Intra-segment revenue	-	-	-
		85.0	71.8	144.4
	Canada			
	Organic Treatment	1.5	0.4	1.4
	Inter-segment revenue	(1.0)	(0.5)	(1.9)
	Total revenue	350.9	271.1	563.7
	Group	341.0	263.6	547.3
	Share of joint ventures	9.9	7.5	16.4
	Total revenue	350.9	271.1	563.7

Notes to the Condensed Consolidated Interim Financial Statements

continued

2 Segmental analysis - continued

		2008/9 First Half £m	2007/8 First Half £m	2007/8 Full Year £m
(b)	Profit before tax			
	<i>Trading Profit *</i>			
	Netherlands			
	Solid Waste	17.1	13.8	30.0
	Hazardous Waste	5.8	4.8	9.5
	Organic Treatment	1.0	0.9	1.6
	Country Central Services	(1.9)	(1.5)	(3.4)
		22.0	18.0	37.7
	Belgium			
	Solid Waste	4.5	4.3	7.4
	Landfill and Power	5.3	4.6	8.3
	Hazardous Waste	2.5	1.7	3.3
	Sand Quarry	0.8	0.4	0.7
	Country Central Services	(2.3)	(2.1)	(3.5)
		10.8	8.9	16.2
	United Kingdom			
	Solid Waste	3.6	3.1	6.4
	Landfill and Power	2.1	2.0	5.0
	Hazardous Waste	0.7	0.7	1.7
	PFI Contracts	0.2	0.4	0.4
	PFI Bid Team	(0.9)	(0.4)	(0.9)
	Country Central Services	(2.8)	(3.2)	(5.7)
		2.9	2.6	6.9
	Canada			
	Organic Treatment	0.3	0.1	0.1
	Group Central Services	(2.7)	(2.6)	(5.0)
	Total trading profit *	33.3	27.0	55.9
	Amortisation of acquisition intangibles	(2.1)	(1.1)	(2.5)
	Exceptional profit on disposal of properties	1.8	1.1	1.9
		(0.3)	-	(0.6)
	Total operating profit	33.0	27.0	55.3
	Group	30.7	24.9	50.1
	Share of joint ventures	2.3	2.1	5.2
	Total operating profit	33.0	27.0	55.3
	Finance charges			
	Interest payable	(14.2)	(11.4)	(23.8)
	Interest receivable	5.6	6.3	12.7
	Change in fair value of interest rate swaps	0.2	1.2	(2.9)
	Total finance charges	(8.4)	(3.9)	(14.0)
	Profit before tax for the period	24.6	23.1	41.3

* Trading profit is operating profit before amortisation of acquisition intangibles, excluding landfill void and computer software, and before exceptional items.

Notes to the Condensed Consolidated Interim Financial Statements

continued

2 Segmental analysis - continued

		At 30 September 2008 £m	At 30 September 2007 £m	At 31 March 2008 £m
(c) Analysis of net assets				
Netherlands	Gross non-current assets	445.3	372.0	451.3
	Gross current assets	79.5	56.8	78.8
	Gross liabilities	(102.6)	(82.9)	(117.6)
	Net operating assets	422.2	345.9	412.5
Belgium	Gross non-current assets	83.1	44.0	55.0
	Gross current assets	52.2	34.7	37.5
	Gross liabilities	(68.1)	(49.3)	(62.6)
	Net operating assets	67.2	29.4	29.9
United Kingdom	Gross non-current assets	203.4	184.6	199.8
	Gross current assets	50.1	40.2	43.5
	Gross liabilities	(40.6)	(34.4)	(37.0)
	Net operating assets	212.9	190.4	206.3
Canada	Gross non-current assets	11.8	6.0	7.2
	Gross current assets	0.8	0.4	0.4
	Gross liabilities	(0.3)	(0.5)	(0.5)
	Net operating assets	12.3	5.9	7.1
Group Central Services	Gross non-current assets	6.9	0.4	9.6
	Gross current assets	0.8	0.6	0.3
	Gross liabilities	(5.6)	(11.3)	(8.7)
	Net operating assets (liabilities)	2.1	(10.3)	1.2
Total	Gross non-current assets	750.5	607.0	722.9
	Gross current assets	183.4	132.7	160.5
	Gross liabilities	(217.2)	(178.4)	(226.4)
Net operating assets	716.7	561.3	657.0	
Current tax		(9.5)	(14.3)	(14.8)
Deferred tax		(59.0)	(23.9)	(35.4)
Net debt		(388.9)	(282.8)	(326.7)
Net assets		259.3	240.3	280.1

3 Tax

		2008/9 First Half £m	2007/8 First Half £m	2007/8 Full Year £m
Current tax	UK corporation tax at 28% (2007/8: 30%)			
	- Current year	2.6	3.9	5.5
	- Prior year	0.1	-	(1.6)
	Double tax relief	(2.9)	(1.9)	(2.9)
	Overseas tax			
	- Current year	6.3	5.5	10.8
	- Prior year	(0.5)	-	(2.1)
Total current tax charge		5.6	7.5	9.7
Deferred tax				
	- Current year - ordinary	1.2	(1.1)	2.7
	- Current year – exceptional	24.5	-	-
	- Prior year	-	0.7	0.6
Total deferred tax charge (credit)		25.7	(0.4)	3.3
Tax charge for the period		31.3	7.1	13.0

The tax rate for the first half of the current year is based on the estimated charge for the full year.

Notes to the Condensed Consolidated Interim Financial Statements

continued

3 Tax - continued

As a result of changes enacted in the Finance Act 2008 there will be a phased withdrawal of industrial buildings allowances over a period of 4 years. This has resulted in a £24.5 million exceptional tax charge in the period. This principally relates to the non discounted value of tax relief that would have been available on the PFI infrastructure towards the end of the 25 year PFI contracts.

4 Dividends

	2008/9	2007/8	2007/8
	First	First	Full
	Half	Half	Year
	£m	£m	£m
Amounts recognised as distributions to equity holders in the period:			
Interim dividends	-	-	4.8
Final dividends	10.0	9.5	9.5
Total dividends	10.0	9.5	14.3

An interim dividend of 2.1p per share (2007/8: 2.0p per share) was approved by the Board on 6 November 2008 and will be paid on 9 January 2009 to shareholders on the register at close of business on 12 December 2008. The final dividend for 2007/8 of 4.2p per share (2006/7: 4.0p per share) was approved by the shareholders at the Annual General Meeting on 24 July 2008 and was paid on 1 August 2008.

5 Earnings per share

	2008/9	2007/8	2007/8
	First	First	Full
	Half	Half	Year
Number of shares			
Weighted average number of ordinary shares for basic earnings per share	237.3m	235.8m	236.2m
Effect of share options in issue	0.4m	0.7m	0.5m
Weighted average number of ordinary shares for diluted earnings per share	237.7m	236.5m	236.7m

(a) Calculation of basic and adjusted basic earnings per share

Earnings for basic earnings per share being (loss) profit for the period (£m)	(6.7)	16.0	28.3
Change in fair value of interest rate swaps (net of tax) (£m)	(0.1)	(0.9)	(2.1)
Amortisation of acquisition intangibles (net of tax) (£m)	1.5	0.9	1.9
Exceptional profit on disposal of properties (net of tax) (£m)	(1.8)	(1.1)	(1.9)
Exceptional tax charge (£m)	24.5	-	-
Earnings for adjusted basic earnings per share (£m)	17.4	14.9	30.4
Basic (loss) earnings per share	(2.8)p	6.8p	12.0p
Underlying earnings per share (see note below)	7.3p	6.3p	12.9p

(b) Calculation of diluted earnings per share

Earnings for basic earnings per share being (loss) profit for the period (£m)	(6.7)	16.0	28.3
Effect of dilutive potential ordinary shares (£m)	-	-	-
Earnings for diluted earnings per share (£m)	(6.7)	16.0	28.3
Diluted (loss) earnings per share	(2.8)p	6.8p	12.0p

The Directors believe that adjusting earnings per share for the effect of the amortisation of acquisition intangibles excluding landfill void and computer software, and for exceptional items enables comparison with historical data calculated on the same basis. Adjusting for amortisation of acquisition intangibles brings the Group's adjusted measure into line with general practice. Exceptional items are those that need to be disclosed separately on the face of the income statement because of their size or incidence. Changes in the fair values of interest rate swaps that the Group is required to enter into in relation to its PFI arrangements are considered to be exceptional items.

Notes to the Condensed Consolidated Interim Financial Statements

continued

6 Business Combinations

- (a) On 1 April 2008 the Group acquired 100% of the share capital of the Foronex group in Belgium, for a consideration of £10.4m. Foronex is a leading player in the wood waste and by-products market in Benelux. The goodwill recognised is attributable to Foronex's strong market position, growth potential and synergistic benefits. From acquisition to 30 September 2008, Foronex has contributed £19.4m to revenue and reduced profit after tax by £0.7m. The aggregate book value of the assets and liabilities acquired and the provisional fair value to the Group, pending completion of the evaluation of the business, were as follows:

	Book Value £m	Fair Value Adjustment £m	Provisional Fair value £m
Intangible assets	-	6.0	6.0
Property, plant and equipment	8.1	3.5	11.6
Investments	0.1	-	0.1
Inventories	1.8	-	1.8
Trade receivables	10.0	-	10.0
Other receivables	0.1	-	0.1
Trade payables	(12.2)	-	(12.2)
Other payables	(0.6)	-	(0.6)
Borrowings	(6.4)	(3.9)	(10.3)
Deferred tax liabilities	2.2	(2.1)	0.1
Provisions	(0.1)	-	(0.1)
Net assets acquired	3.0	3.5	6.5
Provisional goodwill			3.9
			10.4
Satisfied by:			
Cash consideration			10.4

- (b) For acquisitions completed in the year to 31 March 2008 there have been no amendments to the provisional fair values except for Wastecom Limited in the UK acquired for a consideration of £6.4m on 7 November 2007. Following the finalisation of the fair value of net assets on completion and a price adjustment of £1.0m goodwill arising on the acquisition has been reduced by £1.0m.

7 Property, plant and equipment

During the six months ended 30 September 2008, the Group acquired assets with a cost of £38.0m (2007: £18.2m). The major growth projects are as defined in the financial review at the front of this report.

At 30 September 2008, the Group had capital commitments of £37.3m (2007: £38.1m).

8 Provisions

	Site restoration and aftercare £m	Other £m	Total £m
At 31 March 2008	25.6	6.8	32.4
Provided - cost of sales	0.5	0.2	0.7
- finance charges	0.6	-	0.6
Utilised	(0.1)	(0.5)	(0.6)
Exchange rate movements	(0.2)	-	(0.2)
At 30 September 2008	26.4	6.5	32.9
Current	0.4	4.0	4.4
Non-current	26.0	2.5	28.5
At 30 September 2008	26.4	6.5	32.9
Current	0.5	3.6	4.1
Non-current	25.1	3.2	28.3
At 31 March 2008	25.6	6.8	32.4
Current	0.4	5.2	5.6
Non-current	21.6	2.3	23.9
At 30 September 2007	22.0	7.5	29.5

Notes to the Condensed Consolidated Interim Financial Statements

continued

9 Reconciliation of changes in total equity

	2008/9 First Half £m	2007/8 First Half £m	2007/8 Full Year £m
Opening total equity as at 31 March	280.1	223.7	223.7
Recognised income and expense for the period	(12.2)	23.6	67.7
Dividends paid (see note 4)	(10.0)	(9.5)	(14.3)
Share-based payments	0.4	0.3	0.8
Tax on share-based payments	0.6	(0.1)	(0.2)
Minority interest arising on acquisitions in the period	-	0.1	-
Other reserves movement	(1.3)	(1.1)	(1.2)
Issue of share capital	1.7	3.3	3.6
Closing total equity	259.3	240.3	280.1

10 Cash flows from operating activities

	2008/9 First Half £m	2007/8 First Half £m	2007/8 Full Year £m
Net cash from operating activities			
Operating profit from continuing operations	33.0	27.0	55.3
Amortisation of intangible assets	2.9	1.8	4.0
Depreciation of property, plant and equipment	22.5	16.1	34.3
Charge for long term landfill provisions	0.4	0.4	1.0
Exceptional gain on disposal of property, plant and equipment	(1.8)	(1.1)	(1.9)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	57.0	44.2	92.7
Non-exceptional gain on disposal of property, plant and equipment	(0.5)	(0.4)	(1.2)
Net decrease in provisions	(0.8)	(0.9)	(1.7)
Share based payments	0.4	0.4	0.8
Operating cash flows before movement in working capital	56.1	43.3	90.6
Decrease (increase) in inventories	0.2	(0.5)	(1.3)
Increase in receivables	(11.8)	(4.3)	(14.0)
(Decrease) increase in payables	(19.5)	(0.1)	20.2
Cash generated by operations	25.0	38.4	95.5
Income taxes paid	(10.7)	(2.6)	(8.4)
Net cash from operating activities	14.3	35.8	87.1

Notes to the Condensed Consolidated Interim Financial Statements

continued

11 Consolidated movement in net debt

	2008/9 First Half £m	2007/8 First Half £m	2007/8 Full Year £m
Net (decrease) increase in cash and cash equivalents	(39.2)	(7.4)	5.9
Net increase in borrowings and finance leases	(24.8)	(12.9)	(39.6)
Amortisation of loan fees	(0.2)	(0.4)	(0.9)
Exchange gain (loss)	1.8	(5.9)	(31.8)
Change in fair value of interest rate swaps	0.2	1.2	(2.9)
Movement in net debt	(62.2)	(25.4)	(69.3)
Net debt at beginning of period	(326.7)	(257.4)	(257.4)
Net debt at end of period	(388.9)	(282.8)	(326.7)

Analysis of net debt

	At 30 September 2008 £m	At 30 September 2007 £m	At 31 March 2008 £m
Cash and cash equivalents	13.9	35.4	53.2
Current borrowings	(23.7)	(33.7)	(8.1)
Non-current borrowings	(379.1)	(284.5)	(371.8)
Total Group net debt	(388.9)	(282.8)	(326.7)

	At 30 September 2008 £m	At 30 September 2007 £m	At 31 March 2008 £m
Core net debt	(270.0)	(151.8)	(211.7)
Private Finance Initiative net debt	(115.6)	(131.7)	(111.5)
Total Group net debt before fair value of interest rate swaps	(385.6)	(283.5)	(323.2)
Fair value of Private Finance Initiative interest rate swaps	(3.3)	0.7	(3.5)
Total Group net debt	(388.9)	(282.8)	(326.7)

12 Related party transactions

There have been no additional significant or unusual related party transactions to those disclosed in the Group's Annual Report for 31 March 2008.

Statement of directors' responsibilities

The directors confirm that to the best of their knowledge:

This condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union.

The interim management report herein includes:

- a fair review of the information required by DTR 4.2.7 of the Disclosure and Transparency Rules, being an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the year; and
- DTR 4.2.8 of the Disclosure and Transparency Rules, being related party transaction or changes in the related party transactions described in the 2008 Annual Report that materially affected the Group's results or financial position during the six months ended 30 September 2008.

The directors of Shanks Group plc are listed in the Shanks Group plc Annual Report and Accounts 2008. A list of current directors is maintained on the Shanks Group plc website: www.shanksplc.co.uk.

By order of the Board

T W Drury
Group Chief Executive

F A N Welham
Group Finance Director

Independent Review Report to Shanks Group plc

Introduction

We have been engaged by the company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2008, which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of recognised income and expense, consolidated cash flow statement 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 set of financial statements 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 set of financial statements 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 set of financial statements in the half-yearly financial report for the six months ended 30 September 2008 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
6 November 2008

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.