This announcement contains inside information.

24 May 2018

Renewi plc

Renewi plc (LSE: RWI), the leading international waste-to-product business, today announces its results for the year ended 31 March 2018.

GOOD PROGRESS IN FIRST FULL YEAR AS RENEWI

- Full year performance slightly ahead of upgraded expectations
- Core Commercial Benelux divisions underlying profits up 36% at CER
- Cost synergies ahead of plan at €15m and on track to deliver expected €40m in 2019/20
- Proactive management to outperform in dynamic recycling markets
- Well positioned to benefit from long term structural growth in EU recycling
- Board expectations for good progress in 2018/19 unchanged

Financial Summary

- Revenue up 8% to £1,566m (3% at CER)
- Underlying EBIT up 30% to £69.1m (23% at CER)
- Reported underlying profit before tax doubled to £51.5m (88% at CER)
- Exceptional and non-trading items of £101.5m, £73m of which related to UK Municipal and £22m to merger related costs as expected, resulting in a statutory loss before tax of £50.0m (2017: loss of £61.4m)
- Reported underlying EPS up 30% to 4.8p per share (18% at CER)
- Net debt better than expected at £439m
- Total dividend maintained at 3.05p per share

	Year ended March 2018	Year ended March 2017	Change % Total	Change % CER**
PRO FORMA#				
Revenue	**£1,566m**	**£1,451m**	**8%**	**3%**
Underlying EBIT+	**£69.1m**	**£53.1m**	**30%**	**23%**
REPORTED*				
Revenue	**£1,566m**	**£779m**	**101%**	**93%**
EBITDA+	**£156.9m**	**£81.1m**	**93%**	**84%**
Underlying EBIT+	**£69.1m**	**£36.5m**	**89%**	**78%**
Underlying profit before tax+	**£51.5m**	**£25.7m**	**100%**	**88%**
Underlying EPS+	**4.8p**	**3.7p**	**30%**	**18%**
Underlying free cash flow+	**£79.8m**	**£23.1m**		
Exceptional and non-trading items	**£(101.5)m**	**£(87.1)m**		
STATUTORY				
Loss before tax for the year	**£(50.0)m**	**£(61.4)m**		
Basic loss per share	**(6.0)p**	**(11.3)p**		
Total dividend per share	**3.05p**	**3.05p**		
Cash flow from operating activities	**£128.4m**	**£27.9m**		

#Pro forma includes twelve months of Van Gansewinkel (VGG) as extracted from management accounts and unaudited as if VGG had been owned throughout the financial year ended 2017.

*Reported is as per the preliminary announcement and for 2017 only includes VGG for one month as the merger completed on 28 February 2017.
**CER = at constant exchange rate.
+The definition and rationale for the use of non-IFRS measures are included before the Consolidated Income Statement.

Peter Dilnot, Chief Executive Officer, said:

"We have made good progress in our first full year as Renewi. Underlying PBT doubled, coming in slightly ahead of our upgraded expectations, and our cash performance was strong. We exceeded our synergy target for the year, further developed our detailed integration plans and established Renewi as a new and powerful brand in our core markets.

"Our Commercial Division, which accounts for around 65% of Group revenue, delivered a strong performance in improving markets, offsetting headwinds in the Hazardous and Municipal Divisions, and demonstrating the scale, breadth and resilience of our expanded portfolio.

"The Board expects continued good progress in 2018/19, in line with its expectations, as we deliver our projected synergies of €30m for the current year. With underlying market growth, an increasing pipeline of opportunities through innovation and strategic expansion, Renewi is well positioned to deliver long term growth and attractive returns."

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Notes:

1. The final dividend of 2.1 pence per share will be paid on 27 July 2018 to shareholders on the register at close of business on 29 June 2018.

2. Renewi will be holding an analyst presentation at 9.30 a.m. today, 24 May in the Entrust Room at etc Venues, Bishopsgate Court, 4-12 Norton Folgate, London E1 6DQ.

3. Webcast details for the presentation at 9.30 a.m.
   – Webcast: www.renewiplc.com
   – Telephone conference:

UK and International	+44 20 3936 2999
Belgium	0800 29 923
Netherlands	085 888 7233
Access code:	**876055**

4. A copy of this announcement is available on the Company's website, (www.renewiplc.com). A copy of the presentation being made today to financial institutions will also be available.

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 Renewi plc'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, Renewi plc undertakes no obligation to revise or update such forward-looking statements.

Chief Executive Officer's Statement

Overview

Renewi has had a successful first full year since the transformational merger of Shanks with Van Gansewinkel Groep (VGG) which completed on 28 February 2017. Reported underlying profit before tax doubled to £51.5m, and we produced a strong cash performance. Over the year we made good progress with the post-merger integration, exceeding our first year synergy target and establishing Renewi as a new and powerful brand in our core markets.

Our core Commercial Division delivered a strong performance, particularly in the Netherlands, and along with a strong performance by the Monostreams Division, offset headwinds in our Hazardous Waste and Municipal Divisions. Our overall results demonstrate the scale, breadth and resilience of the Group's expanded portfolio of businesses.

Delivering a good Group performance

All comparisons to the 2017 results refer to the performance that year on a pro forma basis as if Van Gansewinkel (VGG) had been owned throughout the financial year ended 31 March 2017, except where stated as reported. Pro forma includes twelve months of VGG as extracted from management accounts and unaudited. The definition of non-IFRS measures is included before the Consolidated Income Statement.

Continuing Operations	Revenue				Underlying EBIT			
	Year ended				Year ended			
	Mar 18	Mar 17	Variance %		Mar 18	Mar 17	Variance %	
	£m	£m	Actual	CER	£m	£m	Actual	CER
Commercial Waste	1,019.6	925.4	10%	5%	64.6	45.2	43%	36%
Hazardous Waste	203.2	187.9	8%	3%	17.4	20.7	-16%	-20%
Monostreams	180.0	159.6	13%	7%	16.0	12.3	30%	24%
Municipal	192.9	207.6	-7%	-7%	(9.3)	(2.6)	N/A	N/A
Group central services	-	-			(19.6)	(22.5)	13%	15%
Inter-segment revenue	(30.0)	(29.9)			-	-		
Total (pro forma basis)	**1,565.7**	**1,450.6**	**8%**	**3%**	**69.1**	**53.1**	**30%**	**23%**
Total (reported basis)	**1,565.7**	**779.2**	**101%**		**69.1**	**36.5**	**89%**	

CER = at constant exchange rate.
The underlying figures above are reconciled to statutory measures in note 3 in the consolidated financial statements.

Group performance

Group revenues grew by 8% to £1,566m at reported currency and 3% at constant currency. Underlying EBIT increased by 30% to £69.1m at reported currency and 23% at constant currency. Reported underlying profit before tax doubled to £51.5m at reported currency. Reported underlying earnings per share grew by 30% at reported currency to 4.8p (2017: 3.7p). Exceptional items totalled £101.5m (2017: £87.1m), principally reflecting the planned synergy delivery and integration costs of the merger and the previously reported actions to manage the Group's portfolio of UK Municipal assets, which resulted in a loss before tax for the year of £50.0m (2017: £61.4m). The total dividend for the year was maintained at 3.05 pence per share, in line with the Group's policy.

Strong cash management continued through the year. We delivered an underlying free cash flow of £79.8m in the first full year which was driven by a good working capital performance, well controlled replacement capital expenditure and delayed soil offset expenditure at ATM. Our core net debt at 31 March 2018 was £438.7m, representing a multiple of 2.9 times EBITDA, comfortably within our covenant level of 3.5x and better than our expectations for the year.

Divisional summary

- Commercial: strong performance in improving markets, particularly in the Netherlands, where profit grew 67% at constant currency
- Hazardous Waste: underlying profit decline of 20% at constant currency, as anticipated, reflecting soil issues at ATM
- Monostreams: 24% underlying profit growth at constant currency, with encouraging performance from Mineralz, Orgaworld and Maltha
- Municipal: loss reflects difficult market conditions and operational challenges; recovery plan being implemented

Driving strong growth in our core Commercial Division

Our Commercial Division, representing around 65% of our revenues, had a strong year, increasing underlying EBIT by 36% at constant currency to £64.6m on revenues up 5% to £1,020m. Margins increased by 140 basis points to 6.3% and returns on operating assets increased 620bps to 20.6%. The Netherlands increased underlying EBIT strongly by 67% to £38.8m, while Belgium grew underlying EBIT by 7% to £25.8m. Growth was driven by a combination of improving inbound waste volumes and positive pricing, strong operational gearing and initial synergies, offsetting a reduction in wood income and in paper and plastic recyclate income during the second half. The Division focused on enhancing margins through the renewal of medium and long term contracts at commercial prices to reflect the improving broader market conditions and successfully delivered a net gain in customers over the year. The particularly strong growth rate in the Netherlands reflects the stronger market recovery in that country and the opportunity for greater margin recovery. Divisional synergies amounted to €9.2m during the year, ahead of our initial expectations.

Addressing the short term challenges of soil offset in our Hazardous Waste Division

Hazardous Waste was impacted by the previously reported challenges in the offset of remediated soil at ATM following a dispute with IL&T, a Dutch regulator, over the use of washing waters in our treatment process. Revenues increased by 3% at constant currency to £203m but underlying EBIT reduced by 20% to £17.4m, with margins decreasing by 250 basis points to 8.6%. Intake of contaminated soil remained strong, as was throughput of contaminated water and packed chemical wastes. However, with limited outlets for the treated soil, we temporarily reduced soil throughput to around 50% of capacity with a corresponding impact on ATM's profitability, particularly in the second half. As a result of the ongoing market challenges with soil offset, an exceptional charge of £2.7m has been reported.

Whilst discussions continue with IL&T, we remain confident that our treatment process has been in line with all permits and applicable laws. We are making good progress in developing new opportunities to place the treated soil during 2018/19 and for the long term. The Reym/VGIS industrial cleaning business performed well and also made good progress in integrating VGIS operationally into the larger Reym organisation, delivering initial synergies of €1m during the year.

Building downstream product opportunities in our Monostreams Division

Our Monostreams Division delivered a strong performance in its first full year. At constant currency, revenues increased by 7% to £180m and underlying EBIT grew by 24% to £16.0m. Margins increased by 120 basis points to 8.9%. Growth was particularly strong in the Mineralz segment, with progress in both project related landfill volumes and the growing conversion of bottom ashes into products for building materials. This market will grow in the coming years as companies comply with the Green Deal between incinerator companies and the Dutch Government. In Orgaworld the main drivers were strong source segregated organics (SSO) volumes and good digester output performance. In Maltha, strong glass volumes in a diversifying customer portfolio, combined with operational improvement programmes, improved margins significantly. We also signed a new shareholder agreement with our joint venture partner Owens-Illinois for the Maltha business, strengthening the long term relationship between the two partners. Coolrec continued its innovative projects with a growing number of leading industrial partners in the use of recycled plastics and metals.

Action to address and de-risk performance in the Municipal Division

As previously reported, Municipal, which operates in the UK and Canada, had a challenging year. Revenue fell by 7% to £193m primarily as a result of reduced construction revenues following the completion of the Surrey facility in Canada. The Division recorded an underlying operating loss for the year of £9.3m, with increased losses in both the UK and Canada. Ongoing operational and portfolio initiatives include signing new refuse derived fuel (RDF) export agreements to reduce cost, the sale of Westcott Park and planned termination of the Dumfries & Galloway PFI contract and the resolution of operational issues in Canada. These initiatives are expected to reduce losses materially in the year ahead. As previously announced, an exceptional charge of £73m has been recorded in the year relating to onerous contract provisions and portfolio management.

Synergy delivery in 2017/18 ahead of plan, with forecast €40m synergies on track

The delivery of our commitment of €40m of cost synergies by 2019/20 underpins the expected initial value creation of the merger and we made good progress towards that target during 2017/18. We delivered €15m of initial synergies compared with our target of €12m and for a lower cost to date than originally planned.

In addition, the run rate of secured annualised cost savings as at March 2018 was approximately €24m, underpinning our confidence in our €30m target for 2018/19. The balance will be achieved in the second half, primarily from the process and IT migration projects which are critical to the next phases of planned integration and cost reduction. Our initiatives support our total €40m target, with further potential new projects being identified. Lower than expected exceptional synergy delivery costs of £14.6m (2017: £4.5m) have been incurred in the year to deliver these benefits.

Active management to outperform in dynamic recycling markets

Stronger incoming waste market supported by positive macroeconomic backdrop

Renewi benefited from generally stronger markets for inbound waste in 2017/18, with broad based volume growth supported by increasing GDP growth in our core Benelux market. Specifically:

- GDP grew by 3.1% in the Netherlands and 1.7% in Belgium. While total waste arising generally increases by a little less than GDP, for Renewi this is more than offset by an increasing structural shift towards recycling from landfill and incineration;
- Dutch construction continued to grow strongly for a third consecutive year, increasing by 5.6% during 2017 (compared with 7.1% and 8.0% in 2016 and 2015 respectively). The particularly strong growth in residential activity of 9.0% in 2017 is expected to moderate in 2018/19, replaced to some extent by increasing infrastructure investment; and
- Specific niche markets all showed underlying input volume growth, including green waste and sludges for Orgaworld, WEEE materials and fridges for Coolrec, glass waste for Maltha, bottom ashes for Mineralz and contaminated soil for ATM.

Volumes were particularly strong in the first half of the year, most notably in Dutch construction.

However, growth slowed during the winter season compared with the first eight months, partly due to an unusually cold February and March.

As a result of the volume growth over the past two years, capacity is increasingly well balanced and we have successfully put through selective price increases both to offset cost inflationary pressures, as described in the Operating Review, and to increase margins as the market improves. Overall, inbound waste markets are expected to remain positive in 2018/19.

Volatility in recyclate markets largely mitigated by contractual agreements

In July 2017 the Chinese government announced the National Sword programme to reduce the import of paper and plastic recyclates, especially lower grade and contaminated materials. Given that China uses approximately 50% of the world's recycled paper, this naturally lead to overcapacity in the market for recycled paper. The immediate impact was a fall of around 20% in recyclate prices from relatively high levels of €155 per tonne for cardboard in July to around €125 per tonne by September. Prices then stabilised until February 2018 when they fell sharply, with a low in March 2018 of around €70 per tonne, due in part to inventory accumulation in the supply chain. Prices stabilised again in April 2018.

Renewi is not materially impacted by movements in the plastics market but does have an exposure to the paper market. Importantly, around 80% of Renewi's paper output in its Commercial Division is subject to dynamic pricing within its customer contracts through which Renewi's margin is largely protected. This is because changes in paper prices are automatically passed through to the waste producing customer. In addition, paper prices have broadly fallen by significantly less (c20%) for the high grade paper in which the Commercial Division's Destra plants specialise, as this paper generally goes directly to European paper mills.

The impact of lower paper recyclate prices on Renewi was around £3m in the second half of 2017/18, as previously reported. Looking forward, the mitigated full year impact of current paper and plastic prices on Renewi in 2018/19 is expected to be around £4m, of which half is in the Municipal Division which produces lower grade product and is unable to pass recyclate price changes back to its customers.

Tightening capacity in outlet markets for residual waste

Another continuing market trend in 2017/18 was the tightening of capacity at the incinerators in Belgium and the Netherlands for burnable waste, including RDF. All the Benelux incinerators are now effectively full and there is a lack of capacity to treat any significant volume growth. Accordingly, incinerator gate fees have continued to rise. Renewi is well placed to manage these market trends, being the largest commercial Benelux supplier with around 2.4 million tonnes of burnable waste a year and a well-balanced contract portfolio for the off-take of its residual waste streams. The tightening market capacity is also evident in the rising costs of disposal of other residues from sorting lines, such as sieve sands.

On balance, a lack of incinerator capacity and increasing incinerator gate fees is positive for Renewi's Commercial Division as it broadly supports pricing recovery for Benelux recyclers. It is possible that further strong inbound volume growth could result in challenges to find sufficient outlets for our residues and a requirement to limit some commercial intake in the short term. Increasing gate fees is inherently a negative for our Municipal Division, however this has been largely mitigated by our strategy of locking in the vast majority of our output to long term contracts at fixed rates.

PFI market remains challenging in the UK

The PFI sector in the UK has continued to face significant challenges. An increasing number of PFI contracts have come under pressure as a result of austerity measures, poor performance or because the contracts have proven to be inappropriate in the current market environment. Within this unfavourable market, our Municipal Division's portfolio of assets has been vulnerable contractually to the volatile recovered fuel markets, rising (continental) European incinerator gate fees and the weakness of Sterling. We are actively managing this through ongoing operational improvements, contractual negotiations with customers and, where appropriate, management actions to exit specific activities.

Delivering sustainable long term growth

Our vision

Our vision is to be the leading waste-to-product company. This differentiates Renewi as a company that focuses on extracting value from waste and supplying high quality secondary raw materials, rather than on the disposal of waste through mass burn incineration or landfill. Our vision positions us higher up the value chain in the segments expected to show the highest structural growth rates in an industry driven by increasing environmental legislation, particularly in the European Union where the majority of our business operates. We believe that our unique focus addresses social and regulatory trends and also offers the most capital-efficient solution to waste management.

The circular economy – a growing end market

The markets in which we operate are structurally set for long term growth, stimulated by environmental need, customer demand and by increasing regulation. Renewi is uniquely placed to meet the needs of the growing circular economy with our waste-to-product model. The circular economy is a growing business model in which the concept of waste is obsolete. The waste produced by society is seamlessly reconverted back into secondary raw materials so as to prevent contamination and preserve scarce virgin materials. There are three reinforcing drivers that are combining powerfully and increasingly to build a new and vibrant circular economy. These are a clear environmental need, greater customer demand and increasing regulation. We discuss these in more detail on page 10 of our results below.

Our strategy

We have a clear Group strategy to deliver sustained growth and attractive returns through:

- Delivering merger benefits: including committed annual cost savings of €40m in 2019/20;

- Driving margin expansion: across the Group through our self-help initiatives of commercial effectiveness, continuous improvement and off-take management;

- Strategic expansion: by investing in innovation, broadening our products and services, and investing where we are structurally advantaged in the growing circular economy and can deliver superior returns; and

- Managing our portfolio of assets and businesses: exiting those that are non-core or under-performing and redeploying capital into segments where we can deliver increased returns and growth.

The merger has combined two similar businesses with complementary inspiring visions, organisations, product portfolios and geographic footprints. It is on track to deliver significant synergies, far greater than just cost reduction. Renewi plays an important role as a recycler and supplier of high quality secondary raw materials in the growing circular economy to meet the increasing needs of its customers, regulators and society.

The creation of Renewi has widened the range of products and services to our combined customer base. For example, we are now not only providing the Dutch incineration industry with high quality recovered fuels from the Netherlands, UK and Belgium, but also recycling its bottom ashes into products for building materials and immobilising its fly ashes through our Mineralz business, providing industrial cleaning services through our Reym business and managing some of its non-core waste streams such as bulky or green waste. We have also been able to extend our “Total Care” offering that provides industrial cleaning, waste collection, logistics and treatment to larger industrial customers under a single service.

As a result of combining the two legacy businesses, we have also expanded and strengthened our geographical footprint and now cover the whole of the Benelux and other European countries such as Germany, France and Portugal. We can serve customers across the Benelux more efficiently, saving on logistics costs, improving customer care and reducing our carbon footprint. Our increased scale also means that we can procure certain assets and supplies at more competitive prices.

As expected, we are seeing a wide range of benefits from combining the logistics scale and expertise of VGG with the broader treatment capabilities of Shanks. Significant synergies have been delivered through the rerouting of waste collected from VGG customers to be treated in Shanks facilities, expanding margins and optimising asset utilisation. Our merger has also resulted in better prices and capacity utilisation.

We are also progressing a further initiative regarding the potential benefit of digitalisation on our industry and on Renewi. We will focus initially on driving efficiency within our own company through automation, robotics, and digitalising interfaces with customers and suppliers. In the longer term, we will focus on emerging technologies for the industry such as smart bins, web-based customer relationships, asset light strategies and other potentially disruptive models.

Generating value in the year ahead

Underpinning our value delivery plans for the year ahead is driving a strong business performance across the Group. In particular, we are focused on three specific commercial goals to improve our performance, comprising:

- Driving post-merger margin enhancement in the Commercial Division through commercial effectiveness and continuous improvement;
- Securing new soil outlets which will enable ATM to return to full production during the second half; and
- Reducing operating losses in the Municipal Division.

Alongside these important objectives, we will generate value through the delivery of our synergy commitments and the development of an effective platform for long term growth across the Group. This will include the rollout of existing post-merger margin enhancement tools and the selective investment in an innovation pipeline, which currently comprises over 100 projects at various stages of development. We will also continue to develop new sustainability initiatives with OEMs to capture the long term growth opportunities from the growing circular economy.

Positive future outlook

Divisional outlook

Against a backdrop of positive overall volumes and improved pricing across the Benelux waste markets, the Commercial Division is expected to make continuing progress in the current year. We expect that slightly slower growth in the construction market, reduced income from paper and plastic recyclates and increased cost pressures will be more than offset by increasing prices for inbound waste, our commercial effectiveness and continuous improvement initiatives and the delivery of our synergy targets. In addition, our active use of dynamic pricing in customer contracts will continue to mitigate the impact of volatility in recyclate prices.

The Hazardous Waste Division is expected to deliver a similar performance to 2017/18. Whilst we expect to continue to operate at 50% production at ATM during the first half of the year, we are in well-advanced discussions with a number of potential new soil outlets which, if secured, would enable the return to full production from October. Stable pricing is anticipated for these new soil outlets. In addition, we are working on concepts to further refine our soil product portfolio and to open up new long term markets. Ongoing synergy delivery in Reym/VGIS will offset volume falls arising from fewer major refinery shutdowns in 2018 and contracting onshore gas production.

The Monostreams Division is also expected to perform at similar levels to 2017/18, with underlying growth offset by the non-recurrence of certain high margin projects in Mineralz. We anticipate further growth in the processing of bottom ashes into secondary products at Mineralz alongside broader benefits across the Division from the roll out of a continuous improvement programme. We remain confident that we will secure a long term expansion permit for the specialist landfill at Maasvlakte, securing earnings streams from that site for approximately the next twenty years.

The Municipal Division is expected to report materially reduced losses in the year ahead as a result of improvements in Canada from London volumes and Surrey commissioning, and ongoing commercial and operational gains in ELWA and Cumbria.

Group outlook

The Board expects continued good progress in 2018/19, in line with its expectations. Volumes remain positive and both cost inflationary pressures and lower recyclate income are largely being passed on to inbound waste producers. New soil outlets for ATM are expected to be open by October, enabling us to resume full production in the second half and we anticipate a modest recovery in relevant recyclate prices towards the year end. With run rate annualised synergies of €24m as at March 2018, we remain confident of delivering synergies of €30m in 2018/19 and €40m in 2019/20.

Looking forward, our growth drivers are strong. Renewi plays an important role in the growing circular economy, a market that is expected to increase significantly in the coming years with the support of European Union and government legislation. Moreover, the fully integrated Renewi has a compelling offering for customers, combining local service, international expertise and an unrivalled breadth of products.

Our strategic and commercial positioning will continue to drive sustainable growth, supported by the delivery of our integration activities and synergy targets, as well as ongoing opportunities for margin expansion and cost reduction. With an increasing pipeline of growth opportunities through innovation and strategic expansion, Renewi is well positioned to deliver long term growth and attractive returns.

Peter Dilnot
Chief Executive Officer

<u>The Circular Economy – Our core markets set for long term structural growth</u>

The circular economy is a growing business model in which the concept of waste is obsolete. The waste produced by society is seamlessly reconverted back into secondary raw materials so as to prevent contamination and preserve scarce virgin materials. There are three reinforcing drivers that are combining powerfully and increasingly to build a new and vibrant circular economy. These are clear environmental need, greater customer demand and increasing regulation.

The Benelux, our core market, is one of the most advanced areas in the world with regard to setting the agenda for recycling, sustainability and developing a circular economy. We believe that by positioning ourselves to succeed in the Netherlands and Belgium, we will generate skills and capabilities that will over time be applicable in other geographies as they adopt UN and EU targets for sustainability.

Environmental need

The major challenges of our generation are climate change, environmental pollution and scarcity of raw materials, water and food. There is a clear pull from societies around the world to address these challenges in order to preserve a prosperous and secure future.

Renewi works to prevent global contamination by taking in over 14 million tonnes of waste every year from companies and households, some of it contaminated or even hazardous. We recycle or recover 90% of this waste: around 65% of it becomes a secondary raw material and the remainder is transformed into fuel to produce green heat or energy. Sustainability is at the core of what we do every day. We turn waste back into valuable materials. It is therefore unsurprising that Renewi is listed on the FTSE4Good Index and has recently been able to refinance almost its entire borrowings as Green Loans and Bonds.

Customer demand

Companies inevitably respond to societal trends like the demand for greater sustainability because their customers and employees demand it. We see a growing number of major OEMs and consumer brands making new commitments to reduce their carbon footprint, increase their recycling rates and use more secondary raw materials. Particular areas of focus at the moment include the "cradle to cradle" circular use of metals and plastics, the reuse rather than destruction of some components out of discarded products, and the optimisation and effective use of out-of-date food. Overall, there is an increasing demand for the recycled, or secondary, products that Renewi creates from its operations.

Renewi actively supports its customers to achieve their recycling targets, secure secondary raw materials and even to create a completely circular solution in which their products are collected, recycled and the raw materials resupplied back to the start of their manufacturing process. Renewi is working with clients like Miele, Philips, Akzo Nobel, HP, Owens-Illinois and an increasing number of others to help them give new life to their old materials.

Regulation

Regulation will drive further structural growth to recycling rates and the circular economy. The Paris COP21 agreement on climate change, the United Nations' Sustainable Development Goals and the European Union's Circular Economy Package are all examples of how leading policy makers are setting an agenda to stimulate the markets in which we operate. We are now already experiencing an increasing drive towards a full circular economy with stretching recycling targets within the waste framework directive across the EU, the implementation of a landfill ban, the packaging directive and most recently the Circular Economy Package.

Our biggest market, The Netherlands, has a stated goal to be a full circular economy by 2050, being 50% circular by 2030. In practice this means, for example, that construction companies will need to use 50% secondary raw materials from 2030, and government tenders already reward bidders who can achieve this aim early. The government is also seeking to increase recycling rates more generally with a stated ambition to increase the household waste recycling rate from around 50% today to around 75% as soon as 2020. Legislation has also been tightened with measurements like taxes on incineration to stimulate recycling and divert waste from incineration. Landfilling waste has for a long time been strictly regulated in the Netherlands: only waste that cannot be recycled or incinerated can be landfilled.

In Belgium there is also ever stricter environmental and recycling legislation. The VLAREMA legislation that was introduced in Flanders in 2014, promoting separated waste collection and recycling, is being tightened. OVAM, the Flemish regulator, is increasing pressure on waste companies and waste producers to ensure effective source separation of waste so that it can be most effectively recycled.

Underpinning long term structural growth

The three drivers of environmental need, customer demand and regulation are combining powerfully to drive structural growth in the segments of the market in which Renewi operates. Specifically, we can expect to see:

- Increasing recycling rates within the waste market driving higher volume growth for our recycling activities than the overall waste trend;
- More stringent legislation on source separation over time helping larger and more sophisticated waste collectors who are better able to manage multiple waste input streams and offer one stop solutions to customers;
- Growth in use of secondary raw materials in construction supporting the production of materials by Netherlands Commercial (wood, paper) and ATM (soil) as well as the new innovative products under the Forz product name developed by Mineralz;
- Growth in the use of secondary raw materials throughout Europe in packaging glass production and insulation products (glass wool) supporting volume growth in our Maltha business;
- More OEMs seeking partnerships to source stable and high quality metal and plastic secondary raw materials into their production processes, in the volumes a company like Renewi processes;
- Growth in available volumes of sludges, source segregated organics and out of date food materials for organic processing; and
- Increased investment and partnership opportunities in innovation to convert and reprocess waste to create more valuable secondary materials, such as waste-to-chemicals, organic waste-to-food etc.

<u>Operating Review for the year ended 31 March 2018</u>

The Operating Review is presented with performance variances in local currency and the translation impact of currency movements excluded unless otherwise stated. For the purposes of understanding the underlying business performance, the review primarily compares current year underlying trading with pro forma unaudited prior period figures which include the results of Van Gansewinkel as if the latter had been owned throughout the prior year comparative period.

Commercial Waste

Divisional strategy

The Commercial Division's strategy is to create the market leader in waste collection and treatment in Belgium and the Netherlands. Its combined national coverage, operational scale and advantaged technology positions it strongly. The division will deliver long term growth and attractive returns from the increasing demand for its wide range of recycling services. This will be reinforced through the delivery of synergies and the application of margin enhancing initiatives such as commercial effectiveness and continuous improvement.

Financial performance

The Commercial Division performed strongly in 2017/18, delivering a 36% increase in underlying EBIT to €73.3m on revenues up 5% to €1,158m. Margins increased by 140 basis points to 6.3% and the return on operating assets rose 620 basis points to 20.6%.

	Revenue				Underlying EBIT			
	Year ended				Year ended			
	Mar 18	Mar 17	Variance		Mar 18	Mar 17	Variance	
Netherlands Commercial Waste	736.9	690.5	46.4	7%	44.0	26.4	17.6	67%
Belgium Commercial Waste	422.2	415.4	6.8	2%	29.3	27.5	1.8	7%
Intra-segment revenue	(0.9)	(2.5)	1.6		-	-	-	
Total €m (pro forma)	**1,158.2**	**1,103.4**	**54.8**	**5%**	**73.3**	**53.9**	**19.4**	**36%**
Total £m (pro forma at average rate)	**1,019.6**	**925.4**	**94.2**	**10%**	**64.6**	**45.2**	**19.4**	**43%**
Total £m (as reported)	**1,019.6**	**388.5**	**631.1**		**64.6**	**23.5**	**41.1**	

	Underlying EBIT Margin		Return on Operating Assets	
Netherlands Commercial Waste	6.0%	3.8%	18.0%	10.5%
Belgium Commercial Waste	6.9%	6.6%	27.4%	25.3%
Total (pro forma)	**6.3%**	**4.9%**	**20.6%**	**14.4%**

Pro forma results in the year to March 2017 are unaudited and include Van Gansewinkel (VGG) as if owned throughout the year rather than from legal completion on 28 February 2017.
The return on operating assets for Netherlands includes properties rented from the legacy VGG property company and for Belgium excludes all landfill related provisions.

Revenues in the Netherlands grew by 7% to €736.9m and underlying EBIT by 67% to €44.0m. Margins improved by 220 basis points to 6.0%. Return on operating assets increased by 750 basis points to 18.0%, bringing the pre-tax return above the Group's WACC as the operational leverage and merger synergies sharply increased returns in our core activities. While total waste volumes were slightly down as a result of a one off high volume contract in the prior year, volumes in the core waste streams were positive, with 7% growth in commercial waste and 9% growth in construction waste. These growth rates were significantly above the market, demonstrating improvements in both market share and increasing volumes from other waste companies using Renewi as a secondary disposer. Average prices increased by approximately 6.5% compared with 2016/17.

The strong increase in operating margin was encouraging, particularly given the second half headwinds from falling recyclate prices and a change in accounting for vehicle maintenance costs. Recyclate income fell in the second half of the year as a result of the previously announced fall in the price of paper and plastics. This impacted second half earnings by around €3m. As planned, Renewi has ended the former VGG policy of capitalising maintenance costs on older vehicles, bringing around €3m of costs back into the income statement. Initial synergies were €4.8m, some 9% ahead of target.

Belgium revenues increased by 2% to €422.2m and underlying EBIT grew by 7% to €29.3m. Underlying volume growth was in line with the market at around 2%. The core collection and treatment business was steady, with headwinds in the second half from lower recyclate prices and increased maintenance costs. The largest impact in recyclate margins came in the wood segment where there was a reduction in net margin compared to the prior year of over €3m as a result of the sale of wood moving from an income to a net expense at the off-take side. The prices to clients had been increased in the prior year to mitigate this impact. Belgium has also faced some headwinds regarding outlet volumes including solid recovered fuel (SRF), as a consequence of which higher priced alternative outlets had to be used. Profitability of the Cetem landfill continued to decline as expected, with volumes reducing prior to its closure in 2019. Initial synergies of €4.4m were delivered, well above target.

Operational review

The Commercial Division performed very well, delivering strong underlying growth in revenues and profits in its first year of integration.

As reported in the Chief Executive's Statement, inbound markets were positive in terms of both volume and price, but volatility in end markets for our products has required commercial agility and careful management. Paper and plastic prices fell sharply in the second half following the Chinese National Sword programme, and the sale of wood products moved from being an income to a net expense. While most of our volumes to incineration are secured at fixed prices, the Division had to secure additional capacity at higher prices to meet strong inbound waste volumes. Other forms of outbound residual wastes have also seen sharp increases in disposal cost, most notably sieve sands and organic wet fractions. The Belgian market has tightened, where OVAM, the regulator in Flanders, is seeking to enhance recycling rates through the management of domestic incineration capacity and export licences.

Economic recovery in the Benelux is also driving cost inflation beyond our waste residues. Wage increases covered by collective labour agreements in the Benelux have been around 3% in 2018 and there are certain categories where there is a growing labour shortage. Volume increases have also required us to contract in both rented trucks and additional temporary labour. The truck fleet acquired with VGG has also seen repair and maintenance costs increase following a planned change in accounting policy. Insurance costs have also risen substantially.

Renewi has a proven commercial effectiveness approach to enhance margins in these dynamic markets. We are committed to restoring margins as the economic cycle recovers and our commercial teams are increasingly focused on margin and not volume, supported by data-driven analytical tools to manage customer and product profitability. Annual price increases in January have been successfully passed to customers. Longer term tenders and contract renewals are subject to scrutiny to ensure margins and/or volumes are improving, particularly with regard to certain previously under-priced VGG contracts. Where appropriate, source separated waste streams such as paper, wood, glass and plastics are dynamically priced, meaning that price is adjusted monthly according to an agreed index thereby, preserving Renewi's margin. Around 80% of the Division's paper and plastic volumes are covered by this mechanism.

During 2017/18, we implemented a new organisation and management structure for the Commercial Waste Division in both the Netherlands and Belgium. In the Netherlands, Otto de

Bont was appointed Managing Director of Netherlands Commercial from May 2017 joining us from UTC and GE. We have created a new operating model based on four regions and two focused businesses (Domestic Collection and Specialties). In Belgium, Wim Geens has continued as Managing Director, following his appointment from VGG. We have organised the business into two regions, a hazardous business unit and a materials business unit. The Netherlands and Belgium Commercial organisations share a common new operating model which balances customer intimacy with the benefits of scale. It also brings together logistics and treatment facilities within a region to drive a combined margin. Both organisations retain an even mix of former Shanks and former VGG leaders, bringing together complementary skills and experience.

Across all the regions, local management identified quick win projects to enhance margins through internalisation of waste streams, optimising disposal costs, reducing logistic movements and better asset utilisation. During 2017/18, the Division achieved total synergies of €9.2m, with a run rate of around €14m as at 31 March 2018. Feasibility studies were also initiated to assess how best to manage the complex process of integrating two overlapping businesses with very different structures, processes and IT systems. The target operating model (TOM) for one way of working in each Division has been defined and progress made towards pilot migrations of initial sites in both countries in the first half of 2018/19. This is the most technically and operationally challenging part of the integration and, once successfully proven, a migration of the remainder of the Divisions to the common platforms will take place during the second half of this year and early 2019/20. This migration creates the basis for the larger savings anticipated from route optimisation and selected site closures as well as creating a common platform for future efficiency projects and continuous improvement.

Over €2m of synergy savings year on year were created when sharing knowledge and using continuous improvement (CI) tools to improve processes across our seven main sorting lines in the Netherlands Commercial Division. Rebalancing mixed waste streams across these lines has helped to improve the speed and quality of waste processing to generate the synergies.

Beyond the rebuilding at Icova and Wandre, funded by insurance receipts, capital investment in the Division remained tightly controlled at €53m, or 91% of depreciation. As disclosed at the time of the merger, the age of the truck fleet in the former VGG had increased beyond its optimum economic life as a result of capital constraints in the downturn and required reinvestment. After a detailed study of future requirements and the creation of a harmonised policy and specification for Renewi trucks, significant truck purchases will be made in 2018/19 and 2019/20, funded by operating leases, which will bring down the cost of maintenance and greatly improve the emissions profile and safety features of the fleet in operation. A €5m stone crusher will be installed in Wateringen in May 2018.

We continue to deploy resource to work on longer term innovation initiatives. In the Netherlands, we won the Heineken innovation challenge for return logistics and the recycling of a plastic beer keg with aluminium liner. The Renewi team’s solution used current glass collection infrastructure combined with a solution for recycling of the beer keg and reuse of materials. In our Belgian business, we have collaborated with Reinhard Beck to develop and launch Renewi branded pet litter from waste wood and we have also worked with Akzo Nobel to launch Fenix, a brand of recovered and recycled paint. Multiple partnerships with others are being explored to assist customers with their sustainability goals and to create more valuable products from waste.

Hazardous Waste

Divisional strategy

The Hazardous Waste Division's strategy is to grow by increasing capacity to treat additional volumes while retaining attractive returns. The Division will also increase the range of products that can be treated through its assets and consider geographic expansion where Renewi can sustain competitive advantage.

Financial performance

Hazardous Waste had a challenging year as a result of previously reported difficulties in placing its treated soil from the ATM business. Revenues increased by 3% to €231.0m while underlying EBIT decreased by 20% to €19.9m. Margins reduced to 8.6% and the return on assets reduced by 190 basis points to 24.1%. Underlying performance excluding the soil treatment process was stable.

	Revenue				Underlying EBIT			
	Year ended				Year ended			
	Mar 18	Mar 17	Variance		Mar 18	Mar 17	Variance	
Total €m (pro forma)	**231.0**	**224.3**	**6.7**	**3%**	**19.9**	**24.8**	**(4.9)**	**-20%**
Total £m (pro forma at average rate)	**203.2**	**187.9**	**15.3**	**8%**	**17.4**	**20.7**	**(3.3)**	**-16%**
Total £m (as reported)	**203.2**	**163.0**	**40.2**		**17.4**	**19.7**	**(2.3)**	
	Underlying EBIT Margin				Return on Operating Assets			
Total (pro forma)	**8.6%**	**11.1%**			**24.1%**	**26.0%**		

Pro forma results in the year to March 2017 are unaudited and include Van Gansewinkel as if owned throughout the year rather than from legal completion on 28 February 2017.

The Reym business combined with Van Gansewinkel Industrial Services (VGIS) to become the largest industrial cleaning and services company in the Netherlands. Reym/VGIS saw revenues increase by 3% to €132m with margins increasing by 30 basis points. Synergies of €1m were delivered in the year, well ahead of target. Underlying activity continued to recover slightly in the core oil and gas market but pressure on productivity and margins continues.

Overall revenues at ATM grew by 3.4% to €107m. Throughput of water and packed chemical waste was broadly flat compared to the prior year, while throughput of soil was reduced to 50% of capacity or below during the second half. The business benefitted from a large one-off water contract during the year, only a portion of which was processed at ATM. As part of the integration, the CFS waste water treatment facility from former VGG has also been transferred to Hazardous Waste.

Operational review

ATM, our hazardous waste treatment site, has an advantaged location, deep technical expertise and a favourable cost position with regard to its soil and water treatment processes. Given its defensible nature and attractive returns, the business has therefore been the focus of investment to increase capacity and capability.

Performance in 2017/18 was affected by the previously reported short term challenges in the offset of treated soil. Historically, ATM had disposed of treated soil for a small consideration to a neighbouring company, Martens en van Oord (MvO), which placed the treated soil into the market. End uses for treated soil include landscaping, industrial and infrastructure developments. Disposal costs for treated soil have been rising for some time, leading to an increasing stockpile of soil at MvO. ATM was identifying and in the process of directly contracting with additional new outlets when it was the subject of a review by IL&T, an independent Dutch regulator. IL&T publicly alleged there were flaws in ATM's treatment process. ATM has strongly refuted the allegations and has entered into a resolution process with IL&T. Concerns about the treated soil has delayed progress with securing new outlet opportunities. As previously reported, ATM reduced throughput of soil to below 50% of capacity for the second half of the year with an impact on second half profitability of around €6m. Management is confident that all treated soil is in full compliance with applicable permits and we continue to take steps to improve further the soil quality. An encouraging pipeline of potential customers for the treated soil continues to be developed and we remain confident that sufficient new outlets will be opened during 2018/19 to resume full production by October 2018. The final resolution of the discussions with IL&T could extend for a further 12-18 months.

ATM has a development programme in place to process the treated soil further into secondary materials for the construction industry. In order to create the space for these additional process steps, we were pleased to acquire 70,000m^2 of adjacent land on the Moerdijk waterside from MvO in December for a gross consideration of €12.7m, payable as €7.2m in cash and through reacquiring around 1 million tonnes of treated soil. The acquired land not only provides the capacity to expand our soil process, but also provides a deep water quay for ship cleaning and for the logistics movements of soil, water and sludges, as well as additional warehousing and land for other future capacity expansion plans.

As a result of the soil offset issues, the Group incurred an exceptional charge of €3.0m relating to the logistics and storage off-site of around 200,000 tonnes of soil and an obligation to assist with the disposal of a further 300,000 tonnes of soil not purchased from MvO.

The other core waste treatment processes for the Division performed well. Waste water intake was over 650,000 tonnes, with a further 95,000 tonnes of sludges. In addition, we benefited from a large one-off water treatment contract relating to the opening of a new offshore well. Treatment of packed chemical waste through the pyro plant was up 4% on last year and average prices remained strong. The CFS water treatment facility in the southern Netherlands did well, increasing profits by 7%.

During the year, we continued our long term investment programme to enhance the capacity and capabilities of ATM. As previously reported, we will install a new burner for the TRI in 2018 and will then replace the LUVO emissions cleaning unit in 2019. The new €7m warehouse for inbound packed chemical waste, built to address the latest fire standards, will be completed in the first half of 2018/19.

The industrial cleaning market for our Reym/VGIS business improved slightly compared to the previous two years, in particular with regard to major customer shutdowns. Good growth in the competitive Rotterdam region was partially offset by the ongoing long term decline in onshore gas production in the north. Profitability and productivity continued to be challenged by the short notice being given by customers in both scheduling and postponing major projects.

An important initiative for Reym has been the integration of the €26m revenue VGIS business into the much larger Reym operation. The initial focus has been on consolidating the overlapping footprint. By March 2018, we had closed three sites, with one more to be transferred to Reym in 2018/19 after some investment to expand the Amsterdam facility. We secured Works Council approval for the operational integration of the VGIS employees onto the Reym planning systems from April 2018.

Monostreams

Divisional strategy

Monostreams is a newly formed division that incorporates Maltha, Coolrec and Mineralz from VGG with Orgaworld from Shanks. All four businesses focus on producing high quality product from specific source segregated input streams and the Division has the highest recycling rate in the Group at 96% of processed volumes. The divisional strategy is to deliver profitable growth from the existing businesses and operational footprint and in the longer term to grow profits through a larger product portfolio of secondary materials into the growing circular economy.

Financial performance

Monostreams delivered a strong performance in 2017/18, growing revenues by 7% to €204.4m and underlying EBIT by 24% to €18.2m. Margins improved by 120 basis points to 8.9% and return on operating assets by 620 basis points to 25.6%.

	Revenue				Underlying EBIT			
	Year ended				Year ended			
	Mar 18	Mar 17	Variance		Mar 18	Mar 17	Variance	
Total €m (pro forma)	**204.4**	**190.4**	**14.0**	**7%**	**18.2**	**14.7**	**3.5**	**24%**
Total £m (pro forma at average rate)	**180.0**	**159.6**	**20.4**	**13%**	**16.0**	**12.3**	**3.7**	**30%**
Total £m (as reported)	**180.0**	**30.8**	**149.2**		**16.0**	**3.6**	**12.4**	

	Underlying EBIT Margin		Return on Operating Assets	
Total (pro forma)	**8.9%**	**7.7%**	**25.6%**	**19.4%**

Pro forma results in the year to March 2017 are unaudited and include Van Gansewinkel as if owned throughout the year rather than from legal completion on 28 February 2017.
The return on operating assets excludes all landfill related provisions.

Revenue and profit growth were driven by strong performances in the Mineralz and Maltha businesses. Orgaworld delivered profit growth on broadly flat revenues, offsetting the impact of a digester tank leak during the summer of 2018 that materially disrupted production for three months. Coolrec saw profitability decline on flat revenues, with particular challenges in the profitability of the processing of TVs (tubes) and small domestic appliances and the flotation line in Belgium.

Operational review

The Mineralz business had a good year. Underlying volumes to its three landfill sites were strong, in particular the Braine site in Belgium. Volumes of bottom ashes processed into building materials increased by over 200% and strategic discussions are being held with a number of Dutch incinerators to expand this important sustainable initiative. Constructive negotiations have also continued with the Port of Rotterdam and with associated regulatory bodies regarding a long term extension to the Maasvlakte landfill in the Europoort, which offers unique safe immobilisation and storage in the Netherlands for waste streams such as fly ashes and low level NORM waste.

Maltha, our glass recycling business, is 33% owned by Owens-Illinois a leading global glass producer. The business delivered a strong recovery in 2017/18 from production lows. Maltha secured important additional inbound glass streams in the UK and Scandinavia and also arranged a long term customer extension with a major cullet customer in Portugal. We have invested in a new glass powder processing line at Dintelmond, with a number of interested customers, and an extension to capacity at Portugal that will increase the volume of year round production. An ongoing project to reduce dust generation at Dintelmond will result in further investment of around €0.9m in 2018/19 to reduce dust levels by at least 60%. On the back of this strong operational performance, we were very pleased to renew our long term shareholder agreement with our partner Owens-Illinois in December 2017.

Orgaworld delivered ongoing growth in volumes treated, in addition to growth in inbound green waste. During the year, Orgaworld extended two major Source Segregated Organics (SSO) contracts as well as its ongoing partnership with a major supermarket chain for the treatment of out of date food waste. An unexpected leak in a digester tank at the Amsterdam anaerobic digestion (AD) facility caused the loss of electricity production as we repaired the broken digester tank and performed preventative maintenance elsewhere in the installation. In February 2018, we announced that Orgaworld had started the second phase of a project with Delft University and Pacques looking into the production of bioplastics (PHA) from organic waste.

Coolrec had a mixed year, with flat revenues and lower margins. Intake of fridges was particularly strong, but other input lines, including small domestic appliances and TVs (tubes), saw a decline in volumes and consequently in margins. Margin pressure on the Belgian flotation line due to the increasingly competitive market for inbound material also caused reduced profits. Customer contracts for sustainable long term solutions continued to gain traction. Coolrec is working with many leading appliance manufacturers to produce new appliances out of an increasing percentage of recycled metals and plastics.

Municipal

Divisional strategy

The Municipal Division’s strategy is to deliver a recovery plan that will stabilise and de-risk the business. This will involve reducing losses resulting from adverse market dynamics, and ensuring the successful completion and commissioning to full operational capability of its new assets both under construction or recently commissioned.

Financial performance

Municipal revenues fell by 7% at constant currency to £192.3m and the business reported an underlying trading loss of £9.2m at constant currency (2017: loss of £2.6m). Canada performed particularly poorly, reporting a loss of £3.4m, as a result of operational challenges in its London facility and contractor delays with construction at the Surrey facility. Good progress has been made to resolve these issues and Canada is expected to return to profit in 2018/19. The UK PFI facilities made increased underlying losses of £1.6m reflecting underperformance of the Wakefield facility, including the reduction in Feed in Tariff (FIT) subsidy, losses at the Westcott Park facility and ongoing challenges in the export of RDF from ELWA.

	Revenue				Underlying EBIT		
	Year ended				Year ended		
	Mar 18	Mar 17	Variance		Mar 18	Mar 17	Variance
UK Municipal	176.4	174.8	1.6	1%	(5.8)	(4.2)	(1.6)
Canada Municipal	15.9	32.8	(16.9)	-52%	(3.4)	1.6	(5.0)
Total £m (at constant currency)	**192.3**	**207.6**	**(15.3)**	**-7%**	**(9.2)**	**(2.6)**	**(6.6)**
Total £m (at average rate as reported)	**192.9**	**207.6**	**(14.7)**	**-7%**	**(9.3)**	**(2.6)**	**(6.7)**

	Underlying EBIT Margin	
UK Municipal	-3.3%	-2.4%
Canada Municipal *	-34.3%	7.4%
Total *	**-5.0%**	**-1.8%**

All numbers for Canada are shown at a constant exchange rate
**For comparability, the Canadian trading margin excludes Surrey construction revenue and profits.*

The UK business reported revenues up 1% to £176.4m and made a trading loss of £5.8m (2017: loss of £4.2m). The key drivers of the ongoing losses, as previously reported, were margin pressure in the recovered fuels market, recyclate price falls in the fourth quarter, the sensitivity of the legacy business model to market shifts, and specific operational optimisation issues. The biggest risk remains the paper and plastic recyclate market and the commissioning of the Derby facility, which we will take control of when it has passed its full service commencement tests. Exceptional costs of £72.3m were incurred in the year relating to decisive portfolio management and further onerous contract provisions which are discussed below. Management do not anticipate further exceptional costs relating to the UK assets.

The Canadian business reported revenues down by 52% to £15.9m reflecting the end of the construction phase of the new Surrey facility. The business reported a disappointing trading loss of £3.4m primarily due to the previously reported recurrence of operational difficulties at the London facility and contractor construction issues at Surrey.

Operational review - UK

As previously reported, the UK business continued to be impacted by a range of challenges during 2017/18, offsetting the effect of improvement initiatives.

At ELWA, the operating performance continued to be impacted by weak FX rates and higher RDF export fees into the Netherlands and Germany. A new 100,000 tonne per annum contract with the AEB incinerator at Amsterdam is expected to improve performance next year. Following successful management action to resolve operational and compliance issues in Cumbria, the Group has released £4m of onerous contract provisions that are no longer required. We have therefore been able to reverse its onerous contract status and the contract will be reported through the income statement during 2018/19.

Operational stability at the new Wakefield and Barnsley, Doncaster and Rotherham (BDR) facilities improved over the year with all performance tests passed at Wakefield. However, as previously reported, the facilities did not achieve the anticipated gains in underlying profitability. In particular, the Wakefield anaerobic digestion (AD) facility was impacted by an 80% reduction in the FIT renewable subsidy awarded by the government compared to that included in the original bid model. Additionally, it was discovered, once in operation, that the gas yield on the residual waste fraction was less than half that originally expected. Throughput at the BDR facility was also curtailed as the marginal cost of processing additional commercial waste became loss making largely due to the high cost of disposal as RDF. As noted in the Chief Financial Officer’s review, the significant progress made to stabilise performance across both facilities in the year has assisted management in being able to assess the required onerous contract provisions taken to reflect the expected future losses from these two contracts, resulting in an exceptional onerous contract provision increase of £56.6m.

The Derby facility made encouraging progress following the 2016 insolvency of a major technology supplier to the EPC contractor for the Derby project, Interserve plc. The facility has now accepted first waste for commissioning, and was granted renewable obligation certificates (ROCs) after generating electricity from the thermal treatment unit, thereby removing one of the main remaining risks to the future profitability of the facility. Commissioning is well underway, and full service commencement is scheduled during 2018 once a full range of operational performance tests have been passed.

During the year we took decisive action to exit loss-making contracts or facilities where we have been unable to restore profitability and where there is a defined exit route that makes good sense for shareholders. In March 2018, we sold our loss-making facility at Westcott Park to Olleco for an undisclosed sum. This has resulted in a non-cash write-off of £8m and cash exit costs of £6m, saving annual losses of around £1.5m per annum going forward. We have also entered into negotiations regarding the Dumfries & Galloway PFI contract with a view to exiting the operating contract held between Renewi and Shanks Dumfries and Galloway Limited. This fifteen-year-old contract was not capable of meeting the new regulations that require greater diversion from landfill in Scotland, and long-running negotiations were unable to agree the required amendments without materially increasing the risk to Renewi. The contract generated a loss of £3m in 2017/18 and an additional provision of £9m was taken to cover the costs of termination.

Energen Biogas, our 50% joint venture in Scotland, delivered another year of solid profit growth based on good availability of volumes due to the Zero Waste Scotland policy. Investments in the past two years to increase capacity and provide a gas-to-grid capability are generating strong returns.

Operational review - Canada

Our Canadian assets experienced challenges in 2017/18 that are largely expected to be resolved enabling improved performance and profitability in 2018/19. New management has now been put in place and is driving wide ranging commercial and operational improvements.

The Ottawa facility saw a reduction in profitability due to higher costs of residual disposal. The London plant experienced a recurrence of operational issues relating to the stability of the biology in the composting process. This initially reduced throughput whilst consequent odour challenges delayed the ramp up to full production. Outstanding issues have been settled with MOECC, the Canadian regulator. The plant has recently learned that it has been unsuccessful in renewing its contract with the City of Toronto, partly as a result of these issues. This will reduce committed tonnage into London by around 35% for 2018/19 however, a pipeline of alternative inputs is being progressed.

The innovative bio-fuel facility in Surrey, Canada experienced commissioning delays as a result of contractor issues in construction. These have now been addressed and first waste was accepted in December 2017 and the facility was formally opened in March 2018. Full service commencement is expected later in the year and the facility should significantly reduce or eliminate losses during 2018/19.

Integration and Synergy Delivery

The integration of two similar sized entities is complex and has been approached with detailed planning, tight operational control and through deploying experienced resources.

The first key objective was to create a single new and unified management team. Our Renewi Executive Committee reflects a balance of former Shanks, former VGG and new external hires. These new leaders have brought fresh perspectives from blue chip backgrounds such as GE, SABIC, UTC and Fedex/TNT, while at the same time we have retained the deep corporate and waste sector knowledge that is essential to driving profitability in the waste industry. Our new Executive Committee was completed by the end of August 2017, following which we were then able to sequentially design and populate our organisation structures for the next layers of management throughout the organisation. This was done in two waves in each of the Belgian and Netherlands Commercial businesses and in our Group Central Services, completing in January 2018.

At the same time as implementing our new management structures, we have designed a target operating model (TOM), both for the whole Group and most specifically for the Commercial Division in Belgium and the Netherlands (where the two differently structured businesses are merging into one way of working). The new TOM has been designed to maintain excellent customer intimacy while creating robust and efficient operating platforms that reduce cost and enable future expansion. The design phase has been completed and we are currently implementing pilot studies and expect to migrate the majority of our activities during the second half of the current year.

IT systems lie at the heart of the integration journey. We have reviewed and selected core platforms around which we will build our processes for the migration to one way of working. Many of the systems are now undergoing significant modification so they can manage the breadth of activities and processes required in Renewi. The outcome over the next two years will then form a platform for further sustained investment and improvement to further reduce cost and improve performance.

The entire programme is managed by integration teams within each relevant division led by a dedicated integration leader and supported by external experts. The programme is managed and reviewed by the executive directors with support from a small central Integration Management Office (IMO). We have created a detailed integration master plan to manage both divisional and functional integration activities, addressing interdependencies and ensuring milestones are met. Synergies are tracked from the moment they are identified to the time of realisation. The synergy plans are, and will continue to be, subject to audit both internally and externally to ensure that we can be confident that the resulting benefits are both real and sustainable. The central IMO also keeps close track of current and forecast integration costs, whether exceptional or capital in nature.

Synergy delivery in 2017/18 ahead of plan with forecast €40m synergies on track

Our commitment to deliver €40m of cost synergies by 2019/20 underpins the initial value creation of the merger.

We made very good progress during 2017/18, delivering €15m of synergies against a target of €12m for much lower cost to date than originally planned. Encouragingly, the run rate of secured cost savings as at March 2018 was approximately €24m, underpinning our confidence in delivering our €30m target for 2018/19. The balance of this year’s saving will be achieved in the second half primarily through the process and IT migration projects which are critical to the next phases of integration and cost reduction. Our initiatives support our total €40m target, with further potential new projects being identified.

The savings are delivered in three main areas: direct, indirect and scale savings:

- Direct savings include significant benefits from rerouting waste to optimise margins, as well as reduced costs from route optimisation and site closures. Some of these benefits will only be secured following process and IT migration. During the year we exited a large former VGG site in Utrecht, saving an annualised €0.7m, and a further three small sites in Hazardous Waste, saving €0.1m. We also delivered savings of an annualised €0.3m from reduced costs of outbound logistics of waste to incineration.
- Scale savings include benefits in terms of recyclate income, disposal costs and procurement. Procurement benefits of over €2.5m (annualised) have been delivered and this is expected to more than double by the end of 2018/19.
- Indirect savings include the benefit of having a single Board and senior management team (€4m) as well as other overhead reduction cost programmes such as the closure of a small shared service centre in Zaventem, Belgium, which was integrated into the larger shared service centre in Lommel, Belgium, saving an annualised €1.5m.

We have over 420 identified synergy projects. Around 320 are quick win projects, for example local initiatives to make better use of waste, and 220 (69%) of these have already been completed. We also have 60 mid-size and 40 large-size initiatives, many of whose implementation is dependent upon the IT and process migration.

Chief Financial Officer's Review

Introduction

The first full year of Renewi has seen the successful delivery of the Group's strategic and commercial plans and the delivery of its integration and synergy targets ahead of plan. In addition, there have been integration and synergy activities within the finance function itself that are delivering material value to the Group through more efficient financing and which will build robust and scalable platforms for future expansion. We report on some of these initiatives later in this review.

For the purposes of understanding the underlying business performance, this review primarily compares current year underlying trading with unaudited pro forma prior period figures which include the results of Van Gansewinkel as if the latter had been owned throughout the prior year comparative period.

Overall, the first year of Renewi has delivered well against all our core financial KPIs. Revenues grew by 3% at constant currency, growing faster in our core Commercial Division, which was up 5%. Group trading margins grew by 70 basis points to 4.4%, increasing significantly in Commercial and Monostreams as a result of commercial initiatives, synergy delivery, volume growth and operational improvements. Underlying margins in Hazardous Waste were robust but were impacted by the short term challenges at ATM, our soil treatment business highlighted during the year. Finally, we saw a material improvement in our Group return on operating assets from 11.5% to 15.9%, driven by very strong increases again in the Commercial and Monostreams Divisions. We remain on track for the returns from the merger to exceed our WACC in 2018/19.

Financial Review

	Mar 18 £m	Mar 17 £m	Total Change %	Constant Currency Change %
Pro forma:				
Revenue	1,565.7	1,450.6	8%	3%
Underlying EBIT	69.1	53.1	30%	23%
Reported:				
Revenue	1,565.7	779.2	101%	93%
Underlying EBIT	69.1	36.5	89%	78%
Underlying profit before tax	51.5	25.7	100%	88%
Underlying earnings per share (p)	4.8	3.7	30%	18%

Pro forma results in the year to March 2017 are unaudited and include Van Gansewinkel as if owned throughout the year rather than from legal completion on 28 February 2017.

The Sterling/Euro exchange rate moved from €1.17:£1 at 31 March 2017 to €1.14:£1 at 31 March 2018, with the average rate for the year moving by 4.7% from €1.19:£1 to €1.14:£1.

Revenue grew by 3% at constant currency (an increase of 8% at actual rates), with growth across all divisions except Municipal. Revenue on a reported basis increased by 101% to £1,566m. Underlying EBIT improved 23% to £69.1m at constant currency (an increase of 30% at actual rates). Reported underlying EBIT increased by 89% on a reported basis. The Commercial and Monostreams Divisions performed strongly whilst the Municipal Division was affected by previously reported challenges in both the UK and Canada.

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

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

Total non-trading and exceptional items from continuing operations amounted to £101.5m (2017: £87.1m). Onerous contract provision increases, as previously reported, amounted to £52.7m (2017: £28.2m) representing the net present value of future estimated losses at BDR and Wakefield over the next 22 years offset by a release at Cumbria due to improved operational performance. A further charge of £22.5m was related to decisive portfolio management activity to reduce both losses and future risk exposure in UK Municipal and £22.1m (2017: £7.4m) related directly to the merger and synergy delivery costs. Other charges of £4.2m included additional soil, storage and logistics costs of £2.7m relating to the soil market offset at ATM, amortisation of intangible assets acquired in a business combination of £5.8m together with the insurance claims for two significant fires in the Commercial Division earlier in the year. Of these non-trading and exceptional items, some £20.5m were non-cash. These items are explained further in note 4 to the financial statements.

The operating loss on a statutory basis, after taking account of all non-trading and exceptional items, was £32.4m (2017: £39.0m).

As previously reported, based on current market conditions and the delivery of our ongoing recovery plans, no further exceptional charges are anticipated in respect of the UK Municipal assets. With regard to the ATM soil offset market challenges, additional costs of up to €3m are anticipated in the first half of 2018/19 relating to further one-off logistics and storage charges pending the re-opening of the offset market.

Net finance costs

Net finance costs, excluding exceptional transaction related finance costs, were £7.1m higher year on year at £19.9m (2017: £12.8m) due to the full year impact of the merger, particularly with the post-merger debt, a full year's charge for Van Gansewinkel (VGG) finance lease costs and the discount unwind on provisions not included in the prior period. We were pleased to deliver total finance costs well below our expectations, partly through tight management of net leverage and also through a number of synergy projects in the treasury function that reduced the costs of ancillary financing items. Total finance income is higher in 2017/18 as it includes 12 months of income from the subordinated debt funding of £17.5m into the Derby PPP project on 31 March 2017. The non-trading and exceptional item charge of £11.6m in the prior year included the costs of arranging the new banking facility to support the merger along with the retirement of the previous funding arrangements.

Share of results from associates and joint ventures

The principal return comes from our joint venture in the anaerobic digestion facility in Scotland where operational performance remains strong following recent investments.

Loss before tax

Loss before tax from continuing operations on a statutory basis, including the impact of non-trading and exceptional items, was £50.0m (2017: £61.4m).

Taxation

Total taxation for the year on continuing operations was a credit of £2.0m (2017: £0.5m). The effective tax rate on underlying profits from continuing operations was 25.2% at £13.0m, up from 23.0% last year reflecting the increasing profits in regions with relatively higher tax rates, and slightly better than our expectations of 25.5%. Both the Dutch and Belgian governments indicated recently that they were considering a number of corporate tax reforms, including lower corporate tax rates. These changes were substantively enacted in Belgium in early 2018 which resulted in lower deferred tax liabilities at 31 March 2018 due to the reduced future rates and a tax credit of £6.8m which has been recorded as exceptional tax. The tax credit arising on the non-trading and exceptional items of £101.5m was £8.2m given a significant proportion of these are non-taxable.

Looking forward, we anticipate the underlying tax rate to fall to around 24% in the next few years, reflecting the recently enacted rates in Belgium.

The Group statutory loss after tax, including all discontinued and exceptional items, was £47.6m (2017: £61.4m).

Earnings per share (EPS)

Underlying EPS from continuing operations, excluding non-trading and exceptional items, increased by 30% to 4.8p per share (2017: 3.7p). Basic EPS from continuing operations was 6.0p loss per share compared to a loss of 11.3p per share in the prior year.

Dividend

The Board is recommending an unchanged final dividend of 2.1 pence per share. Subject to shareholder approval, the final dividend will be paid on 27 July 2018 to shareholders on the register at close of business on 29 June 2018. Total dividend cover, based on earnings before non-trading and exceptional items from continuing operations, is 1.6 times (2017: 1.2 times).

Discontinued operations

The profit from discontinued operations of £0.4m (2017: loss of £0.5m) relates to former UK solid waste activities and includes the profit on sale of a surplus asset.

Cash flow performance

A summary of the total cash flows in relation to core funding is shown in the table below. As reported last year, the prior period underlying free cash flow of £23.1m is principally on a pre-merger basis and as such is not comparable to the current period.

	Mar 18 £m	Mar 17 £m
EBITDA	156.9	81.1
Working capital movement and other	20.8	(5.0)
Net replacement capital expenditure	(75.8)	(38.2)
Interest and tax	(22.1)	(14.8)
Underlying free cash flow	**79.8**	**23.1**
Growth capital expenditure	(3.1)	(4.2)
UK PFI funding	(2.2)	(20.1)
Canada Municipal funding	(10.2)	(19.6)
Acquisitions and disposals	(6.5)	3.3
Dividends paid	(24.4)	(15.1)
Restructuring spend	(1.1)	(1.9)
Synergy & integration spend	(17.9)	(1.0)
Transaction related spend	(10.8)	(19.2)
Other	(13.8)	(16.8)
VGG acquisition - net cash	0.7	(277.9)
Equity raise (net of costs)	-	136.4
Net core cash flow	**(9.5)**	**(213.0)**
Free cash flow conversion	**113%**	**63%**

All numbers above include both continuing and discontinued operations.
Free cash flow conversion is underlying free cash flow as a percentage of underlying EBIT.
Net core cash flow above reconciles to the movement in net debt of £10.6m in note 10 after taking into account movements in PFI/PPP non-recourse net debt, capitalisation and amortisation of loan fees and foreign exchange.

Free cash flow conversion in the current year benefited from a strong working capital performance across the divisions, enhanced by good collection activities together with the impact of the soil market offset issues at ATM which has increased the level of accruals for disposal costs. Replacement capital expenditure at £75.8m represents 88% of depreciation (2017: 85%), which is slightly lower than our original estimate of approximately 90% for this first post-merger year. Capital expenditure across all divisions has remained tightly controlled across the year and integration related expenditure has been lower than expected. The cash interest spend in the year was significantly higher than last year due to increased borrowings following the merger. In addition, some £1.0m of loan fees have been paid to secure the one year extension option for the main credit facility.

The growth capital expenditure of £3.1m is principally in Municipal and relates to operator enhancements which are classified as an intangible asset. The Canada Municipal funding reflects the construction spend on the Surrey facility. The prior year UK PFI funding spend included the £17.5m subordinated debt funding into the Derby project.

For acquisitions and disposals, the cash outflow principally relates to the purchase of the adjacent land on the Moerdijk waterside from Martens van Oord in December 2017. The receipt in the prior period includes the monies received from the sale of 49.99% of the equity in the Wakefield SPV which was completed in August 2016 and other disposals net of the acquisition of the commercial waste activities of the City of Leiden.

Synergy and integration related expenditure includes £9.4m for initial synergy delivery costs including redundancy settlements and £8.5m for costs incurred in the merger and integration of the two businesses. Transaction related expenditure is significantly higher than the current year charge as a number of fees and costs were not paid by 31 March 2017 given that the merger only completed on 28 February 2017.

The other category includes the £3.0m funding for the closed UK defined benefit pension scheme along with expenditure of £10.6m relating to UK Municipal contractual issues and onerous contracts.

Following the merger, net cash generated from operating activities increased from £22.6m in the prior year to £121.7m in the year ended 31 March 2018. A reconciliation to the underlying cash flow performance as referred to above is included in note 16 to the financial statements.

Merger related accounting

Transaction and integration costs
As noted last year, these transactions related costs will be reported as non-trading and exceptional as they are incurred and have been grouped into three segments:

- Transaction costs relating to the acquisition and related financing which were principally all incurred in 2017;
- Synergy delivery costs relating to the delivery of the €40m cost synergies including the costs of site closures, redundancies and other reorganisation costs; and
- Integration costs relating to the merger and integration of the two businesses including advisers' fees, transitional costs arising from merging the two organisations and certain IT and rebranding costs that cannot be capitalised.

The expected total transaction related costs to be incurred over the next two years remain unchanged at €50m for the cash cost of synergy delivery and €20m for other integration costs. For synergy delivery costs, some £4.5m (€5.3m) was incurred in 2016/17, £12.3m (€13.9m) in 2017/18 and we expect the split of future costs to be approximately €23m in 2018/19 and €8m in 2019/20. For integration costs, some £2.9m (€3.4m) was incurred in 2016/17, £7.5m (€8.5m) in 2017/18 and we expect approximately a further €7m in 2018/19 and €1m in 2019/20.

As previously reported, we expect to incur non-cash impairment costs arising from our site closure programme and £2.3m has been recognised to date. We will advise as to the further impact once we have finalised the list of sites that are expected to be impacted by the integration.

We have previously referred to the requirement for integration-related capital investment including investment in rebranding, truck replacements within the relatively older VGG fleet and an investment in new IT platforms for growth for the merged business. It has been determined that the majority of the rebranding spend, expected to be c€12m over the initial two-year period, is not capital in nature and will therefore be classified as integration costs. The truck replacement programme is currently underway and is likely to be financed via operating lease rather than outright purchase. The expected expenditure on IT capital investment over the coming two years is £20m.

Purchase price accounting (PPA)
As reported on in the 2017 Annual Report, the merger with VGG was accounted for in accordance with IFRS 3 (Revised) Business Combinations including a fair value review of all assets and liabilities acquired at 28 February 2017 with the exception of the real estate assets. The valuation of these real estate assets was concluded in the first half of the year and resulted in an increase in the carrying value of land and buildings of £31.5m with a corresponding decrease in intangible assets and goodwill. The provisional fair value as reported previously has now been finalised given the closure of the 12-month period from acquisition and all final adjustments have been accounted for at the date of acquisition and consequently the amounts reported at 31 March 2017 have been restated. The final goodwill on acquisition was £327.8m together with intangible assets of £34.6m.

Integrating the finance function to deliver enhanced value

Finance transformation programme
We have put in place a wide-ranging three-year programme to integrate the two businesses and then build new and improved capability at a lower cost. This programme is under the responsibility of a Finance Transformation Director who works with the finance function and in the divisions to ensure a seamless ongoing capability during the integration process.

Treasury programmes to increase liquidity and reduce cost
Following the completion of the merger, we have put in place numerous projects to increase the efficiency of our borrowing structures, improving liquidity and reducing borrowing costs. Examples include the roll out of a group-wide treasury management system, increased use of cash pooling, the merger of invoice discounting programmes on best terms and the addition of new and lower cost guarantee facilities. Savings equivalent to over €5m in financing costs over the next five years have been delivered.

Enhanced capabilities in Risk Management, Internal Control and Internal Audit
We have enhanced our investment in Risk Management, Internal Control and Internal Audit, reflecting the requirements of the enlarged Group. Our Risk, Control and Audit Manager now reports directly to the CFO and is recruiting additional staff. All core Group documents such as Accounting Policies Manual, Authorisation Document and Control Manual have been updated and implemented across the Group. In 2018/19 we will be revising our key control framework and automating its review mechanisms.

Reduced transaction costs through shared services
One of the material synergy opportunities from the merger was the reduction in the cost of transactional finance by reducing the number of shared service centres (SSC) in the Group. During 2017/18 we closed our SSC at Zaventem in Belgium, merging it with the larger SSC at Lommel in Belgium. During 2018/19 we expect to close our SSC in Amersfoort, the Netherlands, again transferring activities to Lommel.

Investment projects

Expenditure in 2018/19
The Group's ongoing expectations for replacement capital expenditure remain around 75-80% of depreciation. This underlying level may from time to time be supplemented with larger scale replacement projects. Given 2018/19 is another year of catch up with a few larger projects and the start of the investment in new IT platforms, the ratio is therefore expected to be around 100% this year. Over the next two to three years we expect to spend €15m to replace and upgrade major components of Hazardous Waste's soil treatment line and €2m for the digestate dryer at Roeselare. Growth capital expenditure will also increase next year with the planned c. £13m investment in the expansion at Maasvlakte and the £4m extension of the Ottawa site.

Group return on assets – pro forma basis
The Group return on operating assets (excluding debt, tax and goodwill) from continuing operations increased from 11.5% at 31 March 2017 to 15.9% at 31 March 2018. The Group post-tax return on capital employed was 5.6% compared with 4.2% at 31 March 2017.

Treasury and cash management

Core net debt and gearing ratios
Core net debt excludes the net debt relating to the UK PFI/PPP contracts which is non-recourse to the Group and is secured over the assets of the special purpose vehicles (SPVs). The net core cash outflow of £9.5m, along with an adverse exchange effect of £6.0m on the translation into Sterling of the Group's Euro and Canadian Dollar denominated debt and loan fee amortisation, has resulted in a core net debt increase to £438.7m. This was lower than expected due to the timing of synergy delivery and integration costs and lower capital spend in the last few months of the year. Net debt to EBITDA was 2.9x, comfortably within our covenant limit of 3.5x. We continue to expect net debt to rise as integration costs and capital expenditure are incurred over the following eighteen months with a peak at or around 3.0x in mid-2018/19.

Debt structure and strategy
Core borrowings, excluding PFI/PPP non-recourse borrowings, are all long term as set out in the table below.

All figures in £m	Drawn	Term
€100m Belgian retail bond	87.6	Jul-19
€100m Belgian Green retail bond	87.6	Jun-22
€575m Main credit facility	291.7	Sep-22
	466.9	
Finance leases and other	37.2	
Loan fees	(1.5)	
Cash	(63.9)	
Core net debt	438.7	

At the time of the announcement of the proposed merger on 29 September 2016, the Group entered into a new five-year €600m multi-currency facility with a syndicate of banks, comprising both a term and revolving credit facility. During the period, €25m of the revolving credit facility was cancelled and the first one-year extension option was exercised such that the facility matures in five years on 29 September 2022. A further one-year extension option remained in place. At 31 March 2018, some £291.7m was drawn. The new facility has been hedged with a €125m interest rate cap and three cross currency swaps totalling £150m at fixed Euro interest rates of 2.2% and 1.7%. In addition, the Group has two retail bonds each of €100m, which have an annual coupon of 4.23% and 3.65% respectively. As at 31 March 2018, 93% of our core banking facility borrowings were fixed or hedged. At 31 March 2018, the Group had guarantees of £206.3m (2017: £216.4m).

On 22 May Renewi announced that it has signed a new amendment and extension to its main banking facility, converting it to a €550m Green Loan. Renewi is one of the first FTSE250 companies to refinance its entire bank borrowings using this green certification. The new facility is also one of the first to introduce sustainability improvement to the terms of the borrowing facility. Accordingly, Renewi will benefit from a lower margin payable on its borrowings in the event that it achieves each of five ambitious sustainability objectives.

Debt borrowed in the special purpose vehicles (SPVs) created for the financing of UK PFI/PPP programmes is separate from the Group core debt and is secured over the assets of the SPVs with no recourse to the Group as a whole. Interest rates are fixed by means of interest rate swaps at contract inception. At 31 March 2018, this debt amounted to £82.9m (31 March 2017: £87.1m).

Directors' valuation of UK PFI/PPP portfolio

The Directors provide a valuation of the financial investments in the SPVs used to fund the contracts and into which the Group has often invested in the form of subordinated debt and equity. The benefits of these financial assets are not easily assessed from the financial statements. As at 31 March 2018, the Directors believed that this valuation was unchanged at £45m.

Retirement benefits

The Group operates a defined benefit pension scheme for certain UK employees which has been closed to new entrants since September 2002. At 31 March 2018, the net retirement benefit deficit relating to the UK scheme was £11.9m compared with £15.5m at 31 March 2017. The decrease in the deficit was a result of the lower liabilities due to higher corporate bond yields partially offset by lower asset returns than expected. The most recent actuarial valuation of the scheme was carried out at 5 April 2015 and a funding plan of £3.1m per annum for a further four years has been agreed with the trustees. The next actuarial valuation is due at 5 April 2018. VGG also operates a number of defined benefit pension schemes for employees in the Netherlands and Belgium which had a net retirement benefit deficit of £5.9m (2017: £6.1m).

Explanation of non-IFRS measures

The Directors use alternative performance measures as they believe these measures provide additional useful information on the underlying trends, performance and position of the Group. These measures are used for internal performance analysis. These terms are not defined terms under IFRS and may therefore not be comparable with similarly titled measures used by other companies. These measures are not intended to be a substitute for, or superior to, IFRS measurements. The alternative performance measures used are set out below.

Financial Measure	How we define it	Why we use it
Underlying EBIT (previously referred to as trading profit)	Operating profit from continuing operations excluding amortisation of intangible assets arising on acquisition, fair value remeasurements, non-trading and exceptional items	Provides insight into ongoing profit generation and trends
Underlying EBIT/Trading margin (previously referred to as trading profit margin)	Underlying EBIT as a percentage of revenue	Provides insight into ongoing margin development and trends
EBITDA	Underlying EBIT before depreciation, amortisation and profit or loss on disposal of plant, property and equipment	Measure of earnings and cash generation to assess operational performance
Underlying profit before tax	Profit before tax from continuing operations before non-trading and exceptional items, amortisation of intangible assets arising on acquisition and fair value remeasurements	Facilitates underlying performance evaluation
Underlying EPS	Earnings per share before non-trading and exceptional items, amortisation of intangible assets arising on acquisition and fair value remeasurements	Facilitates underlying performance evaluation
Return on operating assets	Last 12 months underlying EBIT divided by a 13 month average of total net assets excluding core net debt, derivatives, tax balances, goodwill and acquisition intangibles	Provides a measure of the return on assets across the Divisions and the Group excluding goodwill and acquisition intangible balances
Post-tax return on capital employed	Last 12 months underlying EBIT as adjusted by the Group effective tax rate divided by a 13 month average of total net assets excluding core net debt and derivatives	Provides a measure of the Group return on assets taking into account the historic and acquisition intangible balances
Underlying free cash flow	Net cash generated from operating activities principally excluding non-trading and exceptional items and including interest, tax and replacement capital spend	Measure of cash available after regular replacement capital expenditure to pay dividends, fund growth capital projects and invest in acquisitions
Free cash flow conversion	The ratio of underlying free cash flow to underlying EBIT	Provides an understanding of how our profits convert into cash
Core net debt	Core net debt includes cash and cash equivalents but excludes the net debt relating to the UK PFI/PPP contracts	The borrowings relating to the UK PFI/PPP contracts are non-recourse to the Group and excluding these gives a suitable measure of indebtedness for the Group
Net debt to EBITDA	Core net debt divided by an annualised EBITDA with a net debt value based on the terminology of financing arrangements and translated at an average rate of exchange for the period	Commonly used measure of financial leverage and consistent with covenant definition
Pro forma information	11 months to 28 February 2017 for VGG as extracted from unaudited management accounts are added to 11 months of legacy Shanks plus the month of March 2017 for the combined Group to give the pro forma 2017 numbers	Provides a comparable measure of performance across both periods
Underlying effective tax rate	The effective tax rate on underlying profit before tax	Provides a more comparable basis to analyse our tax rate

Consolidated Income Statement

For the year ended 31 March 2018

		2018			2017		
	Note	**Trading £m**	**Non-trading & exceptional items £m**	**Total £m**	Trading £m	Non-trading & exceptional items £m	Total £m
Revenue	3	**1,565.7**	**-**	**1,565.7**	779.2	-	779.2
Cost of sales		**(1,276.9)**	**(70.7)**	**(1,347.6)**	(653.3)	(43.3)	(696.6)
Gross profit (loss)		**288.8**	**(70.7)**	**218.1**	125.9	(43.3)	82.6
Administrative expenses		**(219.7)**	**(30.8)**	**(250.5)**	(89.4)	(32.2)	(121.6)
Operating profit (loss)	3,4	**69.1**	**(101.5)**	**(32.4)**	36.5	(75.5)	(39.0)
Finance income	5	**12.3**	**-**	**12.3**	10.3	-	10.3
Finance charges	5	**(32.2)**	**-**	**(32.2)**	(23.1)	(11.6)	(34.7)
Share of results from associates and joint ventures		**2.3**	**-**	**2.3**	2.0	-	2.0
Profit (loss) before taxation		**51.5**	**(101.5)**	**(50.0)**	25.7	(87.1)	(61.4)
Taxation	4,6	**(13.0)**	**15.0**	**2.0**	(5.9)	6.4	0.5
Profit (loss) for the year from continuing operations		**38.5**	**(86.5)**	**(48.0)**	19.8	(80.7)	(60.9)
Discontinued operations							
(Loss) profit for the year from discontinued operations		**(0.1)**	**0.5**	**0.4**	-	(0.5)	(0.5)
Profit (loss) for the year		**38.4**	**(86.0)**	**(47.6)**	19.8	(81.2)	(61.4)
Attributable to:							
Owners of the parent		**38.0**	**(85.8)**	**(47.8)**	20.1	(81.2)	(61.1)
Non-controlling interests		**0.4**	**(0.2)**	**0.2**	(0.3)	-	(0.3)
		38.4	**(86.0)**	**(47.6)**	19.8	(81.2)	(61.4)
Basic earnings (loss) per share attributable to owners of the parent (pence per share)							
Continuing operations	7	**4.8**	**(10.8)**	**(6.0)**	3.7	(15.0)	(11.3)
Discontinued operations	7	**-**	**-**	**-**	-	(0.1)	(0.1)
		4.8	**(10.8)**	**(6.0)**	3.7	(15.1)	(11.4)
Diluted earnings (loss) per share attributable to owners of the parent (pence per share)							
Continuing operations	7	**4.8**	**(10.8)**	**(6.0)**	3.7	(15.0)	(11.3)
Discontinued operations	7	**-**	**-**	**-**	-	(0.1)	(0.1)
		4.8	**(10.8)**	**(6.0)**	3.7	(15.1)	(11.4)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

	2018 £m	2017 £m
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign subsidiaries	**7.3**	14.7
Fair value movement on cash flow hedges	**7.2**	1.3
Deferred tax on fair value movement on cash flow hedges	**(1.5)**	(0.7)
Share of other comprehensive income of investments accounted for using the equity method	**0.7**	0.3
	13.7	15.6
Items that will not be reclassified to profit or loss:		
Actuarial gain (loss) on defined benefit pension schemes	**3.0**	(10.7)
Deferred tax on actuarial gain (loss) on defined benefit pension schemes	**(0.6)**	1.7
	2.4	(9.0)
Other comprehensive income for the year, net of tax	**16.1**	6.6
Loss for the year	**(47.6)**	(61.4)
Total comprehensive loss for the year	**(31.5)**	(54.8)
Attributable to:		
Owners of the parent	**(32.3)**	(54.3)
Non-controlling interests	**0.8**	(0.5)
Total comprehensive loss for the year	**(31.5)**	(54.8)
Total comprehensive loss attributable to owners of the parent arising from:		
Continuing operations	**(32.7)**	(53.8)
Discontinued operations	**0.4**	(0.5)
	(32.3)	(54.3)

Consolidated Balance Sheet

As at 31 March 2018

	Note	31 March 2018 £m	Restated* 31 March 2017 £m
Assets			
Non-current assets			
Intangible assets	9	**606.3**	585.7
Property, plant and equipment	9	**623.0**	615.9
Investments		**16.7**	15.8
Loans to associates and joint ventures		**13.9**	14.2
Financial assets relating to PFI/PPP contracts		**166.4**	165.5
Trade and other receivables		**4.6**	3.1
Derivative financial instruments	14	**0.5**	0.3
Deferred tax assets		**24.9**	31.3
		1,456.3	1,431.8
Current assets			
Inventories		**23.3**	19.9
Loans to associates and joint ventures		**5.9**	5.7
Financial assets relating to PFI/PPP contracts		**13.5**	13.3
Trade and other receivables		**257.8**	234.7
Derivative financial instruments	14	**1.4**	-
Current tax receivable		**0.1**	0.1
Cash and cash equivalents		**63.9**	74.9
		365.9	348.6
Assets classified as held for sale		**0.3**	0.3
		366.2	348.9
Total assets		**1,822.5**	1,780.7
Liabilities			
Non-current liabilities			
Borrowings - PFI/PPP non-recourse net debt		**(81.7)**	(85.0)
Borrowings - Other		**(489.7)**	(482.4)
Derivative financial instruments	14	**(29.1)**	(30.0)
Other non-current liabilities		**(6.9)**	(5.1)
Deferred tax liabilities		**(62.9)**	(77.5)
Provisions	12	**(201.7)**	(146.9)
Defined benefit pension schemes deficit	13	**(22.3)**	(26.9)
		(894.3)	(853.8)
Current liabilities			
Borrowings - PFI/PPP non-recourse net debt		**(1.2)**	(2.1)
Borrowings - Other		**(12.9)**	(16.4)
Derivative financial instruments	14	**(0.1)**	(0.8)
Trade and other payables		**(472.1)**	(410.8)
Current tax payable		**(18.4)**	(14.4)
Provisions	12	**(41.1)**	(45.0)
		(545.8)	(489.5)
Total liabilities		**(1,440.1)**	(1,343.3)
Net assets		**382.4**	437.4
Equity			
Share capital		**80.0**	79.9
Share premium		**377.4**	377.2
Exchange reserve		**46.2**	39.1
Retained earnings		**(126.5)**	(63.3)
Equity attributable to owners of the parent		**377.1**	432.9
Non-controlling interests		**5.3**	4.5
Total equity		**382.4**	437.4

* The balance sheet as at 31 March 2017 has been restated for acquisition accounting adjustments in relation to the Van Gansewinkel Groep (VGG) acquisition.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Share capital £m	Share premium £m	Exchange reserve £m	Retained earnings £m	Restated* Non-controlling interests £m	Total equity £m
Balance at 1 April 2017	**79.9**	**377.2**	**39.1**	**(63.3)**	**4.5**	**437.4**
(Loss) profit for the year	-	-	-	**(47.8)**	**0.2**	**(47.6)**
Other comprehensive income (loss):						
Exchange gain on translation of foreign subsidiaries	-	-	**7.1**	-	**0.2**	**7.3**
Fair value movement on cash flow hedges	-	-	-	**6.8**	**0.4**	**7.2**
Actuarial gain on defined benefit pension schemes	-	-	-	**3.0**	-	**3.0**
Tax in respect of other comprehensive income items	-	-	-	**(2.1)**	-	**(2.1)**
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	**0.7**	-	**0.7**
Total comprehensive income (loss) for the year	-	-	**7.1**	**(39.4)**	**0.8**	**(31.5)**
Share-based compensation	-	-	-	**1.8**	-	**1.8**
Movement on tax arising on share-based compensation	-	-	-	**(0.2)**	-	**(0.2)**
Proceeds from exercise of employee options	**0.1**	**0.2**	-	-	-	**0.3**
Own shares purchased by the Employee Share Trust	-	-	-	**(1.0)**	-	**(1.0)**
Dividends	-	-	-	**(24.4)**	-	**(24.4)**
Balance as at 31 March 2018	**80.0**	**377.4**	**46.2**	**(126.5)**	**5.3**	**382.4**
Balance at 1 April 2016	39.8	100.2	24.4	20.4	(2.0)	182.8
Loss for the year	-	-	-	(61.1)	(0.3)	(61.4)
Other comprehensive income (loss):						
Exchange gain on translation of foreign subsidiaries	-	-	14.7	-	-	14.7
Fair value movement on cash flow hedges	-	-	-	1.5	(0.2)	1.3
Actuarial loss on defined benefit pension schemes	-	-	-	(10.7)	-	(10.7)
Tax in respect of other comprehensive income items	-	-	-	1.0	-	1.0
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	0.3	-	0.3
Total comprehensive income (loss) for the year	-	-	14.7	(69.0)	(0.5)	(54.8)
Share-based compensation	-	-	-	0.5	-	0.5
Movement on tax arising on share-based compensation	-	-	-	(0.1)	-	(0.1)
Proceeds from share issues, net of transaction costs	21.1	115.2	-	-	-	136.3
Issue of ordinary shares in consideration for a business combination	19.0	161.7	-	-	-	180.7
Proceeds from exercise of employee options	-	0.1	-	-	-	0.1
Non-controlling interest on acquisition of a subsidiary	-	-	-	-	7.0	7.0
Dividends	-	-	-	(15.1)	-	(15.1)
Balance as at 31 March 2017	79.9	377.2	39.1	(63.3)	4.5	437.4

* The non-controlling interests as at 31 March 2017 have been restated for acquisition accounting adjustments in relation to the VGG acquisition.

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.

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	2018 £m	2017 £m
Loss before tax	**(50.0)**	(61.4)
Finance income	**(12.3)**	(10.3)
Finance charges	**32.2**	34.7
Share of results from associates and joint ventures	**(2.3)**	(2.0)
Operating loss from continuing operations	**(32.4)**	(39.0)
Operating profit (loss) from discontinued operations	**0.4**	(0.5)
Amortisation and impairment of intangible assets	**15.9**	8.6
Depreciation and impairment of property, plant and equipment	**81.9**	48.6
Loss (gain) on disposal of property, plant and equipment	**2.1**	(0.5)
Impairment of investments	**0.9**	-
Increase in service concession arrangement receivable	**(10.2)**	(19.6)
Exceptional loss (gain) on disposal of property, plant and equipment	**11.5**	(0.5)
Exceptional loss on disposal of subsidiaries	**-**	0.2
Exceptional gain on insurance proceeds in relation to fires in the Netherlands and Belgium	**(5.1)**	-
Net increase in provisions	**45.6**	29.0
Payments to fund defined benefit pension scheme deficits	**(3.1)**	(3.1)
Share-based compensation	**1.8**	0.5
Operating cash flows before movement in working capital	**109.3**	23.7
Increase in inventories	**(3.1)**	(1.5)
Increase in receivables	**(17.0)**	(4.1)
Increase in payables	**39.2**	9.8
Cash flows from operating activities	**128.4**	27.9
Income tax paid	**(6.7)**	(5.3)
Net cash inflow from operating activities	**121.7**	22.6
Investing activities		
Purchases of intangible assets	**(7.9)**	(7.0)
Purchases of property, plant and equipment	**(77.3)**	(37.0)
Disposals of property, plant and equipment	**4.2**	2.8
Exceptional disposal of property, plant and equipment	**(3.8)**	-
Insurance proceeds in relation to fires in the Netherlands and Belgium	**3.6**	-
Acquisition of subsidiary, net of cash acquired	**(5.6)**	53.3
Acquisition of business assets	**(0.2)**	(1.1)
Proceeds from disposal of subsidiary	**-**	1.1
Receipt of deferred consideration	**0.2**	4.6
Payment of deferred consideration	**(0.6)**	(1.3)
Dividends received from associates and joint ventures	**1.3**	0.1
Loans granted to associates and joint ventures	**(0.1)**	(18.5)
Repayment of loans granted to associates and joint ventures	**0.2**	-
Outflows in respect of PFI/PPP arrangements under the financial asset model	**(2.0)**	(2.1)
Capital received in respect of PFI/PPP financial assets	**4.0**	3.5
Finance income	**9.9**	9.9
Net cash (outflow) inflow from investing activities	**(74.1)**	8.3
Financing activities		
Finance charges and loan fees paid	**(26.8)**	(28.9)
Proceeds from share issues	**0.3**	141.5
Costs in relation to share issues	**-**	(5.1)
Investment in own shares by the Employee Share Trust	**(1.0)**	-
Dividends paid	**(24.4)**	(15.1)
Repayment of VGG loan and derivatives acquired as part of the business combination	**-**	(289.5)
Proceeds from bank borrowings	**10.2**	211.2
Repayment of PFI/PPP net debt	**(4.2)**	(4.0)
Repayments of obligations under finance leases	**(13.3)**	(3.2)
Net cash (outflow) inflow from financing activities	**(59.2)**	6.9
Net (decrease) increase in cash and cash equivalents	**(11.6)**	37.8
Effect of foreign exchange rate changes	**0.6**	2.4
Cash and cash equivalents at the beginning of the year	**74.9**	34.7
Cash and cash equivalents at the end of the year	**63.9**	74.9

Notes to the Consolidated Financial Statements

1. General information

Renewi plc is a public limited company listed on the London Stock Exchange and is incorporated and domiciled in Scotland under the Companies Act 2006, registered number SC077438. The address of the registered office is 16 Charlotte Square, Edinburgh, EH2 4DF. The nature of the Group's operations and its principal activities are set out in note 3.

2. Basis of preparation

The figures and financial information for the year ended 31 March 2018 are extracted from but do not constitute the statutory financial statements for that year. The figures and financial information are audited. The Income Statement, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year ended 31 March 2017 and the Balance sheet as at 31 March 2017 have been derived from the full Group accounts published in the Annual Report and Accounts 2017 which have been delivered to the Registrar of Companies and on which the report of the independent auditors was unqualified and did not contain a statement under section 498 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2018 will be filed with the Registrar of Companies in due course.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations issued by the IFRS Interpretations Committee (IFRS IC) adopted by the European Union (EU) and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Group has applied all accounting standards and interpretations issued relevant to its operations and effective for accounting periods beginning on 1 April 2017. The IFRS accounting policies have been applied consistently to all periods presented and throughout the Group for the purpose of the consolidated financial statements.

Comparative information

The comparative information in the consolidated balance sheet for the year ended March 2017 has been restated for acquisition accounting adjustments in relation to the Van Gansewinkel Groep BV (VGG) acquisition in accordance with IFRS 3 Business Combinations, see note 11 for the impact of the restatement.

Changes in presentation

The Group changed the composition of its reporting segments from 1 April 2017, following the VGG acquisition which in the prior year was reported as a separate reportable segment. A new divisional structure has been created as a result of the merger of Shanks and VGG which is both market facing and customer-focused. Accordingly, the segmental information presented in these financial statements has been restated to reflect the information now provided to the chief operating decision maker in order to assess performance and to make decisions on allocating resources. The following changes have been made to the Group's reportable segments as reported at 31 March 2017:

- The Commercial Waste reportable segment comprises the former Shanks Commercial Divisions in the Netherlands and Belgium and the former VGG Collections Division in the Netherlands and Belgium.
- The Hazardous Waste reportable segment comprises the former Shanks Hazardous Waste Division and now includes VGIS (previously Van Gansewinkel Industrial Services) and CFS (previously Van Gansewinkel CFS).
- Monostreams is a new reportable segment which includes the three former businesses of the Recycling Division of VGG and the former Shanks Dutch Orgaworld business previously included in the Commercial Waste reportable segment.
- The Group Central Services reportable segment comprises the former Shanks and former VGG corporate head office functions.
- The Municipal reportable segment is unchanged.

As required under IFRS 8 Operating Segments, the Group has restated the corresponding segment information for the prior year to enable comparisons to the new structure.

Changes in accounting policies, new standards and interpretations not yet adopted

Standards and interpretations issued by the International Accounting Standards Board (IASB) are only applicable if endorsed by the European Union. At 31 March 2018 the following standards and interpretations were in issue but not yet effective:

Accounting standard	Requirements	Impact on financial statements
IFRS 9 Financial Instruments	This standard addresses the classification, measurement and recognition approaches for financial assets and liabilities and requires additional disclosures in relation to hedging activities. Effective for periods beginning on or after 1 April 2018.	The Group has performed an initial assessment of the impact of this standard. Following adoption of the standard, increased disclosures on hedging will be required, otherwise we do not expect implementation will have a material impact.
IFRS 15 Revenue Recognition and IFRS 15 (amendment)	IFRS 15 applies to all contracts with customers excluding those covered by other IFRSs such as lease contracts, insurance contracts and financial instruments. Core principle of the standard: Recognise revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Effective for periods beginning on or after 1 April 2018.	The Group has performed an assessment of the impact of this standard. Adoption of the standard will not have a material impact on the Income Statement, operating profit will be unchanged but there will be a relatively minor increase in revenue and cost of sales in relation to non-cash consideration. There will be no impact on the Balance sheet.
IFRS 16 Leases	This standard changes the way leases are recognised, measured, presented and disclosed. Almost all operating leases will be recognised as a liability together with a corresponding “right of use asset”. Effective for periods beginning on or after 1 April 2019.	The Group is currently performing an assessment of this standard. It is expected to have a material impact on the Balance sheet as it will result in the Group recognising assets and lease liabilities. The assets will be depreciated and interest charged on the lease liabilities, which replaces the operating lease costs currently recognised in the Income Statement. This may initially result in the Group recognising a higher lease expense than the current operating lease cost. It is not expected to have a material impact on the Income Statement but the exact value will depend on the leases held in the future.

There are no other IFRSs or IFRS IC interpretations not yet effective that would be expected to have a material impact on the Group and there were no new IFRSs or IFRS IC interpretations which were early adopted by the Group.

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 the average rate of exchange during the year.

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

	Closing rates			**Average rates**		
Value of £1	**31 March 2018**	31 March 2017	Change	**31 March 2018**	31 March 2017	Change
Euro	**1.14**	1.17	(2.4)%	**1.14**	1.19	(4.7)%
Canadian dollar	**1.81**	1.67	8.5%	**1.71**	1.79	(4.1)%

Underlying business performance

The Group uses alternative performance measures as they believe these measures provide additional useful information on the underlying trends, performance and position of the Group. These measures are used by the Group for internal performance analysis and incentive compensation arrangements for employees. The term 'underlying' refers to the relevant measure being reported for continuing operations excluding non-trading and exceptional items, financing fair value remeasurements and amortisation of acquisition intangibles. These include underlying earnings before interest and tax (underlying EBIT), underlying profit before tax, underlying profit after tax, underlying free cash flow, underlying earnings per share and EBITDA (earnings before interest, tax, depreciation and amortisation). The terms 'EBIT', '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. They are not intended to be a substitute for, or superior to, GAAP measurements of profit. 'Underlying EBIT' is defined as continuing operating profit before amortisation of acquisition intangibles and exceptional items. The Group incurs costs each year in maintaining intangible assets which include acquired customer relationships, permits and licences and excludes amortisation of these assets from underlying EBIT to avoid double counting such costs within underlying results. Landfill related expenses and provisioning are no longer an adjusting item in determining the Group's EBITDA as it is part of the underlying business. A full list of alternative performance measures and non-IFRS measures together with reconciliations are set out on page 30 and note 16.

3. Segmental reporting

The Group's chief operating decision maker is considered to be the Board of Directors. The Group's reportable segments determined with reference to the information provided to the Board of Directors in order for it to allocate the Group's resources and to monitor the performance of the Group are set out below. Following the implementation of the new divisional structure on 1 April 2017 the Group's reportable segments are:

Commercial Waste	Collection and treatment of commercial waste in the Netherlands and Belgium.
Hazardous Waste	Industrial cleaning and treatment of hazardous waste in the Netherlands.
Monostreams	Production of materials from waste streams in specific end markets such as glass, electrical and electronic equipment, organics and minerals in the Netherlands, Belgium, France, Germany, Hungary and Portugal.
Municipal	Operation of waste management facilities under long-term municipal contracts in the UK and Canada.
Group central services	Head office corporate function.

The Commercial Waste reportable segment includes the Netherlands and Belgium operating segments and the Municipal reportable segment includes the UK and Canada operating segments, based on geographical location. Operating segments within the Commercial Waste and Municipal divisions have been aggregated and reported as one reportable segment as they operate in similar markets in relation to the nature of the products, services, production processes and type of customer. The Monostreams reportable segment includes three businesses from the former VGG Recycling Division and the former Shanks Dutch Orgaworld business.

The profit measure the Board of Directors uses to evaluate performance is underlying EBIT. Underlying EBIT is continuing operating profit before the amortisation of acquisition intangibles, fair value measurements, non-trading and exceptional items. The Group accounts for inter-segment trading on an arm's length basis.

Revenue	**2018 £m**	Restated* 2017 £m
Netherlands Commercial Waste	**648.7**	245.8
Belgium Commercial Waste	**371.7**	142.7
Intra-segment	**(0.8)**	-
Commercial Waste	**1,019.6**	388.5
Hazardous Waste	**203.2**	163.0
Monostreams	**180.0**	30.8
UK Municipal	**176.4**	174.8
Canada Municipal	**16.5**	32.8
Municipal	**192.9**	207.6
Inter-segment revenue	**(30.0)**	(10.7)
Total revenue from continuing operations	**1,565.7**	779.2

* The comparatives have been restated to reflect the new reportable segments

3. Segmental reporting - continued

Results	2018 £m	Restated* 2017 £m
Netherlands Commercial Waste	**38.8**	15.4
Belgium Commercial Waste	**25.8**	8.1
Commercial Waste	**64.6**	23.5
Hazardous Waste	**17.4**	19.7
Monostreams	**16.0**	3.6
UK Municipal	**(5.8)**	(4.2)
Canada Municipal	**(3.5)**	1.6
Municipal	**(9.3)**	(2.6)
Group central services	**(19.6)**	(7.7)
Total underlying EBIT	**69.1**	36.5
Non-trading and exceptional items	**(101.5)**	(75.5)
Total operating loss from continuing operations	**(32.4)**	(39.0)
Finance income	**12.3**	10.3
Finance charges	**(32.2)**	(23.1)
Finance charges – non trading and exceptional items	**-**	(11.6)
Share of results from associates and joint ventures	**2.3**	2.0
Loss before taxation and discontinued operations	**(50.0)**	(61.4)

* The comparatives have been restated to reflect the new reportable segments

4. Non-trading and exceptional items

To improve the understanding of the Group's financial performance, items which are not considered to reflect the underlying performance are presented in non-trading and exceptional items.

	2018 £m	2017 £m
Merger related costs:		
Synergy delivery costs – cash	**12.3**	4.5
Synergy delivery costs – non-cash	**2.3**	-
Integration costs	**7.5**	2.9
	22.1	7.4
Portfolio management activity:		
UK Municipal	**22.5**	-
Acquisition costs	**0.4**	18.9
Industrial Cleaning disposal in Belgium	**-**	0.4
Disposals in the Netherlands	**-**	(0.3)
	22.9	19.0
Other items:		
UK Municipal onerous contract provisions	**52.7**	28.2
ATM soil issues	**2.7**	-
Restructuring charges and employee related costs	**0.1**	2.4
(Income) costs relating to fires	**(2.3)**	1.6
Other UK Municipal contract issues	**(2.5)**	5.3
	50.7	37.5
Exceptional finance costs	**-**	11.6
Impairment of assets	**-**	9.5
Amortisation of acquisition intangibles	**5.8**	2.1
Non-trading and exceptional items in loss before tax (continuing operations)	**101.5**	87.1
Tax on non-trading and exceptional items	**(8.2)**	(6.4)
Exceptional tax credit	**(6.8)**	-
Non-trading and exceptional items in loss after tax (continuing operations)	**86.5**	80.7
Discontinued operations	**(0.5)**	0.5
Total non-trading and exceptional items in loss after tax	**86.0**	81.2

The above non-trading and exceptional items include the following:

Merger related costs

Due to the significance of the merger on the Group and the associated synergy delivery projects these costs are considered to be exceptional. Synergy delivery costs of £14.6m (2017: £4.5m) and integration costs of £7.5m (2017: £2.9m) were incurred as the Group executes merger plans for generating value. Synergy delivery costs include £2.3m of non-cash impairments of assets at the Belgium Commercial Zaventem Shared Service Centre and property in Netherlands Commercial identified as part of site rationalisation. The total cost of £22.1m (2017: £7.4m) was split £4.2m (2017: £nil) in cost of sales and £17.9m (2017: £7.4m) in administrative expenses.

4. Non-trading and exceptional items – continued

Portfolio management activity

UK Municipal charge of £22.5m (2017: £nil) included the exit of its loss-making anaerobic digestion facility at Westcott Park and the decision to initiate the termination of the D&G PFI operating contract. The Group completed the sale of the Westcott Park facility on 28 March 2018 resulting in a loss on disposal and related costs totalling £14.0m. Discussions are ongoing with the D&G council and other stakeholders with termination of the operating contract expected in the next financial year therefore the onerous contract was increased together with a non-cash write down of the investment totalling £9.0m. Additionally a provision of £0.5m in relation to a previous disposal was released as no longer required.

Further transaction costs of £0.4m (2017: £18.9m) relating to the merger of Van Gansewinkel Groep BV have been incurred in the year, principally comprising legal and other advisory costs. These are considered exceptional as part of the overall total transaction costs.

The total cost of £22.9m (2017: £19.0m) was split £8.3m (2017: £nil) in cost of sales and £14.6m (2017: £19.0m) in administrative expenses.

Other items

UK Municipal onerous contract provisions charge of £52.7m (2017: £28.2m) relates to additional provisions of £27.1m (2017: £8.6m) and £29.5m (2017: £nil) at BDR and Wakefield respectively given the financial and operational performance of these assets this year and specifically the material underperformance in organic throughput, subsidies and off-take pricing compared with the original contractual assumptions made many years ago. This charge is net of a £3.9m release in relation to Cumbria following successful management action to resolve operational and compliance issues. The prior year charge also included increases to the Cumbria and D&G onerous contract provisions, a specific loss-making contract under the ELWA operating contract and provisions for incremental capital works required at BDR and Wakefield to enable the plants to function as intended.

The charge for ATM soil issues of £2.7m (2017: £nil) relates to the soil offset market and includes additional costs of logistics and off-site storage.

Restructuring charges and employee related costs were incurred for structural cost reduction programmes across the Group in place prior to the merger of £0.1m (2017: £1.5m) and reassessment of prior year employee related provisions of £nil (2017: £0.9m).

Net credit of £2.3m (2017: £1.6m charge) as a result of significant fires during the year at two Commercial sites, one in the Netherlands and one in Belgium. At each site property, plant and equipment has been impaired totalling £1.8m and clean-up costs have been incurred. These have been partly offset by the insurance recovery of £5.1m of which £3.6m has been received in cash. In addition insurance funds of £0.6m were received in relation to a prior year claim for a fire at a legacy VGG site. The prior year charge related to incremental operating costs which were unable to be reclaimed under the Group's business interruption insurance following the fire at the UK Municipal East London site in August 2014.

The other UK Municipal contract issues of £2.5m credit (2017: £5.3m charge) includes settlement of a claim with a guarantor in relation to the Wakefield construction contract and a Cumbria settlement offset by the impairment of contract rights in the ELWA contract of £1.9m (2017: £nil). The prior year charge included costs in relation to the Derby contact due to a delay in commissioning, reinstatement of leased land and a legal claim in Canada.

The total charge of £50.7m (2017: £37.5m) was split £51.9m (2017: £32.0m) in cost of sales and £1.2m credit (2017: £5.5m charge) in administrative expenses.

Finance costs

The prior year charge of £11.6m includes the costs of arranging the banking facility, extinguishment of the previous facility together with the settlement of the Pricoa deferred premium.

Impairment of assets

Impairment of assets of £9.5m in the prior year related to plant and equipment at the Westcott Park UK Municipal facility (£6.0m), contract rights in UK Municipal (£3.2m) and Shanks branding on trucks in Netherlands Commercial (£0.3m). The total charge of £9.5m was split £9.2m in cost of sales and £0.3m in administrative expenses.

Amortisation of acquisition intangibles

Amortisation of intangible assets acquired in business combinations of £5.8m (2017: £2.1m) is all recorded in cost of sales.

Exceptional tax

The exceptional tax credit of £6.8m (2017: £nil) relates to the change in Belgium tax rate, see note 6 for further details.

5. Net finance charges

	2018 £m	2017 £m
Finance charges		
Interest payable on borrowings wholly repayable within five years	**16.6**	7.9
Interest payable on borrowings repayable after five years	**-**	2.9
Interest payable on PFI/PPP non-recourse net debt	**7.0**	7.3
Unwinding of discount on provisions	**5.6**	2.6
Interest charge on the retirement benefit schemes	**0.6**	0.3
Amortisation of loan fees	**0.3**	1.0
Other finance costs	**2.1**	1.1
Total finance charges	**32.2**	23.1
Finance income		
Interest receivable on financial assets relating to PFI/PPP contracts	**(9.7)**	(9.6)
Unwinding of discount on deferred consideration receivable	**(0.2)**	(0.2)
Interest receivable on other loans and receivables	**(2.4)**	(0.5)
Total finance income	**(12.3)**	(10.3)
Exceptional finance charges (see note 4)	**-**	11.6
Net finance charges	**19.9**	24.4

6. Taxation

The tax credit based on the loss for the year from continuing operations is made up as follows:

	2018 £m	2017 £m
Current tax		
UK corporation tax		
- Current year	**1.2**	1.4
Overseas tax		
- Current year	**8.7**	3.7
- Prior year	**0.2**	0.2
Total current tax charge	**10.1**	5.3
Deferred tax		
- Origination and reversal of temporary differences in the current year	**(11.7)**	(5.3)
- Adjustment in respect of the prior year	**(0.4)**	(0.5)
Total deferred tax credit	**(12.1)**	(5.8)
Total tax credit for the year	**(2.0)**	(0.5)

For the accounting period ended 31 March 2018, the standard Belgian corporate income tax rate is 33.99%. Under the corporate income tax reform as enacted by the Belgian government on 22 December 2017, there will be a phased reduction of this tax rate to 29.58% for accounting periods starting on or after 1 January 2018 and furthermore 25% from 1 January 2020. As a result, the Belgian deferred tax has been calculated at the substantively enacted rates depending on when the timing differences are expected to reverse. This has resulted in an exceptional tax credit of £6.8m in the current year.

Changes to the UK corporation tax rate were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). This included a reduction in the main corporation tax rate from 19% to 17% by 1 April 2020. As a result the UK deferred tax for the year has been calculated based on the substantively enacted rates.

7. Earnings per share

	2018			2017		
	Earnings £m	**Weighted average number of shares million**	**Earnings per share pence**	Earnings £m	Weighted average number of shares million	Earnings per share pence
Underlying profit after tax	**38.5**			19.8		
Non-controlling interests	**(0.4)**			0.3		
Underlying earnings per share	**38.1**	**799.9**	**4.8**	20.1	536.3	3.7
Adjustments:						
Non-trading and exceptional items	**(101.5)**			(87.1)		
Tax on non-trading and exceptional items	**8.2**			6.4		
Exceptional tax	**6.8**			-		
Non-controlling interests	**0.2**			-		
Basic loss per share	**(48.2)**	**799.9**	**(6.0)**	(60.6)	536.3	(11.3)
Dilutions	**-**	**0.5**	**-**	-	0.9	-
Diluted loss per share	**(48.2)**	**800.4**	**(6.0)**	(60.6)	537.2	(11.3)
Underlying earnings per share	**38.1**	**799.9**	**4.8**	20.1	536.3	3.7
Dilutions	**-**	**0.5**	**-**	-	0.9	-
Underlying diluted earnings per share	**38.1**	**800.4**	**4.8**	20.1	537.2	3.7
Discontinued operations						
Basic earnings (loss) per share	**0.4**	**799.9**	**-**	(0.5)	536.3	(0.1)
Diluted earnings (loss) per share	**0.4**	**800.4**	**-**	(0.5)	536.3	(0.1)
Underlying loss per share	**(0.1)**	**799.9**	**-**	-	536.3	-
Underlying diluted loss per share	**(0.1)**	**800.4**	**-**	-	536.3	-

The Directors believe that adjusting earnings per share for the effect of the amortisation of acquisition intangibles, the change in fair value of derivatives, non-trading 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.

8. Dividends

	2018 £m	2017 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend paid for the year ended 31 March 2017 of 2.1p per share (2016: 2.35p)	**16.8**	9.4
Interim dividend paid for the year ended 31 March 2018 of 0.95p per share (2017: 0.95p)	**7.6**	5.7
	24.4	15.1
Proposed final dividend for the year ended 31 March 2018 of 2.1p per share (2017: 2.1p)	**16.8**	16.8
Total dividend per share	**3.05p**	3.05p

9. Goodwill, intangible assets and property, plant and equipment

	Goodwill £m	Intangible assets £m	Property, plant and equipment £m	Total £m
Net book value at 1 April 2016	169.0	25.5	297.0	491.5
Acquisition through business combination - VGG	337.2	53.1	285.1	675.4
Acquisition through business combination - other	0.2	0.8	-	1.0
Additions	-	11.1	34.3	45.4
Disposals	-	-	(3.5)	(3.5)
Depreciation and amortisation	-	(5.4)	(41.8)	(47.2)
Impairment	-	(3.2)	(6.8)	(10.0)
Exchange	13.6	1.4	23.1	38.1
Net book value at 31 March 2017	520.0	83.3	587.4	1,190.7
Purchase price allocation adjustment (note 11)	(9.4)	(8.2)	28.5	10.9
Net book value at 31 March 2017 restated	510.6	75.1	615.9	1,201.6
Additions	-	9.4	82.7	92.1
Acquisition through business combinations	13.0	0.2	7.7	20.9
Disposals	-	-	(13.7)	(13.7)
Depreciation and amortisation	-	(12.7)	(78.9)	(91.6)
Impairment	-	(3.2)	(3.0)	(6.2)
Exchange	12.5	1.4	12.3	26.2
At 31 March 2018	**536.1**	**70.2**	**623.0**	**1,229.3**

At 31 March 2018, the Group had property, plant and equipment capital commitments of £16.8m (2017: £18.9m).

10. Borrowings

At 31 March 2018, the Group had a core Euro denominated multicurrency bank facility of €575m (2017: €600m) consisting of a €143.8m (2017: €143.8m) term loan and €431.2m (2017: €456.2m) revolving credit facility. The facility matures on 29 September 2022 following the exercise of the first one year extension option and is subject to a further one year extension option. At 31 March 2018 the term loan was fully drawn, £118.8m (2017: £123.0m) and £172.0m (2017: £156.2m) of the revolving credit facility was drawn for borrowing in Euros, Canadian dollars and Sterling. In addition the Group had two retail bonds of €100m each expiring in July 2019 and June 2022.

Movement in net debt	At 1 April 2017 £m	Cash flows £m	Other non-cash changes £m	Exchange movements £m	**At 31 March 2018 £m**
Cash and cash equivalents	74.9	(11.6)	-	0.6	**63.9**
Bank loans and overdrafts	(283.4)	(10.2)	0.9	(1.2)	**(293.9)**
Retail bonds	(170.2)	-	(0.2)	(4.2)	**(174.6)**
Finance leases	(45.2)	13.3	(1.0)	(1.2)	**(34.1)**
Total core net debt	(423.9)	(8.5)	(0.3)	(6.0)	**(438.7)**
PFI/PPP non-recourse net debt	(87.1)	4.2	-	-	**(82.9)**
Total net debt	(511.0)	(4.3)	(0.3)	(6.0)	**(521.6)**

Analysis of movement in net debt	**2018 £m**	2017 £m
Net decrease in cash and cash equivalents	**(11.6)**	(40.4)
Net decrease in borrowings and finance leases	**7.3**	72.9
Capitalisation of loan fees	**1.0**	-
Cash and borrowings acquired through the VGG business combination	**-**	(240.4)
Total cash flows in net debt	**(3.3)**	(207.9)
Finance leases entered into during the year	**(1.0)**	(1.1)
Amortisation of loan fees	**(0.3)**	(1.8)
Exchange loss	**(6.0)**	(16.5)
Movement in net debt	**(10.6)**	(227.3)
Net debt at beginning of year	**(511.0)**	(283.7)
Net debt at end of year	**(521.6)**	(511.0)

11. Acquisitions

Van Gansewinkel Groep (VGG) acquisition
On 28 February 2017, the Group acquired 100% of the share capital of Van Gansewinkel Groep BV (VGG) for £204.9m being £24.9m cash paid, consideration shares of £180.7m net of £0.7m received subsequently in accordance with the terms of the Purchase agreement. The fair value of the 190,187,502 shares issued was based on the published share price on the date of acquisition of 95p per share.

The fair value of the identifiable assets and liabilities acquired in respect of the VGG acquisition are shown below:

	£m
Intangible assets: Customer relationships	20.9
Intangible assets: Licenses	8.2
Intangible assets: Permits	5.5
Intangible assets: Software	8.6
Intangible assets: Leasehold title	1.7
Property, plant and equipment	313.6
Investments	2.5
Trade and other receivables	107.8
Assets held for sale	0.3
Inventory	11.1
Deferred taxation	5.6
Current tax receivable	0.1
Cash and cash equivalents	78.2
	564.1
Trade and other payables	(188.4)
Provisions	(100.2)
Defined benefit pension schemes deficit	(8.1)
Deferred tax liability	(44.3)
Current tax payable	(7.8)
Derivatives	(12.6)
Borrowings – Syndicated facility	(276.9)
Borrowings – Finance leases, overdraft and other loans	(41.7)
	(680.0)
Net identifiable assets acquired	(115.9)
Less: Non-controlling interests	(7.0)
Add: Goodwill arising on acquisition	327.8
Net assets acquired	204.9

At 31 March 2017 the fair values of the identifiable assets and liabilities acquired in respect of the VGG acquisition were provisional. These have now been retrospectively adjusted to reflect new information obtained about the facts and circumstances that existed as of the acquisition date. The impact of the restatement has been to increase property, plant and equipment by £28.5m, other intangibles by £1.2m, trade and other receivables by £0.7m, trade and other payables by £1.5m, provisions by £3.7m, deferred tax liability by £3.9m and corporation tax liability by £3.2m with a reduction in goodwill of £9.4m, acquisition intangibles of £9.4m and non-controlling interests of £0.7m. The goodwill arising on the acquisition is attributable to management's expectations in regard to VGG's growth prospects and margin improvements as well as synergies to be achieved post acquisition.

Other acquisitions
In December 2017 ATM in the Hazardous Waste division acquired MVO Moerdijk BV, subsequently renamed ATM Terra BV, for a consideration of £6.3m. The business comprises a waterside quay and warehousing under a long-term lease from the Dutch authorities and a permit together with soil offset and deferred tax liabilities. The provisional fair value of the total identifiable net liabilities acquired was £6.7m resulting in goodwill of £13.0m representing the possibilities for strategic expansion.

In March 2018 the Netherlands Commercial division made a small tuck in business combination comprising of plant and equipment and customer relationships for consideration of £0.2m.

12. Provisions

	Site restoration and aftercare £m	Restructuring £m	Onerous contracts £m	Other £m	Total £m
At 1 April 2017	115.2	6.4	40.6	26.0	188.2
Purchase price allocation adjustment (note 11)	(1.8)	-	5.5	-	3.7
At 1 April 2017 - restated	113.4	6.4	46.1	26.0	191.9
Provided in the year	0.3	8.8	65.6	3.4	78.1
Released in the year	-	(0.2)	(3.9)	(0.6)	(4.7)
Finance charges – unwinding of discount	4.1	-	1.4	0.1	5.6
Utilised in the year	(3.6)	(7.6)	(13.4)	(3.8)	(28.4)
Reclassified to deferred revenue	-	-	-	(3.5)	(3.5)
Exchange	2.9	0.5	0.1	0.3	3.8
At 31 March 2018	**117.1**	**7.9**	**95.9**	**21.9**	**242.8**
Current	**4.8**	**7.9**	**20.2**	**8.2**	**41.1**
Non-current	**112.3**	**-**	**75.7**	**13.7**	**201.7**
At 31 March 2018	**117.1**	**7.9**	**95.9**	**21.9**	**242.8**
Current	5.0	6.4	23.0	10.6	45.0
Non-current	108.4	-	23.1	15.4	146.9
At 31 March 2017	113.4	6.4	46.1	26.0	191.9

Site restoration
The site restoration provision at 31 March 2018 related to the cost of final capping and covering of the landfill sites and mineral extractions sites. The Group's minimum unavoidable costs have been reassessed at the year end and the net present value fully provided for. These costs are expected to be paid over a period of up to 33 years from the balance sheet date and may be impacted by a number of factors including changes in legislation and technology.

Aftercare
Post-closure costs of landfill sites, including such items as monitoring, gas and leachate management and licensing, have been estimated by management based on current best practice and technology available. These costs may be impacted by a number of factors including changes in legislation and technology. The dates of payments of these aftercare costs are uncertain but are anticipated to be over a period of at least 30 years from closure of the relevant landfill site.

Restructuring
The restructuring provision relates to redundancy and related costs incurred as part of previous structural cost programmes in the legacy businesses and more recently, restructuring initiatives including the delivery of merger related synergies. As at 31 March 2018 the provision is expected to be spent in the following year as affected employees leave the business.

Onerous contracts
Onerous contracts are provided at the net present value of either exiting the contracts or fulfilling our obligations under the contracts. The provisions are to be utilised over the period of the contracts to which they relate with the latest date being 2040. Further details of the additions in the year principally relate to the UK Municipal business and are shown in note 4.

Other
Other provisions principally cover dilapidations, long-service employee awards, legal claims, warranties and indemnities. Under the terms of the agreements for the disposal of certain businesses, the Group has given a number of warranties and indemnities to the purchasers which may give rise to payments.

13. Defined benefit pension schemes

The Group has the legacy Shanks UK defined benefit scheme which covers UK employees and is closed to new entrants and the legacy VGG defined benefit schemes eligible to certain employees in both the Netherlands and Belgium.

The amounts recognised in the Income Statement were as follows:

	2018 £m	2017 £m
Current service cost	**2.4**	0.5
Interest expense on scheme net liabilities	**0.6**	0.3
Net retirement benefit charge before tax	**3.0**	0.8

The amounts recognised in the balance sheet were as follows:

	2018 £m	2017 £m
Present value of funded obligations	**(238.3)**	(245.5)
Fair value of plan assets	**216.0**	218.6
Pension scheme deficit	**(22.3)**	(26.9)
Related deferred tax asset	**4.5**	5.3
Net pension liability	**(17.8)**	(21.6)

The legacy Shanks UK defined benefit scheme deficit reduced by £4.4m from 31 March 2017 as changes to the assumptions reduced liabilities partly offset by asset returns being lower than expected. The legacy VGG defined benefit schemes deficit decreased by £0.2m from 31 March 2017.

14. Financial instruments at fair value

The Group holds derivative financial instruments used for hedging which are measured at fair value. The Group uses the following hierarchy of valuation techniques to determine the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group does not hold any financial instruments at fair value which are valued using Level 1 or Level 3 techniques and there have been no transfers between categories in the current or preceding periods.

Valuation techniques used to derive Level 2 fair values
The fair values of interest rate swaps, interest rate caps, cross-currency interest rate swaps, forward foreign exchange contracts and fuel derivatives are determined by discounting the future cash flows using the applicable period-end yield curve. For the retail bonds, the fair value is based on indicative market pricing.

The table below presents the Group’s assets and liabilities measured at level 2 fair values:

	Level 2	
	2018 £m	2017 £m
Assets		
Derivative financial instruments	**1.9**	0.3
	1.9	0.3
Liabilities		
Derivative financial instruments	**29.2**	30.8
Retail bonds	**176.6**	177.4
	205.8	208.2

The Group considers that the fair value of all other financial assets and financial liabilities was not materially different to their carrying value.

15. Contingent liabilities

Due to the nature of the industry in which the business operates, from time to time the Group is made aware of claims or litigation arising in the ordinary course of the Group's business. Provision is made for the Directors' best estimate of all known claims and all such legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

Under the terms of sale agreements, the Group has given a number of indemnities and warranties relating to the disposed operations for which appropriate provisions are held.

16. Reconciliations of non-IFRS measures

Reconciliation of underlying EBIT to EBITDA from continuing operations	**2018 £m**	Restated* 2017 £m
Underlying EBIT	**69.1**	36.5
Depreciation of property, plant and equipment	**78.9**	41.8
Amortisation of intangible assets (excluding acquisition intangibles)	**6.9**	3.3
Non-exceptional loss (gains) on disposal of property, plant and equipment	**2.1**	(0.5)
EBITDA from continuing operations	**157.0**	81.1

* The definition of EBITDA excludes an adjustment for landfill related expense and provisioning and consequently the comparatives have been restated.

Reconciliation of underlying free cash flow as presented in the CFO Review	**2018 £m**	2017 £m
Net cash inflow from operating activities	**121.7**	22.6
Exclude provisions, working capital and restructuring spend	**36.0**	25.5
Exclude payments to fund UK defined benefit pension scheme	**3.1**	3.1
Exclude increase in service concession arrangement	**10.2**	19.6
Include finance charges and loan fees paid (excluding exceptional finance charges)	**(25.3)**	(19.4)
Include finance income received	**9.9**	9.9
Include purchases of replacement items of intangible assets	**(7.9)**	(3.1)
Include purchases of replacement items of property, plant and equipment	**(71.6)**	(37.9)
Include proceeds from disposals of property, plant & equipment	**3.7**	2.8
Underlying free cash flow	**79.8**	23.1

17. Events after the balance sheet date

On 22 May 2018 the Group announced that it had signed an amendment and extension to its multicurrency bank facility, converting it to a €550m Green Loan. The €550m loan has been extended until May 2023 with options to extend to 2025.

APPENDIX

The following additional information, summarised from the Renewi plc Annual Report and Accounts 2018, is disclosed in accordance with Disclosure and Transparency Rule 6.3.5.

1. Principal Risks and Uncertainties affecting the Group

Output pricing and demand – that the demand/value we receive for recycled and recovered product falls.

Output capacity – lack of capacity at outlets/increased price of disposal of burnable waste and other residues.

Environmental permit risk – that our environmental permits to operate are restricted or removed.

Changes in law and policy – adverse impacts from changes in law and policy, including environmental, tax and similar legal and policy regimes.

Long-term contracts – that we enter into or renew long-term contracts at disadvantageous terms or we rely on a small number of large contracts.

Labour availability and costs – that there are shortages of certain labour types leading to unavailability or severe wage inflation.

Integration risks – that integration of the two companies including the creation of a strong corporate culture and migration of IT systems is ineffective and/or fails to deliver anticipated synergies.

Brexit – that a hard Brexit disrupts the export of waste and recyclates internationally, creating off-take costs in UK and over-capacity of incineration in the Benelux.

Input pricing competition – that market pricing may put pressure on our margins.

Talent development/leadership – that we lack the required management capabilities.

Operational failure – operational failure and/or fire at a key facility leading to business interruption and other costs.

Investment and growth – that funding is not available or that funding sources are available, but that cash generation is insufficient to allow access to funding.

Digitalisation – That a disruptive technology or business model deployed by a competitor or new entrant impacts our ability to compete.

Health and safety risk – injury or loss of life. That we incur reputational loss, or civil and criminal costs.

Input volumes – that incoming waste volumes in the market may fall should macroeconomic conditions reverse.

ICT failure and cyber threat – that ICT failure and/or cyber crime causes business interruption or loss.

2. Directors' Responsibility, financial information and posting of accounts

The 2018 Annual Report which will be published in June 2018 contains a responsibility statement in compliance with DTR 4.1.12. This states that on 24 May 2018, the date of the approval of the Annual Report, the Directors confirm that to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group: and
- the Strategic Report in the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The financial information set out above does not constitute the Company's full statutory accounts for the year ended 31 March 2017 or 2018, but is derived from those accounts. Statutory accounts for 2016/17 have been delivered to the Registrar of Companies and those for 2017/18 will be delivered following the Company's Annual General Meeting on 12 July 2018. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

The changes to the Board of Directors of Renewi plc since the 2017 Annual Report were:

- Luc Sterckx joined the Board on 1 September 2017 as a non-executive director
- Jolande Sap joined the Board on 1 April 2018 as a non-executive director

A list of current directors is maintained on the Renewi plc website: www.renewiplc.com.