RENEWI PLC: PRELIMINARY RESULTS

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Renewi plc (RWI)
Renewi plc: Preliminary Results

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25 May 2023

A STRONG PERFORMANCE AND CONTINUED STRATEGIC PROGRESS

Renewi plc (LSE: RWI), the leading European waste-to-product business, announces its unaudited results for the year ended 31 March 2023. ("Renewi", the "Company" or the "Group")

Financial Highlights

- Revenue of €1,892m and underlying EBIT# of €132.9m similar to prior year (FY22: €1,869m and €133.6m respectively)
- Effectively mitigated lower recyclate prices, lower volumes and high inflation through ongoing cost control and customer price increases
- Basic EPS reduced from 93 cents to 79 cents
- Group underlying EBIT margin of 7.0% (FY22: 7.1%) with Commercial, Maltha and Coolrec all operating close to 10% margin
- Statutory profit after tax of €66.6m (FY22: €75.4m)
- Core net debt* increased to €370.6m (FY22: €303.0m) due to the acquisition of Renewi Westpoort (Paro) during the year. Net debt to EBITDA increased to 1.8x (FY22:1.4x)

Strategic and Operational Highlights

- Good progress made on our key strategic initiatives to deliver €60m of additional EBIT by FY26, with €20m delivered so far, Renewi 2.0 largely completed, €60m of the investment pipeline deployed and Mineralz & Water recovery ongoing
- Customer net promoter score increased from 3 to 18, supported by digitisation and process improvements
- Volumes lower due to reduced activity in certain market segments in the Netherlands, increased pressure from secondary disposers and focus on margin accretive volumes
- Recycling rate (rebased) increased to 63.6%, resulting in 7mT of secondary materials being put back into reuse
- Scope 1, 2 and 3 emissions methodology externally validated and application for SBTi underway

Outlook

- The Group continues to trade in line with market expectations for FY24[1]
- Recycled metal, paper, and plastics prices expected be more stable around current levels in FY24, except wood which remains strong
- Price increases and tailwinds generated by Renewi 2.0, Mineralz & Water recovery and investments are expected to cover cost inflation including energy and wages
- Ambition to accelerate revenue growth targeting €3bn in five years at high single digit margins as a minimum. Growth will be achieved through market share gains, by extracting more value from waste by deploying advanced recycling and by targeted acquisitions. EBIT improvement is expected to grow even faster, driven by growth and cost reduction through digitisation
- Cash generation expected to improve consistently over time with Covid tax deferrals and shipment of Mineralz & Water TGG coming to an end
- Recommencement of a dividend for FY24 alongside a continued programme to invest capital in our core businesses and potential further acquisitions to drive growth

 # The definition and rationale for the use of non-IFRS measures are included in note 17.
** Core net debt used for banking leverage calculations excludes the impact of IFRS 16 lease liabilities and UK PPP net debt.*

[1] Consensus expectations are for underlying Group FY24 Revenue of €1.96bn, EBITDA of €258m and EBIT of €128m. See Analysts & Coverage section of the Renewi investor relations website for more details

Results

UNDERLYING NON-STATUTORY	FY23	FY22#	Change
Revenue	€1,892.3m	€1,869.2m	+1%

Underlying EBITDA[1]	€255.6m	€262.6m	-3%
Underlying EBIT[1]	€132.9m	€133.6m	-1%
Underlying EBIT[1] margin	7.0%	7.1%	0.1pps
Adjusted free cash flow	€72.9m	€91.3m	
Free cash flow[1]	€39.8m	€60.5m	
Core net debt*	€370.6m	€303.0m	
STATUTORY	**FY23**	**FY22[#]**	
Revenue	€1,892.3m	€1,869.2m	+1%
Operating profit	€121.4m	€124.0m	-2%
Profit before tax	€93.1m	€95.7m	-3%
Profit for the year	€66.6m	€75.4m	-12%
Basic EPS (cents per share)	79c	93c	
Cash flow from operating activities	€209.6m	€187.3m	
Total net debt (including IFRS16 leases)	€685.7m	€594.5m	

[1]The definition and rationale for the use of non-IFRS measures are included in note 17.
[#]Certain March 2022 cash flow and debt values have been adjusted to reflect prior year adjustments as referred to in note 2.
**Core net debt used for banking leverage calculations excludes the impact of IFRS 16 lease liabilities and UK PPP net debt.*

Commenting on these results, Otto de Bont, Chief Executive Officer, said:

"Renewi has had another successful year. Thanks to the great efforts of our employees and the loyalty of our customers we have been able to cope with some extraordinary circumstances, including high inflation. We have also achieved significant progress with the execution of our strategy: increasing our recycling rate, our investments in advanced sorting in Belgium, producing secondary materials to the highest standards for children's toy production and extending our leading position in the Netherlands by a key acquisition in the construction and demolition market in Amsterdam.

"Our purpose has always been to give new life to used materials, and our vision is to be the leading waste-to-product company in Europe's most advanced circular economies. We are proud to be the leading operator in the Netherlands and Belgium, where the adoption of the circular economy is one of the highest within the European Union. We have made significant progress during the year to build on our position as a leader in the circular economies in which we operate.

"Although the macroeconomic environment remains unpredictable, Renewi has proven that it is able to operate successfully in the recent years of high volatility, adapting our cost structure to reduced volumes and protecting our margins by passing on cost increases to customers. Our dynamic pricing policy, where we link the price for our waste collection to the index price of the recyclates we produce from waste, has proven successful, especially in times where some recyclate prices fluctuate. We expect recyclate prices to remain more stable at normalised levels in the coming year. Volumes in the year are expected to develop in line with economic activity.

"With the Renewi 2.0 programme benefitting the business, the recovery of Mineralz & Water progressing and the investment in new lines coming on stream, we are confident in Renewi's ability to grow in the future. Our investment programme is ongoing, and the business continues to identify investment opportunities that are expected to yield strong returns. In addition, Renewi anticipates a consistently improving cash position going forward due to efficiencies across the business and an end to deferred Covid tax payments. We now expect to be in a position to pay a dividend for FY24.

"Renewi is now well positioned to focus on growing both the top line and profitability of its core businesses for the longer-term. Over the next five years, our aim is to accelerate revenue growth targeting €3bn at high single digit margins as a minimum. We will achieve growth through market share gains, by extracting more value from waste by deploying advanced recycling and by targeted acquisitions. EBIT improvement is expected to grow even faster, driven by growth and cost reduction through digitisation.

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Notes:

1. *A copy of this announcement is available on the Company's website, (www.renewi.com/investors)*
2. *Renewi will hold an analyst presentation at 9.30 a.m. BST / 10.30 a.m. CEST today*
3. *Webcast: To watch and listen to the live webcast please pre-register via this link.*
4. *Today's results presentation will also be available on the website.*

Chief Executive Officer's Statement

Overview

Renewi delivered a strong performance in FY23, and our business coped well in a macroeconomic environment that saw cost inflation across our operations as well as volatility in recyclate prices. As anticipated, revenues were stable year on year, with an underlying decline in input volumes. The normalisation in recyclate prices during the year from all-time highs was balanced by a disciplined pricing strategy with our customers. In this environment we were pleased to see strong loyalty from customers, and our ability to pass our input costs on to them demonstrates both the quality and essential nature of our services. Our activities are driven by an increasingly favourable legislative environment in our core markets, and we expect governments will continue to legislate to mandate higher levels of recycling in the future.

We delivered consistent EBIT margins, as we took action to eliminate loss-making volumes, particularly in our Belgium commercial business and maintained tight cost controls across the company. In a competitive marketplace we have been able to achieve low customer churn and win a number of important new commercial contracts. Our customer Net Promoter Score has further improved from 3 to 18, against a long-term target of 23 – confirming we are on the right track to further improve our customer services. This is primarily as a result of the significant investment in this key area including the digitisation aspects of Renewi 2.0.

Our key strategic initiatives aimed at delivering sustained growth for Renewi are continuing to deliver according to plan. We will begin to see the benefits of significant capital investment in our advanced sorting facilities in Belgium, and the building of the new rigid plastics recycling facility in Acht remains on schedule.

We are strengthening our positions in certain sectors of our core markets, including construction, healthcare and retail. During the year, we acquired Renewi Westpoort from Paro to further strengthen our leading position in the construction and demolition market in the Netherlands, and to give us nationwide coverage for the large building companies. At the same time we continue to explore new uses for our secondary materials with a landmark deal signed with Playmobil during the year to produce a range of toys containing >80% recycled plastics provided by our Coolrec business. In addition, we recently received an award for a fully closed loop solution with Electrolux where inner liners for new fridges are to be made of >70% recycled fridge plastics from Coolrec.

In a year where the effects of climate change have continued to drive news headlines, with significant adverse weather events and record temperatures, the imperative to achieve carbon reduction goals as set by governments has become even more obvious. The actions of legislators are encouraging corporates to pursue net zero strategies including the procurement of low carbon secondary materials, as well as zero waste strategies. By giving new life to used materials and delivering high quality recyclates that have a much lower carbon footprint than similar materials derived from virgin materials, we can make a significant contribution to reducing carbon emissions.

We are proud to be a major operator in the Netherlands and Belgium, where the adoption of the circular economy is one of the highest within Europe. This position has been driven to some extent by the positive legislation that has been put in place by national governments that recognise the imperative to increase recycling rates and change customer and consumer behaviours. Although we acknowledge that there is still much that needs to be done, we recognise that we have significant embedded expertise that can be brought into other territories that will inevitably legislate to bring circularity into their own economies.

Group financial performance

Group Summary	Revenue			Underlying EBIT		
	FY23 €m	FY22 €m	Variance %	FY23 €m	FY22 €m	Variance %
Commercial Waste	1,397.3	1,360.5	3%	129.3	135.7	-5%
Mineralz & Water	190.9	193.9	-2%	0.5	5.8	-91%
Specialities	348.6	350.1	0%	17.1	4.1	>100%
Group central services	-	-		(14.0)	(12.0)	-17%
Inter-segment revenue	(44.5)	(35.3)		-	-	
Total	**1,892.3**	**1,869.2**	**1%**	**132.9**	**133.6**	**-1%**

The underlying figures above are reconciled to statutory measures in note 17 in consolidated financial statements.

Total revenues were up 1% to €1,892.3m and underlying EBIT was down 1% to €132.9m. Profit before tax decreased by €2.6m to €93.1m. Earnings per share fell to 79 cents (FY22: 93 cents) driven by an increase in the effective tax rate.

Outbound revenue from the sale of recycled materials increased to €391.4m (FY22: €372.6m) principally driven by a €23.5m increase in Specialities from Maltha and Coolrec and robust recyclate revenue in Commercial.

The Commercial Division, representing over 73% of Group revenues, increased revenue by 3%. Underlying EBIT fell by 5% driven by cost inflation, higher utility costs, wage inflation, lower volumes and normalisation of recyclate prices with a more pronounced impact in the Netherlands.

The Mineralz & Water Division saw revenues decline by 2%, and underlying earnings declined by €5.3m to €0.5m due to increased TGG cost accruals and landfill provisions. Performance at the waterside was strong, despite an operational issue that required unplanned maintenance. These issues have now been resolved. On the soil side we made good progress in the development of producing building products on specification, with sand and filler quality working towards the requirements of the concrete industry. This will allow us to start increasing our throughput of contaminated soil in the second half of FY24. We also have increased visibility on legacy offtake and have several contracts signed and in negotiation. To facilitate offtake we anticipate higher prices, which has impacted underlying EBIT by an increase in disposal cost accruals.

The Specialities Division saw flat revenues year-on-year with a decline in Municipal offset by strong revenue growth at Coolrec and Maltha. Underlying EBIT increased by €13.0m to €17.1m principally driven by Maltha, along with the previously announced €5m benefit from the IAS 37 accounting changes for Municipal.

Group central services costs have increased by €2.0m in the year as a result of increased investments in digitisation.

Renewi delivered adjusted free cash flow of €72.9m (FY22: €91.3m as adjusted for the prior year restatement as referred to in note 2) reflecting an increase in replacement capital expenditure and tax payments. As shown in the funds flow performance, there was a total cash outflow of €64.9m (FY22: inflow of €29.4m) driven by the initial net debt impact of €66m to acquire the Renewi Westpoort business from Paro, taking core net debt to €371m (FY22: €303m). Accordingly, core net debt to EBITDA increased to 1.8x at 31 March 2023, FY22: 1.4x). Leverage is still comfortably within the Board's long-term target of 2.0x. Liquidity headroom including core cash and undrawn facilities was also strong at €323m.

We are continuing to prioritise the allocation of our capital towards the maintenance and enhancement of our existing assets, investment in new growth projects, and participating in the consolidation of our industry through selective acquisitions. As exceptional expenditure on the Renewi 2.0 programme is coming to an end, and legacy items of expenditure including repayment of Covid taxes and placement of TGG are expected to be completed in the next 24 months, the Board intends to reinstate a progressive dividend at the end of the coming financial year.

Sustainability means a need for circularity

Our purpose has always been to give new life to used materials, and our vision is to be the leading waste-to-product company in Europe's most advanced circular economies. We have made significant progress during the year to build on our position as a leader in the circular economies in which we operate.

Despite a period of economic uncertainty, the drive from Governments and industry towards decarbonisation has continued to gain momentum, driven by tangible evidence of the effects of global warming that have become increasingly evident during the year. This has manifested itself in an increasing demand for secondary materials from manufacturers, and more legislation aimed at increasing recycling rates both from domestic consumers and corporate entities.

Sustainability remains at the heart of everything we do. Our purpose, our vision and our business strategy have sustainability at their core. In keeping with our purpose, our business and sustainability strategies are inextricably linked and mutually supportive. In practical terms this means we focus on three key objectives: Enable the circular economy, Reduce our carbon emissions and Care for people.

Restating our recycling rate to updated international reporting standards

During FY23 a comprehensive external review of our sustainability calculation methodologies to ensure adherence to the latest EU guidance and Greenhouse Gas (GHG) protocol has been completed. This resulted in an updated codification of the approach, and we have updated our baseline and targets for Scope 1, 2 and 3 Carbon emissions and Scope 4 Carbon avoidance, as well as the recycling rate. Changes in methodology reduced the reported waste volumes processed, waste volumes recycled, and scope 4 carbon avoidance, and increased the scope 1 and 2 emissions. Scope 3 is reported for the first time. The revised baseline FY22 values are shown in the table below.

Following the work in FY23 we have committed to set near-term targets to the Science Based Targets Initiative (SBTi). Our application process has started and we are planning on submitting our targets for validation by SBTi over the coming months. Our carbon reduction ambition by FY31, from a FY22 baseline as well as our restated figures are laid out in the table below.

Metric	FY22 (baseline)	FY23 (actual)	Target
Volume of waste handled / recycled (mT)	11.5 / 7.1	11.0 / 7.0	Not applicable
Recycling rate	61.8%	63.6%	75%
Scope 1 & 2 CO_2 emissions (mT CO_2 equivalent)	640	580	50% reduction by 2030 (FY31)
Scope 3 CO_2 emissions (mT CO_2 equivalent)	1.2	N/A	25% reduction by 2030 (FY31)
Scope 4 CO_2 carbon avoidance (mT CO_2 equivalent)	2.6	2.5	Increase with recycling rate
Metrics using previous methodology, reported for historical comparability			
Recycling rate	67.2%	69.4%	
Scope 4 CO_2 carbon avoidance	3.1	No longer calculated	

(mT CO_2 equivalent)		

The recycling rate increased in FY23 relative to FY22 following the investments in new sorting and processing installations, as well as the acquisition of Renewi Westpoort (Paro), and notwithstanding portfolio changes in M&W where some high recycling rate low margin activities were stopped or sold. Our ambition remains to achieve 75% recycling, our Mission 75 programme, despite the fact that due to the tighter definition our baseline has been reduced by 6 percentage points.

Sustainability performance during the year

During the last year we have made good progress with our strategy, including the following highlights:

Enable the circular economy
- Recycling rate increased by 1.8% points to 63.6%
- Scope 4 carbon avoidance of 2.5mT generated by producing low carbon recyclates that replace higher carbon virgin materials
- Our new state-of-the-art advanced sorting facility in Ghent was opened, achieving a >50% recycling rate on a 125kT residual waste stream which was previously incinerated
- We decontaminated 1mT of wastewater, an achievement we are particularly proud of in light of current droughts throughout Europe

Reduce our carbon emissions
- Scope 1 and 2 reduced footprint by 60Kt (-9%)
- Scope 3 carbon footprint is now mapped at 1.2mT for the FY22 baseline year and will report on this going forward
- We have committed to set near-term science based targets to SBTi
- Belgium's tallest wind turbine, located on our Ghent facility, has started generating power

Care for people
- Our employee Net Promoter Score has further increased to 24 (FY22: 18) and our diversity target based on women in management has further improved to 24% (FY22: 22%)
- The total number of complaints received by our sites has remained low for a second year in a row, dropping further from 156 in FY22 to 133 in FY23, driven by continuous investments in technology, staff awareness training and active communication with the community
- Major environmental incidents and fires have decreased significantly from 19 in FY22 to 3 in FY23

Progress against each of our specific targets will be detailed in full in both our forthcoming Annual Report and our Sustainability Review.

Our strategy for the long term

We have a clear and consistent business strategy to deliver long-term growth in both margins and volumes. To date, our strategy has been focused on margin expansion through increased recycling rates and the production of higher quality materials. In addition, we are seeking to expand our market share both in our core territories and internationally.

Our strategy is based on three pillars:

1. **Be a leader in recycling**. Our ambitious goal, launched as "Mission75", is to increase our recycling rate to 75% from the current 64%, which we believe is already the highest in Europe. We continue to focus on diverting waste away from incineration as a key driver to achieving this mission.
2. **Be a leader in secondary material production**. For production companies currently using primary materials, the easiest way to improve their circularity is by using high quality, low carbon secondary materials that they can drop into their existing production processes. To help them do this, we are continuing to invest in increased valorisation through advanced processing facilities to deliver materials of the required quality.
3. **Grow market share**. Our aim is to achieve this through delivering organic growth and by taking advantage of the consolidation opportunities in our sector both within our core markets and potentially in new territories that are suited to our waste-to-product model. In this endeavour we have three areas of focus:
   - **Organic investment opportunities** offering attractive returns profiles of greater than 16% pre-tax returns. These include more than €100m of investments already committed in our innovation pipeline and further opportunities that are currently being assessed.
   - **M&A within the Netherlands and Belgium**. These investment opportunities have the potential to consolidate and enhance our market position in attractive sectors.
   - **M&A outside of the Netherlands and Belgium**. We have the potential to take our expertise and waste-to-product model into other European jurisdictions with more advanced circular economies. In the immediate term there are opportunities to expand in niche waste segments where collection is not a requirement of the business model: glass, white goods and mattresses being good examples. Longer-term, we believe our waste collection model can be replicated in other territories, where the development of the circular economy will be driven by EU legislation.

Collectively across these three focus areas, we have committed over €175m over the last two years, including more than €100m of investment in our innovation pipeline and €66m for the acquisition of assets from Paro. These investments are being funded by the Group's cash flow and borrowing capacity.

Update on the Group's value drivers

We have three specific areas of activity to grow underlying profitability in the period to FY26. These are our ongoing investments in circular innovations, the recovery of our Mineralz & Water business and the Renewi 2.0 efficiency programme. Together these drivers will deliver €60m in total by FY26 and we are on track to achieve this, although the Mineralz & Water recovery is taking longer than expected. Each of these three value drivers is discussed in more detail below:

1. **Our investments in circular innovations: Innovation Pipeline**

We are investing in innovative solutions to increase recycling rates and the quality of the recyclates we produce, the first two pillars of our strategy to deliver an additional EBIT of €20m by FY26. Our programme to deploy over €100m of investments across multiple areas is progressing well, with €60m currently deployed. Each project will exceed our threshold for pre-tax return on operating assets of 16% once the facilities are fully up and running. We also have a pipeline of potential innovation projects for future investments. Full detail is shown below.

Project	Status
Advanced residual waste sorting Flanders	Three lines approved. Two out of three progressing in line with expectations: • Ghent: production started January 2023 and operating as expected. • Puurs: civil works started, on track, and new baling area ready and in production. • Limburg site: new site acquisition delayed due to permitting process.
Organics: expanded depackaging capacity	Installation completed and operating as expected.
Organics: bio-gas to bio-LNG	Installation completed and operating as expected.
Plastic recycling	Ghent and Waalwijk investments complete. Acht progress on track: civil works completed and construction of technical equipment progressing well. Commissioning beginning Q2 as planned.
Mattress recycling	Investment of chemical recycling of PUR foam facility in Lelystad. First international expansion completed with the integration of TFR Group in the UK.
Polyurethane recycling	Technical and commercial feasibility studies ongoing.
Wood flake for low-carbon steel	Project stopped for commercial reasons.

2. **The recovery of our Mineralz & Water business**

We are witnessing an emerging demand from the construction sector who are keen to improve the circularity of their operations by incorporating secondary materials into their building products. The secondary products also provide a financially attractive alternative to the scarce primary materials. At ATM we produce three building products from contaminated soil: gravel, which is selling well, and sand and filler which we are selling in restricted volumes while we work on getting the quality of sand and filler in line with the requirements of the concrete industry.

To meet the necessary quality we have invested in further treatment equipment, which will come on stream over the summer. This will allow us to increase our TGG throughput in the second half of FY24. This is an important and final step in the recovery of M&W, as we will increase both input and output volumes accordingly.

3. **Renewi 2.0**

Our three-year Renewi 2.0 programme is largely complete and the targeted €20m underlying EBIT run rate will be achieved in FY24 and we are in the process of handing over the remaining activities to the divisions. The programme has delivered MyRenewi, a portal used by over 100,000 of our customers, to place and modify orders, to add services, to review their carbon footprint related to waste produced and their invoices among other things. Another part was the delivery of a new web shop for new customers and a portal for suppliers. In addition to the gained efficiency, our customer NPS score improved from 3 to 18 and employee NPS improved from 18 to 24. The Renewi 2.0 programme will be delivered with an expected programme expenditure €12m less than our original €40m expectations.

We will continue to work on our efficiency and digitisation to further improve customer satisfaction and employee engagement and to reduce our cost base further.

Group Outlook and Dividend

Although the macroeconomic environment remains unpredictable, Renewi has proven that it is able to operate successfully in the recent years of high volatility, adapting our cost structure to reduced volumes and protecting our margins by passing on cost increases to customers. Our dynamic pricing policy, where we link the price for our waste collection to the index price of the recyclates we produce from waste, has proven successful, especially in times where some recyclate prices fluctuate. We expect recyclate prices to remain more stable at normalised levels in the coming year. Volumes in the year are expected to develop in line with economic activity.

With the Renewi 2.0 programme benefiting the business, the recovery of Mineralz & Water progressing and the investment in new lines coming on stream, we are confident in Renewi's ability to grow in the future.

Our investment programme is ongoing, and the business continues to identify investment opportunities that are expected to yield strong returns. In addition, Renewi anticipates a consistently improving cash position going forwards due to efficiencies across the business and an end to deferred Covid tax payments. We now expect to be in a position to pay a dividend for FY24.

Renewi is now well positioned to focus on growing both the top line and profitability of its core businesses for the longer-term. Over the next five years, our aim is to accelerate revenue growth targeting €3bn at high single digit margins as a minimum. We will achieve growth through market share gains, by extracting more value from waste by deploying advanced recycling and by targeted acquisitions. EBIT improvement is expected to grow even faster, driven by growth and cost reduction through digitisation.

Operating Review for the year ended 31 March 2023

Commercial Waste

Commercial Waste	Revenue		Underlying EBIT		Operating profit	
	FY23	FY22	FY23	FY22	FY23	FY22
Netherlands Commercial	932.0	896.2	76.9	93.1	69.4	89.1
Belgium Commercial	468.4	466.9	52.4	42.6	65.3	40.4
Intra-segment revenue	(3.1)	(2.6)	-	-	-	-
Total (€m)	1,397.3	1,360.5	129.3	135.7	134.7	129.5
Year on year variance %						
Netherlands Commercial	*4%*		*-17%*		*-22%*	
Belgium Commercial	*0%*		*23%*		*62%*	
Total	*3%*		*-5%*		*4%*	

	Underlying EBIT margin		Return on operating assets	
	FY23	FY22	FY23	FY22
Netherlands Commercial	8.3%	10.4%	19.3%	26.2%
Belgium Commercial	11.2%	9.1%	47.3%	46.2%
Total	9.3%	10.0%	25.4%	30.3%

The return on operating assets excludes all landfill related provisions. The underlying figures above are reconciled to statutory measures in notes 3 and 17 in the consolidated financial statements.

The Commercial Division increased revenues by 3% to €1,397m. Underlying EBIT fell by 5% to €129.3m, representing an EBIT margin of 9.3%.

Revenues in the Netherlands grew by 4% to €932.0m and underlying EBIT fell by 17% to €76.9m. Underlying EBIT margins decreased by 210 bps to 8.3% and return on operating assets fell to 19.3%. In Belgium, revenue increased marginally to €468.4m and underlying EBIT increased by 23% to €52.4m. Underlying EBIT margins increased by 210 bps to 11.2%.

In the Netherlands we saw stable revenues, with EBIT margins reduced from last year due to an increase in labour costs, exacerbated by the need to engage temporary staff to cover shortages in permanent labour.

Volumes in the Netherlands were reduced as we saw the effects of lower organic waste as greenhouse operations in the Netherlands temporarily cut back on production in response to higher energy costs, and a hot dry summer led to a reduction in compostable waste. We also saw a reduction in construction and demolition volumes as permissions for new building work were slowed by environmental concerns including nitrogen and shortages in some materials due to supply issues. In the longer term the need to reduce both carbon and nitrogen in the construction sector will prove to be an advantage to us as we bring lower footprint materials into the market through our recycling activities.

In this environment of volume declines we exercised strong pricing discipline, ensuring that to the extent that it was possible costs were passed on to customers. Customer loyalty remained strong, and we were delighted to win a major contract at Schiphol Airport Group where we were selected for both the quality of our services and our demonstrable commitment to the circular economy.

During the year we completed the acquisition of the operations of Renewi Westpoort – a significant player in the Dutch market which will increase our leading position in our core construction and demolition sector and will also give us better nationwide coverage. Optimisation and integration of the facilities is ongoing with some initial issues affecting performance which caused disruption to the normal operation of the plant. We are confident in the underlying strength of this business and have already seen an improvement in the final months of the year.

In Belgium we saw stable revenues and a strong EBIT margin performance, driven by pricing leadership allowing us to pass on the majority of our production cost increases to our customers, and customer gains in the energy and medical segments. The increase in recycling rate and the cost reductions related to the Renewi 2.0 programme contributed as well. As anticipated, volumes in Belgium declined as we chose not to compete at the lower end of the market for business that brought little or no benefit to the bottom line, which has increased the mix. Finally, the strong results were supported by some one-off, non-recurring items.

Operational highlights in Belgium during the year included significant progress made on the construction and commissioning of the Ghent facility that will allow our customers to fulfil the requirements of the Vlarema 8 legislation. Construction has also started at our second plant in Puurs.

Mineralz & Water

Mineralz & Water	**FY23 €m**	**FY22 €m**	**Variance %**
Revenue	190.9	193.9	-2%
Underlying EBIT	0.5	5.8	-91%
Underlying EBIT margin	*0.3%*	*3.0%*	
Operating profit	1.0	8.7	-89%
Return on operating assets	0.8%	11.3%	

The return on operating assets excludes all landfill related provisions. The underlying figures above are reconciled to statutory measures in notes 3 and 17 in the consolidated financial statements.

The Mineralz & Water Division saw revenues decrease by 2% to €190.9m and underlying EBIT decreased by €5.3m to €0.5m. The EBIT drop is largely due to the increase in disposal cost accruals for historic production of TGG.

Within the division we saw a strong performance on the waterside, albeit impacted by a one-off incident which incurred additional operational costs and a reduced throughput in the final quarter. We have adjusted our processes to reduce the likelihood of a recurrence. We continue to see customer wins on the waterside as we benefit from our unique capabilities and position in this segment.

We continue to work with off takers to place our 0.6mT residual TGG stocks albeit at a higher cost than previously expected and anticipate clearing the remaining stock over the next 2 years. Over 100kT is under contract for shipment in FY24 and an additional 300kT is under negotiation.

We continue to develop and certify our aggregate products to provide high quality products for the construction industry with a lower carbon footprint than virgin materials. We now use the raw material which was previously used to produce TGG, to produce aggregates for the building industry. Our first product in this range – gravel – has already received certification and is proving to be popular with customers in the construction industry who are attracted to its credentials as being part of the circular economy. We continue to develop two more products – sand and filler and aim to bring these to a level where they can be sold in large volume and replace their virgin alternatives during the current financial year. This has involved some investment in machinery that can produce sand and filler to the required particle size specifications. Once completed, we will start to ramp up production in the second half of the year.

Specialities

Specialities	**FY23 €m**	**FY22 €m**	**Variance %**
Revenue	348.6	350.1	0%
Underlying EBIT	17.1	4.1	>100%
Underlying EBIT margin	*4.9%*	*1.2%*	
Operating profit	(3.0)	3.2	-194%
Return on operating assets	35.4%	28.9%	

Underlying EBIT includes utilisation of €14.2m (2022: €7.0m) from onerous contract provisions. The return on operating assets excludes the UK Municipal business. The underlying figures above are reconciled to statutory measures in notes 3 and 17 in the consolidated financial statements.

The Specialities Division saw flat revenue at €348.6m and underlying EBIT was up significantly at €17.1m (FY22: €4.1m). Within the division Coolrec and Maltha achieved 20% growth and both are delivering EBIT margins close to 10%.

From an operational perspective we were delighted to have signed the contract with Playmobil which demonstrates that we have the capability to produce recyclates that are of the highest standards – both in terms of their quality and consistency. We expect that an increasing number of manufacturers in a variety of sectors will turn to recyclates to reduce the carbon footprint of their production. We also recently won an award for a fully closed loop solution with Electrolux where inner liners for new fridges are made with >70% recycled fridge plastics from Coolrec.

Our UK Municipal performance was stable as we continue to manage contract costs closely and have a team who are focused on using innovation and prudent cost management to ensure that the risks are managed carefully. However, based on the inflationary outlook in the UK our assumptions on both lifecycle spend and cost inflation, combined with lower volumes at ELWA, have necessitated a €27.1m increase to the associated onerous contract provisions. In addition, an amendment to an accounting standard resulted in an increase of €52m to the opening onerous contract provisions which has no impact on cash and no change in the underlying performance of the contracts.

FINANCE REVIEW

Financial Performance	FY23 €m	FY22 €m	Variance %
Revenue	1,892.3	1,869.2	1%
Underlying EBITDA	255.6	262.6	-3%
Underlying EBIT	132.9	133.6	-1%
Operating profit	121.4	124.0	-2%
Underlying profit before tax	103.7	105.2	-1%
Non-trading & exceptional items	(10.6)	(9.5)	
Profit before tax	93.1	95.7	
Total tax charge for the year	(26.5)	(20.3)	
Profit for the year	66.6	75.4	

The underlying figures above are reconciled to statutory measures in notes 3 and 17 in the consolidated financial statements.

Renewi delivered a strong performance in FY23 despite the difficult macroeconomic environment of high inflation and volatility. Revenues were stable year on year. Underlying EBIT was slightly lower than the prior year despite the €24.8m impact of lower volumes from a decline in input volumes and recyclate pricing. Cost inflation was largely mitigated by pricing discipline and ongoing cost initiatives. Favourable one-off items in the current year of €16.5m (FY22: €9.0m adverse impact from one-off items) resulted from settlements with incinerators, property disposals, IAS 37 amendment implementation as referred to below and other items.

Underlying EBITDA decreased by 3%, whereas underlying EBIT was 1% lower with a number of impairments in the prior year not repeated in FY23 and a higher profit from disposal of property, plant and equipment this year. Interest charges and share of results from associates and joint ventures were marginally adverse to last year. The level of exceptional and non-trading items in the current year was slightly higher than last year at €10.6m as described below, resulting in a statutory profit for the year of €66.6m compared to €75.4m last year.

As previously announced the amendment to IAS 37 Onerous Contracts – Costs of Fulfilling a Contract, effective from 1 April 2022, clarifies that the costs of fulfilling a contract should include an allocation of other costs that relate directly to fulfilling the contract in addition to the incremental costs. The Group assessed the impact of this amendment which resulted in an increase to the onerous contract provisions of €53.2m. The cumulative effect of initially applying the amendment has been recognised as an adjustment to the opening balance of retained earnings as at 1 April 2022. The impact has resulted in annual costs of €5m now being utilised against the provision rather than recorded as part of underlying EBIT with no impact on cash. As permitted by the amendment, the Group has not restated the comparative information.

Further to a more in-depth analysis of the UK Municipal contract with East London Waste Authority (ELWA) and receipt of legal advice, it has been determined that the original lease accounting as recorded on the transition to IFRS 16 in April 2019 was treated incorrectly. We have therefore presented this as a prior year adjustment, with the March 2022 balance sheet showing a reduction in lease liabilities of €9.5m, an increase in onerous contract provisions of €5.8m, an impact of €3.6m on retained earnings and €0.1m on the exchange reserve. The Income Statement impact for the year ended 31 March 2022 was not material and therefore has not been restated. Further details are given in note 2.

As reported with the FY22 results, we revised our accounting policy with regard to the treatment of costs associated with the configuration and customisation incurred in cloud computing or Software as a Service arrangements. Any such costs in the current year are recorded as part of regular underlying EBIT.

Non-trading and exceptional items excluded from underlying profits

To enable a better understanding of underlying performance, certain items are excluded from underlying EBIT and underlying profit before tax due to their size, nature or incidence. Total non-trading and exceptional items excluding tax were a charge of €10.6m (FY22: €9.5m).

As previously reported, we have accounted for the cost of the Renewi 2.0 programme as exceptional due to its size and nature. The programme of activity is largely complete and will deliver €20m cost benefits in FY24. The cost of the programme is now expected to be around €28m, significantly below original expectations of €40m due to lower settlement costs, with a remaining €3m cash outflow expected in FY24. Annual net benefit of €12m for the year with cash spend of €4m which was lower than expected.

Renewi 2.0: expected costs and benefits	FY21 €m	FY22 €m	FY23 €m	FY24 €m
Annual net benefit	2	5	12	20
Exceptional costs	(7)	(7)	(4)	(3)
Capital spend	(5)	(2)	-	-
Net cash flow	(10)	(4)	8	17

The UK Municipal provision for onerous contracts has been increased by a further €27.1m in the year. This has arisen due to revised assumptions on both lifecycle spend and cost inflation, combined with lower volumes at the ELWA contract partially offset by the indexation of customer pricing. In line with our policy, this item is recorded as non-trading and exceptional due to size and nature.

Following the conclusion of the European Commission's formal investigation in the alleged Belgium State Aid matter and the determination that the Belgian Walloon region did not provide State Aid to the Group, the provision of €15.1m has been released. This has been reported a non-trading and exceptional credit as the original set up of the provision was classified as such.

Further details on all non-trading and exceptional items are provided in note 5 to the consolidated financial statements.

Operating profit, after taking account of all non-trading and exceptional items, was €121.4m (FY22: €124.0m).

Net finance costs

Net finance costs, excluding exceptional items, increased by €0.3m to €29.2m (FY22: €28.9m) due to increased costs for lease liabilities and discount unwind net of savings in other areas. Further details are provided in note 6 to the consolidated financial statements.

Profit before tax

Profit before tax on a statutory basis, including the impact of non-trading and exceptional items, was €93.1m (FY22: €95.7m).

Taxation

Total taxation for the year was a charge of €26.5m (FY22: €20.3m). The effective tax rate on underlying profits was 27.1% at €28.1m, an increase from 25.0% in the prior year, as anticipated given recent changes in rates in the Netherlands and the UK. A tax credit of €1.6m is attributable to the non-trading and exceptional items of €10.6m as a number of items are not subject to tax.

Looking forward, we anticipate the underlying tax rate to remain around 27%. Due to items disallowed for tax in both the Netherlands and Belgium, our effective tax rate is higher than the nominal rates in the countries where we operate.

The Group statutory profit after tax, including all non-trading and exceptional items, was €66.6m (FY22: €75.4m).

Earnings per share (EPS)

Underlying EPS excluding non-trading and exceptional items was 90 cents per share, a decrease of 8 cents impacted by the higher effective tax rate. Basic EPS was 79 cents per share compared to 93 cents per share in the prior year.

CASH FLOW PERFORMANCE

The funds flow performance table is derived from the statutory cash flow statement and reconciliations are included in note 17 in the consolidated financial statements. The table shows the cash flows from an adjusted free cash flow to total cash flow. The adjusted free cash flow focuses on the cash generation excluding the impact of Covid-19 tax deferrals, settlement of ATM soil liabilities and spend relating to the UK PPP onerous contracts.

Funds flow performance	**FY23 €m**	**FY22 €m**
EBITDA	255.6	262.6
Working capital movement	(5.8)	(38.0)
Movement in provisions and other	(0.2)	4.5
Net replacement capital expenditure	(87.3)	(68.2)
Repayments of obligations under lease liabilities	(47.5)	(43.5)
Interest and loan fees	(20.7)	(18.5)
Tax	(21.2)	(7.6)
Adjusted free cash flow	**72.9**	**91.3**
Deferred Covid taxes	(19.7)	(10.6)
Offtake of ATM soil	(1.2)	(10.3)
UK Municipal contracts	(12.2)	(9.9)
Free cash flow	**39.8**	**60.5**
Growth capital expenditure	(30.8)	(13.1)
Renewi 2.0 and other exceptional spend	(4.1)	(11.0)
Acquisitions net of disposals	(59.4)	-
Other	(10.4)	(7.0)
Total cash flow	**(64.9)**	**29.4**
Free cash flow conversion	**30%**	**45%**

Free cash flow conversion is free cash flow as a percentage of underlying EBIT. The non-IFRS measures above are reconciled to statutory measures in note 17 in the consolidated financial statements. FY22 values for repayments of obligation under lease liabilities and UK Municipal contracts have each been adjusted by €0.7m to reflect the prior year adjustment as referred to in note 2.

Adjusted free cash flow was lower at €72.9m (FY22: €91.3m) impacted by increased replacement capex and taxation payments principally, partially offset by a smaller movement in working capital. Days sales outstanding have increased slightly since March 2022 and still remain largely unimpacted by the current high inflationary environment.

Replacement capital spend at €87.3m was ahead of last year reflecting some catch up from the prior two years which were more constrained during Covid. In addition, €57.4m of new leases or modifications have been entered into which are reported as right-of-use assets with a corresponding lease liability. These leases include the continuation of the truck replacement programme, property lease renewals or extensions and other assets.

Growth capital spend of €30.8m includes further spend on the Vlarema 8 advanced sorting investments in Belgium, plastics sorting in the Netherlands and some projects in other divisions.

Tax payments were €13.6m higher than last year as some payments moved from FY22 to FY23.

Looking at the three components that are shown below adjusted free cash flow, there has been a further €19.7m repayment on Dutch Covid-19 tax deferrals as expected. The remaining balance of €30m will be settled over the next 18 months. Cash cost of placement of TGG soil stocks was limited in the year at €1.2m (FY22: €10.3m). The cost accrual for the remaining disposals of historical TGG anticipated over the next 24 months has been increased by €1m to €16m. As noted earlier, the application of the amendment to IAS 37, Onerous Contracts – Costs of Fulfilling a Contract has resulted in annual costs of €5m now being utilised against the provision rather than recorded as part of underlying EBIT. Taking this into account, the cash outflow on UK PPP contracts at €12.2m was lower than expected due to phasing.

The acquisitions net of disposals outflow is principally €60.5m for the Renewi Westpoort acquisition from Paro representing the cash paid of €53.5m and the repayment of loans acquired. Further details are provided in note 12 to the consolidated financial statements.

Other cash flows include funding of €3.5m for the closed UK defined benefit scheme, funding of €5.3m to the Renewi Employee Share trust and an additional injection of €1.5m into the investment in RetourMatras in relation to their UK acquisition.

Net cash inflow from operating activities increased from €179.7m in the prior year, as adjusted for the prior year restatement referenced in note 2, to €188.4m in the current year. A reconciliation to the underlying cash flow performance as referred to above is included in note 17 in the consolidated financial statements.

INVESTMENT PROJECTS

Expenditure in FY24

The Group's long-term expectations for replacement capital expenditure remain around 80% of depreciation. FY24 replacement capital spend is expected to be around €75m. In addition, c.€20m of IFRS 16 lease investments are anticipated, as the final deliveries of the latest replacement truck programme is completed.

Expenditure on the circular innovation pipeline of €25m is expected in FY24 as the Puurs site in Belgium and the Acht rigid plastic processing plant in the Netherlands are completed. Total growth capital spend in FY24 is expected to be around €50m including projects in the other divisions.

Return on assets

The Group return on operating assets, excluding debt, tax and goodwill, fell slightly from 42.6% at 31 March 2022 to 36.9% at 31 March 2023 due to increased asset values as a result of capital expenditure levels and the acquisition of Renewi Westpoort from Paro. The Group post-tax return on capital employed was 10.6% (FY22: 11.6%).

TREASURY AND CASH MANAGEMENT

Core net debt and leverage ratios

Core net debt excludes IFRS 16 lease liabilities and the net debt relating to the UK PPP contracts which is non-recourse to the Group and secured over the assets of the special purpose vehicles. Core net debt was in line with management expectations at €370.6m (FY22: €303.0m), which resulted in a net debt to EBITDA ratio of 1.8x, an increase from last March due to the Westpoort acquisition and growth capital spend. Liquidity headroom including cash and undrawn facilities remained strong at €323m.

Debt structure and strategy

Borrowings, excluding PPP non-recourse borrowings, are mainly long-term. All our core borrowings of bonds and loans are green financed. As at 31 March 2023, 85% of our net debt excluding UK PPP non-recourse net debt was on a fixed rate.

Debt Structure	FY23 €m	FY22 €m	Variance €m
Belgian Green retail bonds	(200.0)	(300.0)	100.0
Green RCF	(102.5)	(15.0)	(87.5)
Other Green loans	(105.0)	(25.0)	(80.0)
Gross borrowings before lease liabilities	(407.5)	(340.0)	(67.5)
Historical IAS 17 lease liabilities and other	(9.1)	(8.7)	(0.4)
Loan fees	2.3	3.2	(0.9)
Core cash	43.7	42.5	1.2
Core net debt (as per covenant definitions)	(370.6)	(303.0)	(67.6)
IFRS 16 lease liabilities	(245.8)	(212.4)	(33.4)
Net debt excluding UK PPP net debt	(616.4)	(515.4)	(101.0)
UK PPP restricted cash balances	19.0	21.1	(2.1)
UK PPP non-recourse debt	(88.3)	(100.2)	11.9
Total net debt	(685.7)	(594.5)	(91.2)

The FY22 values for IFRS 16 leases liabilities, net debt excluding UK PPP net debt and total net debt have been reduced by €9.5m as a result of the prior year adjustment referred to in note 2.

In November and December 2022, the Group signed new fixed rate green facilities of €95m in addition to the €200m of outstanding fixed rate bonds. The new borrowings include a €45m 7-year European Private Placement at 4.676%, a facility of €40m with the European Investment Bank with the first tranche of €25m drawn at a fixed rate of 3.572% repayable in seven equal annual instalments commencing on 15 December 2025 and a €10m 5-year bilateral loan at 4.22%. The weighted average rate of our €305m fixed rate borrowings is 3.3%.

The Group's €400m green revolving credit facility has most commitments maturing in May 2025. We anticipate extending the term of the RCF facility during FY24.

The introduction of IFRS 16 in 2019 brought additional lease liabilities onto the balance sheet with an associated increase in assets. Covenants on our main bank facilities remain on a frozen GAAP basis and exclude IFRS 16 leases. The Group has complied with its banking covenants during the year. The Group operates a committed invoice discounting programme. The cash received for invoices sold at 31 March 2023 was €84.7m (FY22: €80.5m).

Debt borrowed in the special purpose vehicles (SPVs) for the financing of UK 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 on PPP borrowings were fixed by means of interest rate swaps at contract inception. As at 31 March 2023 this net debt amounted to €69.3m (FY22: €79.1m).

PROVISIONS AND CONTINGENT LIABILITIES

Around 87% of the Group's provisions are long-term in nature, with the onerous contract provisions against the PPP contracts being utilised over the remaining term of up to 17 years and landfill provisions for many decades longer. As noted previously, the application of the amendment to IAS 37, Onerous Contracts – Costs of Fulfilling a Contract has resulted in an increase of €53m to the onerous contract provisions on 1 April 2022 and there has been an additional €27.1m charge in the year as detailed above. In addition, as referred to in note 2, a prior year restatement increased the opening balance of provisions by c€6m.

The provisions balance classified as due within one year amounts to €44m, including €3m for restructuring, €19m for onerous contracts, €11m for landfill related spend and €11m for environmental, legal and others. The position on the alleged Belgian State Aid claim has now been closed resulting in the release of the €15m provision booked in an earlier period.

Retirement benefits

The Group has a closed UK defined benefit pension scheme and at 31 March 2023, the scheme had an accounting deficit of €4.3m (FY22: €8.6m surplus). The change in the year was due to lower returns on pension scheme assets which were only partly offset by an increase in the discount rate assumption on scheme liabilities. The latest triennial actuarial valuation of the scheme was completed at 5 April 2021 and the future funding plan has been maintained at the current level of €3.5m per annum until December 2024.

There are also several defined benefit pension schemes for employees in the Netherlands and Belgium which had a retirement benefit deficit of €5.0m at 31 March 2023, a €1.3m decrease from 31 March 2022.

GOING CONCERN

The Directors have adopted the going concern basis in preparing these consolidated financial statements after assessing the Group's principal risks. Further details of the modelling and scenarios prepared are set out in note 2 of the financial statements. Having considered all the elements of the financial projections and applying appropriate sensitivities, the Directors confirm they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and to meet its covenants.

Consolidated Income Statement

For the year ended 31 March 2023

	Note	2023 Underlying €m	2023 Non-trading & exceptional items €m	2023 Total €m	2022 Underlying €m	2022 Non-trading & exceptional items €m	2022 Total €m
Revenue	3,4	**1,892.3**	**-**	**1,892.3**	1,869.2	-	1,869.2
Cost of sales	5	**(1,530.0)**	**(28.6)**	**(1,558.6)**	(1,512.5)	0.1	(1,512.4)
Gross profit (loss)		**362.3**	**(28.6)**	**333.7**	356.7	0.1	356.8
Administrative expenses	5	**(229.4)**	**17.1**	**(212.3)**	(223.1)	(9.7)	(232.8)
Operating profit (loss)	3	**132.9**	**(11.5)**	**121.4**	133.6	(9.6)	124.0
Finance income	5,6	**9.8**	**0.9**	**10.7**	9.3	0.2	9.5
Finance charges	5,6	**(39.0)**	**-**	**(39.0)**	(38.2)	(0.1)	(38.3)
Share of results from associates and joint ventures		**-**	**-**	**-**	0.5	-	0.5
Profit (loss) before taxation	3	**103.7**	**(10.6)**	**93.1**	105.2	(9.5)	95.7
Taxation	5,7	**(28.1)**	**1.6**	**(26.5)**	(26.4)	6.1	(20.3)
Profit (loss) for the year		**75.6**	**(9.0)**	**66.6**	78.8	(3.4)	75.4
Attributable to:							
Owners of the parent		**71.9**	**(9.0)**	**62.9**	77.9	(3.4)	74.5
Non-controlling interests		**3.7**	**-**	**3.7**	0.9	-	0.9
		75.6	**(9.0)**	**66.6**	78.8	(3.4)	75.4

Earnings per share	Note	**2023 cents**	2022 cents
Basic	8	**79**	93
Diluted	8	**79**	93
Underlying basic	8	**90**	98
Underlying diluted	8	**90**	98

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

	2023 €m	2022 €m
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign subsidiaries	**2.5**	(0.2)
Fair value movement on cash flow hedges	**3.7**	16.5
Deferred tax on fair value movement on cash flow hedges	**0.7**	(1.9)
Share of other comprehensive income of investments accounted for using the equity method	**0.3**	0.5
	7.2	14.9
Items that will not be reclassified to profit or loss:		
Actuarial (loss) gain on defined benefit pension schemes	**(15.5)**	10.5
Deferred tax on actuarial (loss) gain on defined benefit pension schemes	**3.8**	(2.4)
	(11.7)	8.1
Other comprehensive (loss) income for the year, net of tax	**(4.5)**	23.0
Profit for the year	**66.6**	75.4
Total comprehensive income for the year	**62.1**	98.4
Attributable to:		
Owners of the parent	**58.4**	97.5
Non-controlling interests	**3.7**	0.9
Total comprehensive income for the year	**62.1**	98.4

Consolidated Balance Sheet

As at 31 March 2023

	Note	**31 March 2023 €m**	Restated* 31 March 2022 €m
Assets			
Non-current assets			
Goodwill and intangible assets	10	**636.3**	592.8
Property, plant and equipment	10	**617.9**	553.6
Right-of-use assets	10	**253.1**	213.8
Investments		**14.8**	14.3
Loans to associates and joint ventures		**0.2**	-
Financial assets relating to PPP contracts		**123.4**	135.7

Derivative financial instruments	15	**1.2**	0.4
Defined benefit pension scheme surplus	14	**-**	8.6
Other receivables		**3.7**	5.1
Deferred tax assets		**35.6**	41.6
		1,686.2	1,565.9
Current assets			
Inventories		**25.2**	22.5
Investments		**10.9**	11.1
Loans to associates and joint ventures		**0.8**	0.9
Financial assets relating to PPP contracts		**7.6**	7.7
Trade and other receivables		**289.6**	269.3
Derivative financial instruments	15	**0.4**	6.6
Current tax receivable		**1.5**	0.9
Cash and cash equivalents – including restricted cash	11	**62.7**	63.6
		398.7	382.6
Assets classified as held for sale	10	**0.6**	3.3
		399.3	385.9
Total assets		**2,085.5**	1,951.8
Liabilities			
Non-current liabilities			
Borrowings	11	**(681.6)**	(509.9)
Derivative financial instruments	15	**(2.6)**	(14.6)
Other non-current liabilities		**(34.7)**	(36.2)
Defined benefit pension schemes deficit	14	**(9.3)**	(6.3)
Provisions	13	**(298.2)**	(262.9)
Deferred tax liabilities		**(46.4)**	(47.0)
		(1,072.8)	(876.9)
Current liabilities			
Borrowings	11	**(66.8)**	(148.2)
Derivative financial instruments	15	**(1.9)**	(0.1)
Trade and other payables		**(521.8)**	(528.4)
Current tax payable		**(31.2)**	(24.2)
Provisions	13	**(43.7)**	(32.1)
		(665.4)	(733.0)
Total liabilities		**(1,738.2)**	(1,609.9)
Net assets		**347.3**	341.9
Issued capital and reserves attributable to the owners of the parent			
Share capital		**99.8**	99.5
Share premium		**474.1**	473.8
Exchange reserve		**(12.2)**	(14.9)
Retained earnings		**(224.5)**	(223.5)
		337.2	334.9
Non-controlling interests		**10.1**	7.0
Total equity		**347.3**	341.9

* The comparatives have been restated due to a prior period adjustment as explained in note 2 Basis of preparation.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Share capital €m	Share premium €m	Restated* Exchange reserve €m	Restated* Retained earnings €m	Non-controlling interests €m	Restated* Total equity €m
Balance at 31 March 2022 – as reported	**99.5**	**473.8**	**(15.0)**	**(227.1)**	**7.0**	**338.2**
Impact of prior year adjustment (note 2)	**-**	**-**	**0.1**	**3.6**	**-**	**3.7**
Balance at 31 March 2022 – restated	**99.5**	**473.8**	**(14.9)**	**(223.5)**	**7.0**	**341.9**
Impact of adopting amendments to IAS 37 (note 2)	**-**	**-**	**0.2**	**(53.4)**	**-**	**(53.2)**
Balance at 1 April 2022	**99.5**	**473.8**	**(14.7)**	**(276.9)**	**7.0**	**288.7**
Profit for the year	**-**	**-**	**-**	**62.9**	**3.7**	**66.6**
Other comprehensive income (loss):						
Exchange gain on translation of foreign subsidiaries	**-**	**-**	**2.5**	**-**	**-**	**2.5**
Fair value movement on cash flow hedges	**-**	**-**	**-**	**3.7**	**-**	**3.7**
Actuarial loss on defined benefit pension schemes	**-**	**-**	**-**	**(15.5)**	**-**	**(15.5)**
Tax in respect of other comprehensive income items	**-**	**-**	**-**	**4.5**	**-**	**4.5**
Share of other comprehensive income of investments accounted for using the equity method	**-**	**-**	**-**	**0.3**	**-**	**0.3**
Total comprehensive income for the year	**-**	**-**	**2.5**	**55.9**	**3.7**	**62.1**
Dividend paid to non-controlling interests	**-**	**-**	**-**	**-**	**(0.6)**	**(0.6)**
Share-based compensation	**-**	**-**	**-**	**2.7**	**-**	**2.7**
Movement on tax arising on share-based compensation	**-**	**-**	**-**	**(0.9)**	**-**	**(0.9)**
Proceeds from exercise of employee options	**0.3**	**0.3**	**-**	**-**	**-**	**0.6**
Own shares purchased by the Employee Share Trust	**-**	**-**	**-**	**(5.3)**	**-**	**(5.3)**
Balance as at 31 March 2023	**99.8**	**474.1**	**(12.2)**	**(224.5)**	**10.1**	**347.3**

Balance at 1 April 2021 – as reported	99.5	473.6	(14.8)	(326.8)	6.1	237.6
Impact of prior year adjustment (note 2)	-	-	0.1	3.6	-	3.7
Balance at 1 April 2021 - restated	99.5	473.6	(14.7)	(323.2)	6.1	241.3
Profit for the year	-	-	-	74.5	0.9	75.4
Other comprehensive (loss) income:						
Exchange loss on translation of foreign subsidiaries	-	-	(0.2)	-	-	(0.2)
Fair value movement on cash flow hedges	-	-	-	16.5	-	16.5
Actuarial gain on defined benefit pension schemes	-	-	-	10.5	-	10.5
Tax in respect of other comprehensive income items	-	-	-	(4.3)	-	(4.3)
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	0.5	-	0.5
Total comprehensive (loss) income for the year	-	-	(0.2)	97.7	0.9	98.4
Share-based compensation	-	-	-	2.5	-	2.5
Movement on tax arising on share-based compensation	-	-	-	1.3	-	1.3
Proceeds from exercise of employee options	-	0.2	-	-	-	0.2
Own shares purchased by the Employee Share Trust	-	-	-	(1.8)	-	(1.8)
Balance as at 31 March 2022	99.5	473.8	(14.9)	(223.5)	7.0	341.9

* The comparatives have been restated due to a prior period adjustment as explained in note 2 Basis of preparation.

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	2023 €m	Restated* 2022 €m
Profit before tax	**93.1**	95.7
Finance income	**(10.7)**	(9.5)
Finance charges	**39.0**	38.3
Share of results from associates and joint ventures	**-**	(0.5)
Operating profit	**121.4**	124.0
Amortisation and impairment of intangible assets	**10.5**	11.1
Depreciation and impairment of property, plant and equipment	**69.5**	74.7
Depreciation and impairment of right-of-use assets	**49.1**	45.5
Impairment of investment in associate	**0.9**	1.9
Net gain on disposal of property, plant and equipment and intangible assets	**(3.0)**	(0.8)
Portfolio management and provision movements in non-trading and exceptional items	**19.9**	(1.6)
Net decrease in provisions	**(34.1)**	(6.5)
Payment related to committed funding of the defined benefit pension schemes	**(3.5)**	(3.6)
Share-based compensation	**2.7**	2.5
Operating cash flows before movement in working capital	**233.4**	247.2
Increase in inventories	**(2.1)**	(1.9)
Increase in receivables	**(12.2)**	(23.2)
Decrease in payables	**(9.5)**	(34.8)
Cash flows from operating activities	**209.6**	187.3
Income tax paid	**(21.2)**	(7.6)
Net cash inflow from operating activities	**188.4**	179.7
Investing activities		
Purchases of intangible assets	**(9.9)**	(8.4)
Purchases of property, plant and equipment	**(115.0)**	(77.6)
Proceeds from disposals of property, plant and equipment	**6.8**	4.7
Acquisition of subsidiary, net of cash acquired	**(53.5)**	-
Disposal of subsidiary and business assets net of acquisition of business assets	**1.1**	(1.3)
Net movements in associates, joint ventures and other short-term investments	**(1.3)**	(0.9)
Receipt of deferred consideration	**-**	0.3
Outflows in respect of PPP arrangements under the financial asset model net of capital received	**6.0**	5.8
Finance income	**10.6**	9.9
Net cash outflow from investing activities	**(155.2)**	(67.5)
Financing activities		
Finance charges and loan fees paid	**(31.3)**	(28.4)
Investment in own shares by the Employee Share Trust	**(5.3)**	(1.8)
Proceeds from share issues	**0.6**	0.2
Dividend paid to non-controlling interest	**(0.6)**	-
Proceeds from retail bonds	**-**	125.0
Repayment of retail bonds	**(100.0)**	-
Proceeds from bank borrowings	**565.0**	141.6
Repayment of bank borrowings	**(405.6)**	(312.2)
Repayment of PPP debt	**(8.1)**	(5.7)
Repayment of obligations under lease liabilities	**(47.5)**	(43.5)
Settlement of cross-currency interest rate swaps	**-**	6.4
Net cash outflow from financing activities	**(32.8)**	(118.4)
Net increase (decrease) in cash and cash equivalents	**0.4**	(6.2)
Effect of foreign exchange rate changes	**(1.3)**	1.0
Cash and cash equivalents at the beginning of the year	**63.6**	68.8
Cash and cash equivalents at the end of the year	**62.7**	63.6

* The comparatives have been restated due to a prior period adjustment as explained in note 2 Basis of preparation.

Notes to the Consolidated Financial Statements

1. General information

Renewi plc is a public limited company listed on the London Stock Exchange with a secondary listing on Euronext Amsterdam. Renewi plc 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 financial information for the year ended 31 March 2023 as set out in this preliminary announcement does not constitute the statutory accounts of the Group for the relevant year within the meaning of section 435 of the Companies Act 2006. The financial statements for the year ended 31 March 2023 are unaudited. These accounts will be finalised on the basis of the financial information presented by the Directors in the preliminary announcement and will be delivered to the Registrar of Companies following the Company's annual general meeting. The Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year ended 31 March 2022 and the Consolidated Balance Sheet as at 31 March 2022 have been derived from the full Group accounts published in the Annual Report and Accounts 2022 with restatements as explained below. These 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(2) or section 498(3) of the Companies Act 2006.

The financial information in this preliminary announcement has been prepared with regards to UK adopted international accounting standards. The Group has applied all accounting standards and interpretations issued relevant to its operations and effective for accounting periods beginning on 1 April 2022. The IFRS accounting policies have been applied consistently to all periods with the exception of the amendment to IAS 37 Onerous Contracts-Costs of Fulfilling Contract as explained later in this note.

Going concern

The Directors have adopted the going concern basis in preparing these consolidated financial statements after assessing the Group's principal risks including an assessment of the impact of the ongoing high inflationary environment and the economic uncertainty arising from the invasion of Ukraine and the recent banking crisis.

The Directors have carried out a comprehensive assessment of the Group's ability to continue as a going concern. This assessment has involved the review of medium-term cash flow and covenant modelling over an 18-month period to 30 September 2024. This includes expectations on the future economic environment as well as other principal risks associated with the Group's ongoing operations.

The assessment includes a base case scenario setting out the Directors' current expectations of future trading and a plausible but severe downside scenario after applying mitigating actions to assess the potential impact on the Group's future financial performance. The key judgement in both scenarios is the level of economic disruption caused by ongoing geopolitical events.

The downside scenario includes significantly weaker macroeconomic conditions leading to a volume decline below the forecast economic outlook in all our territories in FY24 and FY25. Other downsides include a significant decline in recyclate prices from the current levels to below long-term averages and operational downtime in some of our plants. These factors reduce FY24 EBIT by 31% compared to the base case. Appropriate cash mitigating actions such as deferral of uncommitted capital expenditure and other working capital actions have been applied to our downside modelling to arrive at a plausible and mitigated downside position.

In the base case and plausible mitigated downside scenarios the Group has sufficient liquidity and headroom in its existing facilities and no covenants are breached at any of the forecast testing dates.

In addition, a reverse stress test calculation has been undertaken to consider the points at which the covenants may be breached. Underlying EBIT in FY24 would need to reduce by 44% compared to the base case including mitigating cost actions. In the opinion of the Directors there is no plausible scenario or combination of scenarios that we consider to be remotely likely that would generate this result.

Having considered all the elements of the financial projections, sensitivities and mitigating actions, the Directors confirm they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and to meet all banking covenants.

In accordance with Provision 31 of the UK Corporate Governance Code, the Directors have also assessed the prospects and financial viability of the Company for a period longer than the 12 months required in the going concern assessment.

Prior year restatement

During the year, the Group has undertaken a more in depth analysis of the UK Municipal contract with East London Waste Authority (ELWA) as the contract is due to expire in December 2027. The contract is loss-making and therefore an onerous contract provision (OCP) has been recorded. At inception of this contract on 28 November 2003, a subsidiary of the Group entered a headlease arrangement for one location under the contract and then subleased it to ELWA Limited, an associate, on terms which mirrored the terms of the headlease. Prior to the disposal of the subsidiary in 2004 the headlease and sublease were novated to Renewi UK Services Limited (RUKS), a subsidiary of the Group. Upon adoption of IFRS 16 Leases from 1 April 2019, the Group accounted for the headlease as a right-of-use asset with the rental expense recorded as a repayment of the lease liability. The rental income from ELWA Limited was included within the cash flows used to measure the OCP.

During March 2023, external legal advice received clarified further the legal position in relation to the commercial substance of the lease arrangements. The legal advice stated that it is more likely than not that the sublease to ELWA Limited has taken effect as an assignment of the headlease by operation of law. The practical effect of this is the former subsidiary and ELWA Limited are directly liable for the headlease and that the novation in 2004 to RUKS was invalid. Accordingly, the Group has determined that it was not appropriate to recognise the headlease as a right-of-use asset and the lease income should not have been included in the cash flows used to measure the OCP. The Group has therefore concluded that the prior treatment was an error and that it is now appropriate to restate the 1 April 2021 opening balance sheet.

The impact is a reduction in lease liabilities of €10.1m (of which €9.4m is non-current and €0.7m is current) with a corresponding increase in OCP of €6.4m (of which €5.4m is non-current and €1.0m is current) resulting in an impact of €3.6m on retained earnings and €0.1m on the exchange reserve. The impact on the 31 March 2022 balance sheet is a reduction in lease liabilities of €9.5m (of which €8.8m is non-current and €0.7m is current) with an increase in OCP of €5.8m (of which €4.8m is non-current and €1.0m is current) resulting in an impact of €3.6m on retained earnings and €0.1m on the exchange reserve. The related right-of-use asset was fully impaired therefore there is no impact on the net book value. However, as a result of the derecognition, cost and accumulated depreciation and impairment have both been reduced by €8.9m as at 1 April 2021. The Income Statement impact for the year ended 31 March 2022 is not material and therefore has not been restated. The impact on the Cash Flow Statement for the year ended 31 March 2022 is to reduce the cash inflow from operating activities by €0.7m and reduce the cash outflow in financing activities by €0.7m. Earnings per share and alternative performance measures for the year ended 31 March 2022 are not affected as a result of this correction.

The impact on the Consolidated Balance Sheet at 31 March 2021 is not material and therefore as permitted in IAS 1 Presentation of Financial Statements a third balance sheet is not presented. The impact of the above restatements on the relevant line items in the Consolidated Balance Sheet and Statement of Changes in Equity is presented below:

Balance sheet extract	1 April 2021 (previously reported) €m	Restatement €m	1 April 2021 (restated) €m	31 March 2022 (previously reported) €m	Restatement €m	31 March 2022 (restated) €m
Total assets	1,968.0	-	1,968.0	1,951.8	-	1,951.8
Liabilities						
Non-current liabilities						
Borrowings	(689.1)	9.4	(679.7)	(518.7)	8.8	(509.9)
Provisions	(252.6)	(5.4)	(258.0)	(258.1)	(4.8)	(262.9

Other	(142.0)	-	(142.0)	(104.1)	-	(104.1)
	(1,083.7)	4.0	(1,079.7)	(880.9)	4.0	(876.9)
Current liabilities						
Borrowings	(47.8)	0.7	(47.1)	(148.9)	0.7	(148.2)
Provisions	(38.7)	(1.0)	(39.7)	(31.1)	(1.0)	(32.1)
Other	(560.2)	-	(560.2)	(552.7)	-	(552.7)
	(646.7)	(0.3)	(647.0)	(732.7)	(0.3)	(733.0)
Total liabilities	(1,730.4)	3.7	(1,726.7)	(1,613.6)	3.7	(1,609.9)
Net assets	237.6	3.7	241.3	338.2	3.7	341.9
Issued capital and reserves attributable to the owner of the parent						
Retained earnings	(326.8)	3.6	(323.2)	(227.1)	3.6	(223.5)
Exchange reserve	(14.8)	0.1	(14.7)	(15.0)	0.1	(14.9)
Other equity	573.1	-	573.1	573.3	-	573.3
	231.5	3.7	235.2	331.2	3.7	334.9
Non-controlling interests	6.1	-	6.1	7.0	-	7.0
Total equity	237.6	3.7	241.3	338.2	3.7	341.9

Adoption of new and revised accounting standards

The amendment to IAS 37 Onerous Contracts – Costs of Fulfilling a Contract, effective from 1 April 2022, clarifies that the costs of fulfilling a contract should include an allocation of other costs that relate directly to fulfilling the contract in addition to the incremental costs. As required by the pre-amended IAS 37, the Group's accounting policy previously only included incremental direct costs when measuring the costs to fulfil a contract. The Group assessed the impact of this amendment which resulted in an increase to the onerous contract provisions of €53.2m. A deferred tax asset has not been recognised on the increase in the provision due to the uncertainty of future profit streams in the UK Municipal business. The cumulative effect of initially applying the amendment has been recognised as an adjustment to the opening balance of retained earnings as at 1 April 2022 as shown in the Statement of Changes in Equity. As permitted by the amendment, the Group has not restated the comparative information.

No other accounting standards, amendments or revisions to existing standards or interpretations have been effective which had a significant impact on the Group's consolidated financial statements.

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 UK Endorsement Board (UKEB). At the date of approval of these financial statements there were no new IFRSs or IFRS Interpretation Committee interpretations which were early adopted by the Group.

The following amendments are effective for the period beginning 1 April 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- IFRS 17 Insurance Contracts
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments are effective for the period beginning 1 April 2024:

- IFRS 16 (Amendment – Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

The Group does not expect a significant impact from any of the new accounting standards and amendments.

Exchange Rates

In addition to the Group's presentational currency of Euros, the most significant currency for the Group is Sterling with the closing rate on 31 March 2023 of €1:£0.879 (2022: €1:£0.845) and an average rate for the year ended 31 March 2023 of €1:£0.870 (2022: €1:£0.849).

Critical accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The areas involving a higher degree of judgement or complexity are set out below and in more detail in the related notes. Critical estimates are defined as those that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The estimates and associated assumptions are based on factors including historical experience and expectations of future events that are considered to be relevant and reasonable. These estimates, assumptions and judgements are reviewed on an ongoing basis.

Judgements in applying the Group's accounting policies

<u>Use of alternative performance measures</u>
The Group uses alternative performance measures as we believe these measures provide additional useful information on the underlying trends, performance and position of the Group. These underlying 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. These include underlying earnings before interest and tax (underlying EBIT), underlying profit before tax, underlying profit after tax, underlying earnings per share and underlying EBITDA (earnings before interest, tax, depreciation and amortisation). The terms 'EBIT', 'EBITDA', 'exceptional items', 'adjusted' and 'underlying' are not defined terms under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. These measures are not intended to be a substitute for, or superior to, GAAP measurements of profit. A full list of alternative performance measures together with reconciliations are set out in note 17.

<u>Non-trading and exceptional items</u>
In establishing which items are disclosed separately as non-trading and exceptional to enable a better understanding of the underlying financial performance of the Group, management exercise judgement in assessing the size, nature or incidence of specific items. A policy for non-trading and exceptional items is followed consistently and is submitted to the Audit Committee for annual review. See note 5 for further details of the costs included within this category.

<u>Service concession arrangements</u>
Management considered all relevant factors including the expectation by the relevant local authority who was the primary obligor, the ability of the Group to set the selling price, who performed the service, who assumed the credit risk and who had discretion in selecting suppliers. Following this assessment the Group determined that it acted as agent during the construction phase of the UK Municipal contracts. Consequently the consideration from local authorities for the operations of waste management service concessions is treated as financial assets relating to PPP contracts in accordance with IFRIC 12. Management determined that the cash flows relating to the outflows in respect of PPP arrangements under the financial asset model net of capital received are investing activities in the statement of cash flows and not operating cash flows. At the balance sheet date, the Group has financial assets relating to PPP contracts of €131.0m (2022: €143.4m). Consideration relating to financial assets is split between a service element as revenue and a repayment element, split between capital and interest receivable that is deducted from the financial asset.

<u>Defined benefit pension scheme surplus</u>
In relation to the prior year surplus, based on actuarial professional advice management concluded that the UK defined benefit pension scheme rules determine that upon winding up the scheme the Group has an unconditional right to a refund once all of the liabilities have been discharged and that the trustees of the scheme do not have the unilateral right to wind up the scheme, therefore any asset is not restricted and no additional liability is recognised.

ELWA headlease
Management have used judgement based on external legal advice in determining that the headlease in relation to the ELWA contract has been assigned to ELWA Limited by operation of law and therefore a novation of the headlease and sublease to RUKS in 2004 is invalid. It is therefore not appropriate for the Group to recognise the lease under IFRS 16. Consequently, the rental expense and the rental income are presented net within the onerous contract provision. Additional details are provided earlier in the prior year restatement section.

Wakefield Waste Holdings Limited joint venture
The Group has a 50.001% interest in the joint venture Wakefield Waste Holdings Limited. Upon the sale of 49.99% of this entity in 2016 the Group assessed the criteria of control considering power over the investee, exposure or rights to a variable return and the ability to use power over the investee to affect the amount of the investors returns. The Group determined that it does not meet the criteria for having control as each party jointly controls the entity and as a result it is appropriate to equity account.

There are no other critical judgements other than those involving estimates, as set out below, that have a significant effect on the amounts recognised in the Group's consolidated financial statements.

Key sources of estimation uncertainty

Landfill related provisions
The Group has landfill related provisions of €164.5m (2022: €156.9m). These provisions are long term in nature and are recognised at the net present value of the best estimate of the likely future cash flows to settle the Group's obligations. The period of aftercare post-closure and the level of costs expected are uncertain and could be impacted by changes in inflation, legislation and technology and can vary significantly from site to site. The timings of cash outflows are uncertain and have been based on management's latest expectations. A discount rate is applied to recognise the time value of money and is unwound over the life of the provision.

Onerous contract provisions
Onerous contract provisions arise when the unavoidable costs of meeting contractual obligations exceed the cash flows expected. The Group has onerous contract provisions of €141.9m (31 March 2022 as restated: €85.7m, 1 April 2022: €138.9m adjusted for the impact of IAS 37 amendment) which have been provided for at the lower of the net present value of either exiting the contract or fulfilling our obligations under the contract. The most significant component of these provisions relates to UK Municipal PPP contracts which amount to €139.3m (31 March 2022 as restated: €83.5m, 1 April 2022: €135.3m adjusted for the impact of IAS 37 amendment). The provisions have been based on the best estimate of likely future cash flows including assumptions on inflationary increases, tonnage inputs, off-take availability and recyclates pricing. The contracts include revenue inflationary clauses which together with cost inflation are sources of estimation uncertainty. A discount rate is applied to recognise the time value of money and is unwound over the life of the provision.

Taxation
The recognition of deferred tax assets, particularly in respect of tax losses, is based upon management's judgement in the calculation of the probable expected taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. In respect of tax losses, the time expiry period, if any, is also taken into account in the calculation. The Group assesses the availability of future taxable profits using available long-term forecasts. The predictability of income streams is taken into consideration in the recognition of deferred tax assets. The longest period of forecasts used to calculate deferred tax recovery is eight years. This period reflects management's estimate of the higher probability profit streams due to income streams from internal receivables which are highly predictable and likely to continue for the foreseeable future. The intention is to avoid the recognition of a deferred tax asset that is not ultimately recovered. Provisions have been recognised where necessary in respect of any uncertain tax positions in the Group, including uncertainty over whether the relevant tax authority will accept the tax treatment and are based upon management's evaluation of the potential outcomes of the relevant discussions with the tax authorities.

Other areas of focus

Whilst not considered to be critical accounting judgements or key sources of estimation uncertainty, the following are areas of focus for management:

Assumptions used to determine the recoverable amount of goodwill and other assets
Impairment testing of goodwill is carried out annually at a cash generating unit (CGU) level. The Group estimates the recoverable amount of a CGU using a value in use model which involves an estimation of future cash flows and applying appropriate discount and long-term growth rates. The future cash flows are derived from approved forecasts which have taken into account increasing energy prices and high inflation as a result of the events in Ukraine, specifically with regard to recovery of input volumes across different waste streams. The Group assesses the impairment of tangible assets, intangible assets and investments whenever there is reason to believe that the carrying value may exceed the fair value and where a permanent impairment in value is anticipated.

The determination of whether the impairment of these assets is necessary involves the use of estimates that include, but is not limited to, the analysis of the cause, the timing and expected future cash flows.

Right-of-use assets and lease liabilities
Estimates and assumptions are made in calculating the incremental borrowing rate used to measure lease liabilities where the lease contract does not contain an implicit rate. For certain leases the determination of the lease liability is based on assumptions of the term of the lease as to whether purchase options are likely to be exercised.

Assumptions used to determine the carrying amount of the Group's defined benefit pension schemes
The calculation of the present value of the defined benefit pension schemes is determined by using actuarial valuations based on assumptions including discount rate, life expectancy and inflation rates.

Waste disposal cost accruals
Management have used judgement in determining the value of disposal cost accruals with a carrying amount included in accruals and other payables of €51.8m (2022: €48.9m). Included in this is €21.1m (2022: €21.1m) relating to previously processed soil and other materials at ATM. The value is determined by management's best estimate after carrying out an assessment of the cost per tonne to dispose of the waste based on historical transactions, signed contracts, discussions with potential customers and knowledge of the market as in some cases, due to the nature that in some cases there is no observable market data. Management carry out sensitivity analysis on a range of potential outcomes and an increase or reduction of the cost per tonne by 10% would impact the ATM accrual by €2.1m. It is now expected that the disposal of certain components will take longer than 12 months and consequently €17.6m has been recorded as a non-current liability.

Valuation of acquisition related intangible assets
When acting as the acquirer in a business combination, the Group is required to recognise separate from goodwill all intangibles that are either separable or arise from contractual or other legal obligations. In the acquisition of GMP Exploitatie B.V. on 1 August 2022 the Group acquired permits and customer relationships with a total value of €27.6m which are explained in note 12. Determination of the fair value required a variety of judgemental assumptions including, but not limited to, estimates of expected cash flows and discount rates for which external specialists were engaged to provide expert assistance. If the fair value of these acquisition related intangibles was 15% different to the recorded value, the impact of the variance of €4m would be recorded in goodwill with an adjustment of c€0.5m to the annual amortisation charge of acquisition related intangibles over the next eight years.

Expected credit loss allowance
Management have used judgement to estimate how the expected credit loss allowance could be impacted by current conditions as well as forecasts of future economic conditions as a result of ongoing macroeconomic factors. For trade receivables and accrued income, in addition to using a provision matrix based on the payment profile of revenues a detailed review has been undertaken at a customer level in order to assess the likely potential of default considering the nature of the customers business and any government support measures.

Consideration of climate change
In preparing the financial statements, the Directors have considered the impact of climate change, particularly in the context of the risks identified as part of the work on the Taskforce for Climate-related Financial Disclosures (TCFD). Sustainability is recognised as a growth driver for Renewi, directly aligned to its purpose to protect the world by giving life to used materials, and is considered in all key decisions across all management levels. The Directors have commenced a pilot quantitative exercise based on certain risks identified in the TCFD disclosures and now have models that greatly enhance our understanding of the potential impact of these risks on revenue and operating costs, where relevant.

Physical climate change poses risks to our operations and supply chain. However, mitigation measures are either already in place, or are in the process of being further developed. In response to increased impacts from extreme heat, we continually invest to avoid and mitigate the impact of fires as one of the greatest operational risks in the waste industry. These investments are in processes and systems of fire prevention, detection, and suppression.

Climate change is not considered to have a material adverse impact on the financial reporting judgements and estimates. In particular, the impact of climate change has been considered in respect of the following areas in both the medium and long term:

- Going concern and viability of the Group over the next three years
- Cash flow forecasts used in the impairment assessments of non-current assets including goodwill, customer contracts and deferred tax assets
- Carrying value and useful economic lives of property, plant and equipment.

The Directors are aware of the ever-changing risk of climate change and will regularly assess these risks against judgements and estimates made in preparation of the Group's financial statements.

3. Segmental reporting

The Group's chief operating decision maker is considered to be the Board of Directors. The Group's reportable segments are determined with reference to the information provided to the Board of Directors, in order for it to allocate the Group's resources and to monitor the performance of the Group. These segments are unchanged from March 2022 and are set out below:

Commercial Waste	Collection and treatment of commercial waste in the Netherlands and Belgium.
Mineralz & Water	Decontamination, stabilisation and re-use of highly contaminated materials to produce certified secondary products for the construction industry in the Netherlands and Belgium.
Specialities	Processing plants focusing on recycling and diverting specific waste streams. The operations are in the UK, the Netherlands, Belgium, France and Portugal.
Group central services	Head office corporate function.

The profit measure the Board of Directors uses to evaluate performance is underlying EBIT. The Group accounts for inter-segment trading on an arm's length basis.

The Commercial Waste reportable segment includes the Netherlands Commercial Waste and Belgium Commercial Waste operating segments which have been aggregated and reported as one reportable segment as they operate in similar markets in relation to the nature of the products, services, processes and type of customer. As detailed in note 12, the Group acquired GMP Exploitatie B.V during the year and it is included in the Netherlands Commercial operating segment.

Revenue	**2023 €m**	2022 €m
Netherlands Commercial Waste	**932.0**	896.2
Belgium Commercial Waste	**468.4**	466.9
Intra-segment	**(3.1)**	(2.6)
Commercial Waste	**1,397.3**	1,360.5
Mineralz & Water	**190.9**	193.9
Specialities	**348.6**	350.1
Inter-segment revenue	**(44.5)**	(35.3)
Revenue	**1,892.3**	1,869.2

Results	**2023 €m**	2022 €m
Netherlands Commercial Waste	**76.9**	93.1
Belgium Commercial Waste	**52.4**	42.6
Commercial Waste	**129.3**	135.7
Mineralz & Water	**0.5**	5.8
Specialities	**17.1**	4.1
Group central services	**(14.0)**	(12.0)
Underlying EBIT	**132.9**	133.6
Non-trading and exceptional items (note 5)	**(11.5)**	(9.6)
Operating profit	**121.4**	124.0
Finance income	**9.8**	9.3
Finance charges	**(39.0)**	(38.2)
Finance income – non-trading and exceptional items	**0.9**	0.2
Finance charges – non-trading and exceptional items	**-**	(0.1)
Share of results from associates and joint ventures	**-**	0.5
Profit before taxation	**93.1**	95.7

Net assets	Commercial Waste €m	Mineralz & Water €m	Restated* Specialities €m	Group central services €m	Restated* Tax, net debt and derivatives €m	**Restated* Total €m**
31 March 2023						
Gross non-current assets	**1,143.8**	**262.6**	**211.1**	**31.9**	**36.8**	**1,686.2**
Gross current assets	**206.6**	**35.2**	**75.0**	**17.9**	**64.6**	**399.3**
Gross liabilities	**(379.3)**	**(216.5)**	**(239.0)**	**(72.9)**	**(830.5)**	**(1,738.2)**
Net assets (liabilities)	**971.1**	**81.3**	**47.1**	**(23.1)**	**(729.1)**	**347.3**
31 March 2022						
Gross non-current assets	1,010.8	257.5	219.3	36.3	42.0	1,565.9
Gross current assets	192.0	37.9	67.7	17.2	71.1	385.9
Gross liabilities	(399.3)	(206.4)	(180.5)	(79.7)	(744.0)	(1,609.9)
Net assets (liabilities)	803.5	89.0	106.5	(26.2)	(630.9)	341.9

* The comparatives have been restated due to a prior period adjustment as explained in note 2 Basis of preparation.

4. Revenue

The following tables show the Group's revenue by type of service delivered and by primary geographical markets:

By type of service	Commercial Waste €m	Mineralz & Water €m	Specialities €m	Inter-segment €m	Total €m
2023					
Inbound	**1,089.6**	**153.2**	**202.4**	**(40.0)**	**1,405.2**
Outbound	**218.0**	**37.7**	**140.0**	**(4.3)**	**391.4**
On-site	**63.6**	**-**	**-**	**(0.2)**	**63.4**
Other	**26.1**	**-**	**6.2**	**-**	**32.3**
Total revenue	**1,397.3**	**190.9**	**348.6**	**(44.5)**	**1,892.3**
2022					
Inbound	1,073.0	146.5	231.4	(31.6)	1,419.3
Outbound	212.2	47.4	116.5	(3.5)	372.6
On-site	53.1	-	-	(0.2)	52.9
Other	22.2	-	2.2	-	24.4
Total revenue	1,360.5	193.9	350.1	(35.3)	1,869.2

By geographical market	Commercial Waste €m	Mineralz & Water €m	Specialities €m	Inter-segment €m	Total €m
2023					
Netherlands	**931.2**	**159.2**	**69.3**	**(42.2)**	**1,117.5**
Belgium	**466.1**	**31.7**	**46.6**	**(2.3)**	**542.1**
UK	**-**	**-**	**188.4**	**-**	**188.4**
France	**-**	**-**	**27.1**	**-**	**27.1**
Other	**-**	**-**	**17.2**	**-**	**17.2**
Total revenue	**1,397.3**	**190.9**	**348.6**	**(44.5)**	**1,892.3**
2022					
Netherlands	895.5	152.9	55.4	(32.9)	1,070.9
Belgium	465.0	41.0	39.8	(2.4)	543.4
UK	-	-	216.3	-	216.3
France	-	-	26.3	-	26.3
Other	-	-	12.3	-	12.3
Total revenue	1,360.5	193.9	350.1	(35.3)	1,869.2

Revenue recognised at a point in time amounted to €1,670.4m (2022: €1,652.5m) with the remainder recognised over time. The majority of the Commercial Waste and Specialities revenue is recognised at a point in time, whereas for Mineralz & Water 62% of revenue (2022: 57%) is recognised over time.

5. 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. These include, but are not limited to, significant impairments, significant restructuring of the activities of an entity including employee associated severance costs, acquisition and disposal related transaction costs, significant fires, onerous contracts arising from restructuring activities or if significant in size, profit or loss on disposal of properties or subsidiaries as these are irregular, the impact of terminating hedge derivatives, ineffectiveness of derivative financial instruments, the impact of changing the discount rate on provisions, amortisation of acquisition related intangibles and one-off tax credits or charges. The amortisation charge on acquisition related intangible assets is excluded from underlying results due to its non-trading nature in the same way as other significant items from M&A activity are excluded. The performance of the acquired business is assessed as part of the Group's underlying revenue and EBIT. By excluding this amortisation charge there is comparability across divisions and reporting periods.

	2023 €m	2022 €m
Renewi 2.0 improvement programme	**3.7**	6.6
Portfolio management activity:		
Prior year disposals	**(1.7)**	(0.7)
Disposal of business assets in the Mineralz & Water division	**(3.8)**	-
	(5.5)	(0.7)
Changes in long-term provisions:		
UK Municipal reassessment of onerous contract provisions	**27.1**	-
Changes in discount rate	**(1.7)**	(3.1)
Release of legal provision relating to the alleged State Aid claim in Belgium	**(15.1)**	-
	10.3	(3.1)
Other items:		
Reversal of prior year property, plant and equipment impairment	**(2.0)**	-
Configuration or customisation costs in cloud computing, Software as a Service arrangements	**-**	3.9
Restructuring credit – cash	**-**	(0.5)
	(2.0)	3.4
Ineffectiveness and impact of termination of cash flow hedges	**(0.9)**	(0.1)
Amortisation of acquisition intangibles	**5.0**	3.4
Non-trading and exceptional items in profit before tax	**10.6**	9.5
Tax on non-trading and exceptional items	**(1.6)**	(2.4)
Exceptional tax credit	**-**	(3.7)
Total non-trading and exceptional items in profit after tax	**9.0**	3.4

Renewi 2.0 improvement programme

Renewi 2.0 improvement programme is a significant one-off business improvement project with expected capital and one-off costs now of €28m, previously €40m, and as a result is considered to be exceptional. Following the transformational merger in February 2017, the goal of the Renewi 2.0 programme is to make the Group more streamlined and more efficient and improve customer experience and increase employee engagement. This is the third year of the programme which is largely complete and will achieve the targeted €20m run rate of savings in the new financial year, with the final costs of €3m to be incurred and paid in the year to March 2024. The costs of €3.7m (2022: €6.6m) of which €nil (2022: €0.1m) are recorded in cost of sales and €3.7m (2022: €6.5m) are recorded in administrative expenses.

Portfolio management activity
During the current year certain business assets in the Mineralz & Water division were sold generating a profit of €3.8m (2022: €nil). The prior year disposals credit of €1.7m (2022: €0.7m) relates to an insurance claim recovery in relation to a prior disposal. The credit recognised in the prior year also includes releases of warranty provisions in relation to prior year disposals. These are all recorded in administrative expenses. The line item portfolio management and provision movements in non-trading and exceptional items in the Statement of Cash Flows includes an add back of the €5.5m credit (2022: €nil) and the line item disposal of subsidiary and business assets net of acquisition of business assets includes the cash inflow of €1.7m (2022: €nil) from portfolio management activity.

Changes in long-term provisions
The charge of €27.1m (2022: €nil) in relation to the reassessment of UK Municipal onerous contract provisions is due to revised assumptions on both lifecycle spend and cost inflation, combined with lower volumes at the ELWA contract partially offset by the indexation of customer pricing.

The credit for changes in discount rate of €1.7m is a result of the annual reassessment of risk free rates which have impacted all long-term provisions. The prior year credit of €3.1m related to future cash flow funding requirements in relation to Dutch landfills as a result of changes in the discount rate as determined by the relevant Dutch Province in relation to the long-term aftercare funds. These funds are managed and under the control of the Province.

On 3 March 2023 the European Commission concluded its formal investigation and determined that the Belgian Walloon Region did not provide State Aid to the Group and therefore the provision of €15.1m has been released.

The total charge of €10.3m (2022: €3.1m credit) was split €25.6m charge (2022: €3.1m credit) to cost of sales and a credit of €15.3m (2022: €nil) to administrative expenses. The line item portfolio management and provision movements in non-trading and exceptional items in the Statement of Cash Flows reflects an add back of the charge of €25.4m (2022: €1.6m) from changes in provisions.

Other items
A reversal of a prior year property, plant and equipment impairment of €2.0m relates to the Maltha CGU within Specialities as a result of improvement in performance.

Prior year configuration or customisation costs in cloud computing, Software as a Service (SaaS) arrangements of €3.9m, related to the Group updating its accounting policy on when software can be capitalised following the IFRIC interpretation. This guidance clarified the criteria for when assets could be capitalised under IAS 38 Intangible assets in relation to SaaS arrangements and it was determined that items had been capitalised which no longer met the criteria for recognition as an asset. The costs were expensed as a one-off non-trading and exceptional item due to the size, nature and incidence as they were not considered to be reflective of underlying performance in the prior years. Since 1 April 2022 all costs relating to SaaS arrangements have been recorded in underlying EBIT.

The €0.5m restructuring credit in the prior year was a release of surplus provisions following a reassessment of the costs of the Covid-19 cost action programme in the year ended March 2021.

The total credit of €2.0m (2022: €3.4m charge) was split €2.0m credit (2022: €0.5m) in cost of sales and €nil (2022: €3.9m charge) in administrative expenses.

Items recorded in finance charges and finance income
The €0.9m credit (2022: €0.1m) relates to the ineffectiveness of the Cumbria PPP project interest rate swaps as a result of a revised repayment programme for the PPP non-recourse debt.

Amortisation of acquisition intangibles
Amortisation of intangible assets acquired in business combinations of €5.0m (2022: €3.4m) is all recorded in cost of sales.

Exceptional tax credit
Where one-off tax credits or charges are deemed significant they are classified as exceptional and outside of normal tax charges. The prior year €3.7m exceptional tax credit related to changes in UK tax rates.

6. Net finance charges

	2023 €m	2022 €m
Finance charges		
Interest borrowings*	**14.0**	15.4
Interest payable on PPP non-recourse debt	**6.9**	7.4
Lease liabilities interest	**7.8**	7.2
Unwinding of discount on provisions (note 13)	**8.3**	6.4
Interest charge on retirement benefit schemes	**-**	0.1
Other finance costs	**2.0**	1.7
Total finance charges before non-trading and exceptional items	**39.0**	38.2
Non-trading and exceptional finance charges:		
Charge as a result of the termination of cash flow hedges	**-**	0.1
Total non-trading and exceptional finance charges	**-**	0.1
Total finance charges	**39.0**	38.3
Finance income		
Interest receivable on financial assets relating to PPP contracts	**(8.6)**	(9.0)
Unwinding of discount on deferred consideration receivable	**-**	(0.1)
Interest income on retirement benefit schemes	**(0.2)**	-
Other finance income	**(1.0)**	(0.2)
Total finance income before non-trading and exceptional items	**(9.8)**	(9.3)
Non-trading and exceptional finance income:		
Ineffectiveness income on cash flow hedges	**(0.9)**	(0.2)
Total non-trading and exceptional finance income	**(0.9)**	(0.2)
Total finance income	**(10.7)**	(9.5)
Net finance charges	**28.3**	28.8

*Interest on borrowings has been amended to include amortisation of loan fees which was previously shown separately.

7. Taxation

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

	2023 €m	2022 €m
Current tax		

UK corporation tax		
- Current year	**1.0**	1.4
- Adjustment in respect of prior years	**-**	(0.9)
Overseas tax		
- Current year	**26.4**	17.1
- Adjustment in respect of prior years	**0.2**	(0.2)
Total current tax charge	**27.6**	17.4
Deferred tax		
- Origination and reversal of temporary differences in the current year	**(2.5)**	(0.8)
- Adjustment in respect of prior years	**1.4**	-
- Exceptional tax credit	**-**	3.7
Total deferred tax (credit) charge	**(1.1)**	2.9
Total tax charge for the year	**26.5**	20.3

In October 2021 the Dutch government announced an increase in the rate to 25.8% for the period ending 31 March 2023 and subsequent periods which was enacted in December 2021. In addition, a tightening of the general interest deduction rule (also referred to as the EBITDA rule) by lowering the 30% EBITDA threshold to 20% was also enacted. As a result, Dutch deferred tax has been calculated at the substantively enacted rates depending on when the timing differences are expected to reverse.

In the UK Chancellor's Budget of 3 March 2021 it was announced that the UK corporation tax rate will increase to 25% with effect from 1 April 2023. This measure was substantively enacted on 24 May 2021. As a result, the UK deferred tax position has been calculated based on the substantively enacted rate of 25% (2022: 19% and 25%). This resulted in an exceptional tax credit of €3.7m in the prior year.

8. Earnings per share

Underlying basic and diluted earnings per share excludes non-trading and exceptional items net of related tax. Non-trading and exceptional items are those items that are disclosed separately on the face of the Income Statement, because of their size or incidence, to enable a better understanding of performance. The Directors believe that adjusting earnings per share in this way enables comparison with historical data calculated on the same basis to reflect the business performance in a consistent manner and reflect how the business is managed and measured on a day to day basis.

	2023			2022		
	Basic	**Dilutions**	**Diluted**	Basic	Dilutions	Diluted
Weighted average number of shares (million)	**79.4**	**0.2**	**79.6**	79.7	0.4	80.1
Profit after tax (€m)	**66.6**	**-**	**66.6**	75.4	-	75.4
Non-controlling interests (€m)	**(3.7)**	**-**	**(3.7)**	(0.9)	-	(0.9)
Profit after tax attributable to ordinary shareholders (€m)	**62.9**	**-**	**62.9**	74.5	-	74.5
Basic earnings per share (cents)	**79**	**-**	**79**	93	-	93

The reconciliation between underlying earnings per share and basic earnings per share is as follows:

	2023		2022	
	Cents	**€m**	Cents	€m
Underlying earnings per share/Underlying profit after tax attributable to ordinary shareholders	**90**	**71.9**	98	77.9
Adjustments:				
Non-trading and exceptional items	**(13)**	**(10.6)**	(12)	(9.5)
Tax on non-trading and exceptional items	**2**	**1.6**	3	2.4
Exceptional tax	**-**	**-**	4	3.7
Basic earnings per share/Earnings after tax attributable to ordinary shareholders	**79**	**62.9**	93	74.5
Diluted underlying earnings per share/Underlying profit after tax attributable to ordinary shareholders	**90**	**71.9**	98	77.9
Diluted basic earnings per share/Earnings after tax attributable to ordinary shareholders	**79**	**62.9**	93	74.5

The weighted average number of shares takes into account the movements in the Renewi Employee Share Trust, The Trust owns 853,223 £1 shares (1.1%) (2022: 552,851 £1 shares (0.7%)) of the issued share capital of the Company in trust for the benefit of employees of the Group. During the year 400,597 (2022: 34,580) £1 shares were transferred to individuals under the LTIP and DAB schemes and in the prior year 798,433 10 pence shares were transferred to individuals under the LTIP and DAB schemes prior to the share consolidation. During the year 700,969 £1 shares (2022: 237,000 £1 shares) were purchased by the Trust at a cost of €5.3m (2022: €1.8m).

9. Dividends

The Directors have not recommended a final dividend for the year ended March 2023 (2022: nil).

10. Goodwill, intangible assets, property, plant and equipment, right-of-use assets and assets held for sale

	Goodwill €m	Intangible Assets €m	Property, plant and equipment €m	Right-of-use assets €m	Total €m
Net book value at 1 April 2021	551.6	43.3	560.7	233.8	1,389.4
Additions/modifications	-	9.3	73.3	27.1	109.7
Acquisitions through business combinations	-	0.3	0.2	-	0.5
Disposals	-	(0.2)	(3.7)	(1.6)	(5.5)
Transferred to Assets held for sale	-	-	(2.6)	-	(2.6)
Reclassifications	-	(0.4)	0.4	-	-
Amortisation and depreciation charge	-	(8.8)	(69.3)	(44.8)	(122.9)
Impairment charge	-	(2.3)	(5.4)	(0.7)	(8.4)
Net book value at 31 March 2022	551.6	41.2	553.6	213.8	1,360.2
Additions/modifications	-	8.7	117.9	57.4	184.0
Acquisitions through business combinations	17.4	27.9	19.0	38.4	102.7
Disposals	-	-	(4.9)	(5.4)	(10.3)
Transferred to Assets held for sale	-	-	(0.1)	-	(0.1)
Transfer from right-of-use assets to property, plant and equipment	-	-	2.0	(2.0)	-

Amortisation and depreciation charge	-	(10.5)	(69.8)	(47.3)	(127.6)
Impairment charge	-	-	(1.7)	(2.3)	(4.0)
Reversal of a prior year's impairment charge	-	-	2.0	0.5	2.5
Exchange rate changes	-	-	(0.1)	-	(0.1)
Net book value at 31 March 2023	569.0	67.3	617.9	253.1	1,507.3

At 31 March 2023, the Group had property, plant and equipment commitments of €53.1m (2022: €38.6m), right-of-use asset commitments of €17.7m (2022: €38.8m) and intangible asset commitments of €7.6m (2022: €2.7m).

Assets held for sale
The Group had €0.6m (2022: €3.3m) assets classified as held for sale at 31 March 2023, these relate to land and buildings in the Belgium Commercial Division which are expected to be sold within the next 12 months. The prior year value also included €2.0m land and buildings at a Netherlands Commercial Division site and €1.3m in the Belgium Commercial Division in relation to an associate of €0.7m and land and buildings of €0.6m.

11. Cash and borrowings

Cash and cash equivalents are analysed as follows:

	2023 €m	2022 €m
Cash at bank and in hand - core	**43.7**	42.5
Cash at bank - restricted relating to PPP contracts	**19.0**	21.1
Total cash and cash equivalents	**62.7**	63.6

Borrowings are analysed as follows:

	2023 €m	Restated* 2022 €m
Non-current borrowings		
Retail bonds	**199.5**	199.2
Bank loans and private placements – fixed interest rates	**89.6**	24.8
Bank loans – floating interest rates#	**101.1**	12.8
Lease liabilities	**208.3**	178.5
PPP non-recourse debt	**83.1**	94.6
	681.6	509.9
Current borrowings		
Retail bonds	**-**	100.0
Bank loans and private placements – fixed interest rates	**15.0**	-
Bank loans and overdrafts – floating interest rates	**0.1**	1.3
Lease liabilities	**46.5**	41.3
PPP non-recourse debt	**5.2**	5.6
	66.8	148.2

#The revolving credit facility is now included in Bank loans – floating interest rates.
*The comparatives for lease liabilities have been restated due to a prior year adjustment as explained in note 2 Basis of preparation.

Retail bonds
At 31 March 2023, the Group had two issues of green retail bonds. The green retail bonds of €75m (2022: €75m) maturing in July 2024 have an annual gross coupon of 3.00% and the green retail bonds of €125m (2022: €125m) maturing in July 2027 have an annual gross coupon of 3.00%. On 16 June 2022 the €100m green retails bonds with an annual gross coupon of 3.65% were repaid on maturity. The green retail bonds are unsecured and have cross guarantees from members of the Group.

Bank loans - fixed interest rates and floating interest rates
At 31 March 2023, the Group had a Euro denominated multicurrency green finance facility of €470m (2022: €425m) including a €400m (2022: €400.0m) revolving credit facility (RCF) and €70m (2022: €25.0m) European private placements (EUPP).

Of the RCF €30m matures on 18 May 2023, €65m matures on 18 May 2024 and €305m matures on 18 May 2025. At 31 March 2023 €102.5m (2022: €15.0m) of the RCF was drawn for borrowings in Euros with floating interest rates. The remaining €297.5m (2022: €385.0m) was available for drawing of which €48.5m (2022: €48.5m) was allocated for ancillary overdraft and guarantee facilities. The RCF qualifies as green financing as per the Green Finance Framework and is aligned to the International Capital Market Association Green Bond Principles and the Loan Market Association Green Loan Principles. There are four green KPIs which result in an interest rate margin adjustment dependent upon performance against pre-determined targets that were agreed with the Lenders. The green KPIs are non-financial and specific to the performance of the Group in the following areas: recycling and recovery rate, carbon avoidance, percentage of trucks Euro VI compliant and >3 day accident rate. The impact of the margin adjustment is insignificant and therefore the IFRS 9 Financial instruments solely principal payments and interest criteria are met and it is appropriate to account for the RCF on an amortised cost basis.

The EUPP has a maturity of December 2023 for €15m at a fixed interest rate of 2.344%, December 2025 for €10m with a fixed interest rate of 2.916% and November 2029 for the additional €45m drawn in November 2022 at a fixed interest rate of 4.676%.

In November 2022 the Group drew down a new €10m loan repayable in one lump sum on 10 November 2027 at a fixed interest rate of 4.22%. On 17 November 2022 the Group signed a finance contract with the European Investment Bank for a facility of €40m, the first tranche of €25m was drawn on 15 December 2022 at a fixed interest rate of 3.572% repayable in seven equal annual instalments commencing on 15 December 2025.

Movement in total net debt

	Restated* At 1 April 2022 €m	Cash flows €m	Acquired (Note 12) €m	Other non-cash changes €m	Exchange movements €m	**At 31 March 2023 €m**
Bank loans and overdrafts – floating interest rates	(14.1)	(79.4)	(7.0)	(0.6)	(0.1)	**(101.2)**
Bank loans and private placements – fixed interest rates	(24.8)	(80.0)	-	0.2	-	**(104.6)**
Retail bonds	(299.2)	100.0	-	(0.3)	-	**(199.5)**
Lease liabilities	(219.8)	47.5	(30.7)	(52.0)	0.2	**(254.8)**
Debt excluding PPP non-recourse debt	(557.9)	(11.9)	(37.7)	(52.7)	0.1	**(660.1)**
PPP non-recourse debt	(100.2)	8.1	-	-	3.8	**(88.3)**
Total gross debt	(658.1)	(3.8)	(37.7)	(52.7)	3.9	**(748.4)**
Cash and cash equivalents – core	42.5	1.5	-	-	(0.3)	**43.7**
Cash and cash equivalents – restricted relating to PPP contracts	21.1	(1.1)	-	-	(1.0)	**19.0**
Total net debt	(594.5)	(3.4)	(37.7)	(52.7)	2.6	**(685.7)**

Analysis of total net debt:						
Net debt excluding PPP non-recourse net debt	(515.4)	(10.4)	(37.7)	(52.7)	(0.2)	**(616.4)**
PPP non-recourse net debt	(79.1)	7.0	-	-	2.8	**(69.3)**
Total net debt	(594.5)	(3.4)	(37.7)	(52.7)	2.6	**(685.7)**

*The comparatives for lease liabilities have been restated due to a prior year adjustment as explained in note 2 Basis of preparation.

At 31 March 2023 the balance of interest accrued relating to total borrowings was €5.9m (2022: €7.9m) and was included within the accruals and other payables balance. This balance was after finance charges of €29.1m (2022: €29.3m) (including the finance charges impact of the interest rate swaps) net of a cash outflow of €31.3m (2022: €28.4m) (excluding €0.4m (2022: €1.6m of loan fees) and €0.2m (2022: €nil) relating to exchange rate changes.

Analysis of movement in total net debt

	2023 €m	Restated* 2022 €m
Net increase (decrease) in cash and cash equivalents	**0.4**	(6.2)
Net (increase) decrease in borrowings and lease liabilities	**(3.8)**	94.8
Cash flows in total net debt	**(3.4)**	88.6
Bank loans and lease liabilities acquired through a business combination	**(37.7)**	-
Lease liabilities entered into during the year	**(57.4)**	(27.1)
Lease liabilities cancelled during the year	**5.4**	1.5
Capitalisation of loan fees	**0.3**	1.6
Amortisation of loan fees	**(1.0)**	(1.9)
Exchange gain	**2.6**	0.8
Movement in net debt	**(91.2)**	63.5
Total net debt at beginning of year	**(594.5)**	(658.0)
Total net debt at end of year	**(685.7)**	(594.5)

*The comparatives for lease liabilities and exchange gain have been restated due to a prior year adjustment as explained in note 2 Basis of preparation.

12. Acquisitions and Disposals

Acquisitions

Acquisition of GMP Exploitatie B.V.
On 1 August 2022 the Group acquired 100% of the share capital of GMP Exploitatie B.V. and its subsidiaries (subsequently renamed Renewi Westpoort Holding B.V.) for a cash consideration of €53.5m. In addition to the cash purchase consideration paid of €53.5m, the Group immediately settled an acquired €7.0m bank loan.

The business operates from a large and well permitted processing facility located in the port area of Amsterdam. The site of 130,000m2 has excellent road and water access operating two advanced sorting lines for processing mixed construction and demolition waste as well as household waste. In addition, a minerals classification and washing installation produces secondary construction materials from construction and demolition waste. The acquisition will deliver synergies from site rationalisation, route and waste flow optimisation and other operational benefits as part of the Group's Netherlands Commercial Waste division CGU.

The asset identification and fair value allocation processes has been finalised and the table below shows the final values. External specialists were engaged to assist with determining the final balance sheet specifically with regard to intangible assets acquired. The Group has separately identified customer relationships and permits as acquisition related intangibles. The goodwill arising on the acquisition is attributable to management's expectations of synergies to be achieved post acquisition. None of the goodwill on this acquisition is deductible for tax, however deferred tax at a tax rate of 25.8% has been recognised on acquisition intangibles as required under IAS 12 Income Taxes.

Key Valuation methods

Permits
The acquisition included a mix of permits with an infinite lifetime and these were valued following the Income approach – multiperiod excess earning method. The key assumptions are revenue, EBITDA and contributory asset charges in order to determine the appropriate cash flows which are then discounted. As the permits are linked to the site which is located on leased land, the remaining useful life is determined to be equal to the term of the 34 year lease.

Customer relationships
The acquisition included both inbound and outbound customers and the fair value has been calculated by following the Income approach – with-or-without method. The key assumptions are the post-tax cash flows and the time taken to ramp-up to the current customer base. The remaining useful life is determined to be 8 years.

Land and buildings
The buildings are located on leasehold land. Two external real estate advisors performed valuations based on the existing lease arrangement. The acquisition value was adjusted to take account of the favourable element of the land lease which has been added to the right-of-use asset. The remaining useful life is determined to be 34 years in line with the lease term.

	Fair value acquired €m
Intangible assets – Permits	6.0
Intangible assets – Customer relationships	21.6
Property, plant and equipment	18.0
Right-of-use assets	38.4
Trade and other receivables	9.4
Inventories	0.3
Current tax receivable	0.2
	93.9
Trade and other payables	(8.9)
Provisions	(1.3)
Deferred tax liabilities	(9.6)
Borrowings – Bank loan	(7.0)
Borrowings – Lease liabilities	(30.7)
	(57.5)
Net identifiable assets acquired	36.4
Add: Goodwill arising on acquisition	17.1
Net assets acquired	53.5

Purchase consideration	Total €m
Cash consideration	53.5
Less: Cash balances acquired	-
Net cash outflow – investing activities	53.5

In the period from the acquisition to 31 March 2023 the business contributed €30.2m to the Group's revenue and a loss of €2.6m to the Group's profit after tax. If the acquisition had been completed on the first day of the financial year, the business would have contributed €51.8m to the Group's revenue and a loss of €3.1m to the Group's profit after tax. Acquisition related costs of €0.4m were recognised within administrative costs.

Others

In addition, during September 2022 the Netherlands Commercial division completed a business assets acquisition for cash consideration of €1.6m. The assets acquired were €1.0m of plant and machinery with €0.3m allocated to an acquisition related intangible for customer lists and the balance of €0.3m to goodwill.

During the prior year the Netherlands Commercial Division acquired plant and machinery business assets of €0.2m and acquisition related intangible customer lists of €0.3m.

Disposals

On 27 June 2022 the Mineralz & Water division disposed of net liabilities totalling €3.6m in relation to its North business for a cash consideration of €0.2m generating a profit on sale of €3.8m which has been recorded as a non-trading and exceptional item in line with the Group's policy due to the significant value of the profit.

On 5 August 2022 the Specialities division sold its Maltha Hungary entity. Net liabilities of €0.8m were sold for a cash consideration net of cash sold of €0.1m which generated a profit on sale of €0.9m. The profit on sale which included the impact of a recycled cumulative currency translation has been recorded in underlying EBIT.

There were no disposals in the prior year.

13. Provisions

	Site restoration and aftercare €m	Restated* Onerous contracts €m	Legal and warranty €m	Restructuring €m	Other €m	Restated* Total €m
At 31 March 2022 – restated*	156.9	85.7	23.1	4.0	25.3	295.0
Impact of adopting amendments to IAS 37 (note 2)	-	53.2	-	-	-	53.2
At 1 April 2022	156.9	138.9	23.1	4.0	25.3	348.2
Acquisition through business combinations	-	-	-	-	1.3	1.3
Provided in the year	4.9	0.2	0.4	2.6	5.0	13.1
Released in the year	-	-	(15.1)	(1.5)	(3.3)	(19.9)
Disposed of in the year	-	-	-	-	(1.8)	(1.8)
Finance charges – unwinding of discount	4.1	4.0	-	-	0.2	8.3
Utilised in the year	(5.5)	(17.3)	(0.9)	(2.1)	(1.5)	(27.3)
Exceptional impact of increase in discount rates and reassessment of UK Municipal contracts (note 5)	4.3	21.3	-	-	(0.2)	25.4
Exchange rate changes	(0.2)	(5.2)	-	-	-	(5.4)
At 31 March 2023	**164.5**	**141.9**	**7.5**	**3.0**	**25.0**	**341.9**
Within one year	**11.3**	**18.9**	**4.0**	**3.0**	**6.5**	**43.7**
Between one and five years	**40.6**	**62.3**	**0.4**	**-**	**6.0**	**109.3**
Between five and ten years	**61.9**	**32.8**	**0.5**	**-**	**3.3**	**98.5**
Over ten years	**50.7**	**27.9**	**2.6**	**-**	**9.2**	**90.4**
At 31 March 2023	**164.5**	**141.9**	**7.5**	**3.0**	**25.0**	**341.9**
Within one year – restated*	5.7	10.2	4.7	4.0	7.5	32.1
Between one and five years – restated*	49.3	28.2	15.6	-	5.4	98.5
Between five and ten years	50.8	23.1	0.5	-	3.4	77.8
Over ten years	51.1	24.2	2.3	-	9.0	86.6
At 31 March 2022 – restated*	156.9	85.7	23.1	4.0	25.3	295.0

*The comparatives have been restated due to a prior year adjustment as explained in note 2 Basis of preparation.

Site restoration and aftercare

The Group's unavoidable costs have been reassessed at the year end and the NPV fully provided for. The site restoration provisions at 31 March 2023 relate to the cost of final capping and covering of the landfill and mineral extraction sites. These site restoration costs are expected to be paid over a period of up to 28 years (2022: 30 years) from the balance sheet date. Aftercare provisions cover post-closure costs of landfill sites which include such items as monitoring, gas and leachate management and licensing. For aftercare provisions relating to Dutch landfill sites where the province administers and controls the aftercare fund, payments are made to the province at predetermined dates over a period of up to 10 years. Where the Group is responsible for the aftercare 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. All site restoration and aftercare costs have been estimated by management based on current best practice and technology available and may be impacted by a number of factors including changes in legislation and technology.

Onerous contracts

Onerous contract provisions arise when the unavoidable costs of meeting contractual obligations exceed the cash flows expected. They are provided for at the lower of the NPV of either exiting the contracts or fulfilling our obligations under the contracts. As a result of the amendment to IAS 37 for Onerous contracts, at 1 April 2022 provisions for onerous contracts have increased by €53.2m as the amendment now requires the costs of fulfilling a contract consist of both the incremental cost of fulfilling that contract and an allocation of other costs that related directly to fulfilling the contract. Prior to this amendment the Group only included incremental direct costs with an allocation of other divisional costs now included. The provisions have been calculated on the best estimate of likely future cash flows over the contract term based on the latest projections, including assumptions on inflationary increases, tonnage inputs, off-take availability and recyclates pricing. The provisions are to be utilised over the period of the contracts to which they relate with the latest date being 2040.

Legal and warranty

Legal and warranty provisions relate to 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. The Group has a liability until the end of the contractual terms in the agreements. The Group considers each warranty provision based on the nature of the business disposed of and the type of warranties provided with judgement used to determine the most likely obligation.

On 6 February 2020 the European Commission announced its decision to initiate a formal investigation in which it alleges that the Walloon Region of Belgium provided state aid to the Group in relation to the Cetem landfill. An adverse judgement would have required the Walloon Region to seek repayment from the Group and a provision of €15.1m was recognised. On 3 March 2023 the European Commission concluded its formal investigation and determined that the Belgian Walloon Region did not provide State Aid to the Group. As a result the provision has been released during the year ended 31 March 2023 and there is no longer a contingent liability.

Restructuring

The restructuring provision primarily relates to redundancy and related costs incurred as a result of restructuring initiatives. The provision is expected to be spent in the following twelve months as affected employees leave the business.

Other
Other provisions includes dilapidations €10.9m (2022: €9.1m), long-service employee awards €6.0m (2022: €7.0m) and other environmental liabilities €8.1m (2022: €9.2m). The dilapidations provisions are determined on a site by site basis using internal expertise and experience and are calculated as the most likely cash outflow at the end of the contracted obligation. The provisions will be utilised over the period up to 2072.

14. Defined benefit pension schemes

The Group has the legacy Shanks UK defined benefit scheme which provides pension benefits for pensioners, deferred members and eligible UK employees which is closed to new entrants and to future benefit accrual. In addition there are a number of defined benefit pension schemes eligible for certain employees in both the Netherlands and Belgium.

The amounts recognised in the Income Statement were as follows:

	2023 €m	2022 €m
Current service cost	**1.7**	2.3
Curtailment	**(0.3)**	-
Interest (income) expense on scheme net liabilities	**(0.2)**	0.1
Net defined benefit pension schemes charge before tax	**1.2**	2.4

The amounts recognised in the balance sheet were as follows:

	2023 €m	2022 €m
Present value of deferred benefit obligations	**(201.1)**	(275.7)
Fair value of plan assets	**191.8**	278.0
Defined benefit pension schemes net (deficit) asset	**(9.3)**	2.3
Related deferred tax asset	**2.4**	(0.5)
Net defined pension schemes (liability) asset	**(6.9)**	1.8
Classified as:		
Defined benefit scheme surplus - included in non-current assets	**-**	8.6
Defined benefit pension schemes deficit - included in non-current liabilities	**(9.3)**	(6.3)
Defined benefit pension schemes net (deficit) asset	**(9.3)**	2.3

The legacy Shanks UK defined benefit scheme moved by €12.9m from an asset of €8.6m at 31 March 2022 to a deficit of €4.3m at 31 March 2023. This was due to lower returns on pension scheme assets which were only partly offset by an increase in the discount rate assumption on scheme liabilities from 2.8% at 31 March 2022 to 4.9% at 31 March 2023. The deficit for the overseas defined benefit schemes reduced by €1.3m to €5.0m as a result of increased discount rate assumptions on scheme liabilities.

15. Financial instruments 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

During the period ended 31 March 2023, there were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3.

Valuation techniques used to derive level 2 fair values:

- Unlisted non-current investments comprise unconsolidated companies where the fair value approximates the book value
- Short-term investment valuations are provided by the fund manager
- Derivative financial instruments are determined by discounting the future cash flows using the applicable period-end yield curve
- The fair value of the fixed interest rate bank loans and private placements are determined by discounting the future cash flows using the applicable period-end yield curve
- The fair value of retail bonds is based on indicative market pricing

The table below presents the Group's assets and liabilities measured at fair values. The Group considers that the fair value of all other financial assets and financial liabilities are not materially different to their carrying value.

	Level 2	
	2023 €m	2022 €m
Assets		
Unlisted non-current investments	**4.6**	4.6
Short-term investments	**10.9**	11.1
Derivative financial instruments	**1.6**	7.0
	17.1	22.7
Liabilities		
Derivative financial instruments	**4.5**	14.7
Bank loans and private placements – fixed interest rates	**110.6**	25.7
Retail bonds	**196.5**	300.2
	311.6	340.6

16. Contingent liabilities

Since 2017 ATM faces challenges in the offtake of thermally treated soil. This resulted in a criminal investigation, which was initiated in 2019 and closed in April 2022 without any prosecution. It is noted, however, that there are discussions ongoing on the application of thermally cleaned soil in certain areas in the Netherlands and it cannot be ruled out that this could result in liability for damages resulting from third party claims in the future.

All sites need to operate in alignment with the related permits and when new regulatory requirements come into force, the Group may need to undertake additional expenditure to align to new standards. No account is taken of any potential changes until the new obligations are fully defined and enforceable. At one of the landfill sites in Belgium there is a risk that when a new permit is issued during the next 12 months, there could be a change in relation to the water treatment requirements as a result of new landfill regulations expected to be approved during 2023. We consider the most likely impact to be additional costs of up to €3m however the maximum exposure could be €14m. Due to the uncertainty of the outcome, these costs have not been included within the landfill provision and are therefore considered to be a contingent liability.

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. None of these other matters are expected to have a material impact.

Under the terms of sale agreements, the Group has given a number of indemnities and warranties relating to businesses sold in prior periods. Different warranty periods are in existence and it is assumed that these will expire within 15 years. Based on management's assessment of the most likely outcome appropriate warranty provisions are held.

In respect of contractual liabilities the Group and its subsidiaries have given guarantees and entered into counter indemnities of bonds and guarantees given on their behalf by sureties and banks totalling €229.2m (2022: €226.0m).

17. Alternative performance measures (APMs) and reconciliations

In accordance with the Guidelines on APMs issued by the European Securities and Markets Authority, additional information is provided on the APMs used by the Group below. The Directors use APMs 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. There have been no changes in approach.

Financial Measure	How we define it	Why we use it
Underlying EBIT	Operating profit excluding non-trading and exceptional items which are defined in note 5	Provides insight into profit generation and is the measure used by management to make decisions as it provides consistency and comparability of the ongoing performance between periods
Underlying EBIT margin	Underlying EBIT as a percentage of revenue	Provides insight into margin development and trends
Underlying EBITDA	Underlying EBIT before depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets, intangible assets and investments, profit or loss on disposal of property, plant and equipment, intangible assets and subsidiaries	Measure of earnings and cash generation to assess operational performance
Underlying EBITDA margin	Underlying EBITDA as a percentage of revenue	Provides insight into margin development and trends
Underlying profit before tax	Profit before tax excluding non-trading and exceptional items	Facilitates underlying performance evaluation
Underlying EPS	Earnings per share excluding non-trading and exceptional items	Facilitates underlying performance evaluation
Underlying effective tax rate	The effective tax rate on underlying profit before tax	Provides a more comparable basis to analyse the tax rate
Return on operating assets	Last 12 months underlying EBIT divided by a 13-month average of net assets excluding core net debt, IFRS 16 lease liabilities, derivatives, tax balances, goodwill and acquisition related intangibles	Provides a measure of the return on assets across the Divisions and the Group excluding goodwill and acquisition related 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 net assets excluding core net debt, IFRS 16 lease liabilities and derivatives	Provides a measure of the Group return on assets taking into account the goodwill and acquisition related intangible balances
Growth capital expenditure	Growth capital projects which include the innovation portfolio and other large strategic investments	Provides an understanding of how cash is being spent to grow the business
Adjusted free cash flow	Net cash generated from operating activities including interest, tax and replacement capital spend and excluding cash flows from non-trading and exceptional items, Covid-19 tax deferral payments, settlement of historic ATM soil liabilities and cash flows relating to the UK PPP contracts. Payments to fund defined benefit pension schemes are also excluded as these schemes are now closed to both new members and ongoing accrual and as such relate to historic liabilities. The Municipal contract cash flows are excluded because they principally relate to onerous contracts as reported in exceptional charges in the past and caused by adverse market conditions not identified at the inception of the contract	Measure of cash generation in the underlying business available to fund growth capital projects and invest in acquisition. We classify our capital spend into general replacement expenditure and growth capital projects which include the innovation portfolio and other large strategic investments
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 and historic liabilities to pay dividends, fund growth capital projects and invest in acquisitions
Free cash flow conversion	The ratio of free cash flow to underlying EBIT	Provides an understanding of how profits convert into cash

Financial Measure	How we define it	Why we use it
Non-trading and exceptional cash flow items	Renewi 2.0 and other exceptional cash flows are presented in cash flows from operating activities and are included in the categories in note 5, net of opening and closing Balance Sheet positions	Provides useful information on non-trading and exceptional cash flow spend
Total cash flow	Total cash flow is the movement in net debt excluding loan fee capitalisation and amortisation, exchange movements, settlement of cross-currency interest rate swaps, movement in PPP cash and PPP non-recourse debt, additions to IFRS 16 lease liabilities and lease liabilities acquired through a business combination	Provides an understanding of total cash flow of the Group
Core cash	Core cash excludes cash and cash equivalents relating to UK PPP contracts	The cash relating to UK PPP contracts is not freely available to the Group and is excluded from financial covenant calculations of the main multicurrency green finance facility therefore excluding this gives a suitable measure of cash for the Group
Core net debt	Core net debt includes core cash excludes debt relating to the UK PPP contracts and lease liabilities as a result of IFRS 16	The borrowings relating to the UK PPP contracts are non-recourse to the Group and excluding these gives a suitable measure of indebtedness for the Group and IFRS 16 lease liabilities are excluded as financial covenants on the main multicurrency green finance facility remain on a frozen GAAP basis
Liquidity	Liquidity headroom includes core cash and undrawn committed amounts on the multicurrency green finance facility and the European Investment Bank facility	Provides an understanding of available headroom to the Group
Net debt to EBITDA/leverage ratio	This is the key covenant of the Group's banking facilities which is calculated following an agreed methodology to protect the Group from potential volatility caused by accounting standard changes, sudden movements in exchange rates and exceptional items. Net debt and EBITDA are measured on a frozen GAAP basis with the main impact of this being the exclusion of IFRS 16 Lease Liabilities. Exceptional items are excluded from EBITDA and cash and debt relating to UK PPP contracts is excluded from net debt. Net debt and EBITDA are translated	Commonly used measure of financial leverage and consistent with covenant definition

	to Euros using average exchange rates for the period. Covenant ratios are measured quarterly on a rolling 12-month basis at March, June, September and December	

Reconciliation of operating profit (loss) to underlying EBITDA

2023	**Netherlands Commercial Waste €m**	**Belgium Commercial Waste €m**	**Mineralz & Water €m**	**Specialities €m**	**Group central services €m**	**Total €m**
Operating profit (loss)	69.4	65.3	1.0	(3.0)	(11.3)	**121.4**
Non-trading and exceptional items (excluding finance items)	7.5	(12.9)	(0.5)	20.1	(2.7)	**11.5**
Underlying EBIT	76.9	52.4	0.5	17.1	(14.0)	**132.9**
Depreciation and impairment of property, plant and equipment and right-of-use assets	57.1	31.2	17.0	7.8	6.2	**119.3**
Amortisation of intangible assets (excluding acquisition intangibles)	0.9	-	0.9	0.2	3.5	**5.5**
Impairment of investment in associate	-	-	-	0.9	-	**0.9**
Non-exceptional gain on disposal of property, plant and equipment, intangible assets and subsidiaries	(1.9)	(0.2)	(0.1)	(0.8)	-	**(3.0)**
Underlying EBITDA	**133.0**	**83.4**	**18.3**	**25.2**	**(4.3)**	**255.6**

2022	Netherlands Commercial Waste €m	Belgium Commercial Waste €m	Mineralz & Water €m	Specialities €m	Group central services €m	Total €m
Operating profit (loss)	89.1	40.4	8.7	3.2	(17.4)	124.0
Non-trading and exceptional items (excluding finance items)	4.0	2.2	(2.9)	0.9	5.4	9.6
Underlying EBIT	93.1	42.6	5.8	4.1	(12.0)	133.6
Depreciation and impairment of property, plant and equipment and right-of-use assets	56.2	34.2	16.0	8.1	5.7	120.2
Amortisation and impairment of intangible assets (excluding acquisition intangibles)	0.9	-	0.6	0.6	5.6	7.7
Impairment of investment in associate	-	-	-	1.9	-	1.9
Non-exceptional (gain) loss on disposal of property, plant and equipment and intangible assets	(1.3)	0.7	-	(0.2)	-	(0.8)
Underlying EBITDA	148.9	77.5	22.4	14.5	(0.7)	262.6

Calculation of return on operating assets

2023	Netherlands Commercial Waste €m	Belgium Commercial Waste €m	Mineralz & Water €m	Specialities excluding UK Municipal €m	Group €m
Underlying EBIT	76.9	52.4	0.5	15.9	132.9
13 month average of operating assets	398.2	110.8	64.4	44.9	360.0
Return on operating assets	**19.3%**	**47.3%**	**0.8%**	**35.4%**	**36.9%**
2022					
Underlying EBIT	93.1	42.6	5.8	11.3	133.6
13 month average of operating assets	355.3	92.3	51.8	39.3	313.6
Return on operating assets	26.2%	46.2%	11.3%	28.9%	42.6%

Calculation of post-tax return on capital employed

	2023 €m	2022 €m
Operating profit	**121.4**	124.0
Non-trading and exceptional items in operating profit	**11.5**	9.6
Underlying EBIT	**132.9**	133.6
Tax at effective rate (2023: 27.1%, 2022: 25.0%)	**(36.0)**	(33.4)
Post tax underlying EBIT	**96.9**	100.2
13 month average of capital employed	**915.3**	860.6
Post-tax return on capital employed	**10.6%**	11.6%

Reconciliation of statutory profit before tax to underlying profit before tax

	2023 €m	2022 €m
Statutory profit before tax	**93.1**	95.7
Non-trading and exceptional items in operating profit	**11.5**	9.6
Non-trading and exceptional finance net income	**(0.9)**	(0.1)
Underlying profit before tax	**103.7**	105.2

Reconciliation of free cash flow and adjusted free cash flow as presented in the Finance review

	2023 €m	Restated* 2022 €m
Net cash generated from operating activities	**188.4**	179.7
Exclude non-trading and exceptional provisions and working capital	**4.4**	11.0
Exclude payments to fund defined benefit pension schemes	**3.5**	3.6
Include finance charges and loan fees paid	**(31.3)**	(28.4)
Include finance income received	**10.6**	9.9
Include repayment of obligations under lease liabilities	**(47.5)**	(43.5)
Include purchases of replacement items of intangible assets	**(9.9)**	(8.4)
Include purchases of replacement items of property, plant and equipment	**(84.2)**	(64.5)
Include proceeds from disposals of property, plant & equipment	**6.8**	4.7
Include capital received in respect of PPP financial asset net of outflows	**6.0**	5.7

Include repayment of UK Municipal contracts PPP debt	**(8.1)**	(5.7)
Include movement in UK Municipal contracts PPP cash	**1.1**	(3.6)
Free cash flow	**39.8**	60.5
Exclude deferred Covid taxes paid	**19.7**	10.6
Exclude offtake of ATM soil	**1.2**	10.3
Exclude UK Municipal contracts	**12.2**	9.9
Adjusted free cash flow	**72.9**	91.3

*The comparatives have been restated due to a prior year adjustment as explained in note 2 Basis of preparation.

Reconciliation of net capital spend in the Finance review to purchases and disposal proceeds of property, plant and equipment and intangible assets within Investing activities in the consolidated Statement of Cash Flows

	2023 €m	2022 €m
Purchases of intangible assets	**(9.9)**	(8.4)
Purchases of replacement property, plant and equipment	**(84.2)**	(64.5)
Proceed from disposals of property, plant and equipment	**6.8**	4.7
Net replacement capital expenditure	**(87.3)**	(68.2)
Growth capital expenditure	**(30.8)**	(13.1)
Total capital spend as shown in the cash flow in the Finance review	**(118.1)**	(81.3)

	2023 €m	2022 €m
Purchases of intangible assets	**(9.9)**	(8.4)
Purchases of property, plant and equipment (replacement and growth)	**(115.0)**	(77.6)
Proceed from disposals of property, plant and equipment	**6.8**	4.7
Purchases and disposal proceeds of property, plant and equipment and intangible assets within Investing activities in the consolidated Statement of Cash Flows	**(118.1)**	(81.3)

Reconciliation of property, plant and equipment additions to replacement capital expenditure as presented in the Finance review

	2023 €m	2022 €m
Property, plant and equipment additions (note 10)	**(117.9)**	(73.3)
Intangible asset additions (note 10)	**(8.7)**	(9.3)
Proceeds from disposals of property, plant and equipment	**6.8**	4.7
Movement in capital creditors (included in trade and other payables)	**1.7**	(1.9)
Growth capital expenditure – as disclosed in the Finance review	**30.8**	13.1
Government grants received in a prior period transferred to property, plant and equipment	**-**	(1.5)
Replacement capital expenditure per the Finance review	**(87.3)**	(68.2)

Reconciliation of total cash flow as presented in the Finance review to the movement in total net debt

	2023 €m	Restated* 2022 €m
Total cash flow	**(64.9)**	29.4
Additions to lease liabilities net of cancelled lease liabilities	**(52.0)**	(25.6)
Lease liabilities acquired through a business combination	**(30.7)**	-
Repayment of obligations under lease liabilities	**47.5**	43.5
Movement in PPP non-recourse debt	**8.1**	5.7
Movement in PPP cash and cash equivalents	**(1.1)**	3.6
Capitalisation of loan fees net of amortisation	**(0.7)**	(0.3)
Exchange movements	**2.6**	0.8
Settlement of cross-currency interest rate swaps	**-**	6.4
Movement in total net debt (note 11)	**(91.2)**	63.5

*The comparatives have been restated due to a prior year adjustment as explained in note 2 Basis of preparation.

Reconciliation of total cash flow as presented in the Finance review to the movement in cash

	2023 €m	2022 €m
Total cash flow	**(64.9)**	29.4
Proceeds from retail bonds	**-**	125.0
Repayment of retail bonds	**(100.0)**	-
Proceeds from bank borrowings	**565.0**	141.6
Repayment of bank borrowings	**(405.6)**	(312.2)
Bank loan acquired through business combination	**7.0**	-
Movement in PPP cash and cash equivalents	**(1.1)**	3.6
Exchange movements	**(1.3)**	1.0
Settlement of cross-currency interest rate swaps	**-**	6.4
Movement in total cash	**(0.9)**	(5.2)

Reconciliation of total net debt to net debt under covenant definition

	2023 €m	Restated* 2022 €m
Total net debt	**(685.7)**	(594.5)
Exclude PPP non-recourse debt	**88.3**	100.2
Exclude PPP cash and cash equivalents	**(19.0)**	(21.1)
Exclude IFRS 16 lease liabilities	**245.8**	212.4
Net debt aligned with covenant definition	**(370.6)**	(303.0)

*The comparatives have been restated due to a prior year adjustment as explained in note 2 Basis of preparation.

APPENDIX

Principal Risks and Uncertainties affecting the Group

Product pricing, demand and quality – That the value we receive for recycled product falls, that markets contract, reducing demand for our product, or we become unable to produce to the required quality.

Residue costs, capacity and specification – Lack of capacity at outlets and/or inability to produce in specification, resulting in increased price or limitations of disposal of burnable waste and other residues.

Input volumes – That incoming waste volumes in the market may fall.

Changes in law and policy – Adverse impacts from changes in law and policy, including environmental, tax and similar legal and policy regimes, including changes in regulatory attitude and behaviours as a result of shifts in public opinion.

Disruptive event – That a disruptive event such as a pandemic or war has severe consequences for our incoming waste streams, market prices, access to energy and workforce, causing business interruption or loss.

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

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

Labour availability and cost – That there are shortages of certain labour types, leading to unavailability or severe wage inflation.

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

Unsustainable debt – That funding is not available or that funding sources are available, but that cash generation is insufficient to allow access to funding.

Regulatory compliance – That we fail to comply with environmental permits and/or environmental laws and regulations.

Talent development, leadership and diversity – That we fail to develop the required management capabilities for future needs.

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

Input pricing – That market pricing may put pressure on our margins.

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

Climate related physical risks – extreme heat, water stress and drought, flooding, storms and wind.

Climate related transition risks – increasing pricing of greenhouse gas emissions, supply chain emissions transparency, lack of developing climate policies, changes in waste volume and composition due to reduce and reuse principles.

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