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THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended (“FSMA”), if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This document comprises (i) a circular prepared in accordance with the Listing Rules of the Financial Conduct Authority (the “FCA”) made under section 73A of FSMA (the “Listing Rules”); and (ii) a prospectus relating to Shanks Group plc (“Shanks” and, together with its subsidiaries and subsidiary undertakings from time to time, the “Shanks Group”) prepared in accordance with the Prospectus Rules of the FCA made under section 73A of FSMA (the “Prospectus Rules”), and approved by the FCA under section 87A of FSMA (together, the “Combined Circular and Prospectus”). This Combined Circular and Prospectus has been made available to the public in accordance with the Prospectus Rules.

If you sell or have sold or have otherwise transferred all of your ordinary shares of 10 pence each in Shanks (the “Ordinary Shares”) (other than ex-rights) held in certificated form before 8.00 a.m. (London time) on 26 October 2016 (the “Ex-Rights Date”), please send this Combined Circular and Prospectus, together with the accompanying Form of Proxy and any Provisional Allotment Letter (each as defined herein) that you may receive as soon as possible to the purchaser or transferee, or the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee except that such documents should not be forwarded or transmitted in or into the United States, Australia, Canada, Japan or the Republic of South Africa, or any other jurisdiction where the extension into or availability of the offer of new Ordinary Shares by way of rights (the “Rights Issue Shares”) to certain shareholders of Shanks (the “Rights Issue”) or the offer of new Ordinary Shares to certain placees (the “Firm Placing Shares” and, together with the Rights Issue Shares, the “Equity Issue Shares”) pursuant to a firm placing (the “Firm Placing” and, together with the Rights Issue, the “Equity Issue”) would breach any applicable law (collectively, the “Excluded Jurisdictions”). If you sell or have sold or have otherwise transferred all or some of the Ordinary Shares (other than ex-rights) held by you in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear UK and Ireland Limited (“Euroclear”) which, on settlement, will transfer the appropriate number of Nil Paid Rights (as defined herein) to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares (other than ex-rights) held by in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part 3 (*Terms and conditions of the Equity Issue*) of this Combined Circular and Prospectus and in any Provisional Allotment Letter.

The distribution of this Combined Circular and Prospectus and/or the accompanying Form of Proxy and any Provisional Allotment Letter and/or the transfer of Nil Paid Rights, Fully Paid Rights, Rights Issue Shares, Firm Placing Shares and/or Ordinary Shares into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this Combined Circular and Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions.



SHANKS GROUP PLC

(a public limited company incorporated and registered in Scotland under the Companies Act 2006, with registered number SC077438)

Proposed Merger with van Gansewinkel Groep B.V.

and

Proposed Firm Placing of 45,000,000 Firm Placing Shares at 100 pence per Firm Placing Share

Proposed 3 for 8 Rights Issue of 166,201,962 Rights Issue Shares at 58 pence per Rights Issue Share

Proposed issue of up to 190,187,502 Consideration Shares in connection with the proposed Merger

Admission of the Firm Placing Shares, the Rights Issue Shares and the Consideration Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities

and

Notice of General Meeting

Greenhill & Co. International LLP

*Financial Advisers and
Joint Sponsor*

Investec Bank plc

*Joint Sponsor and
Sole Underwriter and Bookrunner*

A notice of General Meeting of Shanks (the “**Notice of General Meeting**”), to be held at the offices of Ashurst LLP at Broadwalk House, 5 Appold Street, London EC2A 2HA at 10.00 a.m. on 24 October 2016 (the “**General Meeting**”), is set out at the end of this Combined Circular and Prospectus. Whether or not you intend to be present at the General Meeting, you are asked to complete and return the enclosed form of proxy (the “**Form of Proxy**”) in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by Shanks’ registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY (the “**Registrar**”), by not later than 10.00 a.m. on 20 October 2016 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Completion and return of a Form of Proxy will not preclude a holder of Ordinary Shares (a “**Shareholder**”) from attending and voting at the General Meeting should they so wish.

The Ordinary Shares are admitted to the premium listing segment of the Official List of the FCA (the “**Official List**”) and to trading on the London Stock Exchange plc’s (the “**London Stock Exchange**”) main market for listed securities (the “**Main Market**”). Applications will be made to the FCA and the London Stock Exchange, respectively, for the Equity Issue Shares to be admitted to the premium listing segment of the Official List and to trading on the Main Market (together, “**Equity Issue Admission**”). It is expected that Equity Issue Admission will become effective and that dealings in the Firm Placing Shares and the Rights Issue Shares (nil paid) will commence on the Main Market at 8.00 a.m. on 26 October 2016. It is expected that dealings in the Rights Issue Shares (fully paid) will commence on the Main Market at 8.00 a.m. on 10 November 2016. No application has been, or is currently intended to be, made for the Equity Issue Shares to be admitted to listing or trading on any other stock exchange.

As the Merger constitutes a reverse takeover under the Listing Rules, admission of the Ordinary Shares to the premium listing segment of the Official List and to trading on the Main Market will be cancelled on Completion. Further applications will be made to the FCA and the London Stock Exchange, respectively, for the Ordinary Shares, including the new Ordinary Shares to be issued at Completion as part consideration for the Merger (the “**Consideration Shares**”), to be re-admitted to the premium listing segment of the Official List and to trading on the Main Market (together, “**Consideration Share Admission**” and “**Re-admission**”).

It is expected that Consideration Share Admission and Re-admission will become effective upon or as soon as practicable following Completion (and in any case no earlier than 20 Business Days (as defined herein) from the date of the General Meeting) (whereupon an announcement will be made by Shanks to a Regulatory Information Service). However, there is no guarantee that Consideration Share Admission or Re-admission will occur. No application has been, or is currently intended to be, made for the Consideration Shares to be admitted to listing or trading on any other stock exchange.

You should read the entirety of this Combined Circular and Prospectus and any documents incorporated herein by reference and, in particular, the letter of recommendation from the Chairman which is set out in Part 1 of this Combined Circular and Prospectus and the section titled “Risk Factors” for a discussion of certain risks and other factors that you should consider when deciding on what action to take in relation to the Merger and the Equity Issue (together, the “Transaction”), and when deciding whether or not to acquire Nil Paid Rights, Fully Paid Rights or Equity Issue Shares.

Greenhill & Co. International LLP (“**Greenhill**”) is authorised and regulated in the United Kingdom by the FCA and Investec Bank plc (“**Investec**” or the “**Sole Underwriter and Bookrunner**” and, together with Greenhill, the “**Joint Sponsors**”) is authorised in the United Kingdom by the Prudential Regulation Authority (the “**PRA**”) and regulated by the FCA and the PRA. Each of Greenhill and Investec is acting exclusively for Shanks and no one else in connection with this Combined Circular and Prospectus, the Merger (as defined herein), Consideration Share Admission, the Equity Issue and Equity Issue Admission and will not regard any other person (whether or not a recipient of this Combined Circular and Prospectus) as a client in relation to the Merger, Consideration Share Admission, the Equity Issue or Equity Issue Admission and will not be responsible to anyone other than Shanks for providing the protections afforded to their respective clients or for giving advice in relation to the Merger, Consideration Share Admission, the Equity Issue, Equity Issue Admission or any transaction or arrangement referred to in this Combined Circular and Prospectus.

Apart from the responsibilities and liabilities, if any, which may be imposed by FSMA or the regulatory regime established thereunder, none of Greenhill, Investec or any of their respective affiliates accepts any responsibility whatsoever or makes any representation or warranty, express or implied, in respect of the contents of this Combined Circular and Prospectus, including its accuracy, completeness or verification or for any other statement made or purported to be made by or on behalf of it, Shanks or the directors of

Shanks (the “**Directors**” or the “**Board**”) in connection with Shanks, the Equity Issue Shares, the Consideration Shares, the Merger, Consideration Share Admission, the Equity Issue or Equity Issue Admission and nothing in this Combined Circular and Prospectus is or shall be relied upon as a promise, warrant or representation in this respect, whether as to the past or the future. Each of the Joint Sponsors accordingly disclaims, to the fullest extent permitted by applicable law, all and any liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above) which it might have in respect of this Combined Circular and Prospectus or any such statement.

Each of the Joint Sponsors and any of their respective affiliates may, in accordance with applicable legal and regulatory provisions and subject to the Underwriting Agreement (as defined herein), engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the Equity Issue Shares, the Ordinary Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure or otherwise. Except as required by applicable law or regulation, the Joint Sponsors do not propose to make any public disclosure in relation to such transactions.

The Joint Sponsors and their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, Shanks for which they would have received customary fees. The Joint Sponsors and any of their respective affiliates may provide such services to Shanks and any of its affiliates in the future.

No person has been authorised to give any information or make any representations other than those contained in this Combined Circular and Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by Shanks, the Directors or the Joint Sponsors. Neither the publication or delivery of this Combined Circular and Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in Shanks’ affairs since the date of this Combined Circular and Prospectus or that the information in this Combined Circular and Prospectus is correct as at any time subsequent to its date.

This Combined Circular and Prospectus does not constitute or form part of any offer to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the securities to which it relates, or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such securities by any person in any circumstances in which such offer or solicitation is unlawful. Persons into whose possession this Combined Circular and Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdiction.

In making an investment decision, each investor must rely on their own examination, analysis and enquiry of Shanks and the terms of the Equity Issue, including the merits and risks involved.

Investors also acknowledge that: (i) they have not relied on the Joint Sponsors or any person affiliated with the Joint Sponsors in connection with any investigation of the accuracy of any information contained in this Combined Circular and Prospectus or their investment decision; (ii) they have relied only on the information contained in this Combined Circular and Prospectus; and (iii) that no person has been authorised to give any information or to make any representation concerning Shanks or its subsidiaries or the Consideration Shares, the Nil Paid Rights, the Fully Paid Rights or the Equity Issue Shares (other than as contained in this Combined Circular and Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by Shanks or the Joint Sponsors.

Notice to Shareholders and prospective investors in the United States

The Firm Placing Shares, the Nil Paid Rights, the Fully Paid Rights, the Rights Issue Shares, the Provisional Allotment Letters and the Consideration Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the “**US Securities Act**”), or under the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, pledged or otherwise transferred or delivered, directly or indirectly, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of Consideration Shares, Nil Paid Rights, Fully Paid Rights, Equity Issue Shares or Provisional Allotment Letters in the United States.

None of Firm Placing Shares, the Nil Paid Rights, the Fully Paid Rights, the Rights Issue Shares, the Provisional Allotment Letters, the Consideration Shares or this Combined Circular and Prospectus or any other offering document has been approved or disapproved by the US Securities and Exchange

Commission, or any state securities commission or any regulatory authority of any state or other jurisdiction in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the Equity Issue, the issue of the Consideration Shares or the accuracy or adequacy of this Combined Circular and Prospectus. Any representation to the contrary is a criminal offence in the United States.

Subject to certain exceptions, neither this Combined Circular and Prospectus nor the Provisional Allotment Letters will be distributed in or into the United States or any of the other Excluded Jurisdictions, and neither this Combined Circular and Prospectus nor the Provisional Allotment Letters constitute an offer of Firm Placing Shares, the Nil Paid Rights, the Fully Paid Rights, the Rights Issue Shares, the Provisional Allotment Letters or the Consideration Shares to any Shareholder with a registered address in, or who is resident or located in, the United States or any of the other Excluded Jurisdictions.

For a description of these and certain further restrictions on the offer, sale and transfer of the Ordinary Shares and distribution of this Combined Circular and Prospectus, see paragraph 3 of Part 3 (*Terms and conditions of the Equity Issue*) of this Combined Circular and Prospectus. Please note that by receiving this Combined Circular and Prospectus, investors shall be deemed to have made certain representations, acknowledgements and agreements set out herein including, without limitation, those set out in paragraph 4 of Part 3 (*Terms and conditions of the Equity Issue*).

The date of this Combined Circular and Prospectus is 29 September 2016.

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SUMMARY

Summaries are made up of disclosure requirements known as ‘Elements’. These Elements are numbered in Sections A-E (A.1-E.7) below. This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

Section A—Introduction and Warnings	
A.1	Introduction
	<i>This summary should be read as an introduction to the Combined Circular and Prospectus. Any decision to invest in the Ordinary Shares should be based on consideration of the Combined Circular and Prospectus as a whole by the investor; where a claim relating to the information contained in the Combined Circular and Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Economic Area (“EEA”), have to bear the costs of translating the Combined Circular and Prospectus before the legal proceedings are initiated; and civil liability attaches only to Shanks and its Directors, who are responsible for this summary including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Combined Circular and Prospectus or it does not provide, when read together with the other parts of the Combined Circular and Prospectus, key information in order to aid investors when considering whether to invest in the Ordinary Shares.</i>
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries
	Not applicable. Shanks is not engaging any financial intermediaries for any resale of securities or final placement of securities requiring a prospectus after publication of this Combined Circular and Prospectus.

Section B—Issuer	
B.1	Legal and commercial name
	Shanks Group plc.
B.2	Domicile / legal form / legislation/ country of incorporation
	Shanks is a public company limited by shares incorporated and registered in Scotland under the Companies Act 2006 (the “ Companies Act ”), with registered number SC077438. Its corporate head office is in England and its registered office is in Scotland.
B.3	Description of, and key factors relating to, current operations / principal activities / principal markets
	<p>The Shanks Group</p> <p>The Shanks Group is a leading international waste-to-product company with over 80 facilities handling approximately 8.4 million tonnes of waste a year. In line with the growing need to manage waste without damaging the environment, Shanks’ predominant focus is on extracting value from waste, rather than its disposal through mass burn incineration or landfill.</p> <p>The Shanks Group’s operations are located in the Netherlands, Belgium, the United Kingdom and Canada.</p> <p>Strategically, the Shanks Group’s activities are closely aligned with the direction of legislation and regulation, seeking to use a wide range of different technologies and know-how to maximise recycling and landfill diversion.</p>

Section B—Issuer

The principal activities of the Shanks Group are waste processing and waste management. These activities can be broken down into the following main categories:

- *Commercial*—the Shanks Group is a market leader in the collection and treatment of commercial waste in the Netherlands and Belgium;
- *Hazardous*—the Shanks Group is a European leader in the treatment of contaminated soil and water, and a leader in industrial cleaning in the Netherlands; and
- *Municipal*—the Shanks Group is a leading provider of sustainable waste-to-product solutions for municipal customers in the United Kingdom and Canada.

On 29 September 2016, Shanks announced that it had reached agreement on the terms of its proposed merger with van Gansewinkel Groep B.V. (“VGG” and, together with its subsidiaries, the “VGG Group”) (the “Merger”). Following completion of the Merger (“Completion”), the Shanks Group and the VGG Group will be merged to form the “Combined Group”.

The VGG Group

Founded in 1964, the VGG Group is a leading waste management service provider, recycler and supplier of high-quality secondary raw materials in Europe through collection, processing and treatment of commercial and residential waste. VGG is a market leader in its home market, the Benelux region, and also operates in Germany, France, Portugal and Hungary. The VGG Group is headquartered in Eindhoven, the Netherlands.

The VGG Group’s operations can be divided into two key business segments:

- *Waste Collection*—comprising the VGG Netherlands and VGG Belgium divisions, which are specialised in the collection, sorting and recycling of commercial, domestic and chemical waste from businesses, households, municipalities and other entities; and
- *Recycling*—comprising the Coolrec, Maltha and VGG Minerals businesses, which convert specific waste and material streams into high-quality secondary raw materials in the Benelux region, Germany, France, Portugal and Hungary.

In addition to these current business operations, the VGG Group is involved in new initiatives and partnerships as part of its ‘waste no more’ vision to improve the recovery grade and quality of secondary raw materials and to take on a leading role in the transformation to a circular economy.

During 2015, the VGG Group consolidated its position as a European leader in the waste services and recycling sectors, despite challenging markets through a strategy that focused on implementing cost savings and performance improvement measures within the business. In addition, in 2015, the VGG Group undertook a Debt Restructuring (as defined herein) and sold its non-core collection subsidiaries in Poland, the Czech Republic and France.

B.4a	<p>Significant trends affecting Shanks and its industry</p> <p>The general economic recession resulted in lower volumes of waste arising throughout calendar year 2014. Calendar years 2015 and 2016 have seen stabilisation and signs of improvement, especially in the construction and demolition segment.</p> <p>Within the Netherlands waste industry, over-capacity in the incinerator segment has led to downward pressure on prices between 2012 and 2014. The introduction of a €13 per tonne incinerator tax in January 2015, coupled with import of UK and other waste to fill vacant capacity, has resulted in the stabilisation and steady increase in incinerator gate fees, with a corresponding easing of market conditions for recyclers and treaters of waste.</p> <p>The global fall in commodity prices since 2012 but particularly in late 2015 also had a direct impact on recyclate prices, particularly metal and plastics.</p>
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Section B—Issuer

The global fall in oil and gas pricing has affected the hazardous waste segment as oil and gas customers have had to minimise their operational expenditure and cut back on exploration expenditure. This has led to a reduction in the volume and the shape of refinery maintenance programmes, meaning there is less sludge available for treatment. In addition, with virgin oil at very low prices, the market for waste oils output has been significantly reduced both in volume and pricing.

Ongoing reductions in the available UK solid recovered fuel (“SRF”) market and increasing costs, including due to currency, in the export of refuse derived fuels (“RDF”) have affected margins in the UK municipal segment.

B.5 Group structure

Shanks is the holding company of the Shanks Group and, following Completion, will be the holding company of the Combined Group.

B.6 Interests in shares / voting rights / controllers

As at 28 September 2016 (being the latest practicable date prior to the date of this Combined Circular and Prospectus) (the “**Latest Practicable Date**”), in so far as is known to Shanks, the following persons were interested, directly or indirectly, in 3 per cent. or more of Shanks’ issued share capital.

<u>Shareholder</u>	<u>Interests in Ordinary Shares as at the Latest Practicable Date</u>		<u>Interests in Ordinary Shares immediately after Equity Issue Admission⁽¹⁾</u>		<u>Interests in Ordinary Shares immediately after Consideration Share Admission⁽²⁾</u>	
	<u>Number of Ordinary Shares</u>	<u>% of issued share capital</u>	<u>Number of Ordinary Shares</u>	<u>% of issued share capital</u>	<u>Number of Ordinary Shares</u>	<u>% of issued share capital</u>
Aberforth Partners LLP	37,914,756	9.52%	52,132,788	8.55%	52,132,788	6.52%
Kabouter Management LLC	35,892,191	9.01%	49,351,760	8.10%	49,351,760	6.17%
FIL Limited	21,155,740	5.31%	29,089,141	4.77%	29,089,141	3.64%
FMR LLC	19,982,254	5.01%	27,475,597	4.51%	27,475,597	3.44%
Neptune Investment Management Ltd	19,479,360	4.89%	26,784,120	4.40%	26,784,120	3.35%
Royal London Asset Management Ltd	15,952,727	4.01%	21,934,997	3.60%	21,934,997	2.74%
Sterling Strategic Value Ltd	15,890,046	3.99%	21,848,811	3.59%	21,848,811	2.73%

(1) Assuming that each Shareholder takes up its rights under the Rights Issue in full and that no new Ordinary Shares (other than the Equity Issue Shares) are issued from the date of this Combined Circular and Prospectus until Equity Issue Admission.

(2) Assuming that each Shareholder takes up its rights under the Rights Issue in full and that no new Ordinary Shares (other than the Equity Issue Shares and the Consideration Shares) are issued from the date of this Combined Circular and Prospectus until Consideration Share Admission.

As at the Latest Practicable Date, insofar as is known to Shanks, the Directors, being persons discharging managerial responsibilities within Shanks, were interested, directly or indirectly, in Shanks’ issued share capital as follows.

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Director	Interests in Ordinary Shares as at the Latest Practicable Date		Interests in Ordinary Shares immediately after Equity Issue Admission ⁽¹⁾		Interests in Ordinary Shares immediately after Consideration Share Admission ⁽²⁾	
	Number of Ordinary Shares	% of issued share capital	Number of Ordinary Shares	% of issued share capital	Number of Ordinary Shares	% of issued share capital
	Colin Matthews	—	—	—	—	—
Peter Dilnot ⁽³⁾	95,538	0.02%	131,364	0.02%	131,364	0.02%
Toby Woolrych ⁽⁴⁾	39,821	0.01%	54,752	0.01%	54,752	0.01%
Eric van Amerongen	—	—	—	—	—	—
Jacques Petry	—	—	—	—	—	—
Stephen Riley	20,000	0.01%	27,500	—	27,500	—
Marina Wyatt	—	—	—	—	—	—

- (1) Assuming that each Shareholder takes up its rights under the Rights Issue in full and that no new Ordinary Shares (other than the Equity Issue Shares) are issued from the date of this Combined Circular and Prospectus until Equity Issue Admission.
- (2) Assuming that each Shareholder takes up its rights under the Rights Issue in full and that no new Ordinary Shares (other than the Equity Issue Shares and the Consideration Shares) are issued from the date of this Combined Circular and Prospectus until Consideration Share Admission.
- (3) Excludes interests in Ordinary Shares pursuant to Shanks' employee share schemes. As at the Latest Practicable Date, Peter Dilnot was interested in 95,668 Ordinary Shares under The Shanks Group plc Deferred Annual Bonus Plan (the "DAB") (unvested but subject to a holding period), 1,274,000 Ordinary Shares under The Shanks Group plc 2011 Long-Term Incentive Plan (the "LTIP") (unvested and subject to performance conditions) and 22,714 Ordinary Shares under The Shanks Group plc 2015 Sharesave Scheme (the "Sharesave") (unvested and subject to continuous employment).
- (4) Excludes interests in Ordinary Shares pursuant to Shanks' employee share schemes. As at the Latest Practicable Date, Toby Woolrych was interested in 62,645 Ordinary Shares under the DAB (unvested but subject to a holding period), 667,000 Ordinary Shares under the LTIP (unvested and subject to performance conditions) and 22,714 Ordinary Shares under the Sharesave (unvested and subject to continuous employment).

Other than as set out above, Shanks is not aware of any person or persons who could, directly or indirectly, jointly or severally, exercise control over Shanks.

There are no different voting rights for any Shareholder.

B.7 Selected key historical financial information

Selected key historical financial information of the Shanks Group

The selected key historical financial information set out below has been extracted without material adjustment from the Shanks Group's historical financial information as at and for the years ended 31 March 2014, 2015 and 2016 which is incorporated by reference in this Combined Circular and Prospectus as set out in Part 10 (*Historical financial information of the Shanks Group*).

Consolidated income statement

£ millions	Year ended 31 March								
	2014 ⁽¹⁾			2015			2016		
	Trading	Non-trading & exceptional items	Total	Trading	Non-trading & exceptional items	Total	Trading	Non-trading & exceptional items	Total
Revenue	633.4	—	633.4	601.4	(2.0)	599.4	614.8	(1.0)	613.8
Cost of sales	(528.3)	(5.1)	(533.4)	(506.1)	(21.5)	(527.6)	(517.8)	(0.6)	(518.4)
Gross profit (loss)	105.1	(5.1)	100.0	95.3	(23.5)	71.8	97.0	(1.6)	95.4
Administrative expenses	(59.5)	(17.4)	(76.9)	(61.0)	(23.2)	(84.2)	(63.6)	(22.0)	(85.6)
Operating profit (loss)	45.6	(22.5)	23.1	34.3	(46.7)	(12.4)	33.4	(23.6)	9.8
Finance income	10.1	0.3	10.4	14.8	0.1	14.9	16.6	0.1	16.7
Finance charges	(25.9)	(0.3)	(26.2)	(28.2)	—	(28.2)	(30.0)	—	(30.0)
Share of results from associates and joint ventures	0.3	—	0.3	0.8	4.4	5.2	1.0	—	1.0
Profit (loss) before taxation	30.1	(22.5)	7.6	21.7	(42.2)	(20.5)	21.0	(23.5)	(2.5)
Taxation	(7.2)	1.4	(5.8)	(1.7)	4.0	2.3	(2.3)	0.8	(1.5)
Profit (loss) for the year from continuing operations	22.9	(21.1)	1.8	20.0	(38.2)	(18.2)	18.7	(22.7)	(4.0)
Discontinued operations									
Profit (loss) for the year from discontinued operations	(3.6)	(26.4)	(30.0)	(0.2)	1.5	1.3	(0.3)	0.4	0.1
Profit (loss) for the year	19.3	(47.5)	(28.2)	19.8	(36.7)	(16.9)	18.4	(22.3)	(3.9)

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Consolidated balance sheet

<u>£ millions</u>	As at 31 March		
	<u>2014⁽¹⁾</u>	<u>2015</u>	<u>2016</u>
<i>Assets</i>			
Non-current assets	744.4	737.3	670.4
Current assets	265.1	224.0	177.0
Total assets	<u>1,009.5</u>	<u>961.3</u>	<u>847.4</u>
<i>Liabilities</i>			
Non-current liabilities	(504.7)	(432.5)	(434.2)
Current liabilities	(231.3)	(339.7)	(230.4)
Total liabilities	<u>(736.0)</u>	<u>(772.2)</u>	<u>(664.6)</u>
Net assets	<u>273.5</u>	<u>189.1</u>	<u>182.8</u>
<i>Equity</i>			
Share capital	39.8	39.8	39.8
Share premium	99.9	100.0	100.2
Exchange reserve	36.6	11.4	24.4
Retained earnings	97.4	39.7	20.4
Equity attributable to owners of the parent	<u>273.7</u>	<u>190.9</u>	<u>184.8</u>
Non-controlling interest	(0.2)	(1.8)	(2.0)
Total equity	<u>273.5</u>	<u>189.1</u>	<u>182.8</u>

Consolidated statement of cash flows

<u>£ millions</u>	Year ended 31 March		
	<u>2014⁽¹⁾</u>	<u>2015</u>	<u>2016</u>
Net cash inflow from operating activities	71.3	50.1	67.4
Net cash (outflow) inflow from investing activities	(70.7)	(100.5)	5.1
Net cash inflow (outflow) from financing activities	30.6	10.0	(101.4)
Net increase (decrease) in cash and cash equivalents	31.2	(40.4)	(28.9)
Effect of foreign exchange rate changes	(1.9)	(3.0)	2.8
Cash and cash equivalents at the beginning of the year	74.9	104.2	60.8
Cash and cash equivalents at the end of the year	<u>104.2</u>	<u>60.8</u>	<u>34.7</u>

(1) Financial information for the year ended 31 March 2014 has been restated following the adoption of IFRS 11.

The following significant changes in the Shanks Group's financial condition and operating results occurred in the years ended 31 March 2014, 2015 and 2016.

In the year ended 31 March 2014, the Shanks Group announced the exit from its UK Solid Waste activities. In accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the net results of these operations being sold were presented within discontinued operations in the income statement and the assets of the discontinued operations are presented separately in the balance sheet. Revenue for the year from continuing activities increased by 1 per cent. to £633.4 million (4 per cent. at actual rates), with growth from UK Municipal and Hazardous Waste divisions offsetting the expected reduction in the Solid Waste Benelux division. Trading profit on continuing businesses, before non-trading and exceptional items, decreased by 1 per cent. at constant currency to £45.6 million (2 per cent. increase at actual rates). The Solid Waste Benelux division delivered strong profit growth, offset by the expected reduction in the Organics division's profits. Profit before tax from continuing operations on a statutory basis including the impact of non-trading and exceptional items turned around from a loss of £10.3 million in the prior year to a profit of £7.6 million.

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In the year ended 31 March 2015, constant currency revenue from continuing activities increased by 1 per cent. to £601.4 million (5 per cent. reduction at actual rates), with growth primarily from the UK Municipal division. Trading profit on continuing businesses, before non-trading and exceptional items, decreased by 19 per cent. at constant currency to £34.3m (25 per cent. decrease at actual rates). The biggest reduction was in the Solid Waste Benelux division, with a smaller reduction in the Hazardous Waste and Organics divisions, offset by growth in the UK Municipal division. The operating loss for the year on a statutory basis, after taking account of all non-trading and exceptional items, was £12.4 million.

In the year ended 31 March 2016, the Shanks Group changed the composition of its reportable segments following the implementation of a new divisional structure to align the business more closely with the Shanks Group's customers and to reflect the information provided to the chief operating decision maker in order to assess performance and to make decisions on allocating resources. Commercial Waste combined the Benelux Solid Waste division with the Netherlands Organics segment and the Belgium Organics business unit. Municipal combined the UK Municipal division with the Canada segment and the UK Organics business unit. The Hazardous Waste and Group central services reportable segments were unchanged. Group underlying revenue increased by 7 per cent. at a constant exchange rate to £614.8 million. Trading profit on continuing businesses, before non-trading and exceptional items, increased by 4 per cent. at constant exchange to £33.4 million (3 per cent. decrease at reported rates). Margins fell slightly due to currency and mix, but rose in the Commercial Waste division. The operating profit for the year on a statutory basis, after taking account of all non-trading and exceptional items, was £9.8 million.

There has been no significant change in the Shanks Group's financial condition and operating results subsequent to the period covered by this selected key historical financial information.

Selected key historical financial information of the VGG Group

The selected key historical financial information set out below has been extracted without material adjustment from the VGG Group's historical financial information as at and for the years ended 31 December 2013, 2014 and 2015 set out in Section B of Part 11 (*Historical financial information of the VGG Group*).

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Consolidated income statement

<u>€ millions</u>	<u>Year ended 31 December</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenue	957.0	922.7	914.8
Cost of sales	(769.5)	(833.4)	(756.9)
Gross profit	187.5	89.3	157.9
Administrative expenses	(190.8)	(611.3)	(195.2)
Operating loss	(3.3)	(522.0)	(37.3)
Finance income	0.4	0.6	402.8
Finance charges	(86.4)	(67.8)	(73.6)
Change in fair value of derivatives at fair value through profit or loss	11.3	(2.1)	(2.6)
Share of results from associates and joint ventures	(2.8)	(0.1)	3.1
(Loss) profit before taxation	(80.8)	(591.4)	292.4
Taxation	13.8	35.6	11.3
(Loss) profit after taxation from continuing operations	(67.0)	(555.8)	303.7
Profit after taxation from discontinued operations	53.5	—	—
(Loss) profit for the year	(13.5)	(555.8)	303.7

Operating profit before non-trading and exceptional items and loss after taxation from continuing operations before non-trading and exceptional items

Operating loss as reported	(3.3)	(522.0)	(37.3)
Non-trading and exceptional items:			
Cost of sales	37.0	97.2	14.7
Administrative expenses	15.2	446.4	28.6
Operating profit before non-trading and exceptional items	48.9	21.6	6.0
(Loss) profit after taxation from continuing operations	(67.0)	(555.8)	303.7
Non-trading and exceptional items:			
Cost of sales	37.0	97.2	14.7
Administrative expenses	15.2	446.4	28.6
Exceptional finance income	—	—	(402.8)
Tax impact of non-trading and exceptional items	(5.9)	(8.5)	(8.2)
Loss after taxation from continuing operations before non-trading and exceptional items	(20.7)	(20.7)	(64.0)

Consolidated balance sheet

<u>€ millions</u>	<u>As at 31 December</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
<i>Assets</i>			
Non-current assets	1,046.3	520.3	493.7
Current assets	368.1	291.7	248.3
Total assets	1,414.4	812.0	742.0
<i>Liabilities</i>			
Non-current liabilities	(1,017.8)	(237.8)	(496.1)
Current liabilities	(309.3)	(1,040.2)	(261.4)
Total liabilities	(1,327.1)	(1,278.0)	(757.5)
Net assets (liabilities)	87.3	(466.0)	(15.5)
<i>Equity</i>			
Equity attributable to owners of the parent	76.2	(477.2)	(24.4)
Non-controlling interest	11.1	11.2	8.9
Total equity	87.3	(466.0)	(15.5)

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Statement of cash flows

<u>€ millions</u>	<u>Year ended 31 December</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net cash inflow from operating activities	141.4	68.6	59.6
Net cash inflow (outflow) from investing activities	833.6	(39.6)	(43.8)
Net cash used in financing activities	(924.5)	(65.6)	(31.5)
Net increase (decrease) in cash and cash equivalents	50.5	(36.6)	(15.7)
Effect of foreign exchange rate changes	(0.1)	0.2	(0.1)
Cash and cash equivalents at beginning of the year	<u>105.0</u>	<u>155.4</u>	<u>119.0</u>
Cash and cash equivalents at the end of the year	<u>155.4</u>	<u>119.0</u>	<u>103.2</u>

The following significant changes in the VGG's Group's financial condition and operating results occurred in the years ended 31 December 2013, 2014 and 2015.

Revenues decreased €34.3 million, or 3.6 per cent. from €957.0 million in the year ended 31 December 2013 to €922.7 million in the year ended 31 December 2014. The decrease in overall revenue reflects losses as a result of ongoing price and volume pressure in the Dutch market and decreased volumes of raw materials and incoming waste in the Waste Collections division, increased competition in the Recycling division and VGG's decision to stop certain site cleaning or remediation activities in the VGG Minerals segment.

Revenues decreased €7.9 million or 0.9 per cent. from €922.7 million in the year ended 31 December 2014 to €914.8 million in the year ended 31 December 2015. The decrease in overall revenue was primarily the result of the disposal of the VGG Group's subsidiaries in France, Poland and the Czech Republic. In 2015, the VGG Group also divested its interests in OVA/Groenendaal, its waste oil business. Revenue was also affected by adverse pricing effects on metals and plastics as a result of commodity price volatility in the Recycling division.

In 2015, the VGG Group underwent a debt restructuring pursuant to which certain of its debt was converted into equity and other debt was converted into a restated revolving credit facility. As a result, borrowings from financial institutions on the VGG Group's balance sheet were reduced from €766.5 million as at 31 December 2014 to €305.0 million as at 31 December 2015, and the VGG Group recognised a non-cash one-off gain of €402.8 million in financial income relating to extinguishment of this debt. In addition, the VGG Group's then-outstanding preference shares were converted into ordinary shares. This resulted in the conversion of the preference shares borrowings amounting to €45.1 million into equity. This non-recurring finance income was the primary cause of the VGG Group's profit before tax increasing from a loss of €591.4 million in 2014 to a profit of €292.4 million in 2015.

There has been no significant change in the VGG Group's financial condition and operating results subsequent to the period covered by this selected key historical financial information.

B.8 Selected key pro forma financial information

The unaudited pro forma statement of net assets, unaudited pro forma income statement and the related notes set out below have been prepared to illustrate the effect of (i) the Equity Issue; (ii) the refinancing of the existing debt of the VGG Group; and (iii) the Merger on the consolidated net assets of Shanks as if they had taken place on 31 March 2016 and the income statement of Shanks as if they had taken place on 1 April 2015.

The selected key unaudited pro forma financial information set out below has been prepared in a manner consistent with the accounting policies adopted by Shanks in preparing its consolidated financial statements for the year ended 31 March 2016 on the basis set out in the notes to the unaudited pro forma statement of net assets and unaudited pro forma income statement as at 31 March 2016 set out in Section A of Part 12 (*Unaudited pro forma financial information of the Combined Group*). The selected key unaudited pro forma financial information set out below has been extracted without adjustment from the unaudited pro forma financial information in Section A of Part 12 (*Unaudited pro forma financial information of the Combined Group*).

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Pro forma statement of net assets

<u>£ millions</u>	Shanks Group as at 31 Mar 2016 (Note 1)	Adjustments					Pro forma Combined Group
		Equity Issue (Note 2)	VGG Group as at 31 Dec 2015 (Note 3)	Finance costs/ re-financing (Note 4)	Inter- company adjustment (Note 5)	Merger adjustment (Note 6)	
<i>Non-current assets</i>							
Intangible assets	194.5	—	61.7	—	—	179.9	436.1
Property, plant and equipment	297.0	—	292.6	—	—	—	589.6
Investments	12.1	—	1.9	—	—	—	14.0
Financial assets relating to PFI/PPP contracts	145.8	—	—	—	—	—	145.8
Trade and other receivables	1.1	—	15.5	(15.4)	—	—	1.2
Deferred tax assets	19.9	—	19.6	—	—	—	39.5
	670.4	—	391.3	(15.4)	—	179.9	1,226.2
<i>Current assets</i>							
Inventories	6.8	—	11.0	—	—	—	17.8
Financial assets relating to PFI/PPP contracts	12.8	—	—	—	—	—	12.8
Trade and other receivables	122.4	—	99.9	—	(1.5)	—	220.8
Derivative financial instruments	0.3	—	—	—	—	—	0.3
Current tax recoverable	—	—	0.1	—	—	—	0.1
Cash and cash equivalents	34.7	135.5	81.8	2.6	—	(219.8)	34.8
	177.0	135.5	192.8	2.6	(1.5)	(219.8)	286.6
Assets classified as held for sale	—	—	4.0	—	—	—	4.0
Total assets	847.4	135.5	588.1	(12.8)	(1.5)	(39.9)	1,516.8
<i>Non-current liabilities</i>							
Borrowings—PFI/PPP non recourse net debt	(87.9)	—	—	—	—	—	(87.9)
Borrowings—other	(224.9)	—	(267.2)	166.0	—	—	(326.1)
Derivative financial instruments	(28.8)	—	(8.6)	8.6	—	—	(28.8)
Other non-current liabilities	(6.4)	—	—	—	—	—	(6.4)
Deferred tax liabilities	(31.6)	—	(39.9)	—	—	—	(71.5)
Provisions	(43.9)	—	(71.6)	—	—	—	(115.5)
Defined benefit pension scheme deficit	(10.7)	—	(5.9)	—	—	—	(16.6)
	(434.2)	—	(393.2)	174.6	—	—	(652.8)
<i>Current liabilities</i>							
Borrowings—PFI/PPP non recourse net debt	(3.2)	—	—	—	—	—	(3.2)
Borrowings—other	(2.4)	—	(19.2)	—	—	—	(21.6)
Derivative financial instruments	(2.4)	—	(3.7)	1.8	—	—	(4.3)
Trade and other payables	(203.3)	—	(181.1)	0.2	1.5	—	(382.7)
Current tax payable	(6.1)	—	(0.1)	—	—	—	(6.2)
Provisions	(13.0)	—	(3.1)	—	—	—	(16.1)
	(230.4)	—	(207.2)	2.0	1.5	—	(434.1)
Total liabilities	(664.6)	—	(600.4)	176.6	1.5	—	(1,086.9)
Net Assets	182.8	135.5	(12.3)	163.8	—	(39.9)	429.9

Notes:

- (1) Shanks' financial information for the 12 months ended 31 March 2016 has been extracted, without material adjustment, from the Shanks Group's published financial information for the year ended 31 March 2016, which is incorporated by reference in this Combined Circular and Prospectus as set out in Part 10 (*Historical financial information of the Shanks Group*).
- (2) The net proceeds of the Equity Issue of £135.5 million represents gross proceeds of £141.0 million calculated on the basis that Shanks issues 203,463,203 new Ordinary Shares at a blended price of 69.3 pence per share calculated in accordance with the offer price mechanism set out in the Merger Agreement, representing a 33.7 per cent. discount to the Shanks share price of 104.5 pence at 26 September 2016, being the latest practicable date, net of estimated expenses in connection with the Equity Issue of approximately £5.5 million.

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- (3) The VGG Group's financial information for the 12 months ended 31 December 2015 has been extracted, without material adjustment, from the financial information in Section B of Part 11 (*Historical financial information of the VGG Group*) using the closing exchange rate at 31 March 2016 (GBP:Euro 1.262). The table below sets out the Euro and GBP values.

	The VGG Group as at 31 December 2015	
	€ millions	£ millions
Non-current assets		
Intangible assets	77.8	61.7
Property, plant and equipment	369.2	292.6
Investments	2.4	1.9
Financial assets relating to PFI/PPP contracts	—	—
Trade and other receivables	19.6	15.5
Deferred tax assets	24.7	19.6
	<u>493.7</u>	<u>391.3</u>
Current assets		
Inventories	13.9	11.0
Financial assets relating to PFI/PPP contracts	—	—
Trade and other receivables	126.0	99.9
Derivative financial instruments	—	—
Current tax recoverable	0.1	0.1
Cash and cash equivalents	103.2	81.8
	<u>243.2</u>	<u>192.8</u>
Assets classified as held for sale	5.1	4.0
Total assets	<u><u>742.0</u></u>	<u><u>588.1</u></u>
Non-current liabilities		
Borrowings—PFI/PPP contracts	—	—
Borrowings—other	(337.1)	(267.2)
Derivative financial instruments	(10.9)	(8.6)
Other non-current liabilities	—	—
Deferred tax liabilities	(50.3)	(39.9)
Provisions	(90.3)	(71.6)
Defined benefit pension scheme deficit	(7.5)	(5.9)
	<u>(496.1)</u>	<u>(393.2)</u>
Current liabilities		
Borrowings—PFI/PPP contracts	—	—
Borrowings—other	(24.2)	(19.2)
Derivative financial instruments	(4.7)	(3.7)
Trade and other payables	(228.5)	(181.1)
Current tax payable	(0.1)	(0.1)
Provisions	(3.9)	(3.1)
	<u>(261.4)</u>	<u>(207.2)</u>
Total liabilities	<u>(757.5)</u>	<u>(600.4)</u>
Net liabilities	<u>(15.5)</u>	<u>(12.3)</u>

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(4) The adjustments arising as a result of refinancing the existing debt of the VGG Group are set out below:

<u>£ millions</u>	<u>Repayment of VGG Group bank facilities</u>	<u>Drawdown of new and committed facilities</u>	<u>Capitalised refinancing fees</u>	<u>Total</u>
	(Note 4a)	(Note 4b)	(Note 4c)	
Trade and other receivables	(15.4)	—	—	(15.4)
Cash and cash equivalents	(81.8)	89.9	(5.5)	2.6
Borrowings—other	250.4	(89.9)	5.5	166.0
Non-current derivative financial instrument liabilities	8.6	—	—	8.6
Current derivative financial instrument liabilities	1.8	—	—	1.8
Trade and other payables	0.2	—	—	0.2
Impact on net assets	<u>163.8</u>	<u>—</u>	<u>—</u>	<u>163.8</u>

(a) The repayment of existing VGG bank facilities of £163.8 million comprises: repayment of borrowings of £250.4 million (which excludes finance leases) net of £81.8m of cash in the VGG Group and £15.4 million of bank guarantee funds (included as trade and other receivables); the repayment of accrued interest of £0.2 million; and the non cash settlement of £10.4 million in relation to derivatives (of which £8.6 million is non-current and £1.8 million is current) held in connection with the VGG bank funding.

(b) The drawdown of £89.9 million on new and committed financing in the Combined Group to settle £200.2 million of cash consideration net of the Equity Issue proceeds of £135.5 million and £22.6 million of associated deal costs. In addition, under a multicurrency note facility and guarantee agreement held by Shanks, an amount of £2.5 million (€3.2 million translated at the closing exchange rate at 31 March 2016, being GBP:Euro 1.262) is required to repay the make-whole premium detailed in paragraph 12.1(f) of Part 15 (*Additional Information*) on completion of the Merger; and

(c) The payment of debt adviser fees of £5.5 million which have been capitalised.

(5) Intra-group adjustments reflect a £1.5 million adjustment to trade and other receivables and a corresponding adjustment to trade and other payables to remove Shanks' trading balances with the VGG Group as at 31 March 2016, as per the accounting records of the Shanks Group and the VGG Group.

(6) The adjustments arising as a result of the Merger are set out below:

(a) The adjustment reflects goodwill arising on the Merger and has been accounted for using the acquisition method of accounting. The excess of consideration over the book value acquired has been reflected as goodwill. A fair value exercise to allocate the purchase price will be completed following completion of the Merger; therefore, no account has been taken in the pro forma of any fair value adjustments that may arise on the Merger.

The total consideration payable has been calculated in accordance with the offer price mechanism detailed in the Merger Agreement and this will be payable as a combination of the issuance of new ordinary shares in Shanks (referred to as "Equity Consideration" in these notes) and cash (referred to as "Cash Consideration" in these notes). The total consideration payable and the calculation of the adjustment to goodwill is set out below:

	<u>Note</u>	<u>£ millions</u>
Equity consideration	(i)	131.2
Cash consideration	(ii)	200.2
Total consideration		331.4
Repayment of financing in the VGG Group	(iii)	(163.8)
Consideration on a debt free basis		167.6
Less net liabilities acquired of the VGG Group	(iv)	42.6
Goodwill arising on acquisition		210.2
Existing goodwill		(30.3)
Pro forma goodwill adjustment		179.9

The provisional initial consideration for the Merger shown in the above table and calculated using the full goodwill method shows an illustrative amount of £331.4 million reflecting the pro forma equity value of £167.6 million for the VGG Group. On completion of the Merger, a purchase price adjustment reflecting the difference between the actual and budgeted cash balances at 31 August 2016 and operating cash flows for the period from 31 December 2015 to 31 August 2016 will also be calculated, however, these have not been considered for the purposes of the Unaudited Pro Forma Financial Information.

The total consideration is due to be settled as follows:

(i) The Equity Consideration of £131.2 million has been calculated as the issue of 182,733,356 shares at a discounted post Equity share price of 71.8 pence in accordance with the offer price mechanism set out in the Merger Agreement, representing a 31.3 per cent. discount to the Shanks share price of 104.5 pence at 26 September 2016, being the latest practicable date.

Section B—Issuer

- (ii) The Cash Consideration of £200.2 million will be funded by proceeds from the Equity Issue and an assumed additional drawdown of £89.9 million of the €600 million syndicated debt facility agreed at the time of the Merger announcement.

The total consideration payable at completion will be different to the total consideration included in this Unaudited Pro Forma Financial Information due to the purchase price adjustments outlined above, which will be computed at the completion date.

- (iii) The £163.8 million repayment of existing financing in the VGG Group comprises VGG Group borrowings of £250.6 million (inclusive of £0.2 million of accrued interest) and non-cash settlement of derivative financial instrument liabilities of £10.4 million net of £81.8 million of cash in the VGG Group and £15.4 million of bank guarantee funds included as trade and other receivables.

- (iv) The net liabilities acquired of £42.6 million include £12.3 million of net liabilities of the VGG Group as at 31 December 2015 and an elimination of existing goodwill of £30.3 million (as shown in note 13 to the VGG Group Financial Information of Part 11 (*Historical financial information of the VGG Group*)).

- (b) A £219.8 million adjustment to cash reflects the Cash Consideration of £200.2 million, transaction costs of £17.1 million and repayment of a make-whole premium of £2.5 million (€3.2 million translated at the closing exchange rate at 31 March 2016, being GBP:Euro 1.262) relating to the agreement detailed in paragraph 12.1(f) of Part 15 (*Additional Information*) on completion of the Merger.

- (7) In preparing the unaudited pro forma statement of net assets no account has been taken of the trading or transactions of the VGG Group since 31 December 2015 and Shanks since 31 March 2016.

Pro forma income statement

<u>£ millions</u>	Shanks Group for the year ended 31 Mar 2016	Adjustments				Pro forma Combined Group
		VGG Group for the year ended 31 Dec 2015	Finance costs	Inter- company adjustment	Merger adjustment	
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	
Revenue	613.8	669.3	—	(6.8)	—	1,276.3
Cost of sales	(518.4)	(553.8)	—	6.8	—	(1,065.4)
Gross profit/(loss)	95.4	115.5	—	—	—	210.9
Administrative expenses	(85.6)	(142.8)	—	—	(17.1)	(245.5)
Operating profit (loss)	9.8	(27.3)	—	—	(17.1)	(34.6)
Finance income	16.7	294.7	—	—	—	311.4
Finance charges	(30.0)	(55.8)	27.2	—	(2.3)	(60.9)
Share of results from associates and joint ventures	1.0	2.3	—	—	—	3.3
Profit/(loss) before tax	(2.5)	213.9	27.2	—	(19.4)	219.2
Taxation (note 6)	(1.5)	8.3	(6.8)	—	4.2	4.2
Profit/(loss) for the year from continuing operations	(4.0)	222.2	20.4	—	(15.2)	223.4
Discontinued operations						
Profit/(loss) for the year from discontinued operations	0.1	—	—	—	—	0.1
Profit/(loss) for the year	(3.9)	222.2	20.4	—	(15.2)	223.5

Notes:

- (1) Shanks' financial information for the 12 months ended 31 March 2016 has been extracted, without material adjustment, from the Shanks Group's published financial information for the year ended 31 March 2016, which is incorporated by reference into this Combined Circular and Prospectus as set out in Part 10 (*Historical financial information of the Shanks Group*).

Section B—Issuer

- (2) The VGG Group's financial information for the 12 months ended 31 December 2015 has been extracted, without material adjustment, from the financial information in Part 11 (*Historical financial information of the VGG Group*) using the average exchange rate for the year ended 31 March 2016 (GBP:Euro 1.367). The table below sets out the Euro and GBP values.

	The VGG Group as at 31 December 2015	
	€ millions	£ millions
Revenue	914.8	669.3
Cost of sales	(756.9)	(553.8)
Gross profit/(loss)	157.9	115.5
Administrative expenses	(195.2)	(142.8)
Operating profit (loss)	(37.3)	(27.3)
Finance income	402.8	294.7
Finance charges	(76.2)	(55.8)
Share of results from associates and joint ventures	3.1	2.3
Profit/(loss) before tax	292.4	213.9
Taxation	11.3	8.3
Profit/(loss) for the year from continuing operations	303.7	222.2
Discontinued operations		
Profit/(loss) for the year from discontinued operations	—	—
	<u>303.7</u>	<u>222.2</u>

- (3) The adjustment to finance costs includes the following elements:
- (a) an adjustment to reverse £33.1 million of VGG finance costs, of which £31.1 million relates to interest on term and other loans and £2.0 million relates to the fair value loss on derivative financial instruments, which will no longer be incurred as the existing debt of the VGG Group is refinanced and derivative financial instruments are settled as part of the Transaction with the new and committed €600 million syndicated debt facility in the Combined Group. This adjustment will not have a continuing impact on the Combined Group;
 - (b) finance charge of £5.9 million, which will have a continuing impact on the Combined Group, includes:
 - (i) an adjustment of £2.4 million representing the full year interest expense relating to the £90.5m total draw down on Facility B (€150 million) of the new and committed €600 million syndicated debt facility, calculated on the basis of an estimated interest rate of 2.67% (EURIBOR plus estimated margin of 2.65%) based on the terms of the New Facilities Agreement assuming that this was taken out on 1 April 2015;
 - (ii) an adjustment of £0.2 million to replace Shanks Group's finance cost of £0.6 million incurred in relation to £31.2 million draw down on its existing debt facility as at 1 April 2015 at an effective interest rate of 1.89% (EURIBOR plus estimated margin of 1.91%) based on the terms of the existing debt facility, with £0.8 million of finance cost which will be incurred on the draw down amount under the terms of the New Facilities Agreement at an estimated interest rate of 2.63% (EURIBOR plus estimated margin of 2.65%);
 - (iii) an adjustment of £1.1 million representing the amortisation of £5.5 million advisor fees incurred to arrange the new €600 million syndicated debt facility; and
 - (iv) £2.2 million representing the full year commitment fee on the undrawn amount of £203.4 million of Facility A (€450 million) of the €600 million syndicated debt facility at an estimated interest rate of 1.06% (40% of the applicable margin of 2.65%) based on the terms of the New Facilities Agreement.
- (4) Intra-group adjustments remove £6.8 million of revenue and £6.8 million of cost of sales resulting from Shanks' trading operations with the VGG Group for the 12 months ended 31 March 2016, as per the accounting records of the Shanks Group and the VGG Group. This adjustment will have a continuing impact on the Combined Group.
- (5) This reflects an adjustment of £17.1 million in relation to transaction costs for the Merger charged to administrative expenses and a finance cost of £2.3 million (£3.2 million translated at the opening exchange rate at 1 April 2015, being GBP:Euro 1.381) in relation to the repayment of a make-whole premium associated with the agreement detailed in paragraph 12.1(f) of Part 15 (*Additional Information*) on completion of the Merger. It is expected that that total transaction costs of £30.4 million will be incurred in relation to the Transaction which also comprises transaction costs of £5.5 million in relation to refinancing (note 3(b)(ii)) and £5.5 million of costs associated with the Equity Issue which have been recorded against equity. These costs will not have a continuing impact on the Combined Group.
- (6) The £6.8 million tax effect of the adjustments to financing costs is calculated at the VGG's Group's Dutch corporate income tax rate of 25.0%. The £4.2 million tax effect of the Transaction costs is calculated at the Shanks Group's effective tax rate of 21.7%.
- (7) In preparing the unaudited pro forma income statement no account has been taken of the trading or transactions of the VGG Group since 31 December 2015 and Shanks since 31 March 2016.
- (8) In preparing the unaudited pro forma income statement no account has been taken of the impact of additional depreciation or amortisation costs that may arise, and have a continuing impact, following any purchase price allocation exercise, as this will be undertaken following the Merger.

Section B—Issuer	
B.9	Profit forecast / estimate
	Not applicable. There are no profit forecasts or estimates in this Combined Circular and Prospectus.
B.10	Qualifications on audit report
	Not applicable. There are no qualifications included in the audit reports on the Shanks Group’s historical financial information incorporated by reference in this Combined Circular and Prospectus or the accountants’ report on the VGG Group’s historical financial information included in this Combined Circular and Prospectus.
B.11	Working capital qualifications
	Not applicable. In the opinion of Shanks, taking into account the net proceeds of the Equity Issue, the Shanks Group has sufficient working capital for its present requirements, that is, for at least 12 months following the date of this Combined Circular and Prospectus.

Section C—Securities	
C.1	Description of securities
	The Equity Issue comprises an offer of ordinary shares of 10 pence each in Shanks. The International Security Identification Number (“ISIN”) for the Nil Paid Rights will be GB00BD2BNQ84 and the ISIN for the Fully Paid Rights will be GB00BD2BNP77. On Equity Issue Admission, the Equity Issue Shares will be registered with ISIN GB0007995243 and SEDOL number 0799524. The Consideration Shares comprise ordinary shares of 10 pence each in Shanks. On Consideration Share Admission, the Consideration will be registered with ISIN GB0007995243 and SEDOL number 0799524. Shanks’ ticker symbol is “SKS”.
C.2	Currency of the securities issue
	The Ordinary Shares are denominated in Sterling.
C.3	Number of shares in issue / whether fully paid / par value
	As at the Latest Practicable Date, Shanks had 398,205,237 fully paid Ordinary Shares of 10 pence each in issue.
C.4	Rights attached to the securities
	The Firm Placing Shares and Rights Issue Shares, upon Equity Issue Admission, will rank <i>pari passu</i> in all respects with each other and all existing Ordinary Shares, including for voting purposes and the right to receive dividends or other distributions declared, made or paid after Equity Issue Admission. The Consideration Shares to be issued at Completion will rank <i>pari passu</i> in all respects with each other and all existing Ordinary Shares, including for voting purposes and the right to receive dividends or other distributions declared, made or paid after Consideration Share Admission.
C.5	Restrictions on free transferability
	Not applicable. There are no restrictions on the free transferability of the Equity Issue Shares or the Consideration Shares.

Section C—Securities	
C.6	Admission to trading on regulated market
	<p>Applications will be made to the FCA and the London Stock Exchange, respectively, for each of the Equity Issue Shares and the Consideration Shares to be admitted to the premium listing segment of the Official List and to trading on the Main Market</p> <p>No application has been made or is currently intended to be made for the Ordinary Shares to be admitted to listing or trading on any other exchange.</p>
C.7	Dividend policy
	<p>Post-Completion, Shanks' current dividend per share will be adjusted to take account of the Equity Issue.</p> <p>The Board's dividend policy is to rebuild the dividend cover from its current level to 2.0 to 2.5 times underlying earnings per share and resume a progressive dividend policy once this has been achieved.</p> <p>It is expected that any final dividend of the Combined Group for the year ending 31 March 2017 will be proposed at its next annual general meeting and paid in July or August 2017 and that any interim dividend for the year ending 31 March 2017 will be declared in November 2016 and paid in January 2017.</p>

Section D—Risks	
D.1	Key information on the key risks specific to the Shanks Group and/or the VGG Group or their industries
	<p>The volume of commercial and hazardous waste available to the Shanks Group and the VGG Group is linked and, following Completion, the volume of commercial and hazardous waste available to the Combined Group will be linked to the economic activity of the suppliers of that waste, and any downturn may result in reduced volumes and, consequently, financial performance of the Shanks Group, the VGG Group and, following Completion, the Combined Group.</p> <p>Competition for commercial and hazardous waste has led and may in the future lead to reduced prices to customers and lower margins for waste management companies, which may constrain the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's ability to generate sufficient cash from its trading activities to grow its operations.</p> <p>The Shanks Group is and, following Completion, the Combined Group will be exposed to risks relating to long-term public private partnership and private finance initiative municipal waste contracts, including those relating to inaccurate pricing or estimation of costs at the time of entry into the contracts and a failure to meet performance targets.</p> <p>Each of the Shanks Group and the VGG Group is and, following Completion, the Combined Group will be exposed to risks relating to fluctuations in commodity prices against which it may not be hedged.</p> <p>Price escalations or reductions in the supply of fuel, which may occur due to international, political and economic circumstances, as well as other factors outside the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's control, would likely increase the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's operating expenses.</p> <p>The Shanks Group's, the VGG Group's and, following Completion, the Combined Group's exclusive contracts may be unilaterally amended or terminated without compensation in part or in full, or governmental action may interfere with such exclusivity.</p>

Section D—Risks	
	<p>The presence of works councils and trade unions may limit the Shanks Group’s, the VGG Group’s and, following Completion, the Combined Group’s flexibility in dealing with its workforce and lead to increased operating costs. A lengthy strike or other work stoppage by the Shanks Group’s, the VGG Group’s or, following Completion, the Combined Group’s employees may have a material adverse effect on the Shanks Group’s, the VGG Group’s and, following Completion, the Combined Group’s ability to conduct its activities and complete its contractual obligations.</p> <p>The waste management industry is subject to extensive government regulations and any changes to such regulations or new regulations could result in the restriction of operations, increase the cost of operations or impose additional capital expenditures which may restrict the Shanks Group’s, the VGG Group’s and, following Completion, the Combined Group’s operations.</p> <p>Compliance with environmental regulations and licence conditions at waste treatment and disposal sites, may result in the Shanks Group, the VGG Group and, following Completion, the Combined Group being exposed to increased costs and potential remedial actions. Failure to carry out the actions required to maintain compliance may result in the suspension or revocation of licences, permits and/or permissions which may restrict the Shanks Group’s, the VGG Group’s and, following Completion, the Combined Group’s operations.</p>
D.3	Key information on the key risks specific to the securities
	<p>As the Equity Issue is not conditional upon Completion, it is possible that the Equity Issue may have completed and the proceeds of the Equity Issue received by Shanks even if Completion does not occur. In the unlikely event that the Equity Issue were to proceed but Completion does not occur, the Directors will assess the options available to Shanks, including the return of the net proceeds of the Equity Issue to Shareholders. The timing of any return of capital would take into account the Shanks Group’s sources of funding (including the renewal of certain existing committed facilities in the ordinary course) and any planned non-core disposals. Any such return of capital may be implemented in more than one tranche.</p> <p>The market price of the Nil Paid Rights, the Fully Paid Rights and/or the Ordinary Shares could be subject to significant fluctuations.</p> <p>There can be no assurance that an active trading market in the Nil Paid Rights, the Fully Paid Rights or the Equity Issue Shares will develop upon or following Equity Issue Admission and, because the trading price of the Nil Paid Rights will depend on the trading price of the Ordinary Shares, the price of the Nil Paid Rights and the Fully Paid Rights may be volatile.</p> <p>As the Firm Placing is not being carried out on a pre-emptive basis, non-participating Shareholders will have their proportionate shareholdings in Shanks diluted by 10.2 per cent. as a consequence of the Firm Placing. Qualifying Shareholders and Placees who do not take up their entitlements to Rights Issue Shares will have their proportionate shareholdings in Shanks diluted by up to approximately 27.3 per cent. as a consequence of the Rights Issue. Shareholders who do not participate in the Firm Placing and who do not take up their entitlements in the Rights Issue will be diluted by 34.7 per cent. in aggregate as a result of the Equity Issue. Upon Completion, Shareholders will have their proportionate shareholdings in Shanks diluted by approximately 23.8 per cent. as a consequence of the issue of the Consideration Shares.</p> <p>The public trading market price of the Ordinary Shares may decline below the Firm Placing Price and/or the Issue Price (each as defined herein). Should that occur after Shareholders exercise their rights in the Rights Issue, Shareholders who exercise their rights in the Rights Issue will suffer an immediate unrealised loss as a result.</p>

Section E—Offer	
E.1	<p>Total net proceeds / estimate of the total expenses of the issue/offer / estimated expenses charged to the investor</p> <p>Shanks expects to receive net proceeds from the Equity Issue of approximately £135.9 million, after deduction of commissions and expenses incurred in connection with the Equity Issue of approximately £5.5 million (exclusive of value-added tax (“VAT”)).</p> <p>There will be no net proceeds receivable by Shanks from the issue of the Consideration Shares as part consideration for the Merger. Shanks expects to incur total costs and expenses relating to the negotiation, preparation and implementation of the Merger of approximately £17.1 million (exclusive of VAT).</p> <p>No expenses relating to the Merger or the Equity Issue will be directly charged to investors.</p>
E.2a	<p>Reasons for the offer/ use of proceeds</p> <p>The net proceeds of the Equity Issue will be used to fund part of the cash consideration payable under the Merger Agreement. In the unlikely event that the Equity Issue were to proceed but Completion does not occur, the Directors will assess the options available to Shanks, including the return of the net proceeds of the Equity Issue to Shareholders. The timing of any return of capital would take into account the Shanks Group’s sources of funding (including the renewal of certain existing committed facilities in the ordinary course) and any planned non-core disposals. Any such return of capital may be implemented in more than one tranche.</p>
E.3	<p>A description of the terms and conditions of the offer</p> <p>Shanks is proposing to offer a total of 211,201,962 Equity Issue Shares (representing 53.0 per cent. of Shanks’ existing issued share capital and 34.7 per cent. of Shanks’ enlarged issued share capital immediately following completion of the Equity Issue) comprising:</p> <ul style="list-style-type: none"> • and offer of 45,000,000 Firm Placing Shares to placees procured by the Sole Underwriter and Bookrunner (“Placees”); and • an offer of 166,201,962 Rights Issue Shares to Shareholders on Shanks’ statutory register of members and to Placees (as defined below) who have been conditionally allotted Firm Placing Shares pursuant to the Firm Placing at the close of business in London on 24 October 2016 (the “Record Date”) (“Qualifying Shareholders”). <p>The Equity Issue has been fully underwritten by the Sole Underwriter and Bookrunner and is conditional, <i>inter alia</i>, upon:</p> <ol style="list-style-type: none"> (a) the underwriting agreement dated 29 September 2016 among Shanks and the Joint Sponsors (the “Underwriting Agreement”) having become unconditional in all respects (save for the condition relating to Equity Issue Admission) and not having been terminated in accordance with its terms; (b) Equity Issue Admission becoming effective by not later than 8.00 a.m. on 26 October 2016 (or such later date as Shanks may agree with the Joint Sponsors); and (c) the passing, without material amendment, of the Resolutions. <p>The Equity Issue is not conditional on Completion. In the unlikely event that the Equity Issue were to proceed but Completion does not occur, the Directors will assess the options available to Shanks, including the return of the net proceeds of the Equity Issue to Shareholders. The timing of any return of capital would take into account the Shanks Group’s sources of funding (including the renewal of certain existing committed facilities in the ordinary course) and any planned non-core disposals. Any such return of capital may be implemented in more than one tranche.</p>

Section E—Offer

Applications will be made to the FCA and the London Stock Exchange, respectively, for the Equity Issue Shares to be admitted to the premium listing segment of the Official List and to trading on the Main Market. It is expected that Equity Issue Admission will become effective and dealings in the Firm Placing Shares and the Rights Issue Shares (nil paid) will commence on the London Stock Exchange at 8.00 a.m. on 26 October 2016. It is expected that dealings in the Rights Issue Shares (fully paid) will commence on the Main Market at 8.00 a.m. on 10 November 2016. These dates and times may be changed without further notice.

None of the Equity Issue Shares may be offered for sale or purchase or be delivered, or be sold or delivered, and this Combined Circular and Prospectus and any other offering material in relation to the Equity Issue Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.

The Firm Placing

Shanks is offering 45,000,000 Firm Placing Shares (representing 11.3 per cent. of Shanks' existing issued share capital and 7.4 per cent. of Shanks' enlarged issued share capital immediately following completion of the Equity Issue) as part of the Firm Placing to certain Shareholders and prospective institutional investors.

The Firm Placing is to be made at a price of 100 pence per Firm Placing Share (the "**Placing Price**"). The Placing Price is payable in full upon Equity Issue Admission, which is expected to become effective at 8.00 a.m. on 26 October 2016.

The Placing Price represents a 0.5 per cent. discount to the closing price of 100.5 pence per Ordinary Share on 28 September 2016 (being the last Business Day before the announcement of the terms of the Equity Issue). The Placing Price (including the size of the Firm Placing discount) has been determined, following discussions with both existing Shareholders and Placees, to be at the level which the Board considers necessary to ensure the success of the Firm Placing and the Rights Issue, taking into account the aggregate proceeds to be raised.

The Firm Placing will, therefore, raise gross proceeds of £45.0 million.

The issue of the Firm Placing Shares is fully underwritten by the Sole Underwriter and Bookrunner pursuant and subject to the terms of the Underwriting Agreement.

The Firm Placing Shares will be placed with certain Shareholders and prospective institutional investors in transactions exempt from, or not subject to, the registration requirements of the US Securities Act.

The Rights Issue

The Rights Issue will be made on the basis of:

3 Rights Issue Shares for every 8 existing Ordinary Shares or Firm Placing Shares

held by (or conditionally allotted pursuant to the Firm Placing to) Qualifying Shareholders at the Record Date.

Entitlements to Rights Issue Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Shareholders but will be aggregated and issued into the market for the benefit of Shanks. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue is to be made at a price of 58 pence per Rights Issue Share (the "**Issue Price**"). The Issue Price is payable in full on acceptance by no later than 11.00 a.m. on 9 November 2016.

Section E—Offer	
	<p>The Issue Price represents:</p> <p>(i) a 34.5 per cent. discount to the theoretical ex-rights price of 88.5 pence calculated by reference to the Placing Price of 100 pence; and</p> <p>(ii) a 42.3 per cent. discount to the Closing Price of 100.5 pence on 28 September 2016 (being the last day on which the London Stock Exchange and banks in London are normally open for business (a “Business Day”) before the announcement of the terms of the Equity Issue).</p> <p>The Rights Issue Shares are being offered to certain Shareholders and prospective institutional investors in transactions exempt from, or not subject to, the registration requirements of the US Securities Act.</p>
E.4	Material / conflicting interests
	Not applicable. There are no interests material to the Equity Issue including conflicting interests.
E.5	Name of the person or entity offering to sell the security Lock-up agreements: the parties involved; and indication of the period of the lock-up
	Not applicable. There are no selling shareholders or lock-up agreements.
E.6	Dilution
	<p>Shareholders will have their proportionate shareholdings in Shanks diluted by 10.2 per cent. as a consequence of the Firm Placing.</p> <p>Qualifying Shareholders and Placees who do not take up their entitlements to Rights Issue Shares will have their proportionate shareholdings in Shanks diluted by up to approximately 27.3 per cent. as a consequence of the Rights Issue.</p> <p>Shareholders who do not participate in the Firm Placing and who do not take up their entitlements in the Rights Issue will be diluted by 34.7 per cent. in aggregate as a result of the Equity Issue.</p> <p>Upon Completion, Shareholders will have their proportionate shareholdings in Shanks diluted by approximately 23.8 per cent. as a consequence of the issue of the Consideration Shares.</p>
E.7	Estimated expenses charged to the investor
	Not applicable. No expenses will be charged by Shanks to investors.

RISK FACTORS

Any investment in the Nil Paid Rights, the Fully Paid Rights, the Firm Placing Shares and/or the Ordinary Shares is subject to a number of risks. Accordingly, prior to making any investment decision, Shareholders and prospective investors should carefully consider all the information contained in this Combined Circular and Prospectus (including the documents incorporated by reference herein) and, in particular, the risk factors described below.

Shareholders and prospective investors should note that the risks relating to the Merger, the Shanks Group, the VGG Group and, following Completion, the Combined Group and their industries, and the Equity Issue, the Nil Paid Rights, the Fully Paid Rights and the Ordinary Shares summarised in the section of this Combined Circular and Prospectus headed “Summary” are the risks that the Directors believe to be the most essential to an assessment by Shareholders of whether to take up their rights in the Rights Issue and/or vote to approve the Merger and by prospective investors of whether to invest in the Nil Paid Rights, the Fully Paid Rights, the Firm Placing Shares and/or the Ordinary Shares. However, as the risks which the Shanks Group, the VGG Group and, following Completion, the Combined Group face relate to events and depend on circumstances that may or may not occur in the future, Shareholders and prospective investors should consider not only the information on the key risks summarised in the section of this Combined Circular and Prospectus headed “Summary” but also, among other things, the risks and uncertainties described below.

The risks and uncertainties described below represent those the Directors consider to be material in relation to the Merger, the Equity Issue, the Ordinary Shares, the Shanks Group, the VGG Group and, following Completion, the Combined Group as at the date of this Combined Circular and Prospectus. However, these risks and uncertainties are not the only ones facing the Shanks Group, the VGG Group and, following Completion, the Combined Group. Additional risks and uncertainties relating to the Merger, the Equity Issue, the Ordinary Shares, the Shanks Group, the VGG Group and, following Completion, the Combined Group that are not currently known to the Shanks Group, or that the Directors currently deem immaterial, may individually or cumulatively also have a material adverse effect on the Shanks Group’s, the VGG Group’s and, following Completion, the Combined Group’s business, prospects, results of operations and financial condition and, if any or a combination of such risks should occur, the price of the Nil Paid Rights, the Fully Paid Rights and/or the Ordinary Shares may decline and Shareholders and investors could lose all or part of their investment. Shareholders and prospective investors should consider carefully whether an investment in the Nil Paid Rights, the Fully Paid Rights and/or the Equity Issue Shares is suitable for them in the light of the information in this Combined Circular and Prospectus and their personal circumstances.

The information given is as of the date of this Combined Circular and Prospectus and, except as required by the FCA, the London Stock Exchange, the Listing Rules, the Prospectus Rules or any other applicable law or regulation, will not be updated. Any forward-looking statements are made subject to the reservations specified in paragraph 6 of the section entitled “Important Information” of this Combined Circular and Prospectus.

1. RISKS RELATING TO THE MERGER

1.1 The Merger is subject to a number of conditions which, if not satisfied or waived within a specified timeframe, may prevent Completion or the Merger may otherwise be delayed.

Completion is subject to the satisfaction (or waiver, where applicable) of a number of conditions as set out in the agreement between Shanks, Shanks Netherlands Holdings B.V. and Van Gansewinkel Netherlands 4 B.V. dated 29 September 2016 relating to the Merger (the “**Merger Agreement**”), including, among others:

- (a) approval of the Merger by relevant competition authorities in the Netherlands and Belgium;
- (b) approval by the shareholders of VGG Topco S.C.A. at a shareholders meeting to be held on or around 13 October 2016 and in any event not later than 20 days after the date on which this Combined Circular and Prospectus is published;
- (c) the Majority Lenders, as defined in and under the VGG Senior Facilities Agreement (as defined herein), having consented to the Merger;
- (d) the Majority Lenders, as defined in and under the Holdco PIK Loan (as defined herein), having consented to the Merger;
- (e) approval by the Shareholders of the Resolutions (as defined herein);
- (f) Equity Issue Admission becoming effective; and

- (g) approval of a further prospectus immediately prior to Completion in connection with Re-admission (the “**Re-admission Prospectus**”) and Consideration Share Admission and Re-admission becoming effective.

The Merger Agreement condition in paragraph (a) above may not be waived (in whole or part).

Although Shanks and each of the other parties to the Merger Agreement (as defined herein) have agreed to use reasonable efforts to satisfy each condition as soon as reasonably practicable after signing the Merger Agreement, there is no assurance that these conditions will be satisfied (or waived, if applicable) before 28 March 2017, which period can be extended by either party for a period of three months if any competition authority takes the view that a second-phase investigation is required (except if that competition authority takes the view that a second-phase investigation is required because of a breach entirely or predominately caused by the party wishing to extend its obligations) (the “**Long Stop Date**”), or that the rights of termination under the Merger Agreement will not be invoked by either party, in which case Completion will not occur.

The Merger is subject to regulatory approval in the Netherlands and Belgium, which may take a longer than expected period of time to obtain and/or may not be granted. The relevant authorities may, as a condition to granting their approval, impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of the Combined Group’s business. In addition, competitors, customers or other third parties may or may seek to interfere with Completion by, among other things, making submissions to the regulatory authorities objecting to, or expressing concern in respect of, the Merger. Such interventions may result in relevant regulatory authorities failing to approve the Merger or imposing conditions on Completion to accommodate or satisfy the objections or concerns of such competitors, customers or other third parties. Were any of the above to occur, it may cause a delay in or prevent Completion from occurring or may reduce the expected benefits of the Merger.

Applications for Consideration Share Admission and Re-admission will be made once all other conditions to Completion are satisfied. If satisfaction of any outstanding condition to Completion is delayed, the application for Consideration Share Admission and Re-admission will be delayed. Re-admission is conditional upon the Combined Group being eligible for admission to the Official List and receipt of approval by the FCA of the Re-admission Prospectus. Re-admission will only become effective once a dealing notice has been issued by the FCA and the London Stock Exchange has acknowledged that the Ordinary Shares will be re-admitted to trading. There can be no guarantee that the conditions to Re-admission will be met, failure of which would mean that Completion could not occur.

If Completion were to be disrupted or delayed or prevented, it may have a material adverse effect on the Shanks Group’s, the VGG Group’s and, following Completion, the Combined Group’s business, prospects, results of operations and financial condition.

1.2 Integration of VGG into the Combined Group may be more time-consuming and costly than expected, and unforeseen difficulties may arise, resulting in a failure of the Combined Group realising in full the expected benefits of, including synergies from, the Merger.

The Merger involves the integration of two businesses that have previously operated, and will until Completion operate, independently. The difficulties of combining the businesses include:

- (a) the necessity of co-ordinating services and operations and consolidating organisations, systems, facilities, accounting functions and other policies, and having access to all relevant data within the VGG Group;
- (b) the task of integrating the management and personnel of the Combined Group, maintaining employee morale and retaining and incentivising key personnel; and
- (c) the potential for disruptions to the ongoing business of each of the Shanks Group and the VGG Group.

The success of the Combined Group will depend, in part, on its ability to realise the expected benefits of, including synergies from, combining the respective operations of the Shanks Group and the VGG Group. This integration process may be more time-consuming and costly than expected, and unforeseen difficulties may arise, including in relation to required consultations with and approvals from works councils. Furthermore, the Combined Group may not be able to retain personnel with the appropriate skill set for the tasks associated with the integration process. Successful integration will also require a significant amount of management time and thus may affect or restrict the ability of the management team

of the Combined Group to run the business effectively during the period of integration. If the integration process proves more difficult than is anticipated, there is also a risk that the challenges associated with managing the integration will result in the management team of the Combined Group being distracted and, consequently, the operations of the Combined Group may be adversely affected.

Difficulties arising from the integration process may result in the Combined Group failing to achieve in full the expected benefits of, including synergies from, the Merger. In particular, the Combined Group's ability to realise anticipated cost synergies and potential revenue synergies, and the timing of this realisation may be affected by a variety of factors, including but not limited to:

- (a) its broad geographic areas of operations and the resulting potential complexity of integrating each of the Shanks Group's and the VGG Group's corporate and regional offices;
- (b) successful implementation of the Combined Group's strategy;
- (c) the difficulty of achieving cost savings; and
- (d) unforeseeable events, including major changes in the industries in which the Combined Group operates.

With respect to the integration process as well as with the anticipated and potential synergies, the Combined Group may experience lengthy consultations and negotiations with Dutch and/or Belgian trade unions and/or Dutch and/or Belgian works councils on certain items. These trade unions and/or works councils are most likely to be involved in matters such as reorganisations and/or harmonisation of employment conditions.

The Dutch works councils have a right of advice in respect of the integration process. Under Dutch law, no stringent rules apply with regard to the duration of the consultation process. If the terms of the integration plan deviate from the advice of the works councils, the implementation of the integration process must be suspended for one month. During this month, the relevant works councils may initiate legal proceedings to prevent the integration process at the Enterprise Court at the Amsterdam Court of Appeal. In case the works councils do not take any action during the one month period of suspension, the integration process can be completed. In addition, amendments affecting the Combined Group's employees, such as changes to regulations pay/job grading systems and/or dismissals and promotion, may only be taken with the works councils' consent. If such consent is refused, Shanks may ask the relevant subdistrict court to grant permission to make any such amendment. Permission will solely be granted in case the works councils' refusal is unreasonable or if the proposed amendment(s) is necessary for serious business reasons.

The Belgian works councils must also be informed and consulted, amongst others, prior to any important change to the structure of the undertaking of the Combined Group in Belgium. Under Belgian law, no stringent rules apply with regard to the duration of the consultation process, however, the employee's representatives of the works council should be given reasonable opportunity to ask questions. In addition, possible collective lay-off and/or closure of an undertaking or a division in the Belgium organisation of the Combined Group requires a specific information and consultation procedure to be complied with, which may take several months.

If there are difficulties in the integration process and/or the expected benefits of, including synergies from, the Merger (including the anticipated cost synergies and potential revenue synergies) are not realised in full or are delayed, it may have a material adverse effect on the Combined Group's business, prospects, results of operations and financial condition.

1.3 As a result of the Merger, the Combined Group may fail to retain key management or other personnel.

The calibre and performance of the Combined Group's senior management and other key employees, taken together, is critical to the success of the Combined Group and, while key Shanks Group and VGG Group personnel will be eligible to participate in the Combined Group's incentive plans, there can be no assurance that the Merger will not result in the departure of key personnel from the Combined Group. Such departures may take place either before the Merger has completed or during the integration of the VGG Group into the Shanks Group. Failure of the Combined Group to remunerate or otherwise incentivise employees appropriately could also result in the departure of key personnel. If there were a departure of a significant number of management or key employees and the Combined Group were not able to attract or develop suitable replacements, it may have an adverse effect on both the Combined Group's ability to conduct its businesses (through an inability to execute business operations and strategies

effectively) and the value of those businesses, which, in turn, may have a material adverse effect on the Combined Group's business, prospects, results of operations and financial condition.

1.4 The Merger may complete even if there is an adverse change or development in respect of VGG, which may affect the value of VGG (which may be less than the consideration paid by Shanks), the Combined Group and the Ordinary Shares.

Once the Resolutions have been passed at the General Meeting, Shanks will be committed to proceed with the Merger, subject only to rights of termination and the other conditions under the Merger Agreement. Shanks has only limited rights to terminate the Merger Agreement if, prior to Completion, an event occurs which results in or is reasonably likely to result in a material adverse effect on the assets, liabilities, business, operations, property, condition (financial or otherwise), profits or prospects of the VGG Group (taken as a whole), and that event meets certain thresholds. Accordingly, Merger may proceed even if there is an adverse, event or development in respect of the VGG Group. In the event that the Merger completes and there is a factor of which Shanks is not aware, an adverse event affecting the value of VGG occurs or the value of the VGG Group's business declines prior to Completion, the value of the VGG Group's business purchased by Shanks may be less than the consideration agreed to be paid by Shanks and, as a result, the net assets of the Combined Group could be adversely affected. There can be no assurance that Shanks would be able to renegotiate the consideration paid for the VGG Group in such circumstances and Shanks may, therefore, pay an amount in excess of fair value for the VGG Group. In addition, Shanks has limited recourse following Completion against the Seller for breaches of representations and warranties, subject to a cap. Both potential payment in excess of market value and limited recourse in the event of a breach of representation or warranty under the Merger Agreement may have a material adverse effect on the Combined Group's business, prospects, results of operations and financial condition. In addition, if a material adverse event occurs, following Completion, the price of the Ordinary Shares may be adversely affected. Conversely, if Shanks exercises its right to terminate the Merger for a material adverse event, the price of the Ordinary Shares may be adversely affected.

1.5 The cost of achieving the benefits of the Merger may be higher than anticipated.

The Shanks Group will incur legal, accounting and transaction fees and other costs related to the Merger. Some of these costs are payable regardless of whether the Merger is completed and such costs may be higher than anticipated. The Directors expect that the integration process and the realisation of these cost synergies will result in one-off exceptional cash costs of approximately €50 million to be incurred over a three year time period. These costs are an estimate and it is possible that the actual cost to achieve the synergies will be higher. If any of these costs were to be greater than Shanks anticipates, this would likely reduce the net benefits of the Merger and may have a material adverse effect on the Combined Group's business, prospects, results of operations and financial condition.

1.6 Recourse under the Merger Agreement is limited monetarily and by time.

Shanks is relying on representations, warranties and covenants given by VGG's direct shareholder under the Merger Agreement. Shanks' recourse under the Merger Agreement for losses and liabilities resulting from breach of any such representation, warranty or covenant, or for amounts covered under the indemnification provisions, is subject to the monetary and time limitations specified therein. Because these monetary limits are low, Shanks has also taken out warranty and indemnity insurance to cover (up to the limit in such insurance) losses above such limits. While Shanks has carried out an extensive due diligence investigation of the VGG Group, it has not had access to all information. Shanks cannot assure Shareholders that its investigation and due diligence of the VGG Group uncovered all events or conditions that might result in future losses or liabilities or that any known potential losses or liabilities have been fully addressed under the relevant provisions in the Merger Agreement. As a result, after Completion, the Combined Group may suffer losses or incur liabilities for which it has limited or no recourse. Furthermore, if any such losses or liabilities were greater than the monetary limitations, or became known to Shanks after expiry of the relevant time period limitations, each as specified in the Merger Agreement, Shanks may not have any recourse under the Merger Agreement. While Shanks has obtained warranty and indemnity insurance in respect of the representations, warranties and covenants in the Merger Agreement, its ability to recover under such insurance is also limited. If Shanks was required to bear such losses or liabilities itself, it may have a material adverse effect on the Combined Group's financial position in the medium-to-long term.

1.7 The VGG Group, as part of the Combined Group following Completion, may require greater medium-term capital expenditure than currently estimated by the VGG Group's management which could adversely affect the financial benefits of the Merger and the prospects of the Combined Group.

The VGG Group's current capital expenditure plan has been determined by its management in accordance with its standalone strategy. Following Completion, the Combined Group's management team will set a capital expenditure plan for the Combined Group in accordance with the Combined Group's strategy. Given the differences in each of the Shanks Group's and the VGG Group's standalone strategies, further medium-term capital expenditure may be required under the Combined Group's strategy in order to bring the VGG Group's operations in line with the Shanks Group's practices. Such additional costs may relate to, but are not limited to the:

- (a) renewal of the transport fleet;
- (b) improvement of health and safety related assets, equipment and on-going practices; and
- (c) renovation or replacement of facilities and onsite equipment.

Although the Shanks Group's management has undertaken due diligence on, and appraisal of, the VGG Group's capital expenditure plan, the level of medium-term capital expenditure required in relation to the VGG Group may be greater than is estimated by the VGG Group's management. This may have an adverse effect on the medium-term cash position of the Combined Group, as well as on the returns that Shanks is able to make to Shareholders, which in turn may have a material adverse effect on the Combined Group's business, prospects, results of operations and financial condition.

1.8 Third parties may terminate or alter existing contracts with Shanks or VGG as a result of the Merger.

Uncertainty about the effect of the Merger on the respective customers, suppliers and partners of the Shanks Group and the VGG Group may have an adverse effect on the respective groups and, consequently, on the Combined Group after Completion. Although Shanks intends and the Directors believe that VGG intends to take steps to reduce any adverse effects, these uncertainties could cause customers, suppliers, partners (including joint venture partners) and others that deal with Shanks and/or VGG to seek to change or terminate their contracts. In particular, the Shanks Group and the VGG Group each have a significant number of contracts or other arrangements with suppliers, customers and other partners (including joint venture partners) that contain "change of control" or similar clauses that allow the counterparty to terminate or change the terms of their contract upon Completion. Changes to contracts or other arrangements with customers, suppliers and partners (including joint venture partners) may result in the Combined Group being unable to conduct its business on as favourable or even acceptable terms. In particular, under the governing documents of Maltha Groep B.V., an entity 67 per cent. owned by the VGG Group and through which the VGG Group conducts its glass recycling operations, in the case of a change of control of the VGG Group, the other owner has a right to acquire the VGG Group's interest in Maltha Groep B.V. This other owner has agreed with the VGG Group and Shanks that such existing right will be deferred until the earlier of (i) 30 June 2017; and (ii) six months from the date of Completion. If the other owner decides to exercise this pre-emption right after expiry of this deferred period, it would mean that the VGG Group and, following Completion, the Combined Group would no longer have any glass recycling operations and would not benefit from any related revenue or Adjusted EBITDAE which, on the basis of the VGG Group's unaudited management accounts for the year ended 31 December 2015, represented approximately 5 per cent. of the VGG Group's total revenue and approximately 4 per cent. of the VGG Group's total Adjusted EBITDAE. Also, if this right is exercised, there is no certainty that the Combined Group would be able to negotiate a fair price for the sale of its stake. The termination of any key contract or a significant number of contracts may also adversely affect the Combined Group's ability to conduct its business, which may result in decreased revenue and/or increased costs. Where practicable, the Shanks Group and the VGG Group may seek to obtain consents or waivers from certain of these counterparties, but there can be no assurance that any consent or waiver can be obtained on reasonable terms or at all. If third parties were to terminate or require alterations to their existing contracts with Shanks or VGG as a result of the Merger, it may have a material adverse effect on the Combined Group's business, prospects, results of operations and financial condition.

2. RISKS RELATING TO THE SHANKS GROUP'S, THE VGG GROUP'S AND, FOLLOWING COMPLETION, THE COMBINED GROUP'S, BUSINESS

2.1 The performance of the operations of the Shanks Group and the VGG Group are and, following Completion, the performance of the operations of the Combined Group will be linked to the availability of waste, which in turn is affected by economic activity and market conditions in the sectors in which they operate.

As with many waste management companies, a significant proportion of the Shanks Group's and the VGG Group's customer arrangements (which can be contrasted with municipal arrangements) are or will be annual price agreements without any customer commitments as to volumes. As a result, each of the Shanks Group and the VGG Group has and, following Completion, the Combined Group will have little visibility on future tonnage or revenue from such commercial arrangements. The volume of commercial and hazardous waste received by the Shanks Group and the VGG Group closely mirrors and, following Completion, the volume of commercial and hazardous waste received by the Combined Group will closely mirror the industrial and commercial output in the geographical areas in which their respective facilities are located. Unlike municipal waste, industrial projects (and therefore commercial and hazardous waste volumes) are dependent upon availability of credit and underlying economic confidence. Waste volumes generated in these markets are to a large extent affected by factors beyond the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's control, including general economic conditions, levels of GDP growth and consumption, levels of construction and renovation works, technological advances and regulatory changes affecting environmental matters and waste management. Additionally, waste volumes have been, and are expected to continue to be, impacted by policy shifts and societal trends towards generating less waste and relying more heavily on recycled materials, and by technological advancements leading to the use of less, and more complex, materials which will result in less generated waste and less recoverable valuable waste materials for waste. Municipal projects may also be affected by market conditions, which may influence the availability of offtake partners and increase insurance costs. In particular, the Shanks Group's Municipal division continues to experience market and operational challenges in the current financial year in the United Kingdom which may have an adverse effect on its revenue and profitability. As a consequence, the revenue of the Shanks Group, the VGG Group and, following Completion, the Combined Group may be materially adversely affected by a downturn in economic activity. In particular, in the VGG Group's Maltha segment, the availability and, therefore, price, of high quality glass waste (with low pollution due to co-mingling with non-glass material) is affected by, among other things, the policies of "Green dot" systems (which require producers and retailers to finance the collection and sorting of packaging waste) and government regulations. In addition, unanticipated increase in demand for waste disposal may have an adverse effect on the VGG Group as it would be required to dispose of higher than expected volumes of waste through its put or pay agreements for combustible waste which may trigger a corresponding price increase which could not be passed on to its clients. Reduced, or unexpectedly increased, volumes of commercial and hazardous waste and demand for waste management services may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.2 Competitive pressures may negatively affect margins and constrain the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's ability to generate cash and grow its operations.

Each of the Shanks Group and the VGG Group operates and, following Completion, the Combined Group will operate in competitive markets where competition for commercial and hazardous waste has led and may in the future lead to reduced prices to customers and lower margins for waste management companies. For example, in recent years decreased utilisation levels within commercial incinerators have contributed to increased waste collection pricing pressure and competition. When demand for incineration declines in the market, gate fees tend to decrease, giving mainly smaller competitors who lack long term agreements with commercial incinerators and pay gate fees at spot market rates a cost advantage as compared to the Shanks Group, the VGG Group and, following Completion, the Combined Group. These competitors, when able to pay lower gate fees, tend to charge their customers lower prices for waste collection than those charged by the Shanks Group, the VGG Group and, following Completion, the Combined Group, thus placing pressure on the prices that the Shanks Group, the VGG Group and, following Completion, the Combined Group are able to charge to their customers and, accordingly, their revenue and margins. Additionally, an increase in the level of recycling may result in lower volumes for incineration, which would place further downward pricing pressure on gate fees. As a result, the earnings of the Shanks Group, the VGG Group and, following Completion, the Combined Group may be

diminished, which may constrain its ability to generate sufficient cash from its trading activities to grow its operations. While each of the Shanks Group and the VGG Group currently implements and, following Completion, the Combined Group will implement a cash and portfolio management programme aimed at reducing the effects of competitive pressures, any sustained decrease in cash generation resulting in it becoming unable to grow its operations may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.3 The Shanks Group and, following Completion, the Combined Group may be materially adversely affected by exposure under its long-term contracts.

The Shanks Group has and, following Completion, the Combined Group will have certain key long-term commercial contracts (typically lasting 25 years), which generate substantial revenue and profit, including, in particular, public private partnership (“PPP”) and private finance initiative (“PFI”) municipal waste contracts. Entering into these long-term contracts exposes the Shanks Group and, following Completion, the Combined Group to the risks of:

- (a) an increase in costs, including wage inflation, insurance and energy costs, attributable to such contracts beyond those anticipated and provided for within such contracts at the time they are entered into;
- (b) being bound to perform an onerous contract as a result of inaccurate pricing by the Shanks Group or unfavourable market conditions, which may require increases in related provisions;
- (c) an increase in costs that are not met through corresponding attributable increases in revenue from such contracts; and
- (d) in the case of PFI and PPP contracts, revenue not received through failure to meet performance targets.

Unless, and to the extent that, such risks are taken into account in periodic benchmarking and/or market testing, they may have a materially adverse effect on the Shanks Group's and, following Completion, the Combined Group's future revenue and profitability. Persistent or major failure to meet performance targets may result in the imposition of fines or penalties by the municipality or, ultimately, the early termination of these contracts and a loss of both any initial investment and future profits, which may have a material adverse effect on the Shanks Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.4 Fluctuations in commodity prices could materially adversely affect the Shanks Group, the VGG Group and, following Completion, the Combined Group.

The respective activities of the Shanks Group and the VGG Group require and, following Completion, the Combined Group will require consumption of commodities and each of them are, therefore, exposed to risks relating to fluctuations in commodity prices. Commodity prices are affected by regional and global macroeconomic factors beyond the control of the Shanks Group, the VGG Group and, following Completion, the Combined Group and are subject to significant volatility and have, in recent years, decreased due to lower global demand. Although the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's long-term contracts generally include indexing mechanisms, there can be no guarantee that these mechanisms will cover all of the additional costs generated, particularly for long-term contracts. In addition, some contracts entered into by the Shanks Group, the VGG Group and, following Completion, the Combined Group do not include indexing provisions. Accordingly, any major increase in the price of commodities consumed may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

The sale of recyclable materials provides a significant source of income for each of the Shanks Group and the VGG Group and, following Completion, will provide a significant source of income for the Combined Group. The level of global economic activity can have a very significant effect on commodity prices and, as a consequence, the value of such recyclable materials. Where the Shanks Group, the VGG Group and, following Completion, the Combined Group collects or processes segregated recyclable streams, such as paper, cardboard, metal, plastic and wood, it endeavours (or, in the case of the Combined Group, following Completion will endeavour) to reduce its exposure to fluctuations in commodity prices by linking input prices directly to corresponding quoted commodity prices. However, where the recyclables are

recovered from residual waste streams, since their value is small compared to the costs of handling the waste streams, the value of such recyclables is not separately identified in the overall price to the customers. The combined value of recyclables extracted from large volumes of residual waste can be substantial, therefore the impact of changing commodity prices may be significant. While each of the Shanks Group and the VGG Group seeks and, following Completion, the Combined Group will seek to limit its exposure to fluctuations in commodity prices, to the extent that it is not successful in limiting such exposure, fluctuations in commodity prices may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.5 Increases in fuel prices or reduced supply of fuel would likely increase the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's operating expenses.

The price and supply of fuel are unpredictable and can fluctuate significantly based on international, political and economic circumstances, as well as other factors outside the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's control, such as actions by the Organisation of the Petroleum Exporting Countries and other oil and gas producers, weather conditions and environmental concerns. Each of the Shanks Group and the VGG Group requires and, following Completion, the Combined Group will require fuel to operate the vehicles and equipment used in its operations. Price escalations or reductions in the supply would likely increase the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's operating expenses, which increases or reductions may not be fully hedged or at all, which may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition. This may be particularly true for the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's municipal operations, which is typically subject to fixed income contracts and, therefore, increases in fuel prices also result in increased margin pressure.

2.6 The Shanks Group's, the VGG Group's and, following Completion, the Combined Group's reputation as a quality service provider may be adversely affected by any failure to meet its contractual obligations, customer expectations or agreed service levels.

The Shanks Group's and the VGG Group's reputation for providing high quality services is key to it maintaining and developing relationships with customers. The Shanks Group's, the VGG Group's and, following Completion, the Combined Group's ability to attract new customers or retain existing customers is largely dependent on its ability to provide reliable high quality services and to maintain a good reputation. Any failure or inability to meet a customer's expectations may have a material adverse effect on the customer's operations, which, in turn, may damage the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's relationship with that customer and the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's reputation. Accordingly, any such damage to relationships or any such reputational damage may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition. In addition, any failure to meet contractual obligations or agreed service levels may lead to contractual disputes with counterparties, which may result in legal and other costs to the Shanks Group, VGG Group or, following Completion, the Combined Group.

2.7 The Shanks Group, the VGG Group and, following Completion, the Combined Group may lose contracts through competitive bidding, early termination or governmental action, or may renegotiate contracts on less favourable terms, the lost revenue from which it may not be able to replace or offset.

Each of the Shanks Group and the VGG Group currently derives and, following Completion, the Combined Group will derive a significant portion of its revenue from markets in which it has exclusive arrangements, including municipal contracts. These municipal contracts are for a specified term and are or will be subject to competitive bidding in the future. Although the Shanks Group and the VGG Group and, following Completion, the Combined Group intends to bid on additional municipal contracts in their respective target markets, they may not always, or ever, be the successful bidder. In addition, some or all of their respective customers, including municipalities, may terminate a contract prior to their scheduled expiration dates. In most of the countries in which the Shanks Group and/or the VGG Group is present and, following Completion, the Combined Group will be present, public authorities have the right, in certain circumstances, to unilaterally amend or even terminate the contract subject to compensation by the contracting partner. In the event of amendments or early termination of contracts, there can be no

guarantee that the Shanks Group, the VGG Group and, following Completion, the Combined Group will be able to obtain partial or full compensation. Similar risks may affect contracts that the Shanks Group, the VGG Group and, following Completion, the Combined Group are awarded to operate municipally owned assets, such as landfills.

Governmental action may also affect the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's exclusive arrangements. Municipalities may annex unincorporated areas within areas where each of the Shanks Group and the VGG Group provides and, following Completion, the Combined Group will provide collection services. As a result, customers in such annexed areas may be required to obtain services from competitors that have been franchised by the annexing municipalities to provide those services. In addition, municipalities in which each of the Shanks Group and the VGG Group provides and, following Completion, the Combined Group will provide services on a competitive basis may elect to franchise those services. Unless the Shanks Group, the VGG Group and, following Completion, the Combined Group are awarded franchises by these municipalities, they will lose customers. Municipalities may also decide to directly provide services to their residents, on an optional or mandatory basis, which may result in a loss of customers.

In addition, the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's exclusive arrangements must be renewed from time to time. There can be no assurance that any renegotiation of a contract will be concluded on terms at least as favourable as before or at all. If the Shanks Group, the VGG Group and, following Completion, the Combined Group are not able to replace or offset lost revenue resulting from unsuccessful competitive bidding or early termination or if the renegotiation of existing contracts results in the Shanks Group, the VGG Group and, following Completion, the Combined Group being required to provide its services on less favourable terms or being unable to renew the contract, it may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.8 Some of the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's customers, including governmental entities, have suffered financial difficulties affecting their credit risk, which could negatively impact the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's operating results.

Each of Shanks Group and the VGG Group provides and, following Completion, the Combined Group will provide its services to a number of governmental entities and municipalities, some of which have suffered significant financial difficulties in the past due to reduced tax revenue, high cost structures and/or downturns in the global and local economy. Some of these entities may become unable to pay amounts owed to the Shanks Group, the VGG Group and, following Completion, the Combined Group or renew contracts at previous or increased rates. Many non-governmental customers have also suffered serious financial difficulties, including bankruptcy in some cases. Purchasers of the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's recyclable commodities can be particularly vulnerable to financial difficulties in times of commodity price volatility. While each of the Shanks Group and the VGG Group currently implements and, following Completion, the Combined Group will implement the setting and monitoring of customer credit limits and outstanding customer receivables are regularly monitored, there can be no assurance that a customer will not become unable to meet its payment obligations due to factors outside the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's control. The inability of a significant number of customers, particularly large national accounts, to pay the Shanks Group, the VGG Group and, following Completion, the Combined Group in a timely manner, which is not fully mitigated by any applicable credit insurance or non-recourse factoring, may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.9 The Shanks Group's and the VGG Group's businesses are and, following Completion, the Combined Group's business will be concentrated on the Benelux region.

For the year ended 31 March 2016, 70 per cent. of the Shanks Group's revenue and, for the year ended 31 December 2015, 92 per cent. of the VGG Group's revenue was derived from the Benelux region. Accordingly, following Completion, the Combined Group will have a higher concentration of, and dependency on, earnings derived in the Benelux region than the Shanks Group currently has on a standalone basis and consequently a greater exposure to any economic or market factors affecting the

Benelux region. Following Completion, in the event that the economic or market conditions in the Benelux region were to deteriorate, this may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.10 Most of the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's employees are or will be represented by works councils and trade unions.

As at 31 March 2016, approximately 75 per cent. of the Shanks Group's employees were party to collective bargaining agreements and some employees in the United Kingdom are members of trade unions. As at 31 December 2015, over 95 per cent. of the VGG Group's employees were party to collective bargaining agreements. The Shanks Group's, the VGG Group's and, following Completion, the Combined Group's relationship with works councils and trade unions are and will be important. As collective bargaining agreements expire and until negotiations are completed, it is not known whether the Combined Group will be able to negotiate collective bargaining agreements on the same or more favourable terms as the current agreements, or at all, without interruptions and stoppages. The presence of works councils and trade unions may limit the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's flexibility in dealing with its workforce and lead to increased operating costs. A lengthy strike or other work stoppage by the Shanks Group's, the VGG Group's or, following Completion, the Combined Group's employees may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's ability to conduct its activities and complete its contractual obligations. Accordingly, any such delays, stoppages or interruptions may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.11 The Shanks Group is and, following Completion, the Combined Group will be subject to restrictive covenants under its financing arrangements.

The terms of Shanks' 4.23 per cent. guaranteed notes due 30 July 2019 and 3.65 per cent. guaranteed notes due 16 June 2022 prohibit it and the subsidiary guarantors thereof from granting any security interest over (i) any Shanks Group undertakings, assets or revenue; and (ii) any property, plant and equipment having a book value of 40 per cent. or more of the Shanks Group's consolidated net worth (as defined in the terms and conditions of those notes) without providing an equal and ratable security interest over such assets in favour of the holders of the relevant notes.

Under the terms of both (i) Shanks' existing €180 million multicurrency revolving credit facility agreement, as subsequently amended, with, among others, Barclays Bank PLC, HSBC Bank plc, BNP Paribas Fortis S.A./N.V., ING Bank N.V., Rabobank International, The Royal Bank of Scotland plc and KBC Bank N.V. as Arrangers and Lenders and Barclays Bank PLC as Facility Agent (the "**Existing Facility Agreement**"); and (ii) Shanks' replacement €600 million multicurrency facilities agreement with ING Bank N.V. as Arranger, ING Bank N.V., Coöperatieve Rabbobank U.A., ABN Amro Bank N.V., KBC Bank N.V., BNP Paribas Fortis S.A./N.V. and HSBC Bank plc as Original Lenders, ING Bank N.V. as Issuing Bank and Coöperatieve Rabbobank U.A. as Facility Agent (each of such terms as defined therein) pursuant to which a €150 million term facility and a €450 million revolving credit facility will be provided to certain members of the Combined Group (the "**New Facilities Agreement**"), Shanks is currently or will be subject to certain financial and other customary covenants, including the requirement to maintain certain ratio levels in relation to its interest cover, leverage and (in the case of the €600 million facility, only until Completion) net worth. Failure to comply with such covenants may be an event of default in the relevant agreement, in which case the relevant facility agent may, if instructed by a majority of the relevant lenders, cancel all or any part of the commitments under that agreement or declare all or part of any amounts outstanding thereunder immediately due and payable and/or payable on demand. In addition, breach of a financial covenant under the New Facilities Agreement would prevent utilisation of the facilities available thereunder for any purpose other than to (i) pay part of the offer price for the Merger; (ii) refinance the existing debt of the VGG Group; or (iii) transfer certain of VGG's financial obligations into the New Facilities Agreement, unless such breach is waived by a majority of lenders. Breach of a financial covenant under the New Facilities Agreement would also mean the margin payable on the facilities available thereunder moves to the highest applicable level.

In connection with certain PFI and PPP contracts to which one or more members of the Shanks Group is party, the Shanks Group is obliged to maintain certain ratio levels in relation to its consolidated net worth, interest cover and leverage. These ratios are generally tested at the end of each financial quarter. If the

Shanks Group fails to meet a ratio level on a testing date, it would be required to post additional letters of credit support in respect of its outstanding obligations under the relevant contract. While the Shanks Group has not previously failed any of its ratio tests and, from time to time, seeks to negotiate lower ratio levels, there can be no assurance that it will meet such ratio levels at all times in the future. Any failure to obtain required letters of credit support may trigger an event of default under the relevant credit agreement, giving rise to potential liabilities up to the relevant liability cap.

2.12 Fluctuations in foreign exchange rate could materially adversely affect the Shanks Group, the VGG Group and, following Completion, the Combined Group.

The Shanks Group historically has reported and currently reports its financial results in Sterling while transacting, earning revenue and holding assets and liabilities in currencies other than Sterling, specifically the Euro and the Canadian dollar. A significant majority of the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's costs are and will continue to be denominated in Euro. In addition, the Shanks Group generates a significant proportion of its revenue in Euro, the VGG Group generates all of its revenue in Euro and Shanks estimates that the Combined Group will generate approximately 90 per cent. of its revenue in Euro. Therefore, the Shanks Group, the VGG Group and, following Completion, the Combined Group may be adversely affected by fluctuations in exchange rates, particularly between the Euro and the pound and the Euro and the Canadian dollar. In addition, should the Euro weaken against the pound, then the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's revenue as reported in Sterling will decrease even if its underlying performance stays constant. While the Shanks Group and the VGG Group engages and, following Completion, the Combined Group will engage in currency hedging transactions to reduce its exposure to currency fluctuations in respect of costs incurred in Euro and Euro-denominated asset and liability positions, there can be no assurance that these hedging transactions will be sufficient to protect against adverse exchange rate movements. There has been a high degree of volatility in exchange rates since the onset of the global financial crisis and this volatility has continued with the recent EU sovereign debt crisis and the UK's referendum in favour of leaving the European Union. A depreciation of the Euro and/or the Canadian dollar relative to the pound sterling may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.13 The Shanks Group's, the VGG Group's and, following Completion, the Combined Group's financial position and results of operations may be adversely affected by fluctuations in interest rates.

Amounts drawn down under the Shanks Group's financing facilities in respect of its PFI contracts and the Existing Facility Agreement accrue and, following Completion amounts drawn down under the New Facilities Agreement will accrue interest at a variable rate. Amounts drawn down under the VGG Group's senior facilities agreement originally dated 1 March 2006 among VGG, Global Loan Agency Services Limited (as agent), KBC Bank N.V. (as issuing bank) and GLAS Trust Corporation Limited (as security agent) (the "VGG Senior Facilities Agreement") also accrue interest at a variable rate. It is anticipated that the Shanks Group's Existing Facility Agreement and the VGG Senior Facilities Agreement will be cancelled and repaid in full upon Completion. Therefore, assuming Completion occurs, the Combined Group will be exposed to interest rate fluctuations under the New Facilities Agreement as well as its financing facilities in respect of its PFI contracts.

The interest rates under the Shanks Group's and, following Completion, the Combined Group's financing facilities in respect of its PFI contracts are and will continue to be termed non-recourse since the lenders may, in the event of a default in payment under the loan by the Shanks Group or, following Completion, the Combined Group, only seize certain defined assets of the Shanks Group or, following Completion, the Combined Group. These are hedged for the life of such facilities, which means that the Shanks Group has and, following Completion, the Combined Group will have entered into arrangements in order to minimise any loss it may face if such interest rates change adversely.

The interest rates under the VGG's Group variable rate facilities, including under the VGG Senior Facilities Agreement, are fixed for a period ranging between one to six months. As a result, the VGG Group's cash flow and results are subject to fluctuations in the short-term interest rate, which are referenced to EURIBOR. For an amount of €300 million this risk is hedged by using interest rate swaps until the end of 2016. For the amount above €300 million and for the full variable rate facilities after the end of 2016, VGG Group has an exposure to the effect of fluctuations in EURIBOR.

Each of the Shanks Group and the VGG Group is and, following Completion, the Combined Group will be exposed to fluctuations in sterling, Euro and Canadian dollar interest rates in respect of the unhedged element of their underlying borrowings, being the element for which it has not entered into arrangements to protect against any losses it could suffer due to adverse changes in such interest rates. Adverse movements in interest rates, if not fully hedged, may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.14 The Shanks Group and, following Completion, the Combined Group may in the future be required to increase the funding of its pension schemes.

The Shanks Group uses International Accounting Standard (“IAS”) 19 Revised—Employee Benefits to account for pensions. The pension charge in the year ended 31 March 2016 was £10.3 million (£10.4 million in the year ended 31 March 2015). Using assumptions laid down in IAS 19 Revised—Employee Benefits, in the year ended 31 March 2016, there was a net retirement benefit deficit of £8.8 million (£13.1 million in the year ended 31 March 2015). This relates solely to the defined benefit section of the Shanks Group's UK scheme. The defined benefit section of the UK scheme was closed to new members in September 2002 and new employees are now offered a defined contribution arrangement. Following the completion of the triennial valuation of the Shanks Group's UK defined benefit retirement scheme as at 5 April 2015, the Shanks Group agreed to fund the deficit over a six year period with a payment of £3.1 million over seven years. This payment profile will be reconsidered at the valuation as at 5 April 2018, results of which will be available in 2019. Following the conclusion of such valuation, the trustees of the defined benefit schemes may seek a material increase in the funding of such schemes over the ten years from the date of the 2018 valuation. If such funding has to be increased, it may have a material adverse effect on the Shanks Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

In the Netherlands, the Shanks Group participates and, following Completion, the Combined Group will participate in several multi-employer schemes. These are accounted for as defined contribution plans as it is not possible to split the assets and liabilities of the schemes between participating companies and Shanks has been informed by the schemes that it has no obligation to make additional contributions in the event that the schemes have an overall deficit. However, should such confirmation be incorrect, additional funding may be required from the Shanks Group and, following Completion, the Combined Group in the future, which may have a material adverse effect on the Shanks Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.15 The VGG Group, as part of the Combined Group following Completion, may incur additional environmental remediation costs which could adversely affect the financial benefits of the Merger and the prospects of the Combined Group.

Virtually all of the VGG Group's operations require the VGG Group to hold local licences, permits or other permissions to operate. Compliance with the relevant conditions is monitored by local authorities or regulatory agencies. Following Completion, additional environmental remediation costs (including soil remediation costs and investment on infrastructure for structural, environmental or health and safety reasons) may be incurred by the Combined Group in order to:

- (a) comply with any relevant notices of non-compliance from local authorities or regulatory agencies, including any notices arising directly or indirectly from a change of control or ownership of the VGG Group; or
- (b) bring the VGG Group's operations in line with the Shanks Group's practices in relation to management of potential environmental liabilities.

If material additional environmental remediation costs are required in relation to the VGG Group's operations following Completion or further in the future, it may have a material adverse effect on the Combined Group's business, prospects, results of operations and financial condition.

2.16 The provisions for landfill costs of the Shanks Group, the VGG Group and, following Completion, the Combined Group may be inadequate.

The Shanks Group currently operates two landfill sites in the Benelux region and two landfill sites in the United Kingdom. It also manages four closed landfill sites in the United Kingdom, ownership of three of

which will revert to the relevant original owner pursuant to the relevant PFI contract. The VGG Group operates three landfill sites in the Benelux region, including a specialised landfill which accepts NORM (naturally occurring radioactive materials) wastes, such as from oil and gas exploitation.

The Shanks Group has provisions in place for post-closure costs of its operational landfill sites, including such items as monitoring, gas and leachate management and licensing. A provision is made for the net present value of these costs which have been estimated by Shanks' management based on current best practice and technology available and the quantity of waste deposited in the year. These costs are anticipated to be cover a period of at least 30 years from closure of the relevant landfill site. The VGG Group has set up landfill provisions to finance the expected costs of cover up during and at the end of the filling period. However, there can be no assurance that such provisions will be adequate or that the Shanks Group, the VGG Group and, following Completion, the Combined Group will not be required to take further provisions for additional or unexpected costs in the future.

Each of the Shanks Group and the VGG Group is required to pay capping, closure and post-closure maintenance costs for all of its landfill sites. In relation to the VGG Group, these costs are anticipated to be over a maximum period of 30 years from closure of the relevant landfill site. Obligations to pay closure or post-closure costs or other contamination-related costs may exceed the amount the Shanks Group and/or the VGG Group has accrued and reserved and other amounts available from funds or reserves established to pay such costs, in which case it would be required to make additional payments to cover the difference. In addition, subsequent to the completion or closure of a landfill site, the Shanks Group, the VGG Group and, following Completion, the Combined Group may be liable for unforeseen environmental issues, which could result in payment of substantial remediation costs.

While each of the Shanks Group and the VGG Group currently monitors and assesses and, following Completion, the Combined Group will monitor and assess their operational landfill sites to enable early identification of issues and seek remediation before costs become excessive, there can be no assurance that such measure will be effective in mitigating any risk that related costs will be in excess of their respective expectations. If the Shanks Group, the VGG Group or, following Completion, the Combined Group were to incur significant additional or unforeseen costs in relation to its landfill sites and sufficient provisions were not available, it may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.17 Each of the Shanks Group and the VGG Group is and, following Completion, the Combined Group will be exposed to risks and liabilities that may not be adequately covered by insurance and increases in insurance costs could have a negative effect on its financial position.

Shanks endeavours to ensure that the Shanks Group, VGG endeavours to ensure that the VGG Group and, following Completion, Shanks will endeavour to ensure that the Combined Group carries insurance for such risks and in such amounts as it believes are reasonably prudent. However, the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's insurance and its contractual limitations of liability may not adequately protect the Shanks Group, the VGG Group and, following Completion, the Combined Group against liability for events involving, amongst other things, environmental liability or business interruption losses in excess of the insurance cover. In addition, indemnities which the Shanks Group, the VGG Group and, following Completion, the Combined Group receives from sub-contractors may not be easily enforced if the relevant sub-contractors do not have adequate insurance. Any claims made under the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's insurance policies may cause the insurance premiums to increase. Further, any future damage caused by the services provided by the Shanks Group, the VGG Group and, following Completion, the Combined Group, which is not covered by insurance, is in excess of policy limits, is subject to substantial deductibles or is not limited by contractual limitations of liability, may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.18 The VGG Group has engaged in, and will likely continue to engage in, strategic and operational improvement initiatives which require significant expenditure and the benefits of which may not be realised which could have a negative effect on its financial position.

Achieving a sustainable cost base while continuing to improve performance is central to the VGG Group's strategy. The VGG Group has actively managed its cost base by divesting non-core operations and

investing in cost improvement initiatives to support its profitability in response to changing market conditions. These improvement initiatives are expected to contribute to revenue and Adjusted EBITDAE improvements in the VGG Group's business going forward as a result of increased operating and cost efficiencies. The VGG Group may undertake further cost and margin improvement programmes in the future, and any such future initiatives may involve significant costs or have a disruptive effect on the business. Furthermore, the anticipated benefits of such initiatives may not be fully realised in the expected timeframe, or at all, which may have a material adverse effect on the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.19 The Shanks Group, the VGG Group and, following Completion, the Combined Group may require additional capital in the longer term to support future growth, and this capital might not be available on terms acceptable to it, if at all, which may in turn hamper its growth.

The Shanks Group, the VGG Group and, following Completion, the Combined Group may in the longer term require additional funds to respond to business challenges, including the need to penetrate new markets or acquire complementary businesses or invest in new long-term assets. Accordingly, the Shanks Group, the VGG Group and, following Completion, the Combined Group may engage in equity, equity-linked or debt financings to secure additional funds. If the Shanks Group, the VGG Group and, following Completion, the Combined Group were to raise additional funds through future issuances of equity or convertible debt securities, Shareholders could suffer significant dilution, and any new equity securities its issues could have rights, preferences and privileges senior to those of the holders of Ordinary Shares. The terms of the New Facilities Agreement include, and the terms of any new debt financing that the Shanks Group, the VGG Group and, following Completion, the Combined Group secures in the future could include, restrictive covenants relating to its capital raising activities and other financial and operational matters, including the ability to pay dividends. Access to new debt finance may be dependent on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's levels of cash generation, which may be deemed insufficient. This may make it more difficult for the Shanks Group, the VGG Group and, following Completion, the Combined Group to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Shanks Group, the VGG Group and, following Completion, the Combined Group may not be able to obtain additional financing on terms favourable to it, if at all. If the Shanks Group, the VGG Group and, following Completion, the Combined Group were unable to obtain sufficient and/or cost-effective financing when required, its ability to continue to support its business growth and respond to business challenges could be significantly impaired. This may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.20 Changes in certain fiscal regimes could adversely affect the financial condition of the Shanks Group, the VGG Group and, following Completion, the Combined Group.

All members of each of the Shanks Group and the VGG Group account for and pay tax in their local jurisdictions and, following Completion, all members of the Combined Group will account for and pay tax in their local jurisdictions. Significant changes in the basis or rate of corporation tax, withdrawal of allowances or credits, or imposition of new taxes in such local jurisdictions, may have a material adverse effect upon the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's tax charges. For example, the Shanks Group, the VGG Group and following Completion, the Combined Group may not be able to pass on the costs of an increase in taxes to its customers due to the level of competition and pricing pressure in the markets in which they operate. This, in turn, may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.21 Increases in labour and disposal and related transportation costs could adversely affect the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's financial results.

Labour is one of the largest costs for each of the Shanks Group and the VGG Group and, following Completion, will represent one of the largest costs for the Combined Group and relatively small increases in labour costs per employee could materially affect cost structure. If the Shanks Group, the VGG Group or, following Completion, the Combined Group fails to control labour costs during periods of declining volumes or recover any increased labour costs through increased prices it charges for services or otherwise offset such increases with cost savings in other areas, their operating margins could suffer. In addition, disposal and related transportation costs represent one of the Shanks Group's and the VGG Group's and,

following Completion, will represent one of the Combined Group's major cost categories. If the Shanks Group, the VGG Group or, following Completion, the Combined Group incurs increased disposal and related transportation costs to dispose of solid waste or off-take from its waste processing sites, and if it is unable to pass these costs on to its customers, it may have a material adverse effect on the Shanks Group's, the VGG Group's and/or, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.22 A new Combined Group brand and marketing campaign may not be effective and may erode brand and stakeholder value.

As a result of the Merger, it is proposed that the Shanks Group undergoes a rebranding process. A rebranding process can be costly and have the potential to erode brand and stakeholder value. Although Shanks management will undertake this process with a great deal of consultation, there is a risk that any subsequent rebranding may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.23 Each of the Shanks Group and the VGG Group is and, following Completion, the Combined Group will be exposed to a risk of dependence on third parties.

For the construction and management of waste treatment sites, the Shanks Group, the VGG Group and, following Completion, the Combined Group may depend on a limited number of third parties, including contractors who provide the necessary technology, suppliers that supply waste for processing and other partners who accept off-take from waste processing sites. The number of contractors with sufficient expertise to design, install and/or maintain waste treatment technology is limited. Such contractors may be unable to deliver projects on time or at all, resulting in increased risk that costs will be higher than originally planned, site performance levels will not comply with specifications or that the Shanks Group, the VGG Group and, following Completion, the Combined Group will incur penalties or face termination of project agreements. Such contractors have in the past and may in the future become insolvent, and it may be difficult or impossible to find a suitable replacement contractor, which may cause a delay in or prevent completion of a project. For example, the recent insolvency of a major sub-contractor engaged to deliver the Shanks Group's Derby facility may lead to a six month delay in the commissioning of that facility, and is expected to have a financial impact in the second half of the financial year ended 31 March 2017 of lost commissioning profits and an expected £1.7 million of liquidated damages. Each of the Shanks Group and the VGG Group relies and, following Completion, the Combined Group will rely on suppliers of waste for it to process and partners able to accept its waste off-take. Increased competition, changes to or termination of municipal and other contracts and other factors, which may be out of the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's control, may result in a reduced number of suppliers and/or partners, which may adversely affect Shanks Group's, the VGG Group's and, following Completion, the Combined Group's ability to conduct its business, fulfil existing obligations and implement its growth strategy. Any of these factors may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.24 Catastrophe or other physical or severe weather conditions at one or more of the Shanks Group's, the VGG Group's or, following Completion, the Combined Group's facilities may adversely affect the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business.

A catastrophic incident involving any of the Shanks Group's, the VGG Group's or, following Completion, the Combined Group's principal facilities, such as an explosion, fire or flooding, could result in interruption and closure of that location and, as a result, the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business may, to the extent not covered by insurance, be adversely affected. In addition, certain of the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's respective operations may be adversely affected by long periods of severe weather hampering collection, treatment, recycling and landfill site operations, which in turn may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.25 If its information technology systems fail, the Shanks Group, the VGG Group and, following Completion, the Combined Group's business could be adversely affected.

System failures in the operation of current information technology systems or the technology systems of third parties on which the Shanks Group, the VGG Group or, following Completion, the Combined Group relies could adversely affect, or even temporarily disrupt, all or a portion of operations until resolved. Systems failures could be caused for any number of reasons including loss of power, human error, natural disasters, fire, sabotage, hardware or software malfunctions or defects, computer viruses, intentional acts of vandalism, customer error or misuse, lack of proper maintenance or monitoring and similar events. The importance of information management applies in particular to financial processes, marketing and sales, logistical processes and laws and regulations. Additionally, any systems failures could impede ability to timely collect and report financial results in accordance with applicable laws. Inabilities and delays in implementing new systems could adversely affect the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's ability to realise projected or expected cost savings. Unauthorised access from outside parties (such as computer hackers or cyber terrorists) intent on extracting information, corrupting information or disrupting business processes could disrupt business and could result in a loss of assets, loss of data, litigation or arbitration claims or reputational damage, any of which may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.26 The Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business and financial condition may be materially adversely affected by global economic conditions and uncertainties.

Each of the Shanks Group and the VGG Group operate and, following Completion, the Combined Group will operate in numerous countries. Over recent years, the global financial markets have experienced turbulence. Macroeconomic development is dependent upon the evolution of a number of global and local factors, such as the crisis in the credit markets and uncertainty with regard to interest rates, economic crises arising from sovereign debt overruns, government budget consolidation measures related thereto, reduced levels of capital expenditures, declining consumer and business confidence, increasing unemployment in certain countries, fluctuating commodity prices (in particular, in oil and gas markets) and exchange rates, bankruptcies, natural disasters, presidential elections and other governmental changes, political crises and other challenges affecting the speed of sustainable macroeconomic growth.

Businesses are also affected by government spending priorities and the willingness of governments to commit substantial resources. Current global economic and financial market conditions and the potential for a significant and prolonged global recession and any uncertainty in the political environment, including the consequences (both within the UK and globally) of the UK's referendum held on 23 June 2016 in favour of leaving the European Union, may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

2.27 The Shanks Group and the VGG Group are and, following Completion, the Combined Group will be exposed to risks relating to its international operations.

As at the date of this Combined Circular and Prospectus, the Shanks Group operates at over 80 locations in Europe and Canada, the VGG Group operates at over 100 locations worldwide and, following Completion, the Combined Group will operate internationally in the same jurisdictions as those in which the Shanks Group and VGG Group currently operate. In the future, the Combined Group may also seek to expand its operations to additional jurisdictions. Doing business internationally exposes the Shanks Group and the VGG Group and, following Completion, will expose the Combined Group to a variety of risks including:

- (a) the burden of complying with multiple and possibly conflicting laws and any unexpected changes in regulatory requirements between different jurisdictions, including increased labour and employee costs;
- (b) exchange controls, import and export restrictions and tariffs and other trade protection measures and sanctions;
- (c) unstable economic, financial and market conditions and increased expenses;
- (d) inflation or unstable interest rate environments;

- (e) potentially adverse tax consequences from changes in tax law, requirements relating to withholding taxes or remittances and compliance with multiple, possibly conflicting, tax laws; and
- (f) exposure to liability under the UK Bribery Act 2010 and similar laws in other countries.

Any one of these factors could materially adversely affect the Shanks Group's and the VGG Group's and, following Completion, the Combined Group's ability to provide services to customers in one or more of these jurisdictions, which could in turn materially adversely affect the Shanks Group's, the VGG Group's and the Combined Group's business, prospects, results of operation and financial condition.

2.28 The Shanks Group is and, following Completion, the Combined Group will be exposed to a number of political, social and macroeconomic risks relating to the United Kingdom's potential exit from the European Union.

On 23 June 2016, the United Kingdom voted in a national referendum to withdraw from the European Union. The result of the referendum does not legally obligate the United Kingdom to exit the European Union, and it is unclear if or when the United Kingdom will formally exit the European Union or the terms on which it may do so (including as to its future relationship with the European Union). Regardless of any eventual timing or terms of the United Kingdom's exit from the European Union, the June referendum has created significant political, social and macroeconomic uncertainty in the United Kingdom. In addition, certain public figures in other EU Member States have called for referenda in their respective countries on exiting the European Union, raising concerns over a "domino" of "contagion" effect whereby multiple Member States seek to exit the European Union and/or the Eurozone, creating additional uncertainty.

As a result of this uncertainty, in the immediate wake of the UK referendum, the pound sterling experienced sharp depreciation. Also, within days of the referendum, Moody's Investors Service downgraded the outlook of the UK government's bond rating from stable to negative, Fitch downgraded the UK government's credit rating from AA+ (stable) to AA (negative) and Standard & Poor's Ratings Services downgraded the UK government's credit rating from AAA (negative) to AA(negative), in each case warning that the country's economic growth and fiscal strength are likely to be lower in the event the United Kingdom exits the European Union. Furthermore, on 4 August 2016 the Bank of England cut the base rate from 0.5 per cent. to 0.25 per cent. and noted its willingness to engage in a further round of "quantitative easing" through the purchase of UK government bonds to support the UK economy.

The possible exit of the United Kingdom (or any other country) from the European Union or prolonged uncertainty relating to the United Kingdom's possible exit and the consequences thereof in the United Kingdom and in the European Union could result in significant macroeconomic deterioration, including, but not limited to volatility in global stock exchange indices and foreign exchange markets (in particular a further weakening of the pound sterling and Euro against other leading currencies), decreased GDP in the markets in which each of the Shanks Group and the VGG Group operates and, following Completion, the Combined Group will operate and a downgrade of the United Kingdom's sovereign credit rating. In addition, there are increasing concerns that these events could push the United Kingdom and/or other countries within the Eurozone into recession, any of which, were they to occur, would further destabilise the global financial markets and may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

3. RISKS RELATING TO THE INDUSTRY IN WHICH THE SHANKS GROUP, THE VGG GROUP AND, FOLLOWING COMPLETION, THE COMBINED GROUP OPERATE

3.1 The waste management industry is subject to extensive government regulations and any changes to such regulations or new regulations could restrict the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's operations or increase its costs of operations or impose additional capital expenditures.

Each of the Shanks Group and the VGG Group is and, following Completion, the Combined Group will be subject to EU, Dutch, Belgian, UK, Canadian, French, German, Portuguese and Hungarian laws and regulations, including a large number of complex laws, rules, orders, court decisions and interpretations govern landfill taxes, incineration taxes, green energy subsidies, environmental protection, health, safety, land use, transportation and related matters. Among other things, increasing legislation may restrict the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's operations and

adversely affect its business, prospects, results of operations and financial condition by imposing conditions such as:

- (a) limitations on locating and constructing new waste recycling, recovery of energy, treatment or disposal facilities or expanding existing facilities;
- (b) regulation of the operation of such facilities and processes for the transport and acceptance of waste consignments;
- (c) tightening of regulation or raising of standards relating to waste recovery, treatment or disposal and the facilities at which such operations are carried out;
- (d) limitations, regulations or levies on collection, recovery, treatment and disposal prices, rates and volumes; or
- (e) removing or reducing incentives for the purchase of renewable sources of electricity produced from waste.

3.2 Each of the Shanks Group and the VGG Group is required and, following Completion, the Combined Group will be required to comply with environmental regulations and licence conditions at its waste treatment and disposal sites, which may result in exposure to increased costs and potential remedial actions.

Virtually all of the Shanks Group's and the VGG Group's operations are required and, following Completion, virtually all of the Combined Group's operations will be required to hold local licences, permits and/or other permissions to operate and compliance with the conditions in such licences, permits and/or permissions is monitored by local authorities or regulatory agencies. These regulations, permits and licences affect ongoing operations and require capital costs and operating expenditures in order to achieve and maintain compliance. While the Directors believe that the Shanks Group has a track record of historical environmental compliance, the processing of waste, especially organic waste, can result in non-compliance, such as periods of nuisance including odour. In the event of non-compliance, the Shanks Group, the VGG Group and, following Completion, the Combined Group may receive notices from such local authorities or regulatory agencies. Commonly, such notices specify actions to be taken and the associated timescales to remediate the non-compliance. Completion of any remedial actions in the required timescales or at all may be costly and divert financial resources from other intended uses. If the Shanks Group, the VGG Group and, following Completion, the Combined Group fails to carry out the actions specified in such notices, the relevant local authorities or regulatory agencies have the power to impose fines, operating restrictions, suspend or revoke such licences, permits and/or permissions or undertake prosecution, any of which may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition. Further, suspension or revocation of a required licence, permit or permission in respect of the Shanks Group's and, following Completion, one of the Combined Group's PFI and PPP contracts may be an event of default under any related credit agreement, which may give the counterparty the right to make a claim up to the relevant liability cap.

In addition, although the Directors are not, as of the date of this Combined Circular and Prospectus, aware of any proposed material amendments to these applicable regulations, permits and licences, there can be no assurance that amendments will not be made in the future that may result in further costs of compliance for the Shanks Group, the VGG Group and, following Completion, the Combined Group. The cost of regulatory challenges, complying with current and future regulations and any remedial actions imposed could have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

3.3 The Shanks Group's, the VGG Group's and, following Completion, the Combined Group's operations expose it to the risk of material health and safety liabilities.

The potential impact of health and safety and employment laws and regulations is higher for the waste management sector than for most other industry sectors. Waste management is acknowledged to be one of the highest risk industries, with fatal and serious accident rates at least as high as those for construction, agriculture and other sectors with known elevated risk profiles. Although each of the Shanks Group and the VGG Group treats and, following Completion, the Combined Group will treat compliance with health and safety and employment laws and regulations very seriously, accidents may occur which may lead to legal proceedings being brought against the Shanks Group, the VGG Group or, following Completion, the Combined Group. Such legal proceedings may lead to damages being awarded against, and/or to fines and

penalties being imposed on, the Shanks Group, the VGG Group and, following Completion, the Combined Group, as well as cause damage to the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's reputation with local communities, customers, joint venture partners, employees and regulators. Such damages, fines, penalties and adverse events may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition.

3.4 The Shanks Group, the VGG Group and, following Completion, the Combined Group may become involved in governmental, legal or arbitration proceedings or investigations, including potential class actions and other lawsuits.

Due to the nature of its waste management operations, each of the Shanks Group and the VGG Group from time to time has been and, following Completion, the Combined Group from time to time may become involved in a wide variety of proceedings or investigations by private parties (such as employees, contractual counterparties or other third parties), governmental or regulatory bodies (such as municipal councils or environmental agencies) and administrative agencies, particularly relating to environmental, health, public liability, safety and land use issues and related matters. These include planning permission applications and appeals against refusal of permission in relation to the location of proposed or existing installations, complaints and statutory nuisance actions, challenges by third parties to decisions relating to the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's operations that have been made by local authorities or environmental agencies and proceedings brought against the Shanks Group, the VGG Group and, following Completion, the Combined Group by local authorities or environmental agencies relating to any failure by the Shanks Group, the VGG Group and, following Completion, the Combined Group to comply with its permits or in relation to periods of nuisance including odour. The outcomes of legal proceedings, including regulatory actions and employee disputes, are inherently unpredictable, and Shanks cannot guarantee that the Combined Group will succeed in defending any current or future claims or that judgments will not be rendered against them with respect to any or all current or future proceedings. In the past these have resulted and in the future these could result in the imposition of fines, penalties, adverse judgments, revocation of permits, settlements, requirements to complete remedial works and/or unanticipated costs which, if not adequately covered by its insurance may have a material adverse effect on the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's business, prospects, results of operations and financial condition. Such proceedings could incur charges that exceed present or future accruals or insurance coverage and may be expensive and time consuming, divert management resources and harm the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's reputation.

4. RISKS RELATING TO THE EQUITY ISSUE, THE NIL PAID RIGHTS, THE FULLY PAID RIGHTS AND THE ORDINARY SHARES

4.1 The Equity Issue is not conditional on Completion.

It is possible that following Equity Issue Admission, Completion may not occur, in particular if any of the conditions precedent to Completion are not satisfied in accordance with the Merger Agreement. In this case, as the Equity Issue is not conditional upon Completion, it is possible that the Equity Issue would still be completed and the proceeds of the Equity Issue would be received by Shanks even if Completion does not occur. In the unlikely event that the Equity Issue were to proceed but Completion does not occur, the Directors will assess the options available to Shanks, including the return of the net proceeds of the Equity Issue to Shareholders. The timing of any return of capital would take into account the Shanks Group's sources of funding (including the renewal of certain existing committed facilities in the ordinary course) and any planned non-core disposals. Any such return of capital may be implemented in more than one tranche. In such circumstances, there can be no assurance or guarantee given as to either the manner in which it would do so or the time such process would take. Effecting the return of the net proceeds of the Equity Issue also may carry financial costs for certain Shareholders and will have costs for Shanks.

4.2 Qualifying Shareholders and prospective Shareholders should be aware that there may be possible volatility in the price of the Nil Paid Rights, the Fully Paid Rights and/or the Ordinary Shares.

As the trading price of the Nil Paid Rights will depend on the trading price of the Ordinary Shares, the price of the Nil Paid Rights and the Fully Paid Rights may be volatile and subject to the same risks as noted elsewhere in this Combined Circular and Prospectus in respect of the Ordinary Shares. Such risks may include significant fluctuations due to a change in sentiment in the market regarding the Nil Paid Rights,

the Fully Paid Rights and/or the Ordinary Shares (or securities similar to them), including, in particular, in response to various facts and events, including national and/or global economic financial conditions, any regulatory changes affecting the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's operations, variations in the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's operating results and/or business developments and/or those of their respective competitors. Stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for securities and the Nil Paid Rights, Fully Paid Rights and/or the Ordinary Shares may be subject to fluctuations which may be unrelated to the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's operating performance or prospects. Furthermore, the Shanks Group's, the VGG Group's and, following Completion, the Combined Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the trading price of the Nil Paid Rights, the Fully Paid Rights and/or the Ordinary Shares. Furthermore, any volatility in the trading price of Ordinary Shares may have the effect of magnifying the price volatility of the Nil Paid Rights and Fully Paid Rights.

4.3 A trading market for the Nil Paid Rights, the Fully Paid Rights or the Equity Issue Shares may not develop.

Applications will be made to the FCA and the London Stock Exchange, respectively, for the Equity Issue Shares to be admitted to the premium listing segment of the Official List and to trading on the Main Market. It is expected that Equity Issue Admission will become effective and dealings in the Firm Placing Shares and the Rights Issue Shares (nil paid) will commence on the London Stock Exchange at 8.00 a.m. on 26 October 2016. It is expected that dealings in the Rights Issue Shares (fully paid) will commence on the Main Market at 8.00 a.m. on 10 November 2016. There can be no assurance, however, that any of the conditions to which Equity Issue Admission is subject will be met and, therefore, that Equity Issue Admission will become effective. In addition, there can be no assurance that an active trading market in the Nil Paid Rights, the Fully Paid Rights or the Equity Issue Shares will develop upon or following Equity Issue Admission.

4.4 The trading price of Ordinary Shares may decline significantly below the Placing Price and/or the Issue Price.

The trading price of the Ordinary Shares may decline below the Issue Price and/or the Placing Price. Should that occur after Placees acquire Firm Placing Shares or Shareholders and Placees exercise their rights in the Rights Issue, Shareholders and Placees who exercise their rights in the Rights Issue will suffer an immediate unrealised loss as a result. Following the exercise of rights in the Rights Issue, such Placees may be unable to sell Firm Placing Shares at a price equal to or greater than the Placing Price and/or such Shareholders and Placees may be unable to sell Rights Issue Shares at a price equal to or greater than the Issue Price. Shareholders and Placees who decide not to exercise their rights may also sell or transfer their Nil Paid Rights. If the trading price of the Ordinary Shares declines below the Placing Price and/or Issue Price, Shareholders, Placees and investors who have acquired any such Nil Paid Rights in the secondary market or who have acquired any Firm Placing Shares likely will suffer a loss as a result.

4.5 Qualifying Shareholders outside the United Kingdom may not be able to take up their rights under the Rights Issue and they and other prospective investors outside the United Kingdom may not be able to participate in the Firm Placing or future equity offerings.

Securities laws of certain jurisdictions may restrict Shanks' ability to allow participation by Qualifying Shareholders or other prospective investors in those jurisdictions in the Firm Placing, the Rights Issue or future equity offerings. In particular, none of the Nil Paid Rights, the Fully Paid Rights, the Rights Issue Shares, the Firm Placing Shares or the Ordinary Shares have been or will be registered under the US Securities Act. Therefore, Qualifying Shareholders who are located in the United States may not be able to take up their rights under the Rights Issue unless an exemption from the registration requirements of the US Securities Act is available. For further information, see paragraph 3 of Part 3 (*Terms and conditions of the Equity Issue*). Qualifying Shareholders who have a registered address in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or Equity Issue Shares.

4.6 Qualifying Shareholders (including Placees) who elect not (or are not permitted) to take up their rights under the Rights Issue or otherwise acquire Rights Issue Shares may not receive compensation for their Nil Paid Rights.

If a Qualifying Shareholder (including a Placee), including any Qualifying Shareholder in a jurisdiction where its participation is restricted for legal, regulatory or other reasons, does not respond by the latest time and date for acceptance and payment in full for that Qualifying Shareholder's provisional allotment of Rights Issue Shares, that Qualifying Shareholder's Nil Paid Rights will lapse. Shanks has made arrangements under which the Sole Underwriter and Bookrunner, within two Business Days following the expiration of the latest time and date for acceptance and payment, will use its reasonable endeavours to procure subscribers for Rights Issue Shares not taken up by Qualifying Shareholders. If, however, the Sole Underwriter and Bookrunner is unable to find subscribers for such Rights Issue Shares or is unable to achieve a specified premium over the Issue Price and the related expenses of procuring such subscribers, Qualifying Shareholders will not receive any consideration for the Nil Paid Rights which they have not taken up.

4.7 Non-participating Shareholders will be subject to a dilution of ownership of their Ordinary Shares upon the issue of the Firm Placing Shares and, following Completion, the Consideration Shares and Qualifying Shareholders who elect not (or are not permitted) to take up their rights under the Rights Issue may suffer a dilution of ownership of their Ordinary Shares upon the issue of the Rights Issue Shares.

As the Firm Placing is not being carried out on a pre-emptive basis, non-participating Shareholders will have their proportionate shareholdings in Shanks diluted by 10.2 per cent. as a consequence of the Firm Placing. To the extent that Qualifying Shareholders (including Placees) do not exercise their Nil Paid Rights to subscribe for Rights Issue Shares, their proportionate ownership and voting interest in the Ordinary Shares (upon the issue of Equity Issue Shares) will, accordingly, be reduced, and the percentage that their Ordinary Shares will represent of the total share capital of Shanks will be reduced accordingly. Qualifying Shareholders who do not take up their entitlements to Rights Issue Shares will have their proportionate shareholdings in Shanks diluted by up to approximately 27.3 per cent. as a consequence of the Rights Issue. Even if a Qualifying Shareholder elects to sell its unexercised Nil Paid Rights, or such Nil Paid Rights are sold on its behalf, the consideration it receives may not be sufficient to compensate it fully for the dilution of its percentage ownership of Shanks' issued share capital that may be caused as a result of the Rights Issue. Shareholders who do not participate in the Firm Placing and who do not take up their entitlements in the Rights Issue will be diluted by 34.7 per cent. in aggregate as a result of the Equity Issue. Upon Completion, Shareholders will have their proportionate shareholdings in Shanks diluted by approximately 23.8 per cent. as a consequence of the issue of the Consideration Shares.

4.8 Any future issue of Ordinary Shares or sales of Ordinary Shares by major Shareholders will further dilute the holdings of shareholders of the Combined Group and/or could adversely affect the market price of Ordinary Shares.

Other than pursuant to the Equity Issue, the Merger Agreement and any employee share schemes, Shanks has no current plans for an offering of Ordinary Shares. However, it is possible that Shanks or, following Completion, the Combined Group may decide to offer additional Ordinary Shares in the future either to raise capital or for other purposes. If Shareholders of the Combined Group did not take up such offer of Ordinary Shares or are not eligible to participate in such offering, their proportionate ownership and voting interests in the Combined Group would be reduced and the percentage that their Ordinary Shares would represent of the total issued share capital of the Combined Group would be reduced accordingly. In addition, an additional offering or significant sales of Ordinary Shares by major Shareholders, including by VGG's ultimate shareholders who may seek to sell the Consideration Shares following the expiry of the lock-up and orderly market undertakings in the Merger Agreement, could have a material adverse effect on the market price of Ordinary Shares.

4.9 It may not be possible to effect service of process upon Shanks or the Directors or enforce court judgments against Shanks or the Directors.

Shanks is incorporated and registered in Scotland and its head office is located in England. The rights of Shareholders are governed by the Companies Act and the Articles. Shareholders resident outside the United Kingdom may not be able to enforce a judgment against Shanks or some or all of the Directors. The majority of the Directors are and are anticipated to continue to be residents of the United Kingdom. Consequently, it may not be possible for a Shareholder who is resident in, ordinarily resident in or is a

citizen of, or who has a registered address in, a jurisdiction outside the United Kingdom (an “**Overseas Shareholder**”) to effect service of process upon Shanks or the Directors within its country of residence or to enforce against Shanks or the Directors judgments of courts of the Overseas Shareholder’s country of residence based on civil liabilities under that country’s securities laws. There can be no assurance that Overseas Shareholders will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than Scotland or England against Shanks or the Directors who are residents of countries other than those in which judgment is made. In addition, Scottish, English or other courts may not impose civil liability on the Directors in any original action based solely on foreign securities laws brought against Shanks or, following Completion, the Combined Group or the Directors in a court of competent jurisdiction in Scotland, England or other countries.

4.10 Shanks may pay out smaller dividends than the market expects.

Although Shanks has paid dividends to Shareholders in the past and intends to do so in the future, there can be no assurance that Shanks will be able to maintain its profitability at such a level where it can pay dividends at the same or higher level, or at all, in the future. Future dividends will depend on factors both within and outside Shanks’ control including, among other things, its ability to receive dividends from its subsidiaries which, in turn, depends upon the existence of distributable reserves and cash in such subsidiaries, its profits, financial condition, accounting changes, general economic conditions and other factors that the Directors deem significant from time to time. Shanks paid a final dividend of 2.35 pence per Ordinary Share in each of the financial years ended 31 March 2012, 2013, 2014 and 2015 and has declared a final dividend of 2.35 pence per Ordinary Share in respect of the financial year ended 31 March 2016. Following the Equity Issue, the Board’s intention is to pay an interim and final dividend for the year to 31 March 2017, and maintain its progressive policy within the range of 2.0 to 2.5 times dividend cover in the medium term. However, there can be no assurance that Shanks will continue to pay dividends in the future or if it does pay dividends, regarding the amount of such dividends and, consequently, Shareholders may not receive their anticipated income stream.

4.11 Investors who purchase Nil Paid Rights, Fully Paid Rights, Equity Issue Shares or Ordinary Shares in currencies other than Sterling are subject to exchange rate risk.

The Nil Paid Rights, the Fully Paid Rights, the Equity Issue Shares and the Ordinary Shares are priced in Sterling. Accordingly, any investor outside the United Kingdom is subject to adverse movements in its local currency against Sterling. In addition, any depreciation of the pound sterling in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares in foreign currency terms and may adversely affect the value of any dividends paid in respect of the Ordinary Shares.

IMPORTANT INFORMATION

1. NOTICE TO SHAREHOLDERS AND PROSPECTIVE INVESTORS

Shareholders and prospective investors should rely only on the information in this Combined Circular and Prospectus and the documents incorporated by reference herein when deciding whether to invest in the Ordinary Shares. No person has been authorised to give any information or to make any representations in connection with the Equity Issue other than those contained in this Combined Circular and Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of Shanks, the Directors or either of the Joint Sponsors. No representation or warranty, express or implied, is made by either of the Joint Sponsors or any selling agent as to the accuracy or completeness of such information, and nothing contained in this Combined Circular and Prospectus is, or shall be relied upon as, a promise or representation by either of the Joint Sponsors or any selling agent as to the past, present or future. Without prejudice to any obligation of Shanks to publish a supplementary prospectus pursuant to section 87G of FSMA and paragraph 3.4.1 of the Prospectus Rules, or a supplementary circular pursuant to Listing Rule 10.5.4R, neither the delivery of this Combined Circular and Prospectus nor any issue, sale or acquisition of Nil Paid Rights, Fully Paid Rights, Equity Issue Shares and/or Consideration Shares shall, under any circumstances, create any implication that there has been no change in the business or affairs of Shanks since the date hereof or that the information contained herein is correct as of any time subsequent to the earlier of the date hereof and any earlier specified date with respect to such information.

Shanks will update the information provided in this Combined Circular and Prospectus by means of a supplement hereto if a significant new factor, material mistake or inaccuracy relating to this Combined Circular and Prospectus occurs or arises prior to the later of Equity Issue Admission and, if Completion occurs, Consideration Share Admission that may affect the ability of Shareholders and prospective investors to make an informed assessment of the Merger or the Equity Issue. This Combined Circular and Prospectus and any supplement thereto will be subject to approval by the FCA and will be made public in accordance with the Prospectus Rules. If a supplement to the Combined Circular and Prospectus is published prior to Equity Issue Admission, investors shall have the right to withdraw their applications to acquire Nil Paid Rights, Fully Paid Rights and/or Equity Issue Shares made prior to the publication of such supplement. Such withdrawal must be done within the time limits set out in the supplement (if any) which shall not be shorter than two clear Business Days after publication of such supplement.

The contents of this Combined Circular and Prospectus are not to be construed as legal, financial, business or tax advice. Each Shareholder and prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to any acquisition or proposed acquisition of Nil Paid Rights, Fully Paid Rights, Equity Issue Shares, Consideration Shares or Ordinary Shares. Each Shareholder and prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold Nil Paid Rights, Fully Paid Rights, Equity Issue Shares, Consideration Shares or Ordinary Shares under applicable legal, investment or similar laws or regulations.

Prospective investors should be aware that they may be required to bear the financial risks of any investment in Nil Paid Rights, Fully Paid Rights, Equity Issue Shares, Consideration Shares or Ordinary Shares for an indefinite period of time.

This Combined Circular and Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of Shanks, the Directors, the Joint Sponsors or any of their respective representatives that any recipient of this Combined Circular and Prospectus should acquire the Nil Paid Rights, the Fully Paid Rights, the Equity Issue Shares or the Ordinary Shares.

Prior to making any decision whether to acquire any Nil Paid Rights, Fully Paid Rights, Equity Issue Shares or Ordinary Shares, Shareholders and prospective investors should ensure that they have read this Combined Circular and Prospectus in its entirety and the documents incorporated by reference herein and, in particular, the section titled "Risk Factors", and not just rely on key information or information summarised in it. In making an investment decision, Shareholders and prospective investors must rely upon their own examination of Shanks and the terms of this Combined Circular and Prospectus, including the merits and risks involved. Any decision to acquire Nil Paid Rights, the Fully Paid Rights, the Equity Issue Shares or Ordinary Shares should be based solely on this Combined Circular and Prospectus.

Shareholders and prospective investors who acquire Nil Paid Rights, Fully Paid Rights, Equity Issue Shares or Consideration Shares will be deemed to have acknowledged that: (i) they have not relied on either of the Joint Sponsors or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this Combined Circular and Prospectus or their investment decision; (ii) they have relied solely on the information contained in this Combined Circular and Prospectus; and (iii) no person has been authorised to give any information or to make any representation concerning Shanks or the Nil Paid Rights, the Fully Paid Rights, the Equity Issue Shares, the Consideration Shares or the Ordinary Shares (other than as contained in this Combined Circular and Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by any of Shanks, the Directors or the Joint Sponsors.

None of Shanks, the Directors, the Joint Sponsors or any of their representatives is making any representation to any offeree or acquirer of Nil Paid Rights, Fully Paid Rights, Equity Issue Shares, Consideration Shares or Ordinary Shares regarding the legality of an investment by such offeree or acquirer.

2. PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, the historical financial information included or incorporated by reference in this Combined Circular and Prospectus is audited and has been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (“IFRS”) and is presented in a form that is consistent with the accounting policies adopted by Shanks in its latest annual consolidated accounts. For full details of the basis of preparation, please refer to Note 1 (‘Accounting Policies’) to the Shanks Group’s historical financial information incorporated by reference in this Combined Circular and Prospectus as set out in Part 10 (*Historical financial information of the Shanks Group*). The VGG Group’s historical financial information set out in Part 11 (*Historical financial information of the Shanks Group*) has been prepared on the same basis.

The significant IFRS accounting policies described in Note 1 (‘Accounting policies’) to the Shanks Group’s historical financial information incorporated by reference in this Combined Circular and Prospectus as set out in Part 10 (*Historical financial information of the Shanks Group*) are applied consistently in the preparation of the historical financial information included or incorporated by reference in this Combined Circular and Prospectus.

The VGG Group’s historical financial information as of and for the three years ended December 31, 2013, 2014 and 2015 included in this Combined Circular and Prospectus has been adjusted to reflect the accounting policies adopted by Shanks in its audited financial statements for the year ended 31 March 2016, as required by item 13.5.4R(1) of the Listing Rules issued by the FCA. Accordingly, such historical financial information differs, and may not be comparable to, the audited historical financial statements of the VGG Group for the years ended December 31, 2013, 2014 and 2015 filed with the Dutch Chamber of Commerce (*Kamer van Koophandel*) and included in the VGG Group’s annual reports for 2013, 2014 and 2015 available on the VGG Group’s website.

2.1 Pro forma financial information

The unaudited pro forma financial information of the Combined Group set out in Part 12 (*Pro forma financial information of the Combined Group*) has been prepared to illustrate the effect of the Transaction on the net assets of Shanks at 31 March 2016 as if it had taken place on 31 March 2016 and the effect on the income statement of Shanks for the year ended 31 March 2016 as if it had taken place on 1 April 2015.

The unaudited pro forma statement of net assets and pro forma income statement are based on the consolidated historical financial information of the Shanks Group and the VGG Group and compiled on the basis set out in the notes set out in Section A of Part 12 (*Pro forma financial information of the Combined Group*) and in accordance with the accounting policies adopted by Shanks for the year ended 31 March 2016.

2.2 Non-IFRS financial measures and other metrics

In this Combined Circular and Prospectus, Shanks presents certain financial measures and other metrics relating to both the Shanks Group and the VGG Group that are not recognised under IFRS and, in the case of the VGG Group, are unaudited. The Directors believe that each of these measures provides useful information with respect to the performance of the Shanks Group’s and the VGG Group’s businesses and

operations. These non-IFRS financial measures and other metrics are not measures recognised under IFRS or any other internationally accepted accounting principles, and Shareholders and prospective investors should not consider such measures as an alternative to the IFRS measures included in Shanks' or VGG's respective historical financial information. The non-IFRS financial measures and other metrics, each as defined herein, may not be comparable to similarly titled measures presented by other companies as there are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. Even though the non-IFRS financial measures and other metrics are used by Shanks' and VGG's respective management to assess their respective financial results and these types of measures are commonly used by investors, they have important limitations as analytical tools, and investors should not consider them in isolation or as substitutes for analysis of Shanks' or VGG's respective position or results as reported under IFRS.

(a) Shanks

In this Combined Circular and Prospectus, Shanks presents the Shanks Group's revenue from continuing operations, Adjusted EBITDA from continuing operations, trading profit from continuing operations, underlying free cash flow and underlying profit before tax because it believes that they provide useful information on underlying trends to Shareholders. These measures are used by the Shanks Group for internal performance analysis and incentive compensation arrangements for employees.

The terms 'trading profit', 'exceptional items' and 'underlying' are not defined terms under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, general accepted accounting practice measurements of profit. The term 'underlying' refers to the relevant measure being reported for continuing operations excluding non-trading and exceptional items, financing fair value remeasurements and amortisation of acquisition intangibles.

Items classified as non-trading and exceptional include, but are not limited to, significant impairments, restructuring of the activities of an entity including employee severance costs, acquisition and disposal transaction costs, onerous contracts, significant provision releases and the profit or loss on disposal of properties.

The non-IFRS financial measures relating to Shanks and included in this Combined Circular and Prospectus have been extracted without material adjustment from the Shanks Group's historical financial information incorporated by reference in this Combined Circular and Prospectus as set out in Part 10 (*Historical financial information of the Shanks Group*).

The following table sets out the Shanks Group's non-IFRS financial measures for the years ended 31 March 2014, 2015 and 2016.

<u>£ millions</u>	<u>Year ended 31 March</u>		
	<u>2014⁽¹⁾</u>	<u>2015</u>	<u>2016</u>
Revenue from continuing operations ⁽²⁾	633.4	601.4	614.8
Adjusted EBITDA from continuing operations ⁽³⁾	87.0	73.0	68.5
Trading profit from continuing operations ⁽⁴⁾	45.6	34.3	33.4
Profit before tax from continuing operations ⁽⁵⁾	30.1	21.7	21.0
Underlying free cash flow ⁽⁶⁾	56.5	23.4	56.8

- (1) Financial information for the year ended 31 March 2014 has been restated following the adoption of IFRS 11.
- (2) Revenue from continuing operations is defined as the Shanks Group's revenue before non-trading and exceptional items.
- (3) Adjusted EBITDA from continuing operations is defined as the Shanks Group's continuing trading profit before depreciation, amortisation and profit or loss on disposal of plant, property and equipment.
- (4) Trading profit from continuing operations is defined as the Shanks Group's operating profit before non-trading and exceptional items and amortisation of acquisition intangibles.
- (5) Profit before tax from continuing operations is defined as the Shanks Group's profit before taxation before amortisation of acquisition intangibles, exceptional items and changes in fair value of derivatives.

- (6) Underlying free cash flow is defined as the Shanks Group's cash flow before dividends, growth capital expenditure, acquisitions and disposals. The table below shows a reconciliation of the Shanks Group's net cash inflow from operating activities to its underlying free cash flow for the years ended 31 March 2014, 2015 and 2016.

<u>£ millions</u>	<u>Year ended 31 March</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net cash inflow from operating activities	71.3	50.1	67.4
Exclude provisions, working capital and restructuring spend	16.5	12.3	7.4
Exclude payments to fund denied benefit pension scheme	3.1	3.1	3.1
Exclude increase in service concession arrangement	—	—	10.3
Include finance charges and loan fees paid	(18.2)	(16.8)	(25.4)
Include finance income received	5.0	4.0	12.6
Include purchases of intangible assets	(1.3)	(1.2)	(1.0)
Include purchases of replacement items of property, plant and equipment	(23.8)	(30.3)	(23.8)
Include proceeds from disposals of property, plant and equipment	3.9	2.2	6.2
Underlying free cash flow	<u>56.5</u>	<u>23.4</u>	<u>56.8</u>

(b) VGG

In this Combined Circular and Prospectus, Shanks presents the VGG Group's Adjusted EBITDA, Adjusted EBITDAE, Capital Expenditure, direct full-time equivalents ("FTEs") and indirect FTEs for the following reasons.

Adjusted EBITDA and Adjusted EBITDAE are reviewed to assess the actual performance of each segment on a periodic basis and also to determine performance against budget and forecast. VGG reviews Capital Expenditure to assess the actual performance of each segment on a monthly basis and also to determine performance against budget and forecast. VGG monitors the development of direct FTEs and indirect FTEs to assess the actual development of its personnel costs and performance against budget and forecast. Capital Expenditure, direct FTEs and indirect FTEs are unaudited.

Shanks also presents the VGG Group's net borrowings and net working capital in this Combined Circular and Prospectus to enable Shareholders and prospective investors to understand the VGG Group's historic liquidity and capital resources. See paragraphs 9.2 and 9.5 of Part 9 (*Operating and financial review of the VGG Group*) for further details.

The non-IFRS financial measures and other metrics in relation to VGG have been derived from its (i) management accounts for the relevant accounting periods presented; (ii) internal financial reporting systems supporting the preparation of the VGG Group's historical financial information set out in Part 11 (*Historical financial information of the VGG Group*); and/or (iii) VGG's other business operating systems and records. Management accounts are prepared using information derived from accounting records used in the preparation of the VGG Group's historical financial information set out in Part 11 (*Historical financial information of the VGG Group*), but may also include certain other assumptions and analyses.

The following table sets out certain of the VGG Group's non-IFRS financial measures and other metrics for the years ended 31 December 2013, 2014 and 2015.

<u>€ millions</u>	<u>Year ended 31 December</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Adjusted EBITDA⁽¹⁾	<u>92.2</u>	<u>58.8</u>	<u>41.1</u>
Waste Collection	94.8	70.9	57.0
Recycling	26.2	24.2	20.2
Group Support	(4.8)	(4.4)	(3.2)
Adjusted EBITDAE⁽¹⁾	<u>116.2</u>	<u>90.7</u>	<u>74.0</u>
Capital Expenditure ⁽²⁾ (unaudited)	58.2 ⁽⁵⁾	46.0	64.2
Direct FTEs ⁽³⁾ (unaudited)	3,633	3,107	2,840
Indirect FTEs ⁽⁴⁾ (unaudited)	1,523	1,413	1,340

- (1) Adjusted EBITDA in respect of the VGG Group is defined as the VGG Group's operating profit (loss), adjusted to show the result before the impact of certain depreciation and amortisation and impairment charges. Adjusted EBITDAE in respect of the VGG Group is defined as the VGG Group's Adjusted EBITDA for a given period, adjusted to show the result before the impact of certain items that the VGG Group considers to be non-recurring costs and exceptional items.

The table below shows a reconciliation of the VGG Group's operating profit (loss) to its Adjusted EBITDA and Adjusted EBITDAE for the years ended 31 December 2013, 2014 and 2015.

€ millions	Year ended 31 December		
	2013	2014	2015
Operating profit (loss)	(3.3)	(522.0)	(37.3)
Depreciation of property, plant and equipment ⁽¹⁾	61.5	63.7	61.3
Impairment of property, plant and equipment ⁽¹⁾	1.2	2.5	0.5
Amortisation of operating intangibles ⁽¹⁾	3.0	6.1	6.9
Impairment of operating intangibles ⁽¹⁾	0.8	—	0.5
Impairment of goodwill ⁽²⁾	—	424.0	—
Amortisation of acquisition intangibles ⁽¹⁾	26.2	21.6	9.4
Impairment of acquisition intangibles ⁽¹⁾	—	63.6	—
Loss (gain) on sale of assets ⁽³⁾	2.8	(0.7)	(0.2)
Adjusted EBITDA	92.2	58.8	41.1
Restructuring ⁽⁴⁾	7.7	12.3	11.5
Long term illness expense ⁽⁵⁾	3.4	3.6	—
Advisory costs ⁽⁶⁾	2.4	10.0	21.6
Integration related items ⁽⁷⁾	1.5	0.5	—
Costs for non-operating locations ⁽⁸⁾	2.1	0.2	0.8
Other ⁽⁹⁾	6.9	5.3	(1.0)
Adjusted EBITDAE	116.2	90.7	74.0

(1) Depreciation and impairments of property, plant and equipment, operating and acquisition intangibles is included in cost of sales. See paragraph 6 of Part 9 *Operating and financial review of the VGG Group* for further detail.

(2) Impairment of goodwill is included in administrative expenses. See paragraph 6 of Part 9 *Operating and financial review of the VGG Group* for further detail.

(3) Loss (gain) on sale of assets represents the gains or losses as a result of selling assets to third parties.

(4) Restructuring costs are mainly attributable to the implementation of the improvement initiatives described in paragraph 3.5 of Part 9 *Operating and financial review of the VGG Group* and other improvement projects.

(5) Long term illness expense is defined as employee benefit expenses related to the temporary replacement of own personnel that have been ill for a period longer than six weeks.

(6) Advisory costs include programme office and legal advisory costs in relation to the VGG Group's improvement initiatives, factoring costs, costs incurred in preparatory activities for a potential sale of the VGG Group in 2014 and costs incurred in connection with the 2015 Debt Restructuring (as further described in paragraph 3.7 of Part 9 *Operating and financial review of the VGG Group*).

(7) Integration-related items mainly represent ICT and other project costs related to the integration of certain regions in the Netherlands

(8) Costs for non-operating locations mainly represent costs related to closing several of the VGG Group's offices and locations in Belgium and the Netherlands.

(9) Other exceptional items include employee benefit expenses related to redundancy not classified as restructuring costs. In 2013, this included an amount related to a dispute in connection with its incineration operations, which was disposed in 2013, and other smaller items in 2013. Other exceptional items in 2014 include various smaller exceptional items including claims. Costs in 2015 mainly related to unrealised losses on the VGG Group's diesel swap contract, and disputes and claims, partially offset by exceptional income from a release of the VGG Group's landfill provisions and exceptional income related to the VGG Group's defined benefit plan following its annual assessment.

(2) Capital Expenditure reflects certain items within the VGG Group's cash flow from investment activities, specifically its investments in intangible assets and in property, plant and equipment.

(3) Direct FTE is defined as the VGG Group personnel employed in the physical collection or handling of waste.

(4) Indirect FTE is defined as the VGG Group personnel that are not direct FTEs and employed in managing and supporting the waste collection and Recycling segments.

(5) Includes discontinued operations from the sale of AVR-Afvalverwerking B.V. ("AVR").

3. MARKET, ECONOMIC AND INDUSTRY DATA

This Combined Circular and Prospectus includes certain market, economic and industry data, which were obtained by Shanks from industry publications, data and reports compiled by professional organisations and analysts, data from other external sources. The market, economic and industry data set out in this Combined Circular and Prospectus that has been sourced from third parties has been accurately

reproduced and, so far as Shanks is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Combined Circular and Prospectus, the source of such information has been identified.

Some of the aforementioned third-party sources may state that the information they contain has been obtained from sources believed to be reliable. However, such third party sources may also state that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on significant assumptions. As Shanks does not have access to the facts and assumptions underlying such market data, statistical information and economic indicators contained in these third party sources, Shanks is unable to verify such information.

4. ROUNDING

Some historical financial information, percentages and other amounts included in this Combined Circular and Prospectus have been rounded for ease of presentation. As a result of this rounding, figures shown as totals of rows or columns in certain tables in this Combined Circular and Prospectus may vary slightly from the exact arithmetic aggregation of the figures that precede them. In addition, certain percentages presented in this Combined Circular and Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

5. CURRENCY PRESENTATION

Unless otherwise indicated, all references in this Combined Circular and Prospectus to “£”, “p”, “**Sterling**” or “**pence**” are to the lawful currency of the United Kingdom and to “€”, “**Euro**” or “**cents**” are to the lawful currency of the European Monetary Union.

Unless otherwise indicated, the historical financial information contained in this Combined Circular and Prospectus has been expressed in Sterling.

As at the date of this Combined Circular and Prospectus, Shanks’ functional currency was Sterling and Shanks has presented its financial statements in Sterling. Following Completion, the Board will consider changing the Combined Group’s reporting and functional currency to Euro.

6. FORWARD-LOOKING STATEMENTS

This Combined Circular and Prospectus contains statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “anticipates”, “believes”, “estimates”, “expects”, “intends”, “may”, “plans”, “projects”, “should” or “will” or, in each case, their negative or other variations or similar terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Combined Circular and Prospectus and include, but are not limited to, statements regarding the Directors’ intentions, beliefs or current expectations concerning, among other things, each of the Shanks Group’s and the VGG Group’s and, following Completion, the Combined Group’s results of operations, financial position, prospects, growth and strategies, and the development of the industry in which each of the Shanks Group and the VGG Group operates and, following Completion, the Combined Group will operate.

By their nature, such forward-looking statements involve unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. Each of the Shanks Group’s and the VGG Group’s and, following Completion, the Combined Group’s actual results of operations, financial condition, prospects, growth and strategies, and the development of the industry in which each of the Shanks Group and the VGG Group operates and, following Completion, the Combined Group will operate, may differ materially from those expressed or implied by the forward-looking statements set out in this Combined Circular and Prospectus. In addition, even if each of the Shanks Group’s and the VGG Group’s and, following Completion, the Combined Group’s results of operations, financial condition, prospects, growth and strategies, and the development of the markets and the industry in which each of the Shanks Group and the VGG Group operates and, following Completion, the Combined Group will operate, are consistent with the forward-looking statements contained in this Combined Circular and

Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Important factors that could cause each of the Shanks Group's and the VGG Group's and, following Completion, the Combined Group's results and developments to differ materially from those expressed or implied by the forward-looking statements include, but are not limited to:

- whether the Merger completes;
- whether the expected benefits of, including synergies from, the Merger (including the anticipated cost synergies and potential revenue synergies) are realised in full;
- if the costs incurred by Shanks relating to the Merger are greater than Shanks anticipates;
- if there were a departure of a significant number of management or key employees without suitable replacement;
- the volume of commercial and hazardous waste available to the Shanks Group, the VGG Group and, following Completion, the Combined Group and the adverse effects on such volume as a result of a downturn in the economic activity of the suppliers of that waste;
- increased competition for commercial and hazardous waste leading to pressure to reduce prices to customers and, consequently, lower margins for waste management companies;
- risks relating to long-term public private partnership and private finance initiative municipal waste contracts, including those relating to inaccurate pricing or estimation of costs at the time of entry into the contracts and a failure to meet performance targets;
- any failure or inability to meet a customer's service level expectations;
- any reputational damage;
- if any exclusive contracts are unilaterally amended or terminated without compensation in part or in full, or if there is governmental action that interferes with such exclusivity;
- customer credit risk;
- interruption and/or closure of any principal facilities;
- fluctuations in commodity prices which are not hedged;
- price escalations or reductions in the supply of fuel;
- economic factors affecting the Benelux region having a knock-on effect on operations;
- dealings with works councils and trade unions;
- strikes or other work stoppages by employees;
- changes to the extensive government regulations or the introduction of new regulations that result in the restriction of operations, increase in the cost of operations or imposition of additional capital expenditures;
- increased environmental regulation and licence/permit compliance costs and potential remedial actions; and
- health and safety accidents or other incidents resulting in legal proceedings, damages, fines and/or penalties.

Shareholders and prospective investors are advised to read, in particular, the following parts of this Combined Circular and Prospectus for a more complete discussion of the factors that could affect the Shanks Group's and, following completion of the Merger, the Combined Group's future performance and the industry in which the Shanks Group operates and the Combined Group will operate: the section titled "Risk Factors", Part 5 (*Information on the Shanks Group*), Part 6 (*Information on the VGG Group*), Part 8 (*Operating and financial review of the Shanks Group*), Part 9 (*Operating and financial review of the VGG Group*), Part 10 (*Historical financial information of the Shanks Group*) and Part 11 (*Historical financial information of the VGG Group*). In light of these factors, the events described in the forward-looking statements in this Combined Circular and Prospectus may not occur.

The forward-looking statements contained in this Combined Circular and Prospectus speak only as of the date of this Combined Circular and Prospectus. Each of Shanks, the Directors and each of the Joint Sponsors expressly disclaims any obligation or undertaking to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable law, the Prospectus Rules, the Listing Rules, articles 17, 18 and 19 of Regulation (EU) No. 596/2014 of the European Parliament and the Council of 16 April 2014 on market abuse (the “**Market Abuse Regulation**”) (the “**Disclosure Requirements**”) and the FCA’s Disclosure Guidance and Transparency Rules sourcebook.

The statements in this paragraph 6 do not seek to qualify the Shanks Group’s working capital statement. In the opinion of Shanks, taking into account the net proceeds of the Equity Issue, the Shanks Group has sufficient working capital for its present requirements, that is, for at least 12 months following the date of this Combined Circular and Prospectus.

7. NO INCORPORATION OF WEBSITE

The contents of Shanks’ website at www.shanksplc.com, the contents of any website accessible from hyperlinks on Shanks’ website or any other website referred to in this Combined Circular and Prospectus are not incorporated into, and do not form part of, this Combined Circular and Prospectus.

8. DEFINITIONS

A glossary and a list of defined terms used in this Combined Circular and Prospectus is set out in Part 16 (*Definitions and glossary*).

9. ENFORCEMENT OF CIVIL LIABILITIES

Shanks is incorporated under the laws of Scotland and its head office is located in England. Shareholders resident outside the United Kingdom may not be able to enforce a judgment against Shanks or some or all of the Directors. The majority of the Directors are and are anticipated to continue to be residents of the United Kingdom. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon Shanks or the Directors within the Overseas Shareholder’s country of residence or to enforce against Shanks or the Directors judgments of courts of the Overseas Shareholder’s country of residence based on civil liabilities under that country’s securities laws. There can be no assurance that an overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than Scotland or England against Shanks or the Directors who are residents of countries other than those in which judgment is made. In addition, Scottish, English or other courts may not impose civil liability on the Directors in any original action based solely on foreign securities laws brought against Shanks or the Directors in a court of competent jurisdiction in Scotland, England or other countries.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Colin Matthews, Chairman Peter Dilnot, Group Chief Executive Toby Woolrych, Group Finance Director Eric van Amerongen, Senior Independent Director Jacques Petry, Non-executive Director Stephen Riley, Non-executive Director Marina Wyatt, Non-executive Director
Company Secretary	Philip Griffin-Smith
Registered Address	16 Charlotte Square Edinburgh EH2 4DF United Kingdom
Joint Sponsor	Greenhill & Co. International LLP Lansdowne House 57 Berkeley Square London W1J 6ER United Kingdom
Joint Sponsor and Sole Underwriter and Bookrunner	Investec Bank plc 2 Gresham Street London EC2V 7QP United Kingdom
Legal advisers to Shanks as to English and US law .	Ashurst LLP Broadwalk House 5 Appold Street London EC2A 2HA United Kingdom
Legal advisers to the Joint Sponsors and the Sole Underwriter and Bookrunner as to English and US law	Herbert Smith Freehills LLP Exchange House Primrose Street London EC2A 2EG United Kingdom
Auditors and Reporting Accountants to Shanks	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom
Auditors to VGG	Pricewaterhouse Accountants N.V. Flightforum 840 Postbus 6365 5600 HJ Eindhoven Netherlands
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ United Kingdom
Receiving Agent	Computershare Investor Services PLC Corporate Actions Projects Bristol BS99 6AH United Kingdom

EXPECTED TIMETABLE OF PRINCIPAL EVENTS OF THE EQUITY ISSUE

	Time/date ⁽¹⁾
Announcement of the Merger and Equity Issue	29 September 2016
Publication and posting of this Combined Circular and Prospectus (including the Notice of General Meeting) and the Form of Proxy	29 September 2016
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 20 October 2016
General Meeting	10.00 a.m. on 24 October 2016
Conditional allotment of Firm Placing Shares	after the General Meeting on 24 October 2016
Record Date for entitlements under the Rights Issue	close of business in London on 24 October 2016
Date of despatch of Provisional Allotment Letters (to Qualifying Non-CREST Shareholders only) ⁽²⁾	on or about 25 October 2016
Equity Issue Admission and dealings in the Firm Placing Shares and the Rights Issue Shares (nil paid) commence on the Main Market	8.00 a.m. on 26 October 2016
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only) ⁽²⁾	as soon as practicable after 8.00 a.m. on 26 October 2016
Nil Paid Rights and Fully Paid Rights enabled in CREST	as soon as practicable after 8.00 a.m. on 26 October 2016
Ex-Rights Date	26 October 2016
Latest time and date for requesting cashless take-up or disposal of rights using the Share Dealing Service	3.00 p.m. on 2 November 2016
Recommended latest time for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form)	4.30 p.m. on 3 November 2016
Latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (i.e. if your Nil Paid Rights and Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them to uncertificated form)	3.00 p.m. on 4 November 2016
Latest time and date for splitting Provisional Allotment Letters	3.00 p.m. on 7 November 2016
Latest time and date for acceptance in CREST and payment in full and registration of renounced Provisional Allotment Letters	11.00 a.m. on 9 November 2016
Expected date of announcement of results of the Rights Issue	10 November 2016
Commencement of dealings in Rights Issue Shares (fully paid) on the Main Market	8.00 a.m. on 10 November 2016
Equity Issue Shares credited to CREST stock accounts (uncertificated holders only)	as soon as practicable after 8.00 a.m. on 10 November 2016
Despatch of definitive share certificates for Equity Issue Shares in certificated form (to Qualifying Non-CREST Shareholders only in respect of Rights Issue Shares)	by no later than 24 November 2016

(1) The above dates and times may be brought forward or extended and any changes will be notified via a Regulatory Information Service. References to times are to London time unless otherwise stated.

(2) Subject to certain restrictions relating to Overseas Shareholders, details of which are set out in paragraph 3 of Part 3 (*Terms and conditions of the Equity Issue*).

EQUITY ISSUE AND MERGER STATISTICS

Number of Ordinary Shares in issue as at the Latest Practicable Date	398,205,237
Number of Firm Placing Shares	45,000,000
Placing Price	100 pence per Firm Placing Share
Basis of Rights Issue	3 Rights Issue Shares for every 8 existing Ordinary Shares
Number of Rights Issue Shares	166,201,962
Issue Price	58 pence per Rights Issue Share
Aggregate number of Equity Issue Shares	211,201,962
Equity Issue Shares as a percentage of Shanks' enlarged issued share capital immediately after Equity Issue Admission (being admission of the Firm Placing Shares and the Rights Issue Shares, nil paid) ⁽¹⁾	34.7 per cent.
Number of Ordinary Shares in issue immediately after Equity Issue Admission ⁽¹⁾	609,407,199
Estimated gross proceeds from the Firm Placing receivable by Shanks ⁽²⁾	£45.0 million
Estimated gross proceeds from the Rights Issue receivable by Shanks ⁽²⁾	£96.4 million
Estimated expenses of the Equity Issue	£5.5 million
Estimated net proceeds from the Equity Issue receivable by Shanks ⁽²⁾	£135.9 million
Number of Consideration Shares	up to 190,187,502
Consideration Shares as a percentage of Shanks' enlarged issued share capital immediately after Consideration Share Admission ⁽²⁾	23.8 per cent.
Number of Ordinary Shares in issue immediately after Consideration Share Admission ⁽²⁾	799,594,701

(1) Assuming that each Shareholder takes up its rights in full under the Rights Issue and that no new Ordinary Shares (other than the Equity Issue Shares) are issued from the date of this Combined Circular and Prospectus until Equity Issue Admission.

(2) Assuming that each Shareholder takes up its rights in full under the Rights Issue and that no new Ordinary Shares (other than the Equity Issue Shares and the Consideration Shares) are issued from the date of this Combined Circular and Prospectus until Consideration Share Admission.

DOCUMENTS INCORPORATED BY REFERENCE

The following documentation, which was sent to Shareholders at the relevant time and has been filed with the FCA, and which are available for inspection in accordance with paragraph 19 of Part 15 (*Additional information*) contains information that is relevant to the Merger and the Equity Issue:

1. THE ANNUAL REPORT AND ACCOUNTS OF SHANKS FOR THE YEARS ENDED 31 MARCH 2014, 2015 AND 2016

These contain the audited consolidated financial statements of Shanks for the financial years ended 31 March 2014, 2015 and 2016, prepared in accordance with IFRS, together with audit reports in respect of each such year.

2. INFORMATION INCORPORATED BY REFERENCE

The table below sets out the documents which are incorporated by reference into this Combined Circular and Prospectus, to ensure that Shareholders and prospective investors are aware of all information which, according to the particular nature of Shanks and of the Equity Issue Shares, is necessary to enable Shareholders and prospective investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Shanks Group and of the rights attaching to the Equity Issue Shares.

<u>Reference document</u>	<u>Information incorporated by reference</u>	<u>Page number in reference document</u>	
2014 Annual Report and Accounts	Group Finance Director's review	16-21	
	Operating review	22-45	
	Independent Auditors' Report	87-89	
	Consolidated Income Statement	90	
	Consolidated Statement of Comprehensive Income	91	
	Balance Sheets	92	
	Statements of Changes in Equity	93	
	Statements of Cash Flows	94	
	Notes to the Financial Statements	95-137	
	2015 Annual Report and Accounts	Group Finance Director's review	34-39
		Operating review	40-55
Independent Auditors' Report		96-101	
Consolidated Income Statement		102	
Consolidated Statement of Comprehensive Income		103	
Balance Sheets		104	
Statements of Changes in Equity		105	
Statements of Cash Flows		106	
Notes to the Financial Statements		107-159	
2016 Annual Report and Accounts	Group Finance Director's Review	28-33	
	Operating review	34-49	
	Independent Auditors' Report	97-103	
	Consolidated Income Statement	104	
	Consolidated Statement of Comprehensive Income	105	
	Balance Sheets	106	
	Statements of Changes in Equity	107	
	Statements of Cash Flows	108	
	Notes to the Financial Statements	109-164	

Where this information makes reference to other documents, such other documents are not incorporated into and do not form part of this Combined Circular and Prospectus. Parts of the documents from which such information has been incorporated are not set out above and are either not relevant or are covered elsewhere in this Combined Circular and Prospectus.

PART 1—LETTER FROM THE CHAIRMAN OF SHANKS GROUP PLC

Directors:

Colin Matthews, Chairman
Peter Dilnot, Group Chief Executive
Toby Woolrych, Group Finance Director
Eric van Amerongen, Senior Independent Director
Jacques Petry, Non-executive Director
Stephen Riley, Non-executive Director
Marina Wyatt, Non-executive Director

Registered in Scotland no. SC077438

Registered office:
16 Charlotte Square
Edinburgh EH2 4DF
United Kingdom

29 September 2016

Dear Shareholder

**PROPOSED MERGER WITH VAN GANSEWINKEL GROEP B.V.
AND
PROPOSED FIRM PLACING OF 45,000,000 FIRM PLACING SHARES
AT 100 PENCE PER FIRM PLACING SHARE
AND
PROPOSED 3 FOR 8 RIGHTS ISSUE OF 166,201,962 RIGHTS ISSUE SHARES
AT 58 PENCE PER RIGHTS ISSUE SHARE
AND
PROPOSED ISSUE OF UP TO 190,187,502 CONSIDERATION SHARES
IN CONNECTION WITH THE PROPOSED MERGER
AND
ADMISSION OF THE FIRM PLACING SHARES, THE RIGHTS ISSUE SHARES AND THE
CONSIDERATION SHARES TO THE PREMIUM LISTING SEGMENT OF THE OFFICIAL LIST
AND TO TRADING ON THE LONDON STOCK EXCHANGE'S MAIN MARKET FOR LISTED
SECURITIES
AND
NOTICE OF GENERAL MEETING**

1. INTRODUCTION

On 29 September 2016, Shanks announced that it had reached agreement on the terms of its proposed merger with VGG, under which Shanks would acquire the entire issued share capital of VGG, free from any liens, charges or encumbrances, from Van Gansewinkel Netherlands 4 B.V. and its ultimate beneficial shareholders for consideration of €482 million on a debt-free, cash-free basis.

The consideration will be satisfied through:

- a payment of approximately €286 million in cash, of which approximately €130 million will be financed through new debt facilities and approximately £141 million will be financed through the Equity Issue; and
- the issue of up to approximately 190 million Consideration Shares, representing up to approximately 23.8 per cent. of Shanks' enlarged issued share capital following completion of the Equity Issue and Completion.

The Board believes that the Merger is a rare opportunity to effect a transformational transaction, and that the Merger will create a leading waste-to-product business in the Benelux region, one of the most advanced recycling markets in the world. The Merger is aligned with Shanks' core strategy of actively managing its portfolio to improve returns, and accelerating growth through the acquisition of value-enhancing businesses, particularly where strong synergies exist with existing Shanks Group businesses. Given the structure of and conditions in the Benelux region waste management market, the Board has believed for a long time that a merger with the VGG Group would transform and enhance the Shanks Group's market position, and believes that completion of the Merger has the potential to deliver significant returns for Shareholders. The terms of the Merger are described in Part 2 (*Details of the Transaction*). The Board anticipates that Completion will occur by end of December 2016.

Headquartered in Eindhoven, the Netherlands, the VGG Group is a leading waste management service provider, recycler and supplier of high-quality secondary raw materials in the Benelux region. Details of

the VGG Group's business are described in Part 6 (*Information on the VGG Group*). The Merger has a clear strategic benefit for the Shanks Group, and the resulting commercial opportunities and potential cost synergies provide the opportunity for attractive financial returns that should significantly enhance Shareholder value. The Board expects the Merger to be significantly earnings enhancing for the Shanks Group in the second full financial year after Completion (i.e. the financial year ending March 2019) and the return on investment to exceed the Shanks Group's weighted average cost of capital over the same period¹.

The purpose of this letter is to: (i) explain the background to and reasons for the Merger; (ii) explain why the Board believes that the Merger is in the best interests of Shanks and its Shareholders as a whole; and (iii) recommends that you vote in favour of the Resolutions to be proposed at the General Meeting. In this respect, this document should be read in its entirety and you should not rely solely on the information in this Part 1. Your attention, in particular, is drawn to the risk factors set out in the section titled "Risk Factors".

In view of the size of the VGG Group in relation to the Shanks Group, the Merger is classified under the Listing Rules as a reverse takeover and accordingly requires the approval of Shareholders. A notice of the General Meeting to be held on 24 October 2016, at which Shareholder approval will be sought for the Merger, is set out at the end of this Combined Circular and Prospectus. The Shanks Board unanimously considers that the Resolutions, details of which are described in paragraph 14 of this Part 1, are in the best interests of Shanks and its Shareholders as a whole and recommends that Shareholders vote in favour of the Resolutions as certain of the Directors have undertaken to do irrevocably so in respect of their own Ordinary Shares.

As more fully described in paragraph 9 of this Part 1, Shanks proposes to undertake an Equity Issue to raise gross proceeds of approximately £141 million (€164 million), the net proceeds of which will be used to fund part of the cash consideration payable under the Merger Agreement. The Equity Issue comprises the issue of 45,000,000 Firm Placing Shares at a price of 100 pence per Firm Placing Share and 166,201,962 Rights Issue Shares at a price of 58 pence per Rights Issue Share (on the basis of 3 Rights Issue Shares for every 8 existing Ordinary Shares or Firm Placing Shares) (together representing 53.0 per cent. of the existing issued share capital of Shanks and 34.7 per cent. of the enlarged issued share capital immediately following completion of the Equity Issue).

Applications will be made to the FCA and the London Stock Exchange, respectively, for the Equity Issue Shares to be admitted to the premium listing segment of the Official List and to trading on the Main Market. It is expected that Equity Issue Admission will become effective and dealings in the Firm Placing Shares and the Rights Issue Shares (nil paid) will commence on the London Stock Exchange at 8.00 a.m. on 26 October 2016, the second trading day after the approval of the Merger by Shareholders at the General Meeting. It is expected that dealings in the Rights Issue Shares (fully paid) will commence on the Main Market at 8.00 a.m. on 10 November 2016.

The Equity Issue is not conditional on Completion. In the unlikely event that the Equity Issue were to proceed but Completion does not occur, the Directors will assess the options available to Shanks, including the return of the net proceeds of the Equity Issue to Shareholders. The timing of any return of capital would take into account the Shanks Group's sources of funding (including the renewal of certain existing committed facilities in the ordinary course) and any planned non-core disposals. Any such return of capital may be implemented in more than one tranche. Please refer to paragraph 9 of this Part 1.

As the Merger constitutes a reverse takeover under the Listing Rules, admission of the Ordinary Shares to the premium listing segment of the Official List and to trading on the Main Market will be cancelled on Completion. Further applications will be made to the FCA and the London Stock Exchange, respectively, for Consideration Share Admission and Re-Admission. There can be no guarantee, however, that Consideration Share Admission or Re-admission will occur. In connection with Re-admission, the Combined Group will prepare and, if approved by the FCA, publish the Re-admission Prospectus. Re-admission is conditional upon the Combined Group being eligible for admission to the Official List and receipt of approval by the FCA of the Re-admission Prospectus. Re-admission will only become effective once a dealing notice has been issued by the FCA and the London Stock Exchange has acknowledged that the Ordinary Shares will be re-admitted to trading. There can be no guarantee that the conditions to Re-admission will be met, failure of which would mean that Completion could not occur.

¹ This statement is not a profit forecast and should not be interpreted to mean that the future earnings per share of the Combined Group will necessarily match or exceed the historical published earnings per share for Shanks.

2. BACKGROUND TO AND REASONS FOR THE MERGER AND THE EQUITY ISSUE

2.1 The Merger

A core principle of Shanks' strategy is actively to manage the Shanks Group's portfolio to maximise returns and accelerate growth through the acquisition of value-enhancing businesses, particularly where strong synergies exist with existing Shanks businesses. Given the structure of and conditions in the Benelux region waste management market, the Board has believed for a long time that a merger with the VGG Group would transform and enhance the Shanks Group's market position and should deliver significant Shareholder value. The Board believes that the Shanks Group and the VGG Group have highly complementary businesses and that there is a compelling strategic and commercial rationale for a merger of the two.

(a) Create a leading waste-to-product business in one of the most advanced recycling markets in the world

The combination of the Shanks Group and the VGG Group will create a focussed enterprise with stronger growth prospects and the scale, capabilities and resources to remain at the forefront of recycling technology in what the Directors believe is one of the most advanced recycling markets in the world, providing the platform to build one of the largest and most developed waste and recycling businesses globally. The Benelux region has a clear vision to create a circular economy that minimises waste. This is reflected by some of the highest recycling rates in the world and reflects not only government incentives and legislation driving this trend but corporate and consumer behaviour supporting this approach. The Combined Group would have a very broad capability across multiple industry verticals, product and service offerings and waste types. This scale and breadth of capability should enable leading technologies and processes within each of the Shanks Group and the VGG Group today and facilitate the development of new and/or improved techniques and technologies to further the Combined Group's efficiency and capability.

Being a leading recycling platform in the recycling market should also present the business with significant growth and investment opportunities to build on the existing competitive advantages that each of the Shanks Group and the VGG Group have developed separately. The increased profitability and cash generation should also facilitate increased investment in new technologies and processes to further advance the sector as well as the Combined Group's position. This could be achieved through the development of new technologies, or through process improvements to enable the recycling of waste streams currently sent to incineration or landfill.

Additionally, the broader combined platform should also enable the Combined Group to build stronger market positions where neither the Shanks Group nor the VGG Group are the current market leader, such as organics recycling in the Netherlands.

(b) Enhanced geographical coverage

The Combined Group would have significantly enhanced geographical presence within the Benelux market and have greater access to adjacent EU markets, especially for specialised recycling technologies.

In the Netherlands, the Shanks Group currently primarily services the Randstad area, partnering with other local firms in order to provide a wider Netherlands coverage. The Merger will result in the Combined Group having a fully national presence across the Netherlands bringing the opportunity to service all areas and clients in-house. This will allow the Combined Group not only to service nation-wide customers better but also to provide a full waste-to-product service and allow it to address increased potential waste volumes to maximise utilisation of the Combined Group's facilities.

In Belgium, the two groups also have complementary geographic footprints, where the VGG Group has traditionally had a stronger presence in the Flanders region, while Shanks traditionally has focussed on Wallonia. The Combined Group will be able to provide a full waste service offering throughout Belgium. This has the benefit of being able to service larger, national contract opportunities within the Combined Group, as well as access to a greater number of potential clients and input volumes. In addition, the Merger will refocus the Combined Group's presence in Belgium around the faster growing commercial and industrial centres in the Flanders region. The Directors believe that this will allow the Combined Group to target and service a greater number of large customers across multiple commercial and industrial sectors.

In addition to creating the leading waste-to-product business in the Benelux region, the Combined Group will have a presence in both France and Germany for certain specialised recycling technologies; two

regions in which the Shanks Group does not currently have significant operations. The Directors believe that this increased footprint will provide the Combined Group with the opportunity to further expand their specialised services as well as a broader service offering in these areas. In the longer term, these new jurisdictions could represent attractive new markets in which the Combined Group seeks to leverage its competitive advantage in one of the most advanced recycling markets in the world into less advanced economies to replicate its existing business plan. In the short term, there could also be opportunities for the Combined Group to use its presence and customer relationships in adjacent jurisdictions to source additional waste volumes to further enhance the utilisation of existing facilities.

(c) Bring together two groups with complementary portfolios

The portfolios of the Shanks Group and the VGG Group are highly complementary in service provision as well as geography. For the year ended 31 March 2016, approximately 90 per cent. of the Shanks Group's revenue in the Benelux region for its Commercial Waste division was generated from the construction and demolition ("C&D") and the industrial and commercial ("I&C") sectors while the VGG Group has a stronger municipal collections presence in the Benelux region, which generated 12.4 per cent. of the VGG Group's Waste Collection revenue (including PPP) for the year ended 31 December 2015. Bringing these capabilities together provides the Combined Group with a leading presence across an increased number of key customers.

(d) Provide customers of the Combined Group with a broader range of complementary technologies and services

The Directors believe that the Shanks Group and the VGG Group have complementary capabilities and technologies which would allow the Combined Group to enhance the service offerings to new and existing customers of both the Shanks Group and the VGG Group. For example, the Shanks Group is a market leader in Europe in processing hazardous waste, has a thermal treatment facility with over one million tonnes of capacity and has a significant capability in wood and paper recycling. By comparison, the VGG Group has a large glass recycling business, Maltha, as well as a strong waste electrical and electronic equipment ("WEEE") recycling capability in its Coolrec business.

The Directors believe this broadening of the service and capability offering will have advantages for both the Combined Group and its customers. For example, the combination of recycling facilities and technologies should allow it to offer customers a genuine full service solution for the majority of their recycling and processing requirements. The Directors believe this will be attractive to customers and potential customers seeking to rationalise their supply chain as well as meet recycling targets by maximising the amount of waste that can be processed. This is a trend the Shanks Group has experienced with the success of its Total Care offering in the Netherlands and Total Waste Management offering in Belgium.

The increased product and service suite also provides the Combined Group with broader opportunities, including the ability to utilise a greater proportion of waste processed. Currently, the Shanks Group relies on third parties for off-take of certain products. Following Completion, the Combined Group will have processing facilities for such off-take and, therefore, will be able to benefit from the additional revenue and margin derived from these activities. Being able to utilise more volume should also give the Combined Group more control over input volumes to many of its facilities.

(e) Accelerate the commercial development of the two businesses

The Directors believe there is significant scope to improve the Combined Group's operating efficiency through sharing best practices between the two businesses. Macro-economic challenges facing much of the Shanks Group's Commercial Waste division over the last few years have accelerated its focus on improving the operating efficiency and business development activities through its successful Commercial Effectiveness and Continuous Improvement programmes. As part of these programmes the Shanks Group has been able to develop disciplines and processes that the Directors believe gives the Shanks Group the opportunity to derive significant value by rolling out across the Combined Group. The Directors also believe that the VGG Group has greater capabilities in procurement and marketing that can be beneficially deployed across the Combined Group.

The Directors believe that greater scale will also allow the two businesses to share best practices to improve operating efficiencies, including in support and off-take areas and in procurement. The Directors believe there will also be opportunities to improve returns through the combined focus on maximising value from off-take products across a larger and more diverse portfolio.

(f) Generate significant synergies

The Board believes that the Combined Group can be expected to achieve aggregate annual risk-weighted pre-tax cost synergies of approximately €40 million in the third full year following Completion. Approximately 30 per cent. of these synergies would be delivered within twelve months following Completion, 75 per cent. would be delivered within 24 months following Completion and 100 per cent. would be delivered within 36 months following Completion. These anticipated cost synergies can be categorised as follows.

- Direct synergies:
 - (i) route optimisation to increase logistic efficiency and reduce costs; and
 - (ii) site rationalisation where the Combined Group has depots or processing sites in the same geographic region.
- Scale synergies:
 - (i) improved procurement, including scale gains and the application of VGG's procurement capabilities across the Combined Group;
 - (ii) improved recyclate income, including the benefits of scale and the sharing of best practices; and
 - (iii) reduced off-take costs and optimised application of combined off-take contracts.
- Indirect synergies:
 - (i) rationalisation of the headquarters and regional overheads of the Combined Group; and
 - (ii) cost reductions from more efficient combined back-office processes and systems.

Based on the Board's current analysis, it is expected that approximately 30 per cent. of the cost synergies would arise from direct synergies, approximately 20 per cent. would arise from scale synergies and approximately 50 per cent. would arise from indirect synergies.

In addition, the Board believes that there is further upside from improved operational grip, commercial effectiveness and potential improvement in the markets in which the Combined Group will operate. In particular, the Board believes the application of the Shanks Group's Commercial Effectiveness programme to the VGG Group, including greater segmental focus, has the potential to generate incremental revenue synergies. There are also potential synergy opportunities through the cross-selling and internalisation of waste treatment and in outbound logistics management. The Combined Group is expected to also deliver long term cash savings from reduced capital expenditure, and capital procurement at scale, as well as in reduced landfill aftercare costs. Achievement of expected cost synergies and potential revenue synergies underpins the expected de-levering profile and significant increase in operating and underlying cash generation of the Combined Group.

See paragraph 7 of this Part 1 for further information on the synergies anticipated to result from the Merger and the integration of the VGG Group.

2.2 The Equity Issue

Shanks is proposing to raise gross proceeds of approximately £141 million by way of the Firm Placing and the Rights Issue.

The Directors have carefully considered the best way to structure the fundraising. In making their decision, the Directors considered a number of factors, including the total net proceeds to be raised, certainty, the composition of Shanks' share register, the volume of demand from new investors wishing to invest in Shanks and the split of proceeds to be raised from the Firm Placing and the Rights Issue.

The Directors decided to include the Firm Placing as part of the Equity Issue as this enables Shanks to satisfy the significant demand received from new investors. The Directors decided to pursue the Firm Placing following consultation with a number of large existing and potential new investors and the Placing Price was determined following such discussions. The combination of the Firm Placing and the Rights Issue provides all existing Qualifying Shareholders with the opportunity to subscribe for new Ordinary Shares in the Rights Issue, whilst also satisfying the significant demand from new investors who are able to subscribe alongside certain existing shareholders for Firm Placing Shares and subsequently participate in

the Rights Issue. The Directors therefore believe that the Firm Placing and the Rights Issue are in the best interests of Shanks.

See paragraph 9 of this Part 1 for further information on the principal terms of the Equity Issue.

3. SUMMARY INFORMATION ON THE SHANKS GROUP AND CURRENT TRADING

3.1 Overview

The Shanks Group is a leading international waste-to-product company with over 80 facilities handling approximately 8.4 million tonnes of waste a year. In line with the growing need to manage waste without damaging the environment, Shanks' predominant focus is on extracting value from waste, rather than its disposal through mass burn incineration or landfill.

The Shanks Group's operations are located in the Netherlands, Belgium, the United Kingdom and Canada.

Strategically, the Shanks Group's activities are closely aligned with the direction of legislation and regulation, seeking to use a wide range of different technologies and know-how to maximise recycling and landfill diversion.

The principal activities of the Shanks Group are waste processing and waste management. These activities can be broken down into the following main categories:

- *Commercial*—the Shanks Group is a market leader in the collection and treatment of commercial waste in the Netherlands and Belgium;
- *Hazardous*—the Shanks Group is a leader in the treatment of contaminated soil and water in Europe, as well as a leader in industrial cleaning in the Netherlands; and
- *Municipal*—the Shanks Group is a leading provider of sustainable waste-to-product solutions for municipal customers in the United Kingdom and Canada.

Further detailed information on the Shanks Group is provided in or incorporated by reference into subsequent parts of this Combined Circular and Prospectus, specifically Part 5 (*Information on the Shanks Group*), Part 8 (*Operating and financial review of the Shanks Group*), and Part 10 (*Historical financial information of the Shanks Group*).

3.2 Summary financial information

The following table sets out summary historical financial information of the Shanks Group for the years ended 31 March 2014, 2015 and 2016. This summary historical financial information has been extracted without material adjustment from the Shanks Group's historical financial information incorporated by reference in this Combined Circular and Prospectus as set out in Part 10 (*Historical financial information of the Shanks Group*).

£ millions	Year ended 31 March		
	2014 ⁽¹⁾	2015	2016
Revenue from continuing operations ⁽²⁾	633.4	601.4	614.8
Adjusted EBITDA from continuing operations ⁽³⁾	87.0	73.0	68.5
Trading profit from continuing operations ⁽⁴⁾	45.6	34.3	33.4
Operating profit (loss)	23.1	(12.4)	9.8
Underlying free cash flow ⁽⁵⁾	56.5	23.4	56.8
Profit before tax from continuing operations ⁽⁶⁾	30.1	21.7	21.0
Profit (loss) before tax	7.6	(20.5)	(2.5)
Profit (loss) for the year	(28.2)	(16.9)	(3.9)

(1) Financial information for the year ended 31 March 2014 has been restated following the adoption of IFRS 11.

(2) Revenue from continuing operations is defined as the Shanks Group's revenue before non-trading and exceptional items.

(3) Adjusted EBITDA from continuing operations is defined as the Shanks Group's continuing trading profit before depreciation, amortisation and profit or loss on disposal of plant, property and equipment.

(4) Trading profit from continuing operations is defined as the Shanks Group's operating profit before non-trading and exceptional items and amortisation of acquisition intangibles.

(5) Underlying free cash flow is defined as the Shanks Group's cash flow before dividends, growth capital expenditure, acquisitions and disposals.

(6) Profit before tax from continuing operations is defined as the Shanks Group's profit before taxation before amortisation of acquisition intangibles, exceptional items and changes in the fair value of derivatives.

In the year ended 31 March 2016, revenue from continuing operations grew by 7 per cent. at constant currency to £615 million, and by 2 per cent. at reported currency (2015: £601 million). Trading profit grew by 4 per cent. at constant currency (a reduction of 3 per cent. at actual rates) to £33.4 million. The Commercial Waste division produced a strong performance in the year growing trading profit by 18 per cent. at constant currency on revenue that grew by 1 per cent. The benefit of improving conditions in the Dutch construction market was offset by weaker recyclate and energy prices in the second half of the financial year ended 31 March 2016. The Hazardous Waste division delivered a robust performance despite difficult oil and gas markets. Revenues in the year ended 31 March 2016 increased at 6 per cent. at constant currency and trading profit increased by 1 per cent. Record waterside and soil volumes were processed to offset intake and off-take pricing pressure, productivity pressure and lower sludge volumes. Revenue for the Municipal division had a challenging year although revenue increased by 21 per cent. at constant currency in the year ended 31 March 2016 as a result of the commissioning of new sites and construction activity in Surrey, Canada. Trading profit in the year ended 31 March 2016 for the Municipal division fell, however, by 15 per cent. at constant currency as a result of off-take, recyclate and energy price pressures, as well as higher insurance costs.

The Shanks Group delivered underlying free cash flow of £56.8 million compared to £23.4 million in the year ended 31 March 2015. Core net debt on 31 March 2016 was £192.6 million, representing a multiple of 2.6x Adjusted EBITDA.

3.3 Current trading and prospects

As noted in the trading update of 16 September 2016, overall the Shanks Group has continued to trade in line with management's expectations.

The Commercial Division has continued to perform well, delivering growth on the prior year in line with management's expectations. The Netherlands has seen positive volumes, especially in construction & demolition waste, and an improved performance from the organics segment. Recyclate prices remain subdued after a brief pick-up earlier in the year. The Belgian business has also performed well and is ahead of the prior year despite a temporary suspension of wood dust production due to disruption in the end market. SRF demand has continued to strengthen and shipments are up significantly on last year.

The Hazardous Division has also performed strongly, delivering growth ahead of management's expectations. Soil volumes have been particularly positive in the first half, with several imported projects from around Europe. Water and sludge volumes have continued to be more volatile. During the period, investment has been made in a joint venture for the storage of salt water in order to better serve the maritime market and to improve operating and processing efficiencies. Reym has performed in line with management's expectations in markets that remain challenging.

The Municipal Division has continued to experience market and operational challenges in the United Kingdom, with a resultant impact on profitability. Ongoing reductions in the available UK SRF market and increasing costs, including due to currency, in the export of RDF have further impacted margins. Additionally, the Shanks Group is continuing to experience challenges in ramping up the new Barnsley, Doncaster and Rotherham and Wakefield facilities to targeted profitability as quickly as management had expected, the latter largely a result of the contractor's insolvency last year. In July 2016, Shanks was also informed by the special purchase vehicle for the Derby PPP project, that an insolvency of one of the major contractors for Interserve PLC, the EPC contractor, could lead to a six month delay in the commissioning of that facility. While Shanks is largely protected from the effect of this insolvency as it is not involved in the construction of the project, there will be a financial impact in the second half of lost commissioning profits along with an expected £1.7m of liquidated damages. The Canadian business has performed well in the first half. The build programme in Vancouver is proceeding well and is on track to commission shortly after year end, after a delay of a few weeks.

In July 2016, the Shanks Group agreed the acquisition of the commercial waste collection activities of the City of Leiden. This bolt-on acquisition was completed on 1 August 2016 and is in line with Shanks' strategy to build operational leverage from accretive acquisitions. During August 2016, Shanks completed the sale of 50 per cent. of its equity stake in the Wakefield special purchase vehicle which was announced on 3 February 2016, receiving £4.2m. Shanks also expects in September 2016 to complete the sale of a closed facility in Hazardous Waste.

Cash remains well controlled and is in line with management's expectations. The Shanks Group's borrowings are largely maintained in Euro as a match against its Euro earnings and have, therefore,

increased in reported terms as a result of the weakening of sterling. This has no impact on the Shanks Group's banking covenants which use average exchange rates for both profits and net debt.

Looking forward, the Board expects to deliver results for the year ending 31 March 2017 in line with management's expectations.

In addition, following Completion, the Board will consider changing the Combined Group's reporting and functional currency to Euro from Sterling.

4. SUMMARY INFORMATION ON THE VGG GROUP AND CURRENT TRADING

4.1 Overview

Founded in 1964, the VGG Group is a leading waste management service provider, recycler and supplier of high-quality secondary raw materials in Europe through collection, processing and treatment of commercial and residential waste. VGG is a market leader in the Benelux region, its home market, and also operates in Germany, France, Portugal and Hungary. The VGG Group is headquartered in Eindhoven, the Netherlands.

The VGG Group's operations can be divided into two key business segments:

- Waste Collection—comprising the VGG Netherlands and VGG Belgium divisions, which are specialised in the collection, sorting and recycling of commercial, domestic and chemical waste from businesses, households, municipalities and other entities; and
- Recycling—comprising the Coolrec, Maltha and VGG Minerals businesses, which converts specific waste and material streams into high-quality secondary raw materials in the Benelux region, Germany, France, Portugal and Hungary.

In addition to these current business operations, the VGG Group is involved in new initiatives and partnerships as part of its 'waste no more' vision to improve the recovery grade and quality of secondary raw materials and to take on a leading role in the transformation to a circular economy.

During 2015, the VGG Group consolidated its position as a leader in the waste services and recycling sectors, despite challenging markets. The VGG Group's strategy has been focused on implementing cost savings and performance improvement measures within the business. In addition, the VGG Group has undertaken a debt restructuring and sold its non-core collection subsidiaries in Poland, the Czech Republic and France.

Further detailed information on the VGG Group is provided in subsequent parts of this Combined Circular and Prospectus, specifically Part 6 (*Information on the VGG Group*), Part 9 (*Operating and financial review of the VGG Group*), and Part 11 (*Historical financial information of the VGG Group*).

4.2 Summary financial information

The following table sets out summary historical financial information of the VGG Group for the years ended 31 December 2013, 2014 and 2015. This summary historical financial information has been extracted

without material adjustment from the VGG Group's historical financial information set out in Part 11 (*Historical financial information of the VGG Group*), save where indicated.

€ millions	Year ended 31 December		
	2013 ⁽¹⁾	2014	2015 ⁽²⁾
Waste Collection	805.3	769.2	760.5
Recycling	175.0	165.8	165.7
Group Support ⁽³⁾	13.2	12.9	13.3
Total revenue	993.5	947.9	939.5
Inter-segment revenue ⁽⁴⁾	(36.5)	(25.2)	(24.7)
Revenue	957.0	922.7	914.8
Adjusted EBITDA⁽⁵⁾	92.2	58.8	41.1
Waste Collection	94.8	70.9	57.0
Recycling	26.2	24.2	20.2
Group Support	(4.8)	(4.4)	(3.2)
Adjusted EBITDAE⁽⁵⁾	116.2	90.7	74.0
Operating loss	(3.3)	(522.0)	(37.3)
(Loss) profit before taxation	(80.8)	(591.4)	292.4
(Loss) profit for the year	<u>(13.5)</u>	<u>(555.8)</u>	<u>303.7</u>

(1) Excludes the results of AVR, which was disposed of in 2013.

(2) Includes the results of the VGG Group's subsidiaries in France, Poland and the Czech Republic, which were disposed of in 2015.

(3) Group Support mainly includes revenue related to external real estate rental income.

(4) Inter-segment revenue represents revenue generated from dealings between the segments within the VGG Group.

(5) Adjusted EBITDA in relation to the VGG Group is defined as the VGG Group's operating profit (loss) for a given period, adjusted to show the result before the impact of certain depreciation and amortisation and impairment charges. Adjusted EBITDAE in relation to the VGG Group is defined as the VGG Group's Adjusted EBITDA for a given period, adjusted to show the result before the impact of certain items that the VGG Group considers to be non-recurring and exceptional items.

In the year ended 31 December 2015, revenue decreased by 0.9 per cent. as compared to the prior year. Total revenue in the Waste Collection division decreased by €8.7 million, or 1.1 per cent. during 2015. During 2015, the VGG Group disposed of operations in France, Poland, the Czech Republic and OVA/Groenendaal resulting in a decline in revenue of €21.3 million during the year for the division. The remaining increase in revenue was mainly attributable to higher volumes in the Waste Collection division in Belgium, where the VGG Group won new business from secondary disposer clients and price increases in connection with environmental tax on waste by the Belgian government, effective as of July 2015. These developments were partially offset by price pressures on the collection operations in the Netherlands. While volumes increased slightly on transport containers and transfer stations, overall volumes decreased due to the loss of a number of large customers. Total revenue in the Recycling division decreased by €0.1 million, or 0.1 per cent. during the year ended 31 December 2015 as compared to the prior year, principally due to adverse pricing effects on metals and plastics as a result of commodity price volatility during the period. Lower sales in Portugal also contributed to lower revenue in the period as a result of market prices for waste glass in the United Kingdom increasing relative to the sale price offered by Maltha, making it less attractive for the United Kingdom to export waste glass to Portugal. The impact on revenue was partially offset by growth in volume at the Coolrec segment as a result of new and extended contracts.

In the year ended 31 December 2015, the VGG Group delivered Adjusted EBITDAE of €74.0 million as compared to €90.7 million in the year ended 31 December 2014. Operating losses decreased by 92.9 per cent. from losses of €522.0 million in 2014 to losses of €37.3 million in 2015.

4.3 Current trading and prospects

VGG has turned the corner in the course of 2016, and is trading significantly ahead of budget based on unaudited numbers and compared to management expectations earlier this year.

Waste Collections Netherlands and Belgium, representing around 85 per cent. of the revenue of the VGG Group, has continued to perform well. Revenue composition has improved strongly, providing a platform

for the delivery of benefits from the repositioning in the market and the various cost management initiatives. Trading has been particularly strong in Belgium and the Netherlands has showed an improvement in run rate. As a result, trading for these business lines is ahead of what the Directors understand are VGG management's expectations.

Despite historic low material prices, the Recycling business lines, comprising Coolrec, Maltha and VGG's Minerals activities, have also performed well in the period. The recommissioning of Maltha's Dintelmond plant is leading to an improvement in profitability alongside margin improvement initiatives in Coolrec and positive trading in Minerals. As a result, trading for these business lines is developing well.

Cash performance has also been positive during the period. Tight control of working capital, effective capital expenditure, positive trading development and reduced exceptional and non-trading items have all contributed to a cash flow that is approximately €20 million ahead of what the Directors understand are VGG management's expectations.

Given this positive performance, the Directors expect VGG to deliver a result for the year ending 31 December 2016 ahead of what the Directors understand are management's expectations.

5. PRINCIPAL TERMS OF THE MERGER

Under the terms of the Merger Agreement, Shanks Netherlands Holdings B.V. will acquire all of the shares in VGG from Van Gansewinkel Netherlands 4 B.V. As consideration for this acquisition, VGG's ultimate shareholders will receive initial value of approximately €562 million, including the return of the net cash on their balance sheet (currently assumed to be approximately €80 million), representing approximately €482 million on a debt-free, cash-free basis. The Merger will be financed as set out in paragraph 6 of this Part 1.

The Merger Agreement is conditional upon, *inter alia*, approval of the Merger by relevant competition authorities in the Netherlands and Belgium, approval by the Shareholders, VGG's ultimate beneficial shareholders and certain lenders to the VGG Group, and each of Equity Issue Admission, Consideration Share Admission and Re-admission becoming effective.

The Board anticipates that Completion may occur in December 2016.

Please refer to Part 2 (*Details of the Transaction*) for a more detailed summary of the Merger Agreement and related financing arrangements.

6. FINANCING OF THE MERGER AND THE COMBINED GROUP

Consideration for the Merger will be satisfied through:

- cash consideration of approximately €286 million in cash, to be financed through (i) amounts drawn down under the New Facilities Agreement; and (ii) the net proceeds of the Equity Issue; and
- share consideration of up to approximately 190 million Consideration Shares, representing up to approximately 23.8 per cent. of Shanks' enlarged issued share capital following completion of the Equity Issue and Completion).

On 29 September 2016 (the "**Signing Date**"), Shanks entered into the New Facilities Agreement pursuant to which €600 million of multicurrency facilities, comprising a €150 million term facility and a €450 million revolving credit facility will be provided to certain members of the Combined Group. The term facility will be available to the borrowers from the Signing Date (subject to the satisfaction of the relevant conditions precedent) to: (i) pay part of the offer price for the Merger; (ii) pay certain costs and expenses incurred by the Shanks Group in connection with the Merger; and (iii) discharge part of the existing debt of the VGG Group. Shanks Netherlands Holdings B.V., which is a borrower under the New Facilities Agreement and will acquire all of the issued share capital in VGG under the terms of the Merger Agreement, intends to draw down a sufficient amount under the term facility on the date of Completion to fund the part of the cash consideration payable for the Merger not being paid using the net proceeds of the Equity Issue. Further details of the terms of the New Facilities Agreement are set out in paragraph 3.1 of Part 2 (*Details of the Transaction*).

Shanks is proposing to raise gross proceeds of approximately £141 million through the Equity Issue to fund the part of the cash consideration payable for the Merger not being paid using amounts drawn down under the New Facilities Agreement. Shanks proposes to enter into forward contracts to hedge its exposure in relation to such proceeds during the period from completion of the Equity Issue and Completion. Details

of the Equity Issue are summarised in paragraph 9 of this Part 1 and set out in Part 3 (*Terms and conditions of the Equity Issue*). The Equity Issue is not conditional on Completion. In the unlikely event that the Equity Issue were to proceed but Completion does not occur, the Directors will assess the options available to Shanks, including the return of the net proceeds of the Equity Issue to Shareholders. The timing of any return of capital would take into account the Shanks Group's sources of funding (including the renewal of certain existing committed facilities in the ordinary course) and any planned non-core disposals. Any such return of capital may be implemented in more than one tranche. In connection with the Equity Issue, Shanks has entered into an Underwriting Agreement in respect of all the Equity Issue Shares to be issued, further details of which are found in paragraph 3.2 of Part 2 (*Details of the Transaction*).

The €286 million of total cash consideration will be used by Shanks Netherlands Holdings B.V. in part as payment of the cash portion of the offer price to VGG Netherlands B.V. upon Completion and in part as funding required to repay amounts under the VGG Senior Facilities Agreement, the terms of which are summarised in paragraph 12.2(a) of Part 15 (*Additional information*).

On Completion, the non-cash consideration for the Merger will be paid through the issue of up to approximately 190 million Consideration Shares to Van Gansewinkel Netherlands 4 B.V., the holding company of VGG, certain of VGG's ultimate shareholders and the agent of certain of VGG's ultimate shareholders, in each case subject to and conditional upon Consideration Share Admission and Re-admission and certain lock-up provisions. Details of the Consideration Shares are summarised in paragraph 3.3 of Part 2 (*Details of the Transaction*). Upon Completion, Shareholders will have their proportionate shareholdings in Shanks diluted by approximately 23.8 per cent. as a consequence of the issue of the Consideration Shares.

For further details of the arrangements relating to Completion, see Part 2 (*Details of the Transaction*).

Following Completion, the Board anticipates the net debt to Adjusted EBITDA ratio for the Combined Group, pre-synergies, to be broadly similar to Shanks' current standalone leverage expectations. Over time, the Board expects leverage to reduce with the realisation of synergies in the Combined Group and continued application of Shanks' strategy, including active portfolio management.

7. SYNERGIES AND INTEGRATION OF VGG

7.1 Synergies

The Board believes that the Combined Group can be expected to achieve aggregate annual risk-weighted pre-tax cost synergies of approximately €40 million in the third full year following Completion. Approximately 30 per cent. of these synergies would be delivered within twelve months following Completion, 75 per cent. would be delivered within 24 months following Completion and 100 per cent. would be delivered within 36 months following Completion. These synergies are contingent on the completion of the Merger and could not be achieved by the Shanks Group and the VGG Group operating independently. The estimated synergies reflect both the benefits and relevant costs.

The Board believes that these cost synergies can be achieved as a result of:

- (a) direct synergies expected to arise predominantly from route optimisation gains and a site rationalisation programme. Shanks has identified significant areas of logistics overlap between the two businesses, principally in the Randstad area of the Netherlands, where the Directors believe it will be possible to reduce costs through greater logistics efficiency and a reduced fleet size. Each of the Shanks Group and the VGG Group has a number of depots and processing sites where it may be possible to reduce locations and move operations to a single site in the same local area;
- (b) scale synergies due to the increased scale and presence of the Combined Group, including savings generated from improved procurement both from economies of scale generating increased purchasing power as well as being able to leverage the VGG Group's strong procurement team across the wider group. In addition, the Directors believe that the Combined Group will be able to achieve better recycle income by using the increased recycle volumes and improve quality mix to service larger contracts and having a greater reach of potential customers to optimise pricing. The Directors also believe there is an opportunity to reduce off-take costs and optimise the application of off-take contracts; and
- (c) indirect synergies achievable through further rationalisation of the Combined Group headquarters and regional overheads as well as back office processes and systems.

Based on the Board's current analysis, it is expected that approximately 30 per cent. of the cost synergies would arise from direct synergies, approximately 20 per cent. would arise from scale synergies and approximately 50 per cent. would arise from indirect synergies.

The Directors expect that the integration process and the realisation of these cost synergies will result in one-off exceptional cash costs of €50 million to be incurred over a three-year period.

Basis of belief

Initial discussions were held between senior finance, strategy and operational personnel from Shanks and VGG for the purposes of allowing Shanks to quantify initial estimates of potential synergies and associated costs relating to the Merger.

Shanks then established a framework and methodology to refine these estimates through diligence discussions. Shanks engaged with certain relevant functional heads, advisers and other personnel at Shanks and VGG to provide input into the development process so it could assess and reach a conclusion on the nature and quantum of the identified synergy initiatives.

In preparing the above statement regarding expected synergies, Shanks and VGG have shared certain operating and financial information to facilitate Shanks' detailed analysis and evaluation of the potential synergies available as a result of the Merger. This information has been shared between a limited number of senior finance, strategy and operational personnel from Shanks.

The cost bases used as the basis for the quantification exercise were the Shanks actual cost base for the 12 months ended 31 March 2016 and the VGG actual cost base for the 12 months ended 31 December 2015 or more recent management estimates.

7.2 Integration and employees

Shanks envisages that the Merger would be implemented using a 'merger of equals' principle, with senior management representation from both the Shanks Group and the VGG Group reflecting respective strengths and additional targeted new hires from within and outside the industry. The Combined Group is expected to continue to be orientated on a market and geographic basis, supported by strong functional capabilities across the organisation. During and after the integration process, the Directors will continue actively to manage the Combined Group's portfolio of businesses to maximise shareholder returns.

Extensive pre-completion integration planning, including detailed planning of organisation structures, is currently being undertaken, which the Directors believe will enable the new Combined Group to commence integration effectively following Completion. This includes the appointment of a full time Integration Director. This role will report directly to the Shanks Group CEO, to oversee the integration process.

As part of the integration of Shanks and VGG, the Directors intend to change the name of Shanks and to develop a new brand for the Combined Group aimed at reflecting the significant change and opportunity that the combination represents and creating an energetic culture. However, the Directors do not intend to remove existing trading brands from certain mono-stream activities where the particular brand is strong and/or important to the development of that offering.

8. BOARD AND MANAGEMENT TEAM

The Board attaches great importance to the skills and experience of the management and employees of the VGG Group and Shanks Group and believes that they will be an important factor in the success of the Combined Group.

9. PRINCIPAL TERMS OF THE EQUITY ISSUE

Shanks is proposing to offer a total of 211,201,962 Equity Issue Shares (representing 53.0 per cent. of Shanks' existing issued share capital and 34.7 per cent. of Shanks' enlarged issued share capital immediately following completion of the Equity Issue) comprising:

- an offer of 45,000,000 Firm Placing Shares to Placees; and
- an offer of 166,201,962 Rights Issue Shares to Qualifying Shareholders.

The Equity Issue has been fully underwritten by the Sole Underwriter and Bookrunner and is conditional, *inter alia*, upon:

- the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Equity Issue Admission) and not having been terminated in accordance with its terms;
- Equity Issue Admission becoming effective by not later than 8.00 a.m. on 26 October 2016 (or such later date as Shanks may agree with the Joint Sponsors); and
- the passing, without material amendment, of the Resolutions.

The Equity Issue is not conditional on Completion. If the Equity Issue were to proceed but Completion does not occur, Shanks will use reasonable endeavours to consider ways to return of the Equity Issue proceeds to Shareholders.

If the Underwriting Agreement is not declared or does not become unconditional in all respects by 8.00 a.m. on 26 October 2016 (or such later date as Shanks may agree with the Joint Sponsors) or if it is terminated in accordance with its terms, the Equity Issue will be revoked and will not proceed and Equity Issue Admission will not occur. The Underwriting Agreement is not capable of termination following Equity Issue Admission.

Applications will be made to the FCA and the London Stock Exchange, respectively, for the Equity Issue Shares to be admitted to the premium listing segment of the Official List and to trading on the Main Market. It is expected that Equity Issue Admission will become effective and dealings in the Firm Placing Shares and the Rights Issue Shares (nil paid) will commence on the London Stock Exchange at 8.00 a.m. on 26 October 2016, the second trading day after the approval of the Merger by Shareholders at the General Meeting. It is expected that dealings in the Rights Issue Shares (fully paid) will commence on the Main Market at 8.00 a.m. on 10 November 2016. These dates and times may be changed without further notice.

The net proceeds of the Equity Issue will be used to fund part of the cash consideration payable under the Merger Agreement as further described in Part 2 (*Details of the Transaction*).

Some questions and answers, together with details of further terms and conditions of the Equity Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Part 3 (*Terms and conditions of the Equity Issue*) and Part 4 (*Questions and answers about the Equity Issue*) and, where relevant, will also be set out in the Provisional Allotment Letter.

Overseas Shareholders and prospective investors should refer to paragraph 3 of Part 3 (*Terms and conditions of the Equity Issue*) for further information on their ability to participate in the Equity Issue.

9.1 The Firm Placing

Shanks is offering 45,000,000 Firm Placing Shares (representing 11.3 per cent. of Shanks' existing issued share capital and 7.4 per cent. of Shanks' enlarged issued share capital immediately following completion of the Equity Issue) as part of the Firm Placing to certain Shareholders and prospective institutional investors.

The Firm Placing is to be made at a Placing Price of 100 pence per Firm Placing Share. The Placing Price is payable in full upon Equity Issue Admission.

The Placing Price represents a 0.5 per cent. discount to the closing price of 100.5 pence per Ordinary Share on 28 September 2016 (being the last Business Day before the announcement of the terms of the Equity Issue). The Placing Price (including the size of the Firm Placing discount) has been determined, following discussions with both existing Shareholders and Placees, to be at the level that the Board considers necessary to ensure the success of the Firm Placing and the Rights Issue, taking into account the aggregate proceeds to be raised.

The Firm Placing will, therefore, raise gross proceeds of £45.0 million.

The issue of the Firm Placing Shares is fully underwritten by the Sole Underwriter and Bookrunner pursuant and subject to the terms of the Underwriting Agreement.

The Firm Placing Shares will be placed with certain Shareholders and prospective institutional investors in transactions exempt from, or not subject to, the registration requirements of the US Securities Act.

Shareholders will have their proportionate shareholdings in Shanks diluted by 10.2 per cent. as a consequence of the Firm Placing.

The Firm Placing Shares will rank *pari passu* in all respects with each other and all existing Ordinary Shares, including entitlement to participate in the Rights Issue, as well as for voting purposes and the right to receive dividends or other distributions declared, made or paid after Equity Issue Admission.

9.2 The Rights Issue

The Rights Issue will be made on the basis of:

3 Rights Issue Shares for every 8 existing Ordinary Shares or Firm Placing Shares

held by (or conditionally allotted pursuant to the Firm Placing to) Qualifying Shareholders at the Record Date.

Entitlements to Rights Issue Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Shareholders but will be aggregated and issued into the market for the benefit of Shanks. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue is to be made at an Issue Price of 58 pence per Rights Issue Share. The Issue Price is payable in full on acceptance by no later than 11.00 a.m. on 9 November 2016.

The Issue Price represents:

- (i) a 34.5 per cent. discount to the theoretical ex-rights price of 88.5 pence calculated by reference to the Placing Price of 100 pence; and
- (ii) a 42.3 per cent. discount to the Closing Price of 100.5 pence on 28 September 2016 (being the last Business Day before the announcement of the terms of the Equity Issue).

The Rights Issue will, therefore, raise gross proceeds of approximately £96 million.

The Rights Issue Shares are being offered to certain Shareholders and prospective institutional investors in transactions exempt from, or not subject to, the registration requirements of the US Securities Act.

Qualifying Shareholders and Placees who do not take up their entitlements to Rights Issue Shares will have their proportionate shareholdings in Shanks diluted by up to 27.3 per cent. as a consequence of the Rights Issue. Shareholders who do not participate in the Firm Placing and who do not take up their entitlements in the Rights Issue will be diluted by 34.7 per cent. in aggregate as a result of the Equity Issue.

The Rights Issue Shares to be issued under the Rights Issue, when fully paid, will rank *pari passu* in all respects with each other and all existing Ordinary Shares, including for voting purposes and the right to receive dividends or other distributions declared, made or paid after Equity Issue Admission.

10. EMPLOYEE SHARE SCHEMES

Participants in Shanks' employee share schemes will be advised separately of adjustments (if any) to their rights or as to any entitlement to participate in the Rights Issue.

11. DIVIDEND POLICY

Post-Completion, Shanks' current dividend per share will be adjusted to take account of the Equity Issue.

The Board's dividend policy is to rebuild the dividend cover from its current level to 2.0 to 2.5 times underlying earnings per share and resume a progressive dividend policy once this has been achieved.

It is expected that any final dividend of the Combined Group for the year ending 31 March 2017 will be proposed at its next annual general meeting and paid in July or August 2017 and that any interim dividend for the year ending 31 March 2017 will be declared in November 2016 and paid in January 2017.

12. FURTHER INFORMATION AND RISK FACTORS

Your attention is drawn to the further information set out and incorporated by reference in Parts 2 to 15 of this Combined Circular and Prospectus. Shareholders should read the whole of this Combined Circular and Prospectus and not rely solely on the information set out in this Part 1.

In addition, for a discussion of the risks and uncertainties which you should take into account when considering whether to vote in favour of the Resolutions set out herein and whether or not to acquire Nil Paid Rights, Fully Paid Rights, Equity Issue Shares or Ordinary Shares, please refer to the section titled “Risk Factors” on pages 20 to 41 (inclusive) of this Combined Circular and Prospectus.

13. TAXATION

Certain information about UK taxation in relation to the Equity Issue is set out in Part 14 (*Taxation*). This information is intended only as a general guide to the current UK tax position.

If you are in any doubt as to your tax position, or you are subject to tax in a jurisdiction other than the United Kingdom, you should consult your own independent tax adviser without delay.

14. GENERAL MEETING

The Notice of General Meeting to be held at 10.00 a.m. on 24 October 2016 at Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA, is set out at the end of this Combined Circular and Prospectus. The purpose of this meeting is to seek Shareholders’ approval to the resolutions set out in the Notice of General Meeting (collectively, the “**Resolutions**”). The Resolutions to be proposed are as follows.

Resolution 1

Resolution 1 will be proposed as an ordinary resolution requiring a simple majority of votes in favour.

Resolution 1 proposes that the Merger be approved and that the Directors be authorised to take all steps and enter all agreements and arrangements necessary, expedient or desirable to implement the Merger.

Resolution 2

Resolution 2 will be proposed as an ordinary resolution requiring a simple majority of votes in favour.

Resolution 2 proposes that, subject to and conditional upon the passing of Resolution 1, the Directors be generally and unconditionally authorised to allot shares in Shanks up to a nominal amount of £19,018,750.20 (representing, in aggregate, 190,187,502 Ordinary Shares) upon Completion as part consideration for the Merger. If granted this authority will apply until the conclusion of the annual general meeting of Shanks to be held in 2017 or, if earlier, on 31 August 2017.

Resolution 3

Resolution 3 will be proposed as an ordinary resolution requiring a simple majority of votes in favour.

Resolution 3 proposes that, subject to and conditional upon the passing of Resolution 1, the Directors be generally and unconditionally authorised to allot shares in Shanks up to a nominal amount of (i) £4,500,000.00 (representing, in aggregate, 45,000,000.00 Ordinary Shares) pursuant to, or in connection with, the Firm Placing; and (ii) £16,620,196.20 (representing, in aggregate, 166,201,962 Ordinary Shares) pursuant to, or in connection with, the Rights Issue. If granted this authority will apply until the conclusion of the annual general meeting of Shanks to be held in 2017 or, if earlier, on 31 August 2017.

Resolution 4

Resolution 4 will be proposed as a special resolution requiring at least 75 per cent. of votes in favour.

Resolution 4 proposes that, subject to and conditional upon Resolutions 2 and 3 being duly passed, the Directors be given power to allot equity securities as set out in those Resolutions as if section 561 of the Companies Act did not apply. The Ordinary Shares to which pre-emption rights would be disapplied represent 100.8 per cent. of Shanks’ issued share capital as at the Latest Practicable Date. If granted, this authority will apply until the conclusion of the annual general meeting of Shanks to be held in 2017 or, if earlier, on 31 August 2017.

If any of the above Resolutions is not passed, the Equity Issue will not proceed and the Merger will not complete.

15. ACTION TO BE TAKEN IN RESPECT OF THE GENERAL MEETING

A Form of Proxy for use at the General Meeting is enclosed with this Combined Circular and Prospectus. Whether or not you intend to be present at the General Meeting, you are requested to complete and return the Form of Proxy, in accordance with the instructions printed thereon, as soon as possible and in any event so that it may be received by the Registrar not later than 10.00 a.m. on 20 October 2016. Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they wish to do so.

16. ACTION TO BE TAKEN IN RESPECT OF THE EQUITY ISSUE

Qualifying Shareholders should read the terms and conditions of the Rights Issue set out in Part 3 (*Terms and conditions of the Equity Issue*), particularly paragraphs 1 and 2, and which are summarised, below.

If you are a Qualifying Shareholder whose existing Ordinary Shares are in certificated form (a “**Qualifying Non-CREST Shareholder**”) with a registered address outside the United States and the other Excluded Jurisdictions (subject to certain exceptions), you will be sent a Provisional Allotment Letter giving you details of your Nil Paid Rights by post on or about 25 October 2016. If you are a Qualifying Shareholder whose existing Ordinary Shares are in uncertificated form (a “**Qualifying CREST Shareholder**”), you will not be sent a Provisional Allotment Letter. Instead, provided that you have a registered address outside the United States and the other Excluded Jurisdictions (subject to certain exceptions), you will receive a credit to your appropriate stock accounts in CREST in respect of Nil Paid Rights, which it is expected will take place as soon as practicable after 8.00 a.m. on 26 October 2016. Such crediting does not in itself constitute an offer of Rights Issue Shares.

If you sell or have sold or otherwise transferred all of your Ordinary Shares held (other than ex-rights) in certificated form before 26 October 2016, please forward this Combined Circular and Prospectus and any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States and the Excluded Jurisdictions.

If you sell or have sold or otherwise transferred all or some of your Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part 4 (*Questions and answers about the Equity Issue*) and in the Provisional Allotment Letter.

The latest time and date for acceptance and payment in full in respect of the Rights Issue is expected to be 11.00 a.m. on 9 November 2016, unless otherwise announced by Shanks. The procedure for acceptance and payment is set out in Part 4 (*Questions and answers about the Equity Issue*) and, if applicable, in the Provisional Allotment Letter.

For Qualifying Non-CREST Shareholders, the Rights Issue Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be despatched by no later than 24 November 2016 to the registered address of the person(s) entitled to them.

For Qualifying CREST Shareholders who take up their rights, the Registrar will instruct CREST to credit the stock accounts of the Qualifying CREST Shareholders with their entitlements to Rights Issue Shares. It is expected that this will take place by 8.00 a.m. on 10 November 2016.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this Combined Circular and Prospectus and the Rights Issue.

If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA or, if you are outside the United Kingdom, by another appropriately authorised independent financial adviser.

17. IRREVOCABLE UNDERTAKINGS

In connection with the Merger, funds and accounts managed or advised by Beach Point Capital Management LP and Cross Ocean Partners, the largest two shareholders of VGG Topco 1 SCA (the ultimate parent of VGG), representing an aggregate of 40.8 per cent. of its issued share capital, have provided irrevocable undertakings to VGG pursuant to which each such shareholder has agreed to attend (or appoint a proxy to attend) any relevant meeting of shareholders of VGG Topco 1 SCA held to approve the Merger and to vote in favour of the shareholders' resolution to approve the Merger. These irrevocable undertakings will cease to be binding at the earlier of 30 November 2016 and the date on which the relevant shareholders are notified that Completion will not occur or a public announcement is made to this effect.

18. VOTING INTENTIONS AND RECOMMENDATION

The Board is fully supportive of the Merger and the Equity Issue. Each of the Directors who holds Ordinary Shares intends, to the extent that he or she is able, to take up in full his or her rights to subscribe for Rights Issue Shares or to sell a sufficient number of their Nil Paid Rights during the nil paid trading period to meet the costs of taking up the balance of his or her entitlement to Rights Issue Shares.

The Board believes the Merger, the Equity Issue and the Resolutions to be in the best interests of Shanks' Shareholders as a whole and, accordingly, unanimously recommends that the Shareholders vote in favour of the Resolutions, as Peter Dilnot, Toby Woolrych and Stephen Riley each intend to do in respect of their own legal and beneficial holdings, amounting to an aggregate of 155,359 Ordinary Shares (representing approximately 0.04 per cent. of Shanks' existing issued share capital as at the Latest Practicable Date).

Yours sincerely

Colin Matthews
Chairman
Shanks Group plc

PART 2—DETAILS OF THE TRANSACTION

1. THE MERGER AGREEMENT

Under the terms of the Merger Agreement, Shanks Netherlands Holdings B.V. will acquire all of the shares in VGG from Van Gansewinkel Netherlands 4 B.V. and its ultimate beneficial shareholders for a total consideration of approximately €482 million on a debt-free, cash-free basis. Shanks will also be party to the Merger Agreement, but only in respect of certain UK regulatory provisions in the Merger Agreement relating to the Equity Issue prior to Completion and Consideration Share Admission and Re-admission.

1.1 Consideration

Consideration for the Merger will be satisfied through:

- cash consideration of approximately €286 million in cash, to be financed through (i) amounts drawn down under the New Facilities Agreement; and (ii) the net proceeds of the Equity Issue; and
- share consideration of up to approximately 190 million of Consideration Shares, representing up to approximately 23.8 per cent. of Shanks' enlarged issued share capital following completion of the Equity Issue and Completion).

The total amount of consideration (as noted above, to be satisfied in Consideration Shares and cash on Completion) will comprise (i) an offer price (net of the total amount of principal and interest due under the VGG Senior Facilities Agreement); (ii) a late completion payment (of €750,000 per month, payable if anti-trust clearance has not been obtained before 1 January 2017); and (iii) the funding of part of the amount required to repay the outstanding principal and interest due under the VGG Senior Facilities Agreement. The final offer price will be determined between signing and Completion based on mechanical adjustments made pursuant to the terms of the Merger Agreement based on VGG's audited consolidated financial statements as at and for the eight-month period ended on 31 August 2016. To the extent that these mechanical adjustments increase the final offer price, the cash consideration will increase accordingly. To the extent the adjustments reduce the final offer price, the cash consideration will decrease and/or the number of Consideration Shares will be reduced.

1.2 Conditions

Completion of the Merger is conditional upon satisfaction or, where capable of being waived, waiver of the following conditions prior to the Long Stop Date (or such later date as the parties to the Merger Agreement may agree):

- (a) approval of the Merger by relevant competition authorities in the Netherlands and Belgium (the "**Anti-trust Condition**");
- (b) approval by the shareholders of VGG Topco S.C.A. at a shareholders meeting to be held on or around 13 October 2016 and in any event not later than 20 days after the date on which this Combined Circular and Prospectus is published (the "**Seller Shareholder Consent Condition**");
- (c) the Majority Lenders, as defined in and under the VGG Senior Facilities Agreement, having consented to the Merger (the "**Seller OFA Lender Consent Condition**");
- (d) the Majority Lenders, as defined in and under the €528 million PIK loan issued by VGG Holdco B.V. (the "**Holdco PIK Loan**"), having consented to the Merger (the "**Seller HFA Lender Consent Condition**");
- (e) each hedge counterparty under the VGG Senior Facilities Agreement having agreed to the close out of certain hedging transactions (the "**Seller Hedging Termination Consent Condition**");
- (f) the agent under the VGG Senior Facilities Agreement having received evidence that, with effect from Completion (i) each letter of credit under the VGG Senior Facilities Agreement and each letter of credit under ancillary facilities to the VGG Senior Facilities Agreement will be deemed drawn under the New Facilities Agreement; (ii) no member of the Van Gansewinkel Netherlands 4 B.V. group will have any liability under the VGG Senior Facilities Agreement or any ancillary facility in respect of any letters of credit; and (iii) no member of the Van Gansewinkel Netherlands 4 B.V. group will have any liability in relation to any letter of credit under the VGG Facility Agreement and each letter of credit under ancillary facilities to the VGG Facility Agreement;

- (g) Van Gansewinkel Netherlands 4 B.V. receiving evidence that, with effect from Completion that the ING letter of credit provided by ING Belgium will be deemed to be drawn under the New Facilities Agreement (“**Seller ING L/C Condition**”);
- (h) approval by the Shareholders of the Resolutions (the “**GM Condition**”);
- (i) Equity Issue Admission becoming effective (the “**Equity Admission Condition**”);
- (j) the Re-admission Prospectus being approved by the FCA and:
 - (i) the FCA having confirmed to Shanks or the Joint Sponsors (and such confirmation not having been withdrawn) that the applications for Consideration Share Admission and Re-admission have been approved and (after satisfaction of any conditions to which such approval is expressed to be subject) will become effective as soon as the FCA’s decision to admit the Consideration Shares and re-admit all of the issued Ordinary Shares is announced in accordance with LR 3.2.7G of the Listing Rules; and
 - (ii) the London Stock Exchange having confirmed to Shanks or the Joint Sponsors (and such confirmation not having been withdrawn) that (after satisfaction of any conditions to which such confirmation is expressed to be subject) the Consideration Shares will be admitted and all of the issued Ordinary Shares will be re-admitted to trading on the Main Market;
- (k) no material adverse effect having occurred (being an event (or group of related events) with a negative effect on the VGG Group’s EBITDA of €25 million or more in any 12-month period or an increase in the VGG Group’s liabilities of €100 million or more) (the “**MAE Condition**”);
- (l) the following events not having taken place by the time that all the above Conditions are satisfied or waived:
 - (i) any court or competent authority having prohibited or an illegality that arises through the change of law that would prohibit or prevent (i) the consummation of the Merger; (ii) drawdown under the New Facilities Agreement; or (iii) the exercise of the rights and obligations of the parties to the New Facilities Agreement; and/or
 - (ii) Shanks, Shanks Netherlands Holdings B.V., Van Gansewinkel Netherlands 4 B.V. being declared Bankrupt (as defined in the New Facilities Agreement),
 (the “**Financing Condition**”); and
- (m) the earlier to occur of:
 - (i) the parties having agreed in writing the final consideration; and
 - (ii) 29 December 2016, provided that if the draft locked box accounts are provided to Shanks Netherlands Holdings B.V. later than 14 November 2016, the date of 29 December 2016 shall be extended by the number of days after 14 November 2016 that the draft locked box accounts are delivered.

The conditions described in paragraphs (c) to (g) above are referred to herein as the “**Seller Financing Approval Condition**” and the conditions described in paragraphs (h) and (j) above are referred to herein as the “**Purchaser Regulatory Condition**”.

If any of the conditions under the Merger Agreement remain unfulfilled before the Long Stop Date, Shanks Netherlands Holdings B.V. and Van Gansewinkel Netherlands 4 B.V. shall each be entitled to terminate the Merger Agreement.

1.3 Termination rights and break fee

Under the terms of the Merger Agreement, Shanks Netherlands Holdings B.V. and Van Gansewinkel Netherlands 4 B.V. may terminate the Merger Agreement if certain conditions are not satisfied. In particular, if:

- (a) any of the Seller Financing Approval Conditions, the Anti-Trust Condition, the Purchaser Regulatory Conditions, the Financing Condition or the condition referred to in paragraph 1.2(m) above are not satisfied on or before the Long Stop Date each of Shanks Netherlands Holdings B.V. and Van Gansewinkel Netherlands 4 B.V. may;

- (b) the Seller ING L/C Condition is not satisfied on or before the Long Stop Date, Van Gansewinkel Netherlands 4 B.V. may; and
- (c) the MAE Condition is not satisfied on or before the Long Stop Date, Shanks Netherlands Holdings B.V. may,

resolve to terminate the Merger Agreement by giving notice of such termination to the other party.

A break fee of an amount equal to approximately €4.6 million shall be payable by:

- (a) Shanks Netherlands Holdings B.V., if Van Gansewinkel Netherlands 4 B.V. terminates the Merger Agreement due to the GM Condition, the Equity Admission Condition or both not being fulfilled and at that time no other condition is incapable of being fulfilled; or
- (b) Van Gansewinkel Netherlands 4 B.V., if Shanks Netherlands Holdings B.V. terminates the Merger Agreement due to any of the Seller Shareholder Consent Condition, the Seller HFA Lender Consent Condition, the Seller OFA Lender Consent Condition and/or the Seller Hedging Consent Condition not being fulfilled and at that time no other condition is incapable of being fulfilled.

In no circumstance shall the break fee payable by either Shanks Netherlands Holdings B.V. or Van Gansewinkel Netherlands 4 B.V. exceed one per cent. of the market capitalisation of Shanks as at 5.00 p.m. on 28 September 2016.

1.4 Pre-completion

The Merger Agreement includes customary contractual protection in favour of Shanks Netherlands Holdings B.V. between signing and Completion, in particular that Van Gansewinkel Netherlands 4 B.V.:

- (a) will use its reasonable endeavours to procure that the business of the VGG Group (taken as a whole) carries on in the ordinary and usual course; and
- (b) will not undertake certain actions (including, but not limited to, issuing new shares, selling real property, acquiring or disposing of any business or other material assets valued in excess of €1 million (other than certain acquisitions or disposals) or making capital expenditure in excess of €250,000) without the consent of Shanks Netherlands Holdings B.V.

The Merger Agreement also includes provisions with respect to the monitoring of free cash within the VGG Group between signing and Completion.

1.5 Leakage

The Merger Agreement includes customary leakage provisions under which VGG Netherlands B.V. agrees to indemnify Shanks Netherlands Holdings B.V. in relation to leakage of value in favour of Van Gansewinkel Netherlands 4 B.V. or its ultimate lenders and/or shareholders between 31 August 2016 and Completion. This indemnity terminates on 31 July 2017. Consideration Shares will be held in escrow up to a value of €7 million to which Shanks Netherlands Holdings B.V. may have recourse if there is any leakage. Any leakage that is discovered or notified before Completion shall be deducted from the consideration payable prior to Completion.

1.6 Warranties

The Merger Agreement includes a suite of customary warranties, including warranties with respect to the following areas: information (including information relating to VGG, Van Gansewinkel Netherlands 4 B.V. or its affiliates included in this Combined Circular and Prospectus), title and capacity, corporate information and administration, accounts and position since the effective date, financing agreements, no effects of the transaction, material contracts, assets, real estate, permits, compliance, anti-bribery and corruption, environment and pollution, employees and pensions, intellectual property, information technology, data protection, acquisitions and divestments, litigation, tax and insurance.

Van Gansewinkel Netherlands 4 B.V. has given the warranties on signing of the Merger Agreement and all of the warranties will be repeated on Completion.

The warranties are qualified by a number of relatively market standard limitations, which have been negotiated between Shanks Netherlands Holdings B.V. and Van Gansewinkel Netherlands 4 B.V.

1.7 Escrow arrangements

Van Gansewinkel Netherlands 4 B.V.'s obligations and any claims with respect to breach of warranty, the tax indemnity (subject to a warranty and indemnity insurance policy, discussed in paragraph 1.9 of this Part 2), the leakage indemnity and breach of the pre-Completion undertakings under the Merger Agreement will be backed by the following escrow arrangements which, together with the coverage under the warranty and indemnity insurance policy, will be the sole recourse of Shanks Netherlands Holdings B.V. for claims under the Merger Agreement post Completion.

- (a) Cash Escrow—€2.5 million cash escrow for a period of two years after Completion as recourse for claims under the warranties and tax covenant to the extent not covered due to the deductible under the W&I Insurance Policy (as defined in paragraph 1.9 of this Part 2) or, together with Equity Escrow II described below, for claims under the warranties or the tax covenant in respect of which the W&I Insurance Policy does not provide cover or otherwise does not pay out such claim or any breach of the pre-Completion undertakings and certain other provisions of the Merger Agreement;
- (b) Equity Escrow I—Consideration Shares with a value of €7 million to be held by an agent on behalf of the ultimate shareholders of Van Gansewinkel Netherlands 4 B.V. for a period until 31 July 2017 for recourse for claims under the leakage indemnity described in paragraph 1.5 of this Part 2; and
- (c) Equity Escrow II—Consideration Shares with a value of €8 million to be held by an agent on behalf of the ultimate shareholders of Van Gansewinkel Netherlands 4 B.V. for a period of one year from Completion for recourse for claims under the warranties or the tax covenant in respect of which the W&I Insurance Policy does not provide cover or otherwise does not pay out such claim or, any breach of the pre-Completion undertakings and certain other provisions of the Merger Agreement.

1.8 Limitations on liability

Van Gansewinkel Netherlands 4 B.V. will not be liable for any breaches of the warranties in the Merger Agreement disclosed by Van Gansewinkel Netherlands 4 B.V. to Shanks Netherlands Holdings B.V. in one of several manners prior to the date of signing of the Merger Agreement. With respect to breaches of the warranties between signing the Merger Agreement and Completion, Van Gansewinkel Netherlands 4 B.V. is required to disclose such breaches to Shanks Netherlands Holdings B.V., although Van Gansewinkel Netherlands 4 B.V. will remain liable to Shanks Netherlands Holdings B.V. in respect of any such breaches.

The warranties are qualified by a number of relatively market standard limitations on liability. In particular, the liability of Van Gansewinkel Netherlands 4 B.V. is specifically limited as follows:

- (a) Time Limits for all claims under the Merger Agreement: two years from Completion.
- (b) Financial caps on liability:
 - (i) the liability of Van Gansewinkel Netherlands 4 B.V. in respect of any claim under the warranties or the tax indemnity is capped at the aggregate value of the Cash Escrow and Equity Escrow II;
 - (ii) de minimis for claims under the warranties or tax indemnity: €500,000; and
 - (iii) threshold below which no claims under the warranties or tax indemnity may be brought: €2.5 million, in which case the full amount may be recovered by Shanks Netherlands Holdings B.V. and not only the excess.

In addition, Van Gansewinkel Netherlands 4 B.V. shall only be liable to Shanks Netherlands Holdings B.V. in respect of a claim under the information warranties relating to information on VGG, Van Gansewinkel Netherlands 4 B.V. and its affiliates described above, to the extent that Van Gansewinkel Netherlands 4 B.V. is (i) liable pursuant to section 90 or section 91 of FSMA; or (ii) otherwise liable to a third party to the extent that any such claim arises out of facts or circumstances that make any of the information warranties given by VGG untrue at the time the relevant information warranties are given.

1.9 Warranty and indemnity insurance

Shanks Netherlands Holdings B.V. has obtained warranty and indemnity insurance policy in relation to those warranties described in paragraph 1.6 of this Part 2 (subject to specific market standard exclusions, including those noted below), up to an aggregate amount of €100 million (the “**W&I Insurance Policy**”). The premium for the W&I Insurance Policy was paid by Shanks Netherlands Holdings B.V. on signing of

the Merger Agreement and will be reimbursed to Shanks Netherlands Holdings B.V. by Van Gansewinkel Netherlands 4 B.V. on Completion as part of the purchase price adjustments.

Certain claims excluded from coverage under the W&I Insurance Policy can be recovered from VGG Netherlands Holdings B.V. up to the aggregate amount of the Cash Escrow and Equity Escrow II and for the periods they are available. In addition, it is envisaged that certain environmental risks shall be insured at the business level under existing environmental insurance of the Combined Group potentially including additional coverage which will be obtained after Completion.

1.10 Tax indemnity

The Merger Agreement includes a general tax indemnity, based on which Van Gansewinkel Netherlands 4 B.V. indemnifies Shanks Netherlands Holdings B.V. for (i) any actual tax liability (including secondary liabilities); and (ii) loss of particular tax assets mentioned in the relevant accounts, both relating to the period up to and including Completion. The tax indemnity is subject to customary exclusions and certain tax indemnity claims will not be covered under the W&I insurance (see paragraph 1.9 of this Part 2) and can only be recovered up to the aggregate amount of the Cash Escrow and the Equity Escrow II and for the period they are available.

The Merger Agreement also includes a number of standard conduct and cooperation clauses in respect of tax.

1.11 Costs

Shanks Netherlands Holdings B.V. and Van Gansewinkel Netherlands 4 B.V. have each agreed to pay their respective costs and expenses incurred by them in connection with entering into, and completion of, the Merger Agreement.

2. LOCK-UP AND ORDERLY MARKET ARRANGEMENTS

The holders of the Consideration Shares will enter into lock-up and orderly marketing agreements on Completion, with respect to the Consideration Shares. Under the terms of the lock-up agreement, no holder of Consideration Shares may Dispose of any Consideration Shares prior to the date falling 420 days after the date of Completion without the prior written consent of the Joint Sponsors. Subject to orderly marketing provisions, the holders of Consideration Shares may Dispose of Consideration Shares as follows:

- (a) from the expiry of the Initial Lock-up Period to (and including) the date which falls 300 days after the date of Completion (the “**First Sell Down Period**”), Consideration Shares up to, in aggregate, one third of the Consideration Shares held;
- (b) from the expiry of the First Sell Down Period to (and including) the date which falls 420 days after the date of Completion (the “**Second Sell Down Period**”), Consideration Shares up to, in aggregate, two thirds of the Consideration Shares held minus the number of Consideration Shares disposed of by the holder during the First Sell Down Period; and
- (c) at the expiry of the Second Sell Down Period there shall be no restrictions on disposals of the Consideration Shares.

The Disposal of any Consideration Shares will be subject to orderly marketing requirements for the period from the expiry of the Initial Lock-up Period to (but excluding) the date falling 60 days following the expiry of the Second Sell Down Period.

For purposes of this paragraph 2:

“**Disposal**” means mortgaging, pledging, lending, charging, assigning, selling, transferring, issuing or granting options, rights or warrants or otherwise disposing of, Consideration Shares (including, for the avoidance of doubt, transferring any legal or beneficial interest in Consideration Shares or voting or economic rights in Consideration Shares), but excludes certain limited security interests in those Consideration Shares; and

“**Initial Lock-up Period**” means the period commencing on Completion and ending on the later of the:

- (a) day falling 180 days after (and including) the day of Completion; and
- (b) the date of publication of the Shanks’ preliminary results for the financial year ending March 2017.

3. TERMS AND CONDITIONS OF THE FINANCING OF THE MERGER

3.1 The New Facilities Agreement

On 29 September 2016, Shanks entered into the New Facilities Agreement pursuant to which €600 million of multicurrency facilities, comprising a €150 million term facility and a €450 million revolving credit facility, will be provided to certain members of the Shanks Group and, following Completion, the Combined Group.

Utilisation of the facilities under the New Facilities Agreement is subject to satisfaction of various customary conditions precedent. In particular, it is a condition precedent to utilisation of the term facility under the New Facilities Agreement that Shanks provides a certificate stating, subject to certain exceptions, there are no remaining conditions to the Merger Agreement that would entitle Shanks not to complete the Merger. Otherwise, the term facility under the New Facilities Agreement is made available on a certain funds basis so that the lenders are obliged to lend save in certain limited circumstances and are only able to cancel their commitments under the relevant facility under the New Facilities Agreement during the certain funds period in limited circumstances, such as the breach of a major representation or major undertaking, the occurrence of a major default or illegality. The certain funds period runs from the date of the New Facilities Agreement until the earlier of the end of the date of Completion and the Long Stop Date under the Merger Agreement. If Completion does not take place, (i) the term facility under the New Facilities Agreement will be cancelled; and (ii) the revolving credit facility under the New Facilities Agreement will be reduced to €180 million.

The term facility will be available to the borrowers from the Signing Date (subject to the relevant conditions precedent) to: (i) pay part of the offer price for the Merger; (ii) pay certain costs and expenses incurred by the Shanks Group in connection with the Merger; (iii) refinance the existing debt of the VGG Group; and (iv) for general corporate purposes. The aggregate outstanding amounts under the term facility are required to be repaid on the date that is five years after the date of the New Facilities Agreement.

The revolving credit facility under the New Facilities Agreement will be available from Signing Date (subject to the relevant conditions precedent) until the date that is one month before the fifth anniversary of the date of the New Facilities Agreement (or such later date as may be agreed pursuant to an extension option). The revolving credit facility may be used by the borrowers towards (i) refinancing financial indebtedness of the Shanks Group under its existing €180 million multicurrency revolving credit facility agreement; (ii) repayment of Shanks' 3.65 per cent. guaranteed retail notes and 4.23 per cent. guaranteed retail notes; (iii) payment of certain costs and expenses incurred by the Shanks Group in connection with the Merger; (iv) on or after the Closing Date, refinancing the existing debt of the VGG Group; and/or (v) other general corporate and working capital purposes of the Shanks Group and, following Completion, the Combined Group.

The Company may, by giving notice to the Facility Agent, request up to two one-year extensions to the term facility and/or the revolving credit facilities. Any extensions are at the discretion of the lenders.

Interest is calculated under the New Facilities Agreement at a percentage rate per annum equal to the aggregate of applicable (i) margin; and (ii) LIBOR or, in relation to any loan in Euro, EURIBOR or, in relation to any loan in Canadian Dollars, CDOR (in each case subject to a floor of zero) or, in relation to any loan in any currency for which LIBOR is not available, the relevant interbank rate, as determined by the Facility Agent. The margin payable on interest varies on a ratchet determined by the consolidated net borrowings to consolidated EBITDA ratio of the Shanks Group and, following Completion, the Combined Group. The financial covenants of the New Facilities Agreement principally include ensuring that:

- (a) on any quarter date falling on or after 31 March 2017 prior to the Closing Date, the consolidated net worth of the Shanks Group is not less than £175,000,000;
- (b) on any quarter date falling on or after 31 March 2017 prior to the Closing Date, the ratio of consolidated net borrowings to consolidated EBITDA of the Shanks Group for the 12 month accounting period ending on such quarter date does not exceed:
 - (i) a ratio of 3.50:1 for any quarter date up to and including 30 September 2017;
 - (ii) a ratio of 3.25:1 for any quarter date from and including 31 December 2017 up to and including 31 March 2018; and
 - (iii) a ratio of 3.00:1 for any accounting period from and including 30 June 2018,

- (c) on any quarter date falling on or after 31 March 2017 on or after the Closing Date, the ratio of consolidated net borrowings to consolidated EBITDA of the Shanks Group for the 12 month accounting period ending on such quarter date does not exceed:
 - (i) a ratio of 3.50:1 for any quarter date up to and including 31 March 2018;
 - (ii) a ratio of 3.25:1 for any quarter date from and including 30 June 2018 up to and including 31 March 2019; and
 - (iii) a ratio of 3.00:1 for any quarter date from and including 30 June 2019; and
- (d) the consolidated EBITA to consolidated net interest charges ratio of the Shanks Group is not less than 3.00:1 for any 12 month accounting period ending on a quarter date on or after 31 March 2017.

On payment of a 0.1 per cent. fee (calculated on the total commitments under the New Facilities Agreement), Shanks can elect at any time on or before 31 March 2018 for the leverage levels specified above to be increased by 0.25:1 for (effectively) the next three quarter dates.

Breach of a financial covenant would prevent utilisation of the facilities available under the New Facilities Agreement for any purpose other than to (i) pay part of the offer price for the Merger; (ii) refinance the existing debt of the VGG Group; or (iii) transfer certain of VGG's financial obligations into the New Facilities Agreement, unless such breach is waived by a majority of lenders. Breach of a financial covenant would also mean the margin payable on the facilities moves to the highest applicable level.

The terms and conditions of the New Facilities Agreement also contain certain other covenants and events of default that are customary for an agreement of this nature.

Shanks intends to draw down amounts under the New Facilities Agreement on the date of Completion to (i) fund the part of the cash consideration payable for the Merger not being paid using the net proceeds of the Equity Issue; (ii) repay all amounts outstanding under Shanks' existing €180 million multicurrency revolving credit facility agreement and certain existing VGG indebtedness; and (iii) to meet costs and expenses on related matters.

Capitalised terms used in this paragraph 3.1 have the meaning ascribed to them in the New Facilities Agreement.

3.2 The Underwriting Agreement

On 29 September 2016, Shanks and the Joint Sponsors entered into the Underwriting Agreement, under which the Sole Underwriter and Bookrunner has conditionally agreed to use its reasonable endeavours to:

- (a) procure subscribers for the Firm Placing Shares at the Placing Price and, failing this, to subscribe itself for any Firm Placing Shares at the Placing Price; and
- (b) procure subscribers for any Rights Issue Shares not validly accepted (or not treated as validly accepted) under the Rights Issue at a price not less than the Issue Price and, failing this, to subscribe itself (or procure subscribers) for any outstanding Rights Issue Shares at the Issue Price.

The Equity Issue has been fully underwritten by the Sole Underwriter and Bookrunner and is conditional, *inter alia*, upon:

- (a) the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Equity Issue Admission) and not having been terminated in accordance with its terms;
- (b) Equity Issue Admission becoming effective by not later than 8.00 a.m. on 26 October 2016 (or such later date as Shanks may agree with the Joint Sponsors); and
- (c) the passing, without material amendment, of the Resolutions.

The Equity Issue is not conditional on completion of the Merger.

If the Underwriting Agreement is not declared or does not become unconditional in all respects by 8.00 a.m. on 26 October 2016 (or such later date as Shanks may agree with the Joint Sponsors) or if it is terminated in accordance with its terms, the Equity Issue will be revoked and Equity Issue Admission will not occur. The Underwriting Agreement is not capable of termination following Equity Issue Admission.

For its services in connection with the Equity Issue and provided the Underwriting Agreement becomes wholly unconditional and is not terminated, the Sole Underwriter and Bookrunner shall be entitled to a commission, together with any VAT chargeable thereon, equal to:

- 2.5 per cent. of the product of the Placing Price and total number of Firm Placing Shares issued in the Firm Placing; and
- 2.5 per cent. of the product of the Issue Price and total number of Rights Issue Shares issued in the Rights Issue.

Each Joint Sponsor shall receive a £400,000 fee for the provision of sponsor services to Shanks in connection with the Merger and Equity Issue.

Each Joint Sponsor will be entitled to be reimbursed by Shanks for all its costs, fees and expenses in connection with or incidental to the Merger, General Meeting, Equity Issue and Equity Issue Admission.

Under the Underwriting Agreement, Shanks has given certain market standard warranties and indemnities to the Joint Sponsors concerning, among other things, the accuracy of the information contained in this Combined Circular and Prospectus.

The Joint Sponsors each have the right to terminate the Underwriting Agreement, which is exercisable in certain customary circumstances prior to Equity Issue Admission. In the event that Greenhill unilaterally exercised its right to terminate the Underwriting Agreement, in accordance with its terms, the Underwriting Agreement will remain in force as between Shanks and the Sole Underwriter and Bookrunner. These circumstances include the Merger Agreement being terminated or becoming incapable of Completion, the breach by Shanks of any of the warranties, undertakings or covenants contained in the Underwriting Agreement and the occurrence of any material adverse change in the Shanks Group's business or any market material adverse change or force majeure event. The Underwriting Agreement is not capable of termination following Equity Issue Admission.

3.3 The Consideration Shares

On Completion, Van Gansewinkel Netherlands 4 B.V. will direct that the Consideration Shares are either issued (i) directly to certain shareholders of and lenders to a parent entity of Van Gansewinkel Netherlands 4 B.V.; or (ii) to an agent on behalf of such shareholders of and lenders to a parent entity of Van Gansewinkel Netherlands 4 B.V., in satisfaction of the repayment of certain debt obligations of a parent entity of Van Gansewinkel Netherlands 4 B.V.

The Consideration Shares will be issued by Shanks in consideration for Van Gansewinkel Netherlands 4 B.V. assigning the benefit of a loan note issued by Shanks Netherlands to Van Gansewinkel Netherlands 4 B.V. also at Completion.

The Consideration Shares will be issued upon Completion which will take place when a transfer deed in respect of the shares in VGG is executed and comes into effect. This will be prior to and not conditional on Consideration Share Admission or Re-admission. As a result, it is expected that there will be a short period between issuing the Consideration Shares to such parties as Van Gansewinkel Netherlands 4 B.V. directs and Consideration Share Admission and Re-admission.

Upon Completion, Shareholders will have their proportionate shareholdings in Shanks diluted by 23.8 per cent. as a consequence of the issue of the Consideration Shares.

PART 3—TERMS AND CONDITIONS OF THE EQUITY ISSUE

1. INTRODUCTION

Shanks is proposing to offer a total of 211,201,962 Equity Issue Shares (representing 53.0 per cent. of Shanks' existing issued share capital and 34.7 per cent. of Shanks' enlarged issued share capital immediately following completion of the Equity Issue) comprising:

- and offer of 45,000,000 Firm Placing Shares to Placees;
- an offer of 166,201,962 Rights Issue Shares to Qualifying Shareholders,

to raise gross proceeds of approximately £141 million.

Subject to the fulfilment of the conditions of the Underwriting Agreement, the Firm Placing Shares will be offered under the Firm Placing at a price of 100 pence per Firm Placing Share and the Rights Issue Shares will be offered under the Rights Issue at a price of 58 pence per Rights Issue Share.

As the Firm Placing is not being carried out on a pre-emptive basis, non-participating Shareholders will have their proportionate shareholdings in Shanks diluted by 10.2 per cent. as a consequence of the Firm Placing. Qualifying Shareholders and Placees who do not take up their entitlements to Rights Issue Shares will have their proportionate shareholdings in Shanks diluted by up to approximately 27.3 per cent. as a consequence of the Rights Issue. Shareholders who do not participate in the Firm Placing and who do not take up their entitlements in the Rights Issue will be diluted by 34.7 per cent. in aggregate as a result of the Equity Issue. Those Qualifying Shareholders who take up the Rights Issue Shares provisionally allotted to them in full will, subject to the rounding down and sale of any fractions, retain the same proportionate voting and distribution rights as held by them at the Record Date.

The Equity Issue has been fully underwritten by the Sole Underwriter and Bookrunner and is conditional, *inter alia*, upon:

- the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Equity Issue Admission) and not having been terminated in accordance with its terms;
- Equity Issue Admission becoming effective by not later than 8.00 a.m. on 26 October 2016 (or such later date as Shanks may agree with the Joint Sponsors); and
- the passing, without material amendment, of the Resolutions.

The Equity Issue is not conditional on Completion. If the Equity Issue were to proceed but Completion does not occur, Shanks will use reasonable endeavours to consider ways to return of the Equity Issue proceeds to Shareholders.

If the Underwriting Agreement is not declared or does not become unconditional in all respects by 8.00 a.m. on 26 October 2016 (or such later date as Shanks may agree with the Joint Sponsors) or if it is terminated in accordance with its terms, the Equity Issue will be revoked and will not proceed and Equity Issue Admission will not occur. The Underwriting Agreement is not capable of termination following Equity Issue Admission.

The Underwriting Agreement is conditional upon certain matters being satisfied or not breached prior to Equity Issue Admission and may be terminated by the Joint Sponsor prior to Equity Issue Admission becoming effective upon the occurrence of certain specified events, in which case the Equity Issue will not proceed. The Underwriting Agreement is not capable of termination following Equity Issue Admission. The Sole Underwriter and Bookrunner may arrange sub-underwriting for some, all or none of the Rights Issue Shares. A summary of certain terms and conditions of the Underwriting Agreement is contained in paragraph 3.2 of Part 2 (*Details of the Transaction*).

The Sole Underwriter and Bookrunner and any of its affiliates may engage in trading activity in connection with its role under the Underwriting Agreement and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of Shanks and related or other securities and instruments (including Ordinary Shares, Nil Paid Rights, Fully Paid Rights, Rights Issue Shares and Firm Placing Shares) for the purpose of hedging their underwriting exposure or otherwise. Accordingly, references in this Combined Circular and Prospectus to Nil Paid Rights, Fully Paid Rights, Rights Issue Shares or Firm Placing Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Sole Underwriter and Bookrunner and any of its affiliates acting as investors for their own account. Except

as required by applicable law or regulation, the Sole Underwriter and Bookrunner does not propose to make any public disclosure in relation to such transactions. In addition, the Sole Underwriter and Bookrunner or its affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Ordinary Shares.

Applications will be made to the FCA and the London Stock Exchange, respectively, for the Equity Issue Shares to be admitted to the premium listing segment of the Official List and to trading on the Main Market. It is expected that Equity Issue Admission will become effective and dealings in the Firm Placing Shares and the Rights Issue Shares (nil paid) will commence on the London Stock Exchange at 8.00 a.m. on 26 October 2016, the second trading day after the approval of the Merger by Shareholders at the General Meeting. It is expected that dealings in the Rights Issue Shares (fully paid) will commence on the Main Market at 8.00 a.m. on 10 November 2016. These dates and times may be changed without further notice. The Equity Issue Shares and the existing Ordinary Shares are in registered form and can be held in certificated form or uncertificated form via CREST.

Immediately after Equity Issue Admission, it is expected that more than 25 per cent. of Shanks' issued ordinary share capital will be held in public hands (within the meaning of paragraph 6.1.19R of the Listing Rules).

The existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is required for the Equity Issue Shares and all of the Equity Issue Shares when issued and fully paid may be held and transferred by means of CREST.

Applications will be made for the Firm Placing Shares, the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST. Euroclear requires Shanks to confirm to it that certain conditions (imposed by the CREST Manual) have been satisfied before Euroclear will admit any security to CREST. It is expected that these conditions will be satisfied, in respect of the Firm Placing Shares, the Nil Paid Rights and the Fully Paid Rights, on Equity Issue Admission. As soon as practicable after satisfaction of the conditions, Shanks will confirm this to Euroclear.

The ISIN for the Equity Issue Shares will be the same as that of the existing Ordinary Shares, being GB0007995243. The ISIN for the Nil Paid Rights will be GB00BD2BNQ84 and for the Fully Paid Rights will be GB00BD2BNP77.

None of the Equity Issue Shares are being offered to the public other than pursuant to the Equity Issue. There will be no restrictions on the free transferability of the Equity Issue Shares save as provided in the articles of association of Shanks (the "**Articles**"). The rights attaching to the Equity Issue Shares are governed by the Articles, a summary of which is set out in paragraph 5 of Part 15 (*Additional information*).

Times and dates referred to in this Part 3 have been included on the basis of the expected timetable for the Equity Issue set out on page 51.

The net proceeds of the Equity Issue will be used to fund part of the cash consideration payable under the Merger Agreement as further described in Part 2 (*Details of the Transaction*).

Some questions and answers are set out in Part 4 (*Questions and answers about the Equity Issue*) and, where relevant, will also be set out in the Provisional Allotment Letter.

Overseas Shareholders or any persons (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this Combined Circular and Prospectus into a jurisdiction other than the United Kingdom should consider paragraph 3 below. The offer of Rights Issue Shares under the Rights Issue and the Firm Placing Shares under the Firm Placing will not be made into certain territories. Subject to the provisions of paragraph 3 below, Shareholders with a registered address in the United States or the other Excluded Jurisdictions are not being sent this Combined Circular and Prospectus and will not be sent Provisional Allotment Letters. The Firm Placing Shares and the Rights Issue Shares are being offered to certain Shareholders and prospective institutional investors in transactions exempt from, or not subject to, the registration requirements of the US Securities Act. Overseas Shareholders and prospective investors should refer to paragraph 3 of this Part 3 for further information on their ability to participate in the Equity Issue.

1.1 The Firm Placing

Shanks is offering 45,000,000 Firm Placing Shares (representing 11.3 per cent. of Shanks' existing issued share capital and 7.4 per cent. of Shanks' enlarged issued share capital immediately following completion of the Equity Issue) as part of the Firm Placing to certain Shareholders and prospective institutional investors.

The Firm Placing is to be made at a Placing Price of 100 pence per Firm Placing Share. The Placing Price represents a 0.5 per cent. discount to the closing price of 100.5 pence per Ordinary Share on 28 September 2016 (being the last Business Day before the announcement of the terms of the Equity Issue). The Placing Price (including the size of the Firm Placing discount) has been determined, following discussions with both existing Shareholders and Placees, to be at the level which the Board considers necessary to ensure the success of the Firm Placing and the Rights Issue, taking into account the aggregate proceeds to be raised. The Placing Price in respect of Firm Placing Shares is payable in full upon Equity Issue Admission, which is expected to become effective at 8.00 a.m. on 26 October 2016.

The Firm Placing will, therefore, raise gross proceeds of £45.0 million.

The issue of the Firm Placing Shares is fully underwritten by the Sole Underwriter and Bookrunner pursuant and subject to the terms of the Underwriting Agreement.

The Firm Placing Shares will be placed with certain Shareholders and prospective institutional investors in transactions exempt from, or not subject to, the registration requirements of the US Securities Act.

Shareholders will have their proportionate shareholdings in Shanks diluted by 10.2 per cent. as a consequence of the Firm Placing.

The Firm Placing Shares will rank *pari passu* in all respects with each other and all existing Ordinary Shares, including for the Rights Issue, as well as for voting purposes and the right to receive dividends or other distributions declared, made or paid after Equity Issue Admission.

1.2 The Rights Issue

The Rights Issue will be made on the basis of:

3 Rights Issue Shares for every 8 existing Ordinary Shares or Firm Placing Shares

held by (or conditionally allotted pursuant to the Firm Placing to) Qualifying Shareholders at the Record Date (and so in proportion for any other number of existing Ordinary Shares then held) and otherwise on the terms and conditions as set out in this Part 3 and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letters.

The Nil Paid Rights (also described as Rights Issue Shares (nil paid)) are entitlements to acquire the Rights Issue Shares subject to payment of the Issue Price. The Fully Paid Rights are entitlements to receive the Rights Issue Shares, for which a subscription and payment has already been made.

The Rights Issue is to be made at an Issue Price of 58 pence per Rights Issue Share, which represents:

- (i) a 34.5 per cent. discount to the theoretical ex-rights price of 88.5 pence calculated by reference to the Placing Price of 100 pence; and
- (ii) a 42.3 per cent. discount to the Closing Price of 100.5 pence on 28 September 2016 (being the Business Day before the announcement of the terms of the Equity Issue).

The Issue Price is payable in full on acceptance by no later than 11.00 a.m. on 9 November 2016.

The Rights Issue will, therefore, raise gross proceeds of approximately £96 million.

The Rights Issue Shares are being offered to certain Shareholders and prospective institutional investors in transactions exempt from, or not subject to, the registration requirements of the US Securities Act.

Holdings of existing Ordinary Shares and persons who have been conditionally allotted Firm Placing Shares pursuant to the Firm Placing in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Entitlements to Rights Issue Shares will be rounded down to a whole number (or to zero in the case of shareholders holding fewer than 1 existing Ordinary Share at the Record Date) and fractions of Rights Issue Shares will not be allotted to Qualifying Shareholders. Such fractions will be aggregated and, if possible, placed as soon as practicable

after the commencement of dealings in the Rights Issue Shares (nil paid). The net proceeds of such placings (after deduction of expenses) will be aggregated and will ultimately accrue for the benefit of Shanks.

Subject, *inter alia*, to the conditions referred to above being satisfied (other than the condition relating to Equity Issue Admission) and save as provided in paragraph 3 below, it is intended that:

- (a) Provisional Allotment Letters in respect of Nil Paid Rights will be despatched to Qualifying Non-CREST Shareholders with registered addresses outside the United States and the Excluded Jurisdictions (subject to certain exceptions) on or about 25 October 2016;
- (b) Computershare Investor Services PLC as receiving agent (the “**Receiving Agent**”) will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders with registered addresses outside the United States and the Excluded Jurisdictions (subject to certain exceptions) with such Shareholders’ entitlements to Nil Paid Rights with effect from 8.00 a.m. on 26 October 2016;
- (c) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by Euroclear as soon as practicable after Shanks has confirmed to Euroclear that all the conditions for admission of such rights to CREST have been satisfied, which is expected to be by 8.00 a.m. on 26 October 2016;
- (d) Rights Issue Shares will be credited to the appropriate stock accounts of the relevant Qualifying CREST Shareholders and/or purchasers of Nil Paid Rights (or their renounees) who validly take up their rights, and the purchasers of Fully Paid Rights, as soon as practicable after 8.00 a.m. on 10 November 2016; and
- (e) share certificates for the Rights Issue Shares will be despatched to relevant Qualifying Non-CREST Shareholders or their renounees by no later than 24 November 2016.

The offer to participate in the Rights Issue will be made to Qualifying Non-CREST Shareholders by way of the Provisional Allotment Letter (as described in step (a) above) and to Qualifying CREST Shareholders by way of the enablement of the Nil Paid Rights and the Fully Paid Rights (as described in step (c) above) (such Shareholders’ stock accounts having been credited as described in step (b) above).

All documents, including Provisional Allotment Letters (which constitute temporary documents of title) and cheques and certificates posted to, by or from Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

Qualifying Non-CREST Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending a Many-To-Many (“**MTM**”) instruction to Euroclear will be deemed to have given the representations and warranties set out in paragraph 4 below, unless the requirement is waived by Shanks.

Qualifying Shareholders and Placees who do not take up their entitlements to Rights Issue Shares will have their proportionate shareholdings in Shanks diluted by up to 27.3 per cent. as a consequence of the Rights Issue. Shareholders who do not participate in the Firm Placing and who do not take up their entitlements in the Rights Issue will be diluted by 34.7 per cent. in aggregate as a result of the Equity Issue.

The Rights Issue Shares to be issued under the Rights Issue, when fully paid, will rank *pari passu* in all respects with each other and all existing Ordinary Shares, including for voting purposes and the right to receive dividends or other distributions declared, made or paid after Equity Issue Admission.

2. ACTION TO BE TAKEN IN CONNECTION WITH THE RIGHTS ISSUE

The action to be taken in respect of the Rights Issue Shares depends on whether, at the relevant time, the Nil Paid Rights or the Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).

If you are a Qualifying Non-CREST Shareholder with a registered address outside the United States and the Excluded Jurisdictions, please refer to paragraph 2.1 and paragraphs 2.3 to 5.4 below.

If you are a Qualifying CREST Shareholder with a registered address outside the United States and the Excluded Jurisdictions, please refer to paragraphs 2.2 to 5.4 below and to the CREST Manual for further information on the CREST procedures referred to below.

If you are Qualifying Shareholder either: (i) subject to certain exceptions, with a registered address in the United States or the other Excluded Jurisdictions; or (ii) holding Ordinary Shares on a non-discretionary basis on behalf of, or for the account or benefit of, any person who, subject to certain exceptions, has a

registered address in the United States or the other Excluded Jurisdictions, please refer to paragraph 3 below.

CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

All enquiries in relation to the Provisional Allotment Letters should be addressed to the Shareholder Helpline on 0370 707 1290 (from within the United Kingdom) or on +44 370 707 1290 (if calling from outside the United Kingdom). Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

2.1 Action to be taken by Qualifying Non-CREST Shareholders in relation to the Nil Paid Rights represented by Provisional Allotment Letters

(a) General

Provisional Allotment Letters are expected to be despatched to Qualifying Non-CREST Shareholders with registered addresses outside of the United States and the Excluded Jurisdictions (subject to certain exceptions) on or about 25 October 2016.

Each Provisional Allotment Letter will set out:

- (i) the holding at the Record Date of existing Ordinary Shares in certificated form on which a Qualifying Non-CREST Shareholder's entitlement to Rights Issue Shares has been based;
- (ii) the aggregate number of Rights Issue Shares which have been provisionally allotted to that Qualifying Non-CREST Shareholder with respect to the existing Ordinary Shares referred to in paragraph (i) above;
- (iii) the amount payable by a Qualifying Non-CREST Shareholder at the Issue Price to take up his entitlement in full;
- (iv) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form;
- (v) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to sell some of his Nil Paid Rights to effect a cashless take-up through the Computershare operated dealing facility;
- (vi) the procedures to be followed if a qualifying non-CREST shareholder wishes to sell all of his Nil Paid Rights through the Computershare operated dealing facility; and
- (vii) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation (where applicable).

On the basis that Provisional Allotment Letters are posted on or about 25 October 2016, and that dealings in Nil Paid Rights commence at 8.00 a.m. on 26 October 2016, the latest time and date for:

- (i) acceptance and payment in full will be 11.00 a.m. on 9 November 2016; and
- (ii) receipt of instructions in respect of a cashless take-up will be 3.00 p.m. on 2 November 2016.

If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on 25 October 2016 or if the timetable for the Rights Issue is otherwise amended, the expected timetable, as set out at the front of this Combined Circular and Prospectus, will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letters and announced through a Regulatory Information Service. All references to times and/or dates in this Part 3 should be read as being subject to such adjustment.

(b) Procedure for acceptance and payment

(i) Qualifying Non-CREST Shareholders who wish to take up their entitlement in full

Holders of Provisional Allotment Letters who wish to take up all of their entitlement must complete and return the Provisional Allotment Letter, together with a cheque or banker's draft in Sterling, made payable to "CIS PLC re Shanks Group plc Rights Issue" and crossed "A/C payee only", for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter, by post to

Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to arrive as soon as possible and in any event so as to be received by not later than 11.00 a.m. on 9 November 2016. A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose and for use in the United Kingdom only. If you post your Provisional Allotment Letter within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery.

(ii) Qualifying Non-CREST Shareholders who wish to take up some (but not all) of their entitlement

Holders of Provisional Allotment Letters who wish to take up some but not all of their Nil Paid Rights and wish to sell some or all of those rights which they do not want to take up should first apply for split Provisional Allotment Letters by completing Form X on the Provisional Allotment Letter and returning it, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights or Fully Paid Rights (if appropriate) to be comprised in each split Provisional Allotment Letter, by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE by 3 p.m. on 7 November 2016, the last date and time for splitting Provisional Allotment Letters. The Provisional Allotment Letter will then be cancelled and exchanged for the split Provisional Allotment Letters required. Such holders of Provisional Allotment Letters should then deliver the split Provisional Allotment Letter representing the rights they wish to take up together with a cheque or banker's draft in Sterling for this number of rights, payable to "CIS PLC re Shanks Group plc Rights Issue" and crossed "A/C payee only" so as to be received by not later than 11.00 a.m. on 9 November 2016, the last date and time for acceptance. The further split Provisional Allotment Letters (representing the Rights Issue Shares the Shareholder does not wish to take up) will be required in order to sell those rights not being taken up.

After splitting its Provisional Allotment Letter, a Qualifying Non-CREST Shareholder with a registered address outside the United States and the other Excluded Jurisdictions (subject to certain exceptions) can sell a sufficient number of Nil Paid Rights to raise money to effectuate a cashless take-up of their remaining rights as described in paragraph 2.1(f) below.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without selling or transferring the remainder, should complete Form X on the original Provisional Allotment Letter and return it, together with a covering letter confirming the number of rights to be taken up and a cheque or banker's draft in Sterling to pay for this number of Ordinary Shares, by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE. In this case, the Provisional Allotment Letter and payment must be received by the Receiving Agent by 11.00 a.m. on 9 November 2016, the last date and time for acceptance.

(iii) Company's discretion as to validity of acceptances

If payment is not received in full by 11.00 a.m. on 9 November 2016, the provisional allotment will (unless Shanks or the Sole Underwriter and Bookrunner has exercised its right to treat as valid an acceptance, as set out below) be deemed to have been declined and will lapse. Shanks may elect, with the agreement of the Sole Underwriter and Bookrunner, but shall not be obliged, to treat as valid Provisional Allotment Letters and accompanying remittances for the full amount due which are received prior to 11.00 a.m. on 9 November 2016.

Shanks may elect, but shall not be obliged to treat as a valid acceptance, the receipt of appropriate remittance by 11.00 a.m. on 9 November 2016 from an authorised person (as defined in FSMA) specifying the number of Rights Issue Shares to be acquired and containing an undertaking by that person to lodge the relevant Provisional Allotment Letter, duly completed, by not later than 10.00 a.m. on 10 November 2016 and such Provisional Allotment Letter is lodged by that time.

Shanks and the Sole Underwriter and Bookrunner may treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

Shanks, having first consulted with the Sole Underwriter and Bookrunner, reserves the right to treat as invalid any acceptance or purported acceptance of the Rights Issue Shares that appears to Shanks to have

been executed in, despatched from or that provided an address for delivery of definitive share certificates for Rights Issue Shares in the United States or the other Excluded Jurisdictions unless Shanks is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

The provisions of this paragraph (iii) and any other terms of the Rights Issue relating to Qualifying Non-CREST Shareholders may be waived, varied or modified as regards specific Qualifying Non-CREST Shareholder(s) or on a general basis by Shanks, with the agreement of the Sole Underwriter and Bookrunner.

A Qualifying Non-CREST Shareholder who makes a valid acceptance and payment in accordance with this paragraph 2.1(b) is deemed to request that the Rights Issue Shares to which they will become entitled be issued to them on the terms and conditions set out in this Combined Circular and Prospectus and subject to the Articles.

(iv) Payments

All payments must be in Sterling and made by cheque or banker's draft made payable to "CIS PLC re Shanks Group plc Rights Issue" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or the Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Cheques must be drawn on the personal account to which the Qualifying Non-CREST Shareholder (or their nominee) has sole or joint title to the funds. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. The name of the account holder should be the same as the name of the shareholder shown on page 1 or page 4 of the Provisional Allotment Letter. Post-dated cheques will not be accepted. Cheques or banker's drafts will be presented for payment upon receipt. Shanks reserves the right to instruct the Registrar to seek special clearance of cheques and banker's drafts to allow Shanks to obtain value for remittances at the earliest opportunity. No interest will be paid on payments. It is a term of the Rights Issue that cheques shall be honoured on first presentation and Shanks may elect to treat as invalid acceptances in respect of which cheques are not so honoured. Return of a completed Provisional Allotment Letter will constitute a warranty that the cheque will be honoured on first presentation. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

If the Rights Issue Shares have already been allotted to a Qualifying Non-CREST Shareholder prior to any payment not being so honoured upon first presentation or such acceptances being treated as invalid, Shanks may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such Rights Issue Shares on behalf of such Qualifying Non-CREST Shareholder and hold the proceeds of sale (net of Shanks' reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale, including, without limitation, any stamp duty or stamp duty reserve tax ("SDRT") payable on the transfer of such Rights Issue Shares, and of all amounts payable by such Qualifying Non-CREST Shareholder pursuant to the terms of the Rights Issue in respect of the acquisition of such Rights Issue Shares) on behalf of such Qualifying Non-CREST Shareholder. Neither Shanks nor the Sole Underwriter and Bookrunner nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholder as a result.

(v) Other

Holders of Provisional Allotment letters who wish to take up any of their entitlements must make the representations and warranties set out in paragraph 4 below.

(c) Money Laundering Regulations

It is a term of the Rights Issue that, to ensure compliance with the Money Laundering Regulations, the Registrar may require verification of the identity of the person by whom or on whose behalf a Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If an application is made by a UK-regulated broker or intermediary acting as

agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements is the responsibility of such broker or intermediary and not of the Registrar. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter. The person(s) (the "acceptor") who, by lodging a Provisional Allotment Letter with payment, and in accordance with the other terms as described above, accept(s) directly or indirectly, the allotment of the Rights Issue Shares (the "relevant shares") comprised in such Provisional Allotment Letter (being the provisional allottee or, in the case of renunciation, the person named in such Provisional Allotment Letter) shall thereby be deemed to agree to provide the Registrar and/or Shanks with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements and agree for the Registrar to make a search using a credit reference agency for the purpose of confirming such identity where deemed necessary. A record of the search will be retained.

If the Registrar determines that the verification of identity requirements apply to an acceptance of an allotment and the verification of identity requirements have not been satisfied (which the Registrar shall in its absolute discretion determine) by 11.00 a.m. on 9 November 2016, Shanks may, in its absolute discretion, and without prejudice to any other rights of Shanks, treat the acceptance as invalid, in which event the application monies will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn, or may confirm the allotment of the relevant shares to the acceptor but (notwithstanding any other term of the Rights Issue) such shares will not be issued to him or registered in his name until the verification of identity requirements have been satisfied (which the Registrar shall in its absolute discretion determine). If the acceptance is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is despatched to the acceptor, as Shanks may in its absolute discretion allow, Shanks will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose Shanks will be expressly authorised to act as agent of the acceptor). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by Shanks on trust for the acceptor, subject to the requirements of the Money Laundering Regulations. The Registrar is entitled in its absolute discretion to determine whether the identity verification requirements apply to any acceptor and whether such requirements have been satisfied. Neither Shanks, the Sole Underwriter and Bookrunner nor the Registrar will be liable to any person for any loss suffered or incurred as a result of the exercise of any such discretion or as a result of any sale of relevant shares.

Return of a Provisional Allotment Letter with the appropriate remittance will constitute a warranty from the acceptor that the Money Laundering Regulations will not be breached by acceptance of such remittance and an undertaking to provide promptly to the Registrar such information as may be specified by the Registrar as being required for the purpose of the Money Laundering Regulations. If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in your acceptance being treated as invalid or in delays in the despatch of a receipted fully paid Provisional Allotment Letter, share certificate or other documents relating to the Rights Issue (as applicable).

The verification of identity requirements will not usually apply:

- (i) if the acceptor is an organisation required to comply with the Money Laundering Directive 2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing; or
- (ii) if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (iii) if the acceptor (not being an acceptor who delivers his acceptance in person) makes payment by way of a cheque drawn on an account in the name of such acceptor; or
- (iv) if the aggregate subscription price for the relevant shares is less than €15,000 (approximately £12,925).

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of the verification of identity requirements may be facilitated in the following ways:

- (i) if payment is made by cheque or banker's draft in Sterling drawn on a branch in the United Kingdom of a bank or building society and bears a UK bank sort code number in the top right-hand corner, the following applies. Cheques or banker's drafts should be made payable to "CIS PLC re Shanks

Group plc Rights Issue” and crossed “A/C payee only”. Third party cheques may not be accepted with the exception of building society cheques or banker’s drafts where the building society or bank has inserted details of the name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. The name of the account holder should be the same as the name of the shareholder shown on page 1 or page 4 of the Provisional Allotment Letter;

- (ii) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in paragraph (i) above or which is subject to anti money-laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Hong Kong, Iceland, India, Japan, the Republic of Korea, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey, the United States of America and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE), the agent should provide written confirmation with the Provisional Allotment Letter that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to the Registrar or the relevant authority; or
- (iii) if a Provisional Allotment Letter is lodged by hand by the acceptor in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address (for example, a recent bank statement).

In order to confirm the acceptability of any written assurance referred to in paragraph (ii) above or any other case, the acceptor should contact the Receiving Agent. Shareholder Helpline is available on 0370 707 1290 (from within the United Kingdom) or on +44 370 707 1290 (if calling from outside the United Kingdom). Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

(d) Dealings in Nil Paid Rights

Assuming the Rights Issue becomes unconditional, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 26 October 2016. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the letter to the transferee or to a stockbroker, bank or other appropriate financial adviser. The latest time and date for registration of renunciation of Provisional Allotment Letters (nil paid) is expected to be 11.00 a.m. on 9 November 2016.

In addition, Qualifying Non-CREST Shareholders who are individuals with a registered address in the UK or in any other jurisdiction in the EEA can elect to sell all of their Nil Paid Rights.

(e) Dealings in Fully Paid Rights

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this Combined Circular and Prospectus and the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant Provisional Allotment Letter and delivering it, by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to be received by not later than 11.00 a.m. on 9 November 2016. To do this, Qualifying Non-CREST Shareholders will need to have their fully paid Provisional Allotment Letters returned to them after acceptance has been effected by the Registrar. However, fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested by ticking the appropriate box on the Provisional Allotment Letter. After 9 November 2016, the Rights Issue Shares will be in registered form and transferable in the usual way (see paragraph (f) below).

(f) Qualifying Non-CREST Shareholders who wish to effect a cashless take-up

Qualifying Non-CREST Shareholders with a registered address outside the United States and the other Excluded Jurisdictions (subject to certain exceptions) who wish to effect a cashless take-up should tick Box B and sign and date the Provisional Allotment Letter. Return the Provisional Allotment Letter by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to be received by not later than 3.00 p.m. on 2 November 2016, the latest time and date for requesting a cashless take-up.

A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose. If you post your Provisional Allotment Letter within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery.

Please note that there will be fee of 0.35 per cent. of the value of your Nil Paid Rights sold, subject to a minimum of £10.00, for this option, which will be deducted from your sale proceeds. In addition, any cash balance of less than £5.00 which cannot be used to purchase Rights Issue Shares will not be returned to you.

Computershare Investor Services PLC will instruct a broker to execute the sale of your Nil Paid Rights to the extent required to produce sale proceeds which are sufficient to take up at least one of your unsold Nil Paid Rights. Computershare Investor Services PLC may aggregate your instructions with those received from other Shareholders and you will receive an average price for your Nil Paid Rights of all prices obtained by all Shareholders. This may result in a more or less favourable price than if your instruction had been executed separately. In accordance with the rules of the FCA, Computershare Investor Services PLC will take all reasonable steps to obtain the best possible result for the sale of Nil Paid Rights. An advice note recording both transactions will be sent to you at the address recorded for you on Shanks' register of members. The advice note will be sent to you on the Business Day following the completion of the purchase of your unsold Nil Paid Rights. A share certificate representing your new Rights Issue Shares will also be sent to you at the same address.

The sale price, and therefore the number of Rights Issue Shares you will receive, is not guaranteed as it depends on the market price of the Nil Paid Rights at the time of sale.

Computershare Investor Services PLC will aggregate instructions from all Qualifying Non-CREST Shareholders who elect a cashless take-up that are received (or are treated as having been received). Such number of Nil Paid Rights which need to be sold to effect a cashless take-up for a Qualifying Non-CREST Shareholders may be sold in several transactions and on separate days. Qualifying Non-CREST Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights aggregated for sale purposes in accordance with the above. This may result in Qualifying Non-CREST Shareholders who elect a cashless take-up receiving a higher or lower price than if their Nil Paid Rights were sold separately. This may also result in Qualifying Non-CREST Shareholders who choose to effect a cashless take-up receiving a higher or lower price for their Nil Paid Rights than if such Nil Paid Rights had been sold in a single transaction or on a single day.

A Qualifying Non-CREST Shareholder who is considering giving an instruction for cashless take-up should note that there is no guarantee that cashless take-up will be effected in relation to his Nil Paid Rights. Whether such Qualifying Non-CREST Shareholder's Nil Paid Rights will be sold will depend on whether it is expected that the proceeds from the sale of the Nil Paid Rights of the majority of the Qualifying Non-CREST Shareholders (the "Majority Shareholders") who elect for a cashless take-up and whose instructions are aggregated for sales purposes will be sufficient, after deducting the commissions referred to above, to take-up one Rights Issue Share for each of the Majority Shareholders. If a Qualifying Non-CREST Shareholder's Nil Paid Rights are sold but the proceeds obtained for the sale of the Nil Paid Rights are not sufficient to acquire any Rights Issue Shares at the Issue Price, such Qualifying Non-CREST Shareholder will not receive any Rights Issue Shares.

By giving an instruction for a cashless take-up, a Qualifying Non-CREST Shareholder will be deemed to have represented, warranted and undertaken that he will not thereafter seek to take any action in respect of his Provisional Allotment Letter and will be deemed to have renounced his Nil Paid Rights, as applicable to the instruction.

(g) Qualifying Non-CREST Shareholders who wish to sell of all their Nil Paid Rights

Qualifying Non-CREST Shareholders with a registered address outside the United States and the other Excluded Jurisdictions (subject to certain exceptions) who wish to sell all of their Nil Paid Rights should tick Box C and sign and date the Provisional Allotment Letter. Return the Provisional Allotment Letter by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to be received by not later than 3.00 p.m. on 2 November 2016, the latest time and date for requesting to elect for Computershare Investor Services PLC to sell all your Nil Paid Rights on your behalf.

If you decide to sell all your Nil Paid Rights, the number of Ordinary Shares that you hold will remain the same, but the proportion of the total number of Ordinary Shares following completion of the Rights Issue will be lower (that is, your shareholding in Shanks will be diluted). The value of your Nil Paid Rights and the price at which they are sold depends on market conditions at the time of sale.

Your Nil Paid Rights may not have any value, in which case you will not receive any payment. Please note that there will be fee of 0.35 per cent. of the value of your Nil Paid Rights sold, subject to a minimum of £10.00, for this option, which will be deducted from your sale proceeds.

Please note that you can also sell your Nil Paid Rights by renouncing your Nil Paid Rights (see below) in accordance with the instructions on your Provisional Allotment Letter.

Computershare Investor Services PLC will instruct a broker to execute the sale of your Nil Paid Rights. Computershare Investor Services PLC may aggregate your instructions with those received from other Shareholders and you will receive an average price for your Nil Paid Rights of all prices obtained by all Shareholders. This may result in a more or less favourable price than in your instruction had been executed separately. In accordance with the rules of the FCA, Computershare Investor Services PLC will take all reasonable steps to obtain the best possible result for the sale of Nil Paid Rights. An advice note will be sent to you at the address recorded for you on Shanks' register of members. Any cheque will be sent to you as soon as reasonably practicable once the sale proceeds are received from the broker.

(h) Renunciation and splitting of Provisional Allotment Letters

Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, the letter will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in the Provisional Allotment Letter may be transferred by delivery of the Provisional Allotment Letter to the transferee. The latest time and date for registration of renunciation of Provisional Allotment Letters, fully paid, is 11.00 a.m. on 9 November 2016.

If a holder of a Provisional Allotment Letter wishes to have only some of the Rights Issue Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights or (if appropriate) Fully Paid Rights but to different persons, he may have the Provisional Allotment Letter split, for which purpose he or his agent must complete and sign Form X on the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to be received by not later than 3.00 p.m. on 7 November 2016, to be cancelled and exchanged for the number of split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (if appropriate) Fully Paid Rights to be comprised in each split letter should be stated in an accompanying letter. Form X on split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue. The aggregate number of Nil Paid Rights or (as appropriate) Fully Paid Rights comprised in the split Provisional Allotment Letters must equal the number of Rights Issue Shares set out in the original Provisional Allotment Letter (less the number of Rights Issue Shares representing rights that the holder wishes to take up if taking up his entitlement in part). The split Provisional Allotment Letter(s) (representing the Rights Issue Shares the Shareholder does not wish to take up) will be required in order to sell those rights not being taken up.

Shanks and the Sole Underwriter and Bookrunner reserve the right to refuse to register any renunciation in favour of any person in respect of which Shanks believes such renunciation may violate applicable legal or regulatory requirements, including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without transferring the remainder, should complete Form X on the original Provisional Allotment Letter and return it, together with a covering letter confirming the number of rights to be taken up and a cheque or banker's draft in Sterling to pay for this number of Rights Issue Shares, by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE. In this case, the Provisional Allotment Letter and payment must be received by the Receiving Agent by 11.00 a.m. on 9 November 2016.

(i) Registration in names of Qualifying Non-CREST Shareholders

A Qualifying Non-CREST Shareholder who wishes to have all the Rights Issue Shares to which he is entitled registered in his name must accept and make payment for such allotment in accordance with the provisions set out in this Combined Circular and Prospectus and the Provisional Allotment Letter but need take no further action. A share certificate in respect of the Rights Issue Shares subscribed for is expected to be sent to such Qualifying Shareholders by no later than 24 November 2016.

(j) Registration in names of persons other than Qualifying Non-CREST Shareholders originally entitled

In order to register Fully Paid Rights in certificated form in the name of someone other than the Qualifying Non-CREST Shareholders(s) originally entitled, the renounee or his agent(s) must complete Form Y on the Provisional Allotment Letter (unless the renounee is a CREST member who wishes to hold such Rights Issue Shares in uncertificated form, in which case Form X and the CREST Deposit Form must be completed (see paragraph 2.2 below)) and deliver the entire Provisional Allotment Letter, when fully paid, by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, by not later than the latest time for registration of renunciations, which is expected to be 11 a.m. on 9 November 2016. Registration cannot be effected unless and until the Rights Issue Shares comprised in a Provisional Allotment Letter are fully paid.

The Rights Issue Shares comprised in several renounced Provisional Allotment Letters may be registered in the name of one holder (or joint holders) if Form Y on the Provisional Allotment Letter is completed on one Provisional Allotment Letter (the "**Principal Letter**") and all the Provisional Allotment Letters are delivered in one batch. Details of each Provisional Allotment Letter (including the Principal Letter) should be listed in a separate letter.

(k) Deposit of Nil Paid Rights or Fully Paid Rights into CREST

The Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Subject as provided in the next paragraph or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights represented by the Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and addresses appear on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both on the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CCSS. In addition, the normal CREST Stock Deposit procedures will need to be carried out, except that: (i) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS; and (ii) only the whole of the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit some only of the Nil Paid Rights or the Fully

Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters by following the instructions in paragraph 2.1(b) above. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. The Consolidation Listing Form (as defined in the UK Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755) (the “**CREST Regulations**”)) must not be used.

A holder of the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 3.00 p.m. on 4 November 2016. **In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on the Provisional Allotment Letter duly completed) with the CCSS (to enable the person acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 9 November 2016) is 3.00 p.m. on 4 November 2016.**

When Form X and the CREST Deposit Form (on the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letters will cease to be renounceable or transferable by delivery and, for the avoidance of doubt, any entries in Form Y will not subsequently be recognised or acted upon by the Receiving Agent. All renunciations or transfers of Nil Paid Rights or Fully Paid Rights must be effected through the CREST system once such Nil Paid Rights or Fully Paid Rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsor as only their CREST sponsor will be able to take the necessary action to take up the entitlement or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of the CREST sponsored member.

(I) Issue of Rights Issue Shares in definitive form

Definitive share certificates in respect of the Rights Issue Shares to be held in certificated form are expected to be despatched by post by no later than 24 November 2016 at the risk of the persons entitled thereto to Qualifying Non-CREST Shareholders (or their transferees who hold Fully Paid Rights in certificated form), or, in the case of joint holdings, to the first-named Shareholders, at their registered address (unless lodging agent details have been completed on the Provisional Allotment Letter). After despatch of the definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the Rights Issue Shares will be certified by the Receiving Agent against the register.

2.2 Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights and Fully Paid Rights in CREST

(a) General

It is expected that each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his entitlement to Nil Paid Rights on 26 October 2016. It is expected that such rights will be enabled by 8.00 a.m. on 26 October 2016. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the existing Ordinary Shares in uncertificated form held or, in the case of Places, to the Firm Placing Shares conditionally allotted pursuant to the Firm Placing at the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The maximum number of Rights Issue Shares that a Qualifying CREST Shareholder may take up is that which has been provisionally allotted to that Qualifying CREST Shareholder and for which he receives a credit of entitlement into his stock account in CREST. The minimum number of Rights Issue Shares a Qualifying CREST Shareholder may take up is one.

The Nil Paid Rights will constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If, for any reason, it is impracticable to credit the stock accounts of Qualifying CREST Shareholders, or to enable the Nil Paid Rights by 8.00 a.m. on 26 October 2016, Provisional Allotment Letters shall, unless Shanks determines otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this Combined Circular and Prospectus will be adjusted as appropriate. **References to dates and times in this Combined Circular and Prospectus should be read as subject to any such adjustment.** Shanks will make an appropriate announcement to a Regulatory Information Service giving details of any revised dates **but Qualifying CREST Shareholders may not receive any further written communication.**

CREST members who wish to take up their entitlements in respect of or otherwise to transfer Nil Paid Rights or Fully Paid Rights held by them in CREST (including CREST members who wish to effect a cashless take-up of that Nil Paid Rights) should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights (including effecting a cashless take-up of Nil Paid Rights).

(b) Procedure for acceptance and payment

(i) MTM instructions

CREST members who wish to take up all or some of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an MTM instruction to Euroclear that, on its settlement, will have the following effect:

- (A) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (B) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank (as this term is defined in the CREST Manual) of the Receiving Agent in Sterling in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in paragraph (A) above; and
- (C) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in paragraph (A) above.

(ii) Contents of MTM instructions

The MTM instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (A) the number of Nil Paid Rights to which the acceptance relates;
- (B) the participant ID of the accepting CREST member;
- (C) the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- (D) the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 3RA26;
- (E) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is SHANKSRI;
- (F) the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- (G) the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights referred to in paragraph (A) above;

- (H) the intended settlement date. This must be on or before 11.00 a.m. on 9 November 2016;
- (I) the Nil Paid Rights ISIN number, which is GB00BD2BNQ84;
- (J) the Fully Paid Rights ISIN number, which is GB00BD2BNP77;
- (K) the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST; and
- (L) a contact name and telephone number in the shared note field.

(iii) *Valid acceptance*

An MTM instruction complying with each of the requirements as to authentication and contents set out in paragraph 2.2(b)(ii) above will constitute a valid acceptance where either:

- (A) the MTM instruction settles by not later than 11.00 a.m. on 9 November 2016; or
- (B) at the discretion of Shanks:
 - (1) the MTM instruction is received by Euroclear by not later than 11.00 a.m. on 9 November 2016;
 - (2) a number of Nil Paid Rights at least equal to the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 9 November 2016; and
 - (3) the relevant MTM instruction settles by 11.00 a.m. on 9 November 2016 (or such later time and/or date as Shanks may determine).

An MTM instruction will be treated as having been received by Euroclear for these purposes at the time at which the instruction is processed by the Network Providers' Communications Host (as this term is defined in the CREST Manual) at Euroclear of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM UK instruction by the Network Providers' Communications Host.

The provisions of this paragraph (iii) and any other terms of the Rights Issue relating to Qualifying CREST Shareholders may be waived, varied or modified as regards specific Qualifying CREST Shareholder(s) or on a general basis by Shanks.

(iv) *Representations, warranties and undertakings of CREST members*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 2.2(b) represents, warrants and undertakes to Shanks and the Sole Underwriter and Bookrunner that he has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him or by his CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 9 November 2016. In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that, at 11.00 a.m. on 9 November 2016 (or until such later time and date as Shanks may determine), there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt. Such CREST member or CREST sponsored member taking up entitlements will be deemed to have made the representations and warranties set out in paragraph 4 of this Part 4.

If there is insufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and Rights Issue Shares have already been allotted to such CREST member or CREST sponsored member, Shanks may (in its absolute discretion as to the manner, timing and terms) make arrangements for the sale of such Rights Issue Shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of Shanks' reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such Rights Issue Shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the Rights Issue in respect of the acquisition of such Rights Issue Shares) on behalf of such CREST member or CREST

sponsored member. Neither Shanks nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such CREST member or CREST sponsored member as a result.

(v) *CREST procedures and timings*

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 9 November 2016. In connection with this, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(vi) *CREST member's undertaking to pay*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this paragraph 2.2(b) undertakes to pay to the Receiving Agent, or procure the payment to the Receiving Agent of, the amount payable in Sterling on acceptance in accordance with the above procedures or in such other manner as the Receiving Agent may require it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST manual), the creation of an RTGS payment obligation in Sterling in favour of the Receiving Agent's RTGS settlement bank (as defined in the CREST Manual) in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created (a) discharge in full the obligation of the CREST member (or CREST sponsored member) to pay the amount payable on acceptance) and (b) request that the Fully Paid Rights and/or Rights Issue Shares to which he will become entitled be issued to him on the terms set out in this Combined Circular and Prospectus and subject to the Articles. Such payment will be held by the Receiving Agent on trust for such CREST member (or CREST sponsored member), who is acting as principal on receipt of such monies.

If the payment obligations of the relevant CREST member or CREST sponsored member in relation to such Rights Issue Shares are not discharged in full and such Rights Issue Shares have already been allotted to the CREST member or CREST sponsored member, Shanks may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such Shares on behalf of the CREST member or CREST sponsored member and hold the proceeds of sale (net of Shanks' reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such Shares, and of all amounts payable by such CREST member or CREST sponsored member pursuant to the terms of the Rights Issue in respect of the acquisition of such Shares) or an amount equal to the original payment of the CREST member or CREST sponsored member. Neither Shanks nor the Sole Underwriter and Bookrunner nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by the CREST member or CREST sponsored member as a result.

(vii) *Company's discretion as to rejection and validity of acceptances*

Shanks and the Sole Underwriter and Bookrunner may agree in their absolute sole discretion to:

- (A) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 2.2(b). Where an acceptance is made as described in this paragraph 2.2(b), which is otherwise valid, and the MTM instruction concerned fails to settle by 11.00 a.m. on 9 November 2016 (or by such later time and date as Shanks has determined), Shanks shall be entitled to assume, for the purposes of its right to reject an acceptance contained in this paragraph 2.2(b), that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 2.2(b) unless Shanks is aware of any reason outside the control of the CREST member or CREST sponsor (as appropriate) for the failure to settle;
- (B) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 2.2(b);

- (C) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as Shanks and the Sole Underwriter and Bookrunner may determine;
- (D) treat a properly authenticated dematerialised instruction in this paragraph (D) (the “**first instruction**”) as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either Shanks or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (E) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification, if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

(c) Money laundering regulations

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is entitled to take reasonable measures to establish the identity of the person or persons (or the ultimate controller of such person or persons) on whose behalf you are making the application and any submission of an MTM instruction constitutes agreement for the Receiving Agent to make a search via a credit reference agency where deemed necessary. A record of search results will be retained. You must therefore contact the Receiving Agent before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the verification of the identity requirements in the Money Laundering Regulations or FSMA. Pending the provision of such information and other evidence as the Receiving Agent may be required to satisfy the verification of identity requirements, the Registrar, having consulted with Shanks, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If such information and other evidence of identity has not been provided within a reasonable time, then the Receiving Agent will not permit the MTM instruction concerned to proceed to settlement but without prejudice to the right of Shanks and/or the Sole Underwriter and Bookrunner to take proceedings to recover any loss suffered by any of them as a result of failure by the applicant to provide such information and other evidence.

(d) Dealings in Nil Paid Rights in CREST

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence as soon as practicable after 8.00 a.m. on 26 October 2016. A transfer (in whole or in part) of Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 9 November 2016.

(e) Dealings in Fully Paid Rights in CREST

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this Combined Circular and Prospectus, the Fully Paid Rights may be transferred by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 9 November 2016. The Fully Paid

Rights are expected to be disabled in CREST after the close of CREST business on 9 November 2016. Thereafter, the Rights Issue Shares will be registered in the name(s) of the person(s) entitled to them in Shanks' register of members and will be transferable in the usual way (see paragraph 2.2(g) below).

(f) *Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST*

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights from CREST is 4.30 p.m. on 3 November 2016, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, if appropriate, Fully Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 9 November 2016. You are recommended to refer to the CREST Manual for details of such procedures.

(g) *Issue of Rights Issue Shares in CREST*

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 9 November 2016 (the latest date for settlement of transfers of Fully Paid Rights in CREST). Rights Issue Shares (in definitive form) will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST no later than the close of business on the Business Day after the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to Rights Issue Shares with effect as soon as practicable after 8.00 a.m. on 10 November 2016).

(h) *Right to allot/issue in certificated form*

Despite any other provision of this Combined Circular and Prospectus, Shanks reserves the right to allot and/or issue any Nil Paid Rights, Fully Paid Rights or Rights Issue Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

2.3 Procedure in respect of rights not taken up (whether certificated or in CREST) and withdrawal

(a) *Procedure in respect of Rights Issue Shares not taken up*

If an entitlement to Rights Issue Shares is not validly taken up by 11.00 a.m. on 9 November 2016, in accordance with the procedure laid down for acceptance and payment, then that provisional allotment will be deemed to have been declined and will lapse. The Sole Underwriter and Bookrunner has conditionally agreed, as agent for the Company, to use reasonable endeavours to procure, by not later than 4.30 p.m. on the second dealing day after the last date for acceptance under the Rights Issue, subscribers for all (or as many as possible) of those Rights Issue Shares not taken up at a price per Rights Issue Share which is at least equal to the aggregate of the Issue Price and the expenses of procuring such subscribers (including any applicable brokerage and commissions and amounts in respect of value added tax).

Notwithstanding the above, the Sole Underwriter and Bookrunner may cease to endeavour to procure any such subscribers if, in their opinion, it is unlikely that any such subscribers can be procured at such a price and by such a time. If and to the extent that subscribers for Rights Issue Shares cannot be procured on the basis outlined above, the relevant Rights Issue Shares will be subscribed for by the Sole Underwriter and Bookrunner or sub-underwriters (if any) at the Issue Price pursuant to the terms of the Underwriting Agreement.

Any premium over the aggregate of the Issue Price and the expenses of procuring subscribers (including any applicable brokerage and commissions and amounts in respect of irrecoverable value added tax) shall be held in trust for and paid (subject as provided in this paragraph 2.3) to:

- (i) where the Nil Paid Rights were, at the time they were not taken up, represented by a Provisional Allotment Letter, the person whose name and address appeared on the Provisional Allotment Letter;

- (ii) where the Nil Paid Rights were, at the time they were not taken up, in uncertificated form, the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and
- (iii) where an entitlement to Rights Issue Shares was not taken up by an Overseas Shareholder, that Overseas Shareholder.

Rights Issue Shares for which subscribers are procured on this basis will be reallocated to the subscribers and the aggregate of any premiums (being the amount paid by the subscribers after deducting the Issue Price and the expenses of procuring the subscribers, including any applicable brokerage and commissions and amounts in respect of irrecoverable value added tax), if any, will be paid (without interest) to those persons entitled (as referred to above) pro rata to the relevant provisional allotments not taken up, save that amounts of less than £5.00 per holding will not be so paid but will be aggregated and donated to charity. Cheques for the amounts due will be sent by post, at the risk of the person(s) entitled, to their registered addresses (the registered address of the first-named holder in the case of joint holders), provided that, where any entitlement concerned was held in CREST, the amount due will, unless Shanks (in its absolute discretion) otherwise determines, be satisfied by the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) CREST settlement bank in respect of the cash amount concerned in accordance with the CREST payment mechanism.

Any transactions undertaken pursuant to this paragraph 2.3 or paragraph 3.1 below shall be deemed to have been undertaken at the request of the persons entitled to the rights not taken up or other entitlements and neither Shanks nor the Sole Underwriter and Bookrunner nor any other person procuring subscribers shall be responsible for any loss, expense or damage (whether actual or alleged) arising from the terms or timing of any such acquisition, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis so described. The Sole Underwriter and Bookrunner will be entitled to retain any brokerage fees, commissions or other benefits received in connection with these arrangements.

It is a term of the Rights Issue that all Rights Issue Shares validly taken up by subscribers under the Rights Issue may be allotted to such subscribers in the event that not all of the Rights Issue Shares offered for subscription under the Rights Issue are taken up.

(b) *Withdrawal rights*

Persons who have the right to withdraw their acceptances under Section 87Q(4) of FSMA after a supplementary prospectus (if any) has been published and who wish to exercise such right of withdrawal must do so by lodging a written notice of withdrawal (which shall not include a notice sent by facsimile), which must include the full name and address of the person wishing to exercise such statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, with Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, so as to be received no later than two Business Days after the date on which the supplementary prospectus was published, withdrawal being effective as at posting of the written notice of withdrawal. Notice of withdrawal given by any other means or which is deposited with or received by the Registrar after the expiry of such period will not constitute a valid withdrawal. Furthermore, based on advice received by Shanks as to the effect of statutory withdrawal rights where the allotment contract is fully performed, Shanks will not permit the exercise of withdrawal rights after payment by the relevant Shareholder of its subscription amount in full and the allotment of the Rights Issue Shares to such Shareholder becoming unconditional. In such circumstances, Shareholders are advised to consult their professional advisers including their legal advisers as this may be a matter of law.

Provisional allotments of entitlements to Rights Issue Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to Rights Issue Shares will be subject to the provisions of paragraph 2.3(a) above as if the entitlement had not been validly taken up.

Withdrawal rights are applicable to an application to take up a Shareholder's Nil Paid Rights only and do not extend to any election made to sell or renounce any Nil Paid Rights.

3. OVERSEAS SHAREHOLDERS

3.1 General

This document has been approved by the FCA, being the competent authority in the United Kingdom. The making or acceptance of the proposed offer of Nil Paid Rights, Fully Paid Rights and/or Rights Issue Shares to persons who have registered addresses outside the United Kingdom, or who are resident in, or citizens of, countries other than the United Kingdom may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

It is also the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the United Kingdom wishing to take up rights under or otherwise participate in the Rights Issue to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories.

The comments set out in this paragraph 3 are intended as a general guide only and any Overseas Shareholder who is in doubt as to his position should consult his professional adviser without delay. Having considered the circumstances, the Board has formed the view that it is necessary or expedient to restrict the ability of persons in the Excluded Jurisdictions to take up rights to Rights Issue Shares or otherwise participate in the Rights Issue due to the time and costs involved in the registration of this Combined Circular and Prospectus and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions.

Receipt of this Combined Circular and Prospectus and/or Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Combined Circular and Prospectus and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed.

Rights Issue Shares will be provisionally allotted (nil paid) to all Shareholders on the register and to all Placees who have been provisionally allotted Firm Placing Shares pursuant to the Firm Placing at the Record Date, including Overseas Shareholders. However, Provisional Allotment Letters will not be sent to, and Nil Paid Rights will not be credited to, CREST accounts of, Shareholders with registered addresses in the United States or the other Excluded Jurisdictions or their agent or intermediary, except where Shanks is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

The crediting of Nil Paid Rights does not constitute an offer to Shareholders and, specifically, no offer is being made to Shareholders (i) with a registered address in the United States or the other Excluded Jurisdictions (subject to certain exceptions); or (ii) in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Shares. CREST Shareholders will be entitled to take up rights in the Rights Issue only if such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this Combined Circular and Prospectus and/or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him nor should he in any event use the Provisional Allotment Letter or deal in Nil Paid Rights or Fully Paid Rights in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him of the Nil Paid Rights and Fully Paid Rights. In such circumstances, this Combined Circular and Prospectus and the Provisional Allotment Letter are to be treated as sent for information only and should not be copied or redistributed.

Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this Combined Circular and Prospectus and/or a Provisional Allotment Letter or whose stock account is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same or transfer Nil Paid Rights or Fully Paid Rights in or into any jurisdiction where to do so would or might contravene local security laws or regulations. If a Provisional Allotment Letter or a credit of Nil Paid Rights or Fully Paid Rights is received by any person in any such territory, or by his agent or nominee, he must not seek to take up the rights referred to in the Provisional Allotment Letter or in this Combined Circular and Prospectus or renounce the Provisional Allotment Letter or transfer the Nil Paid

Rights or Fully Paid Rights unless Shanks determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this Combined Circular and Prospectus or a Provisional Allotment Letter or transfers Nil Paid Rights or Fully Paid Rights into any such territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 3.

Subject to paragraphs 3.2 to 3.6 below, any person (including, without limitation, agents, nominees and trustees) outside the United Kingdom wishing to take up his rights under the Rights Issue must satisfy himself as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 3 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

Shanks and the Sole Underwriter and Bookrunner reserve the right to treat as invalid and will not be bound to allot or issue any Rights Issue Shares in respect of any acceptance or purported acceptance of the offer of Rights Issue Shares which:

- (i) appears to Shanks and the Sole Underwriter and Bookrunner or their respective agents to have been executed, effected or despatched from the United States or an Excluded Jurisdiction unless they are satisfied that such action would not result in the contravention of any registration or other legal requirement; or
- (ii) in the case of a Provisional Allotment Letter, provides an address for delivery of the share certificates or other statements of entitlement or advice in the United States or an Excluded Jurisdiction or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates, statements or advice or if Shanks or its agents believe that the same may violate applicable legal or regulatory requirements; or
- (iii) in the case of a credit of Rights Issue Shares in CREST, is to a CREST member or CREST sponsored member whose registered address would be in the United States or an Excluded Jurisdiction or any other jurisdiction outside the United Kingdom in which it would be unlawful to make such a credit or if Shanks and the Sole Underwriter and Bookrunner or their respective agents believe that the same may violate applicable legal or regulatory requirements.

The attention of Overseas Shareholders with registered addresses in the United States and the other Excluded Jurisdictions is drawn to paragraphs 3.2 to 3.6 below.

The provisions of paragraph 2.3(a) above will apply to Overseas Shareholders who do not take up Rights Issue Shares provisionally allotted to them or are unable to take up Rights Issue Shares provisionally allotted to them because such action would result in a contravention of applicable law or regulatory requirements. Accordingly, such Shareholders will be treated as Shareholders that have not taken up their entitlement for the purposes of paragraph 2.3(a) above and the Sole Underwriter and Bookrunner will use reasonable endeavours to procure subscribers for the relevant Rights Issue Shares. The net proceeds of such sales (after deduction of expenses) will be paid to the relevant Shareholders pro rata to their holdings of existing Ordinary Shares at the Record Date as soon as practicable after receipt, except that (i) individual amounts of less than £5.00 per holding will not be distributed but will be aggregated and paid to charity and (ii) amounts in respect of fractions will not be distributed but will be retained for the benefit of Shanks. None of Shanks, the Sole Underwriter and Bookrunner or any other person shall be responsible or have any liability whatsoever for any loss or damage (actual or alleged) arising from the terms or the timing of the acquisition or the procuring of it or any failure to procure subscribers.

Notwithstanding any other provision of this Combined Circular and Prospectus or the Provisional Allotment Letter, Shanks reserves the right to permit any Overseas Shareholder to participate in the Rights Issue on the terms and conditions set out in this Combined Circular and Prospectus as if it were a Qualifying Shareholder if Shanks in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. If Shanks is so satisfied, Shanks will arrange for the relevant Overseas Shareholder to be sent a Provisional Allotment Letter if he is a Qualifying Non-CREST Shareholder or, if he is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Those Overseas Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 2.1(b) and 2.2(b) above.

Overseas Shareholders should note that all subscription monies must be paid in Sterling by cheque or banker's draft and should be drawn on a bank in the United Kingdom, made payable to "CIS PLC re Shanks Group plc Rights Issue" and crossed "A/C payee only".

3.2 United States of America

The Firm Placing Shares, the Nil Paid Rights, the Fully Paid Rights, the Rights Issue Shares, the Provisional Allotment Letters and the Consideration Shares have not been and will not be registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, pledged, or otherwise transferred or delivered, directly or indirectly, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Firm Placing Shares, the Nil Paid Rights, the Fully Paid Rights, the Rights Issue Shares, the Provisional Allotment Letters or the Consideration Shares in the United States.

Shanks is not extending the offer under the Rights Issue or the Firm Placing into the United States other than to persons reasonably believed to be "qualified institutional buyers" as defined in Rule 144A under the US Securities Act ("QIBs"), in offerings exempt from, or in transactions not subject to, the registration requirements under the US Securities Act. A QIB will be permitted to participate in the Firm Placing or take up its entitlements to Rights Issue Shares, as the case may be, only if the QIB executes a representation letter (in the form provided to the QIB separately by Shanks) and delivers it to Shanks with a copy to the Joint Sponsors. The representation letter will require each QIB to represent and agree that, amongst other things, (i) it is a QIB; and (ii) it will only offer, sell, transfer, assign, pledge or otherwise dispose of the Firm Placing Shares, the Nil Paid Rights, the Fully Paid Rights or the Rights Issue Shares, as the case may be, in transactions exempt from the registration requirements of the US Securities Act and in compliance with applicable securities laws. The representation letter contains additional written representations, agreements and acknowledgements relating to the transfer restrictions applicable to the Firm Placing Shares, the Nil Paid Rights, the Fully Paid Rights or the Rights Issue Shares, as the case may be.

Subject to certain exceptions, neither this Combined Circular and Prospectus nor the Provisional Allotment Letter constitutes or will constitute an offer or an invitation to apply for, or an offer or an invitation to acquire any Firm Placing Shares, Nil Paid Rights, Fully Paid Rights, Rights Issue Shares or Consideration Shares in the United States. Subject to certain exceptions, neither this Combined Circular and Prospectus nor a Provisional Allotment Letter will be sent to any Shareholder or prospective investor with a registered address in the United States.

Subject to certain exceptions, Provisional Allotment Letters or renunciations thereof sent from or postmarked in the United States will be deemed to be invalid and all persons acquiring Rights Issue Shares and wishing to hold such Rights Issue Shares in registered form must provide an address for registration of the Rights Issue Shares issued upon exercise thereof outside the United States.

Subject to certain exceptions, any person who acquires Firm Placing Shares, Rights Issue Shares, Nil Paid Rights or Fully Paid Rights will be deemed to have declared, warranted and agreed, by accepting delivery of this Combined Circular and Prospectus or the Provisional Allotment Letter, taking up their entitlement or accepting delivery of the Firm Placing Shares, the Rights Issue Shares, the Nil Paid Rights or the Fully Paid Rights, that they are not, and that, at the time of acquiring the Firm Placing Shares, the Rights Issue Shares, the Nil Paid Rights or the Fully Paid Rights they will not be, in the United States or acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person in the United States or any state of the United States.

Shanks reserves the right to treat as invalid any Provisional Allotment Letter (or renunciation thereof) that appears to Shanks or its agents to have been executed in or despatched from the United States, or that provides an address in the United States for the acceptance or renunciation of the Rights Issue, or which does not make the warranty set out in the Provisional Allotment Letter to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address and is not otherwise located in the United States and is not acquiring the Nil Paid Rights, the Fully Paid Rights or the Rights Issue Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or Rights Issue Shares in the United States or where Shanks believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements. Shanks will not be bound to allot (on a non-provisional basis) or issue any Rights

Issue Shares, Nil Paid Rights or Fully Paid Rights to any person with an address in, or who is otherwise located in, the United States in whose favour a Provisional Allotment Letter or any Nil Paid Rights, Fully Paid Rights or Rights Issue Shares may be transferred or renounced. In addition, Shanks and the Sole Underwriter and Bookrunner reserve the right to reject any MTM instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the Nil Paid Rights.

In addition, until 40 days after the commencement of the Equity Issue, an offer, sale or transfer of the Firm Placing Shares, the Rights Issue Shares, the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

The provisions of paragraph 2.3 above will apply to any rights not taken up. Accordingly, subject to certain exceptions, Overseas Shareholders with a registered address in the United States will be treated as unexercising holders and the Sole Underwriter and Bookrunner will endeavour to procure on behalf of such unexercising holders subscribers for the Rights Issue Shares.

3.3 Australia

This Combined Circular and Prospectus (i) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia (“**Corporations Act**”); (ii) does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act; (iii) has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission, the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (iv) may not be provided in Australia other than to select investors who are able to demonstrate that they (A) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act; and (B) are “wholesale clients” for the purpose of section 761G of the Corporations Act.

The Firm Placing Shares, Rights Issue Shares, Nil Paid Rights and Fully Paid Rights may not be directly or indirectly purchased or sold, and no invitations to buy the Firm Placing Shares, Rights Issue Shares, Nil Paid Rights or Fully Paid Rights may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Firm Placing Shares, Rights Issue Shares, Nil Paid Rights or Fully Paid Rights may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for any Firm Placing Shares, Rights Issue Shares, Nil Paid Rights or Fully Paid Rights, each purchaser of Firm Placing Shares, Rights Issue Shares, Nil Paid Rights or Fully Paid Rights represents and warrants to Shanks, the Sole Underwriter and Bookrunner and their respective affiliates that such purchaser is an exempt investor.

As any offer of Firm Placing Shares, Rights Issue Shares, Nil Paid Rights or Fully Paid Rights under this Combined Circular and Prospectus, any supplement or the accompanying prospectus or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Firm Placing Shares, Rights Issue Shares, Nil Paid Rights and Fully Paid Rights for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Firm Placing Shares, Rights Issue Shares, Nil Paid Rights or Fully Paid Rights each purchaser of Firm Placing Shares, Rights Issue Shares, Nil Paid Rights or Fully Paid Rights undertakes to Shanks and the Sole Underwriter and Bookrunner that such purchaser will not, for a period of 12 months from the date of purchase of the Firm Placing Shares, Rights Issue Shares, Nil Paid Rights or Fully Paid Rights, offer, transfer, assign or otherwise alienate those Equity Issue Shares to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with the Australian Securities and Investments Commission.

3.4 Canada, Japan and South Africa

Due to restrictions under the securities laws of Canada, Japan and South Africa, no Provisional Allotment Letters in relation to the Rights Issue Shares will be sent to Shareholders, and no Nil Paid Rights or Fully Paid Rights will be credited to a stock account in CREST of, persons with registered addresses in the Excluded Jurisdictions and the Nil Paid Rights to which they are entitled will be sold if possible in accordance with the provisions of paragraph 2.3(a) above. Qualifying CREST Shareholders with registered addresses outside the Excluded Jurisdictions will not be entitled to take up rights in the Rights Issue unless

such action would not result in the contravention of any registration or other legal requirement in any jurisdiction. The Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights, the Rights Issue Shares and the Firm Placing Shares may not be transferred or sold to, or renounced or delivered in, the Excluded Jurisdictions. No offer of Ordinary Shares, Nil Paid Rights, Fully Paid Rights, Rights Issue Shares or Firm Placing Shares is being made by virtue of this Combined Circular and Prospectus or the Provisional Allotment Letters being sent or received in an Excluded Jurisdiction.

3.5 Overseas territories other than the United States and the other Excluded Jurisdictions

Provisional Allotment Letters will be posted to Qualifying Non-CREST Shareholders with registered addresses outside of the United States and the other Excluded Jurisdictions (subject to certain exceptions) and Nil Paid Rights will be credited to the CREST stock accounts of Qualifying CREST Shareholders with registered addresses outside the United States and the other Excluded Jurisdictions (subject to certain exceptions). Such Qualifying Shareholders may, subject to the laws of the relevant jurisdictions, participate the Rights Issue in accordance with the instructions set out in this Combined Circular and Prospectus and, if relevant, the Provisional Allotment Letter. In cases where Overseas Shareholders do not take up Nil Paid Rights, their entitlements will be sold if possible in accordance with the provisions of paragraph 2.3(a) above. Prospective investors in overseas territories other than the United States and the other Excluded Jurisdictions will only be eligible to participate in the Firm Placing to the extent such participation does not contravene relevant local laws and regulations.

Qualifying Shareholders and prospective investors who have registered addresses in or who are resident in, or who are citizens of, all countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights or otherwise participate in the Equity Issue.

3.6 Member States of the EEA (other than the United Kingdom)

In relation to each Member State of the EEA which has implemented the Prospectus Directive (as defined below) (except the United Kingdom) (each a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, none of the Firm Placing Shares, the Rights Issue Shares, the Nil Paid Rights or the Fully Paid Rights may be offered or sold to the public in that Relevant Member State prior to the publication of this Combined Circular and Prospectus in relation to the Firm Placing Shares, the Rights Issue Shares, the Nil Paid Rights and the Fully Paid Rights, which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, other than the offers contemplated in this Combined Circular and Prospectus in a Relevant Member State after the date of such publication or notification, and except that an offer of shares may be made to the public in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive (as defined below), 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive for any such offer; or
- (c) in any other circumstances falling within article 3(2) of the Prospectus Directive,

provided that no such offer of Firm Placing Shares, Rights Issue Shares, Nil Paid Rights or Fully Paid Rights shall require Shanks to publish a prospectus pursuant to article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any Firm Placing Shares, Rights Issue Shares, Nil Paid Rights or Fully Paid Rights or to whom any offer is made under the Equity Issue will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of article 2(1)(e) of the Prospectus Directive.

For the purposes of this selling restriction, the expression an “offer of shares to the public” in relation to any Firm Placing Shares, Rights Issue Shares, Nil Paid Rights or Fully Paid Rights in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Firm Placing Shares, the Rights Issue Shares, the Nil Paid Rights or the Fully Paid Rights to be offered so as to enable an investor to decide to acquire the Firm Placing Shares, the Rights Issue Shares, the Nil Paid Rights or the Fully Paid Rights, as the same may be varied in that

Relevant Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented by the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

In the case of the Firm Placing Shares, the Rights Issue Shares, the Nil Paid Rights or Fully Paid Rights being offered to a financial intermediary, as that term is used in article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Firm Placing Shares, the Rights Issue Shares, the Nil Paid Rights or the Fully Paid Rights acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Firm Placing Shares, Rights Issue Shares, Nil Paid Rights or Fully Paid Rights to the public other than their offer or resale in a Relevant Member State to “qualified investors” within the meaning of article 2(1)(e) of the Prospectus Directive. Shanks, the Sole Underwriter and Bookrunner and their respective affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

3.7 Waiver

The provisions of this paragraph 3 and of any other terms of the Equity Issue relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or prospective investors or on a general basis by Shanks and the Sole Underwriter and Bookrunner in their absolute discretion. Subject to this, the provisions of this paragraph 3 supersede any terms of the Equity Issue inconsistent herewith. References in this paragraph 3 to Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this paragraph 3 shall apply to them jointly and to each of them.

4. REPRESENTATIONS AND WARRANTIES OF QUALIFYING SHAREHOLDERS AND PROSPECTIVE INVESTORS

4.1 Qualifying Non-CREST Shareholders

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the Rights Issue Shares comprised therein represents and warrants to Shanks and the Sole Underwriter and Bookrunner that, except where proof has been provided to Shanks’ satisfaction that such person’s use of the Provisional Allotment Letter will not result in the contravention of any applicable regulatory or legal requirement in any jurisdiction: (a) such person is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant Rights Issue Shares, from within the United States or the other Excluded Jurisdictions; (b) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for Rights Issue Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (c) such person is not acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within the United States or any other Excluded Jurisdiction or any territory referred to in (b) above at the time the instruction to accept or renounce was given; and (d) such person is not acquiring Nil Paid Rights, Fully Paid Rights or Rights Issue Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or Rights Issue Shares into the United States or any other Excluded Jurisdiction or any territory referred to in (b) above. Shanks and the Sole Underwriter and Bookrunner may treat as invalid any acceptance or purported acceptance of the allotment of Rights Issue Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it: (a) appears to Shanks and the Sole Underwriter and Bookrunner to have been executed in or despatched from the United States or any other Excluded Jurisdiction or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if they believe the same may violate any applicable legal or regulatory requirement; (b) provides an address in the United States or any other Excluded Jurisdiction (or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver share certificates or sales advice); or (c) purports to exclude the warranty required by this paragraph 4.

4.2 Qualifying CREST Shareholders

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part 3 represents and warrants to Shanks and the Sole Underwriter and Bookrunner that, except where proof has been provided to Shanks’ satisfaction that such person’s

acceptance will not result in the contravention of any applicable regulatory or legal requirement in any jurisdiction: (a) he is not within the United States or any of the other Excluded Jurisdictions; (b) he is not in any territory in which it is unlawful to make or accept an offer to subscribe for Rights Issue Shares; (c) he is not accepting on a non-discretionary basis for, on behalf of, or for the account or benefit of, a person located within the United States or any other Excluded Jurisdiction or any territory referred to in (b) above at the time the instruction to accept was given; and (d) he is not acquiring Nil Paid Rights, Fully Paid Rights or Rights Issue Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or Rights Issue Shares into the United States or any other Excluded Jurisdiction or any territory referred to in (b) above.

Shanks and the Sole Underwriter and Bookrunner may treat as invalid any MTM instruction if it appears to Shanks and the Sole Underwriter and Bookrunner to have been despatched from the United States or any of the other Excluded Territories or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if they or their agents believe the same may violate any applicable legal or regulatory requirement or purports to exclude the warranty required by this paragraph 4.

4.3 Prospective investors

Each other prospective investor, by agreeing to participate in the Equity Issue, represents and warrants to Shanks and the Sole Underwriter and Bookrunner that, except where proof has been provided to Shanks' satisfaction that such person's participation in the Equity Issue will not result in the contravention of any applicable regulatory or legal requirement in any jurisdiction: (a) he is not within the United States or any of the other Excluded Jurisdictions; (b) he is not in any territory in which it is unlawful to make or accept an offer to subscribe for Equity Issue Shares; (c) he is not accepting on a non-discretionary basis for, on behalf of, or for the account or benefit of, a person located within the United States or any other Excluded Jurisdiction or any territory referred to in (b) above at the time the instruction to accept was given; and (d) he is not acquiring Nil Paid Rights, Fully Paid Rights, Rights Issue Shares or Firm Placing Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights, Rights Issue Shares or Firm Placing Shares into the United States or any other Excluded Jurisdiction or any territory referred to in (b) above.

5. GENERAL

5.1 Taxation

The information contained in Part 14 (*Taxation*) is intended only as a general guide to the current tax position in the United Kingdom, and Qualifying Shareholders and prospective investors should consult their own tax advisers regarding the tax treatment of the Rights Issue and the Firm Placing in light of their own circumstances.

5.2 Times and dates

Shanks shall, in its discretion and after consultation with its financial and legal advisers, be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence, amend or extend the latest time and date for acceptance under the Rights Issue or amend or extend the latest time and date for Equity Issue Admission and all related times and dates set out in this Combined Circular and Prospectus and in such circumstances shall notify the FCA, and make an announcement via a Regulatory Information Service approved by the FCA. **In the event such an announcement is made, Qualifying Shareholders and prospective investors may not receive any further written communication in respect of such amendment or extension of the dates included in this Combined Circular and Prospectus.**

If a supplementary prospectus is issued by Shanks two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Rights Issue specified in this Combined Circular and Prospectus (or such later date as may be agreed between Shanks and the Sole Underwriter and Bookrunner), the latest date for acceptance under the Rights Issue shall be extended to the date that is three business days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

5.3 Governing law

The terms and conditions of the Equity Issue as set out in this Combined Circular and Prospectus and the Provisional Allotment Letter and any non-contractual obligations arising out of or in relation to the Equity Issue shall be governed by, and construed in accordance with, English law.

5.4 Jurisdiction

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Equity Issue, this Combined Circular and Prospectus or the Provisional Allotment Letter and any non-contractual obligations arising out of or in connection with them. By accepting rights under the Rights Issue in accordance with the instructions set out in this Combined Circular and Prospectus and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter, or by otherwise participating in the Equity Issue, Qualifying Shareholders and prospective investors irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART 4—QUESTIONS & ANSWERS ABOUT THE EQUITY ISSUE

The questions and answers set out in this Part 4 are intended to be in general terms only and, as such, you should read Part 3 (Terms and conditions of the Equity Issue) for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, duly authorised under FSMA if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This Part 4 deals with general questions relating to the Equity Issue and more specific questions relating to Rights Issue, including for persons resident in the United Kingdom who hold their Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 3 of Part 3 (Terms and conditions of the Equity Issue) and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your rights or otherwise participate in the Equity Issue. If you hold your Ordinary Shares in uncertificated form (that is, through CREST) you should read Part 3 (Terms and conditions of the Equity Issue) for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Ordinary Shares are in certificated or uncertificated form, please call the Shareholder Helpline on 0370 707 1290 (from within the UK) or on +44 370 707 1290 (if calling from outside the UK). Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

Times and dates referred to in this Part 4 have been included on the basis of the expected timetable for the Rights Issue set out on page 51.

1. GENERAL QUESTIONS ABOUT THE FIRM PLACING AND THE RIGHTS ISSUE

1.1 What is the Firm Placing?

The Firm Placing is a proposed issue of new Ordinary Shares on a non-pre-emptive basis by which certain Shareholders and prospective institutional investors will subscribe for a total of 45,000,000 Firm Placing Shares at the Placing Price, being 100 pence per Firm Placing Share.

The Placing Price represents a 0.5 per cent. discount to the closing price of 100.5 pence per Ordinary Share on 28 September 2016 (being the last Business Day before the announcement of the terms of the Equity Issue). The Placing Price (including the size of the Firm Placing discount) has been determined, following discussions with both existing Shareholders and Placees, to be at the level which the Board considers necessary to ensure the success of the Firm Placing and the Rights Issue, taking into account the aggregate proceeds to be raised. The Placing Price in respect of Firm Placing Shares is payable in full upon Equity Issue Admission.

Assuming certain conditions are met, Placees will be delivered the Firm Placing Shares and will be eligible to participate in the Rights Issue in respect of the Firm Placing Shares in the same manner as Qualifying Shareholders as if the Firm Placing Shares were held as of the Record Date (as if the Firm Placing had occurred immediately prior to the Record Date).

1.2 What is a rights issue?

A rights issue is a way for companies to raise money. Companies do this by giving their existing shareholders a right to buy further shares in proportion to their existing shareholdings.

The offer under this Rights Issue is at a price of 58 pence per Rights Issue Share. If you hold Ordinary Shares or have been conditionally allocated Firm Placing Shares at the Record Date and, subject to certain exceptions, do not have a registered address in the United States or the other Excluded Jurisdictions, you will be entitled to buy Rights Issue Shares pursuant to the Rights Issue. If you hold your existing Ordinary Shares in certificated form, your entitlement will be set out in your Provisional Allotment Letter.

Rights Issue Shares are also being offered to the Placees on the same basis with respect to the Firm Placing Shares acquired by them in the Firm Placing.

Rights Issue Shares are being offered to Qualifying Shareholders and Placees in the Rights Issue at a discount to the price of the Ordinary Shares on the last dealing day before the details of the Rights Issue were announced, being 28 September 2016. The Issue Price of 58 pence per Rights Issue Share represents:

- (i) a 34.5 per cent. discount to the theoretical ex-rights price of 88.5 pence calculated by reference to the Placing Price of 100 pence; and
- (ii) a 42.3 per cent. discount to the Closing Price of 100.5 pence on 28 September 2016 (being the Business Day before the announcement of the terms of the Equity Issue).

As a result of this discount and while the market value of the existing Ordinary Shares exceeds the Issue Price, the right to buy the Rights Issue Shares is potentially valuable.

The Rights Issue is on the basis of 3 Rights Issue Shares for every 8 existing Ordinary Shares or Firm Placing Shares held by or conditionally allotted pursuant to the Firm Placing) Qualifying Shareholders.

If you are a Qualifying Shareholder and you do not want to buy the Rights Issue Shares to which you are entitled, you can instead sell or transfer your rights (called Nil Paid Rights) to those Rights Issue Shares and receive the net proceeds, if any, of the sale or transfer in cash. This is referred to as “dealing nil paid”.

1.3 Are the Firm Placing and the Rights Issue underwritten?

Yes. The Firm Placing and Rights Issue are both underwritten by the Sole Underwriter and Bookrunner pursuant to the Underwriting Agreement. The fees payable to the Sole Underwriter and Bookrunner in connection with this underwriting and a summary of the terms of the Underwriting Agreement are set out in paragraph 3.2 of Part 2 (*Details of the Transaction*).

1.4 Can I participate in the Firm Placing and the Rights Issue if I live outside of the United Kingdom?

Shareholders and prospective investors located in the United States or the other Excluded Jurisdictions are, subject to certain exceptions, not able to acquire Firm Placing Shares under the Firm Placing or Rights Issue Shares under the Rights Issue. While all Shareholders have an entitlement to participate in the Rights Issue, your ability to take up or sell rights to Rights Issue Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your rights. Your attention is drawn to the information in paragraph 3 of Part 2 (*Terms and conditions of the Equity Issue*).

1.5 What happens next?

Shanks has called a General Meeting to be held at 10.00 a.m. on 24 October 2016 at the offices of Ashurst LLP at Broadwalk House, 5 Appold Street, London EC2A 2HA. Please see the Notice of General Meeting at the end of this Combined Circular and Prospectus. As you will see from the contents of the Notice of General Meeting, the Board is seeking Shareholder approval for the Merger and for the allotment of the Firm Placing Shares, the Rights Issue Shares and the Consideration Shares and disapplication of pre-emption rights associated with the issue of the Firm Placing Shares and the Rights Issue Shares.

If the Resolutions are approved at the General Meeting, the Equity Issue will proceed (subject to certain conditions). Firm Placing Shares are expected to be conditionally allotted as soon as practicable after the General Meeting. The Provisional Allotment Letters are expected to be despatched on or about 25 October 2016 to Qualifying Non-CREST Shareholders with registered addresses outside the United States and the Excluded Jurisdictions (subject to certain exceptions) and the Nil Paid Rights are due to be credited to the CREST stock accounts of Qualifying CREST Shareholders with registered addresses outside the United States and the Excluded Jurisdictions (subject to certain exceptions) as soon as practicable after 8.00 a.m. on 26 October 2016.

2. SPECIFIC QUESTIONS ABOUT THE RIGHTS ISSUE

2.1 Can I sell some rights and use the proceeds to take up my remaining rights?

This is known as a cashless take-up or “tail-swallowing”. If you receive a Provisional Allotment Letter and are a Qualifying Non-CREST Shareholder with a registered address outside the United States and the Excluded Jurisdictions (subject to certain exceptions), then you can sell a sufficient number of Nil Paid Rights to raise money to effectuate a cashless take-up of your remaining rights. Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. If you want to effect a cashless take-up, you should tick Box B on the front page of your

Provisional Allotment Letter, sign and date it and return the Provisional Allotment Letter by 3.00 p.m. on 2 November 2016.

2.2 I hold my existing Ordinary Shares in certificated form. How do I know if I am able to acquire Rights Issue Shares under the Rights Issue?

If you receive a Provisional Allotment Letter and are a Qualifying Non-CREST Shareholder with a registered address outside the United States and the Excluded Jurisdictions (subject to certain exceptions), then you should be eligible to acquire Rights Issue Shares under the Rights Issue (as long as you have not sold all of your existing Ordinary Shares before 8.00 a.m. on the Ex-Rights Date, in which case you will need to follow the instructions on the front page of this Combined Circular and Prospectus).

2.3 I hold my existing Ordinary Shares in certificated form. How will I be informed of how many Rights Issue Shares I am entitled to buy?

Subject to Shareholders approving the Resolutions at the General Meeting to be held on 24 October 2016, if you hold your existing Ordinary Shares in certificated form and are a Qualifying Non-CREST Shareholder with a registered address outside the United States and the other Excluded Jurisdictions (subject to certain exceptions), you will be sent a Provisional Allotment Letter that shows:

- how many existing Ordinary Shares you held at the close of business on 24 October 2016 (the Record Date);
- how many Rights Issue Shares you are entitled to buy; and
- how much you need to pay if you want to take up your right to buy all the Rights Issue Shares provisionally allotted to you in full.

Subject to certain exceptions, if you have a registered address in the United States or the other Excluded Jurisdictions, you will not receive a Provisional Allotment Letter.

2.4 I am a Qualifying Shareholder with a registered address in the United Kingdom and I hold my existing Ordinary Shares in certificated form. What are my choices and what should I do with the Provisional Allotment Letter?

(a) *If you want to take up all of your rights*

If you want to take up all of your rights to acquire the Rights Issue Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter, together with your cheque or banker's draft for the full amount, payable to "CIS PLC re Shanks Group plc Rights Issue" and crossed "A/C payee only", by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, to arrive by no later than 11.00 a.m. on 9 November 2016. Within the United Kingdom only, you can use the reply-paid envelope which will be enclosed with the Provisional Allotment Letter. Full instructions are set out in Part III of this Combined Circular and Prospectus and will be set out in the Provisional Allotment Letter.

Please note third-party cheques will not be accepted other than building society cheques or banker's drafts.

If payment is made by building society cheque or banker's draft, the building society or bank must insert details of the name of the account holder and either add the building society or bank branch stamp or provide a supporting letter confirming the source of funds. The name of the account holder should be the same as the name of the shareholder shown on page 1 or page 4 of the Provisional Allotment Letter.

A definitive share certificate will then be sent to you for the Rights Issue Shares that you take up. Your definitive share certificate for Rights Issue Shares is expected to be despatched to you by no later than 24 November 2016. You will need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights. Your Provisional Allotment Letter will not be returned to you unless you tick the appropriate box on the Provisional Allotment Letter.

(b) *If you do not want to take up your rights at all*

If you do not want to take up your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter subscribing for the Rights Issue Shares to which you are entitled by 11.00 a.m. on 9 November 2016, we have made arrangements under which the Sole Underwriter and

Bookrunner will try to find investors to take up your rights and the rights of others who have not taken up their rights. If the Sole Underwriter and Bookrunner do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium, provided that this is £5.00 or more. Cheques are expected to be despatched by no later than 24 November 2016 and will be sent to your existing address appearing on Shanks' register of members (or to the first-named holder if you hold your existing Ordinary Shares jointly). If the Sole Underwriter and Bookrunner cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment, and any amounts of less than £5.00 will be aggregated and donated to charity. Alternatively, if you do not want to take up your rights, you can sell or transfer your Nil Paid Rights (see paragraph 2.5(c) below).

(c) *If you want to take up some but not all of your rights*

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply to have your Provisional Allotment Letter split by completing Form X on the Provisional Allotment Letter, and returning it by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, to be received by 3.00 p.m. on 7 November 2016, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. You should then deliver the split Provisional Allotment Letter representing the Rights Issue Shares that you wish to accept together with your cheque or banker's draft to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH to be received by 11.00 a.m. on 9 November 2016.

You also can elect sell a sufficient number of Nil Paid Rights to raise money to effectuate a cashless take-up of your remaining rights through the dealing facility operated by Computershare. If you want to effect a cashless take-up, you should tick Box B on the front page of your Provisional Allotment Letter, sign and date it and return the Provisional Allotment Letter by 3.00 p.m. on 2 November 2016.

Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 9 November 2016. Further details are set out in Part 3 (*Terms and conditions of the Equity Issue*) of this Combined Circular and Prospectus and will be set out in the Provisional Allotment Letter.

(d) *If you want to sell all of your rights*

If you want to sell all of your rights, you should complete and sign Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided they are not in the United States or the other Excluded Jurisdictions).

Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 9 November 2016.

2.5 I acquired my existing Ordinary Shares prior to the Record Date and hold my existing Ordinary Shares in certificated form. What if I do not receive a Provisional Allotment Letter?

If the Shareholders approve the Resolutions at the General Meeting, and you do not receive a Provisional Allotment Letter but hold your existing Ordinary Shares in certificated form, this probably means that you are not able to acquire Rights Issue Shares under the Rights Issue. Some Non-CREST Shareholders, however, will not receive a Provisional Allotment Letter but may still be eligible to acquire Rights Issue Shares under the Rights Issue, namely:

- Qualifying CREST Shareholders who held their existing Ordinary Shares in uncertificated form on 24 October 2016 and who have converted them to certificated form;

- Shareholders who bought existing Ordinary Shares before 26 October 2016 and who hold such Shares in certificated form but were not registered as the holders of those Shares at the close of business on 24 October 2016; and
- certain Overseas Shareholders.

If you do not receive a Provisional Allotment Letter but think that you should have received one, please call the Shareholder Helpline on 0370 707 1290 (from within the United Kingdom) or on +44 370 707 1290 (if calling from outside the United Kingdom). Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

2.6 If I buy Ordinary Shares after the Record Date, will I be eligible to participate in the Rights Issue?

If you bought Ordinary Shares after the close of business on Record Date but prior to 8.00 a.m. on the Ex-Rights Date, you may be eligible to participate in the Rights Issue.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

If you buy Ordinary Shares at or after 8.00 a.m. on 26 October 2016, you will not be eligible to participate in the Rights Issue in respect of those Ordinary Shares.

2.7 I hold my existing Ordinary Shares in certificated form. If I take up my rights, when will I receive the certificate representing my Rights Issue Shares?

If you take up your rights under the Rights Issue, share certificates for the Rights Issue Shares are expected to be posted by no later than 24 November 2016.

3. What if the number of Rights Issue Shares to which I am entitled is not a whole number? Am I entitled to fractions of Rights Issue Shares?

Your entitlement to Rights Issue Shares will be calculated at the Record Date (other than in the case of those who bought shares after the close of business on the Record Date but prior to 8.00 a.m. on the Ex-Rights Date who are eligible to participate in the Rights Issue). If the result is not a whole number, you will not be provisionally allotted a Rights Issue Share in respect of the fraction of a Rights Issue Share and your entitlement will be rounded down to the nearest whole number. The Rights Issue Shares representing the aggregated fractions that would otherwise be allotted to Shareholders will be issued in the market nil paid for the benefit of Shanks.

3.1 Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?

If you are resident in the United Kingdom for tax purposes, you should not have to pay UK tax when you take up your rights, although the Rights Issue will affect the amount of UK tax you may pay when you subsequently sell your Shares.

However, assuming that you hold your Shares as an investment, rather than for the purposes of a trade, you may (subject to any available exemption or relief) be subject to capital gains tax on any proceeds that you receive from the sale of your rights. Similarly, assuming that you hold your Shares as an investment, if you allow, or are deemed to allow, your rights to lapse and receive a cash payment in respect of them, you may (subject to any available exemption or relief) be subject to capital gains tax on any proceeds.

However, if the proceeds are “small” as compared to the value of the existing Ordinary Shares in respect of which the rights arose (broadly, the proceeds do not exceed £3,000 or 5 per cent. of the market value of the existing Ordinary Shares at the date of disposal or lapse), a capital gains tax charge should not generally arise at that time. Rather, the proceeds will be deducted from the base cost of the holding of the existing Ordinary Shares for the purposes of computing a chargeable gain or allowable loss on a subsequent disposal. This treatment will not apply if the proceeds are greater than the base cost of the holding of existing Ordinary Shares.

Further information for Qualifying Shareholders who are resident in the United Kingdom for tax purposes is contained in Part 14 (*Taxation*). This information is intended as a general guide to the current tax position in the United Kingdom and Qualifying Shareholders should consult their own tax advisers

regarding the tax treatment of the Rights Issue in light of their own circumstances. Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult an appropriate professional adviser as soon as possible. Please note that the Shareholder Helpline will not be able to assist you with taxation issues.

3.2 I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?

If you do not want to buy the Rights Issue Shares being offered to you under the Rights Issue, you can instead sell or transfer your Nil Paid Rights and receive the net proceeds of the sale or transfer in cash. This is referred to as “dealing nil paid”. This means that, during the Rights Issue (between 8.00 a.m. on 26 October 2016 and 11.00 a.m. on 9 November 2016) you can either purchase Ordinary Shares (which will not carry any entitlement to participate in the Rights Issue) or you can trade in the Nil Paid Rights.

3.3 I hold my existing Ordinary Shares in certificated form. What if I want to sell the Rights Issue Shares for which I have paid?

Provided the Rights Issue Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X (the form of renunciation) on the receipted Provisional Allotment Letter in accordance with the instructions set out in the Provisional Allotment Letter until 11.00 a.m. on 9 November 2016. After that time, you will be able to sell your Rights Issue Shares in the normal way. The share certificate relating to your Rights Issue Shares is expected to be despatched to you by no later than 24 November 2016. Pending despatch of the share certificate, instruments of transfer will be certified by the Registrar against the register.

Further details are set out in Part 3 (*Terms and conditions of the Equity Issue*).

3.4 What should I do if I live outside the United Kingdom?

Shareholders with registered addresses in the United States or the other Excluded Jurisdictions are, subject to certain exceptions, not able to acquire Rights Issue Shares under the Rights Issue. Your attention is drawn to the information in paragraph 3 of Part 2 (*Terms and conditions of the Equity Issue*).

Shanks has made arrangements under which the Sole Underwriter and Bookrunner will try to find investors to take up your rights and those of other Shareholders who have not taken up their rights. If the Sole Underwriter and Bookrunner do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium provided that this is £5.00 or more. Cheques are expected to be despatched by no later than 24 November 2016 and will be sent to your address appearing on Shanks' register of members (or to the first-named holder if you hold your Shares jointly). If the Sole Underwriter and Bookrunner cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment and any such amount of less than £5.00 will be donated to charity.

3.5 Will the Rights Issue affect the future dividends Shanks pays?

Following completion of the Rights Issue, future dividend payments will be adjusted for the Rights Issue. The adjustment will take account of the discount in the Issue Price to the share price at close of business on 28 September 2016, being the day prior to the announcement of the terms of the Rights Issue.

3.6 Will the Firm Placing affect my existing Ordinary Shares?

You will continue to hold your existing Ordinary Shares. The Firm Placing will dilute your percentage shareholding of Ordinary Shares whether or not you participate in the Rights Issue. The greater the extent to which you participate in the Rights Issue, the lesser the extent to which your existing Ordinary Shares will be diluted. If you hold share certificates, these will remain valid after the Firm Placing.

3.7 What if I hold options and awards under Shanks' employee share schemes?

Participants in Shanks' employee share schemes will be contacted separately with further information on how their options and awards granted under such plans may be affected by the Rights Issue.

3.8 How do I transfer my rights into the CREST system?

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your Rights Issue Shares to be in uncertificated form, you should complete Form X and the CREST Deposit Form (both on the Provisional Allotment Letter) and ensure they are delivered to CCSS to be received by 3.00 p.m. on 4 November 2016 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into the CREST system, you should refer to paragraph 2.2(b) of Part 3 (*Terms and conditions of the Equity Issue*) for details on how to pay for the Rights Issue Shares.

3.9 What should I do if I think my holding of Ordinary Shares is incorrect?

If you have recently bought or sold Ordinary Shares, your transaction may not be entered on the register of members in time to appear on the register at the Record Date. If you are concerned about the figure in the Provisional Allotment Letter or otherwise concerned that your holding of Ordinary Shares is incorrect, please call the Shareholder Helpline on 0370 707 1290 (from within the United Kingdom) or on +44 370 707 1290 (if calling from outside the United Kingdom). Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

PART 5—INFORMATION ON THE SHANKS GROUP

1. OVERVIEW

The Shanks Group is a leading international waste-to-product company with over 80 facilities handling approximately 8.4 million tonnes of waste a year. In line with the growing need to manage waste without damaging the environment, Shanks' predominant focus is on extracting value from waste, rather than its disposal through mass burn incineration or landfill.

The Shanks Group's operations are located in the Netherlands, Belgium, the United Kingdom and Canada.

Strategically, the Shanks Group's activities are closely aligned with the direction of legislation and regulation, seeking to use a wide range of different technologies and know-how to maximise recycling and landfill diversion.

The principal activities of the Shanks Group are waste processing and waste management. These activities can be broken down into the following main categories:

- *Commercial*—the Shanks Group is a market leader in the collection and treatment of commercial waste in the Netherlands and Belgium;
- *Hazardous*—the Shanks Group is a leader in the treatment of contaminated soil and water in Europe, as well as a leader in industrial cleaning in the Netherlands; and
- *Municipal*—the Shanks Group is a leading provider of sustainable waste-to-product solutions for municipal customers in the United Kingdom and Canada.

The Directors believe that Shanks is ideally positioned to meet the growing need for cost-effective and sustainable waste-to-product technologies given it has leading positions in target markets and a unique portfolio of businesses, capabilities and technologies.

2. STRENGTHS AND STRATEGY

2.1 Key strengths

Shanks believes that the Shanks Group has a number of strengths and competitive advantages that are key factors in the further development of the Shanks Group's business. These include, but are not limited to:

- the Shanks Group's focus on sustainable cost-effective alternatives to landfill and mass incineration;
- operational processes that create valuable products from material that is otherwise thrown away;
- a senior management team experienced in waste combined with blue-chip experience in other industries;
- local scale in solid waste markets enabling productivity and cost advantages;
- fully integrated range of hazardous waste treatments;
- in-house know how to design, build and operate organics waste plants based on years of experience in the Netherlands, capable of fulfilling the international demand for new facilities;
- one of the leading portfolios of waste PFI/PPP projects in the United Kingdom, with experience in construction and operation of the necessary infrastructure;
- a focus on profitable growth, increased returns and cash management; and
- a culture where employees are encouraged to share best practices and use the ideas of others wherever this can accelerate business improvement.

2.2 Strategy and vision

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

Shanks' strategy of 'making more from waste' remains consistent, with three core divisional strategies to address the specific market opportunities that each of Shanks' divisions serves. These divisional strategies are reinforced by three overarching group strategies that apply across the Shanks Group. These are to:

(a) *Drive margin expansion through self-help initiatives*

Shanks has a strategy of driving margin expansion principally through a range of initiatives that look to address the key areas of its business model: intake, processing and disposal. Success to date in driving these initiatives has been the principal reason that Shanks has been able to offset most of the impact of the global macroeconomic headwinds experienced in 2013, 2014 and 2015.

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

Shanks' continuous improvement initiative builds on the successful completion of structural cost programmes in 2015/16 and, additionally, Shanks has successfully completed the lean conversion of two key sites in the Commercial division and this initiative will be rolled out across the rest of the division.

(b) *Invest in infrastructure through the cycle*

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

(c) *Manage its portfolio of assets and businesses*

In managing its portfolio, Shanks has exited activities where it was deemed unable to generate acceptable returns or which were non-core. These decisions are driven by Shanks' commitment to increase its returns through the recycling of capital into higher growth areas.

3. HISTORY

The Shanks Group started life in the late 1800s as a construction company operating primarily in the west of Scotland. Waste management activities gradually increased and, in 1986, Shanks (then named Shanks & McEwan Group plc), acquired, *inter alia*, substantial landfill capacity in the Northern Home Counties (i.e., the counties surrounding north London) in the United Kingdom. This, together with a flotation on the London Stock Exchange in 1988, was the foundation for organic and acquisitive growth.

The Shanks Group's remaining construction operations were sold in 1995 to concentrate solely on waste management. Since then, the Shanks Group's strategy has been to achieve growth organically as well as through acquisitions. The Shanks Group increased the range of its waste management services and, in 1998, took its first steps into continental Europe with the acquisition of a significant group of waste management operations in Belgium. Two years later, in March 2000, the Shanks Group established a position in the Netherlands having acquired eight principal operations of Waste Management Nederland B.V., a Rotterdam-based provider of waste disposal services.

Following a strategic review in 2003, the Shanks Group decided to focus its UK operations on the emerging market for long-term municipal waste contracts using new technologies, and on the recycling of non-hazardous industrial and commercial waste. In July 2004, the sale of the Shanks Group's UK landfill and landfill gas power assets was formally completed and, in October 2005, the Shanks Group announced the sale of its UK Hazardous Waste business. Following these disposals, the Shanks Group further invested in its European operations, while remaining committed to its waste and resource management operations in the United Kingdom.

In June 2006, the Shanks Group acquired Smink Beheer B.V., an established integrated waste collection, recycling and landfill disposal business based in Amersfoort, the Netherlands, with expertise in industrial and commercial waste management.

In April 2007, the Shanks Group acquired Orgaworld B.V., a leading company by market share in the Netherlands market for treatment of organic waste by anaerobic digestion and composting. The purchase included a start-up operation in Canada.

In April 2008, the Shanks Group acquired Foronex N.V., a company in the wood waste and by-products market in the Benelux region.

In June 2009, the Shanks Group signed a PPP waste contract with Cumbria County Council to undertake the waste operations of the Council for 25 years and to design, build and operate new waste infrastructure.

In October 2010, the Shanks Group acquired United Utilities PLC's UK waste PFI interests.

In March 2012, the Shanks Group acquired the assets of a glass recycling business, Van Tuijl Glasrecycling B.V., in the Netherlands, and, in December 2012, the Shanks Group announced that it had been awarded a contract to recycle 15,000 tonnes of glass bottles for the international brewer, Heineken.

In March 2012, the Shanks Group reached financial close on the Barnsley, Rotherham and Doncaster PFI contract.

In January 2013, the Shanks Group signed a 25 year PFI contract with Wakefield council to build a residual waste treatment facility at South Kirby in the UK to treat and recycle waste from the Wakefield District.

In April 2013, the Shanks Group completed the sale of its joint venture interest in the Leeds-based landfill site, Caird Bardon Limited.

On 31 December 2013, the Shanks Group completed the sale of the majority of its UK Solid Waste business to Biffa Waste Services Limited.

In August 2014, the Shanks Group reached financial close on a 27 year Derby City and Derbyshire County Council PPP contract.

In December 2014, the Shanks Group was selected as the preferred bidder for a 115,000 tonnes Biofuels Processing Facility project in the city of Surrey in British Columbia, Canada, reaching financial close in February 2015.

In February 2015, the Shanks Group signed a binding agreement to acquire a hazardous waste treatment facility in Farmsum in the Dutch province of Groningen.

In December 2015, the Shanks Group completed the sale of its industrial cleaning Wallonia business in Belgium and announced that it had reached full service on its £750 million contract with Wakefield Council.

In January 2016, the Shanks Group acquired PRA B.V., a paper recycling business in the Netherlands.

In February 2016, the Shanks Group completed the sale of 100 per cent. of the subordinated debt and, subject to council approval, 49.99 per cent. of the equity in the financing and infrastructure vehicle (relating to its PFI contract with Wakefield Council to Equitix).

In June 2016, the Shanks Group completed the sale of its ground works operations in Amersfoort, the Netherlands.

In July 2016, the Shanks Group announced its intention to merge with VGG.

In July 2016, the Shanks Group acquired the commercial waste collection operations of the City of Leiden in the Netherlands including the take-over of the complete customer portfolio of over 1,500 customers.

4. ORGANISATIONAL STRUCTURE

Shanks is the holding company of the Shanks Group. Following Completion, Shanks will be the holding company of the Combined Group.

The principal subsidiaries of Shanks are set out in paragraph 9.1(a) Part 15 (*Additional information*). The principal joint operations, joint ventures, associates and other participations of Shanks are set out in paragraph 9.1(b) Part 15 (*Additional information*).

4.1 Divisions

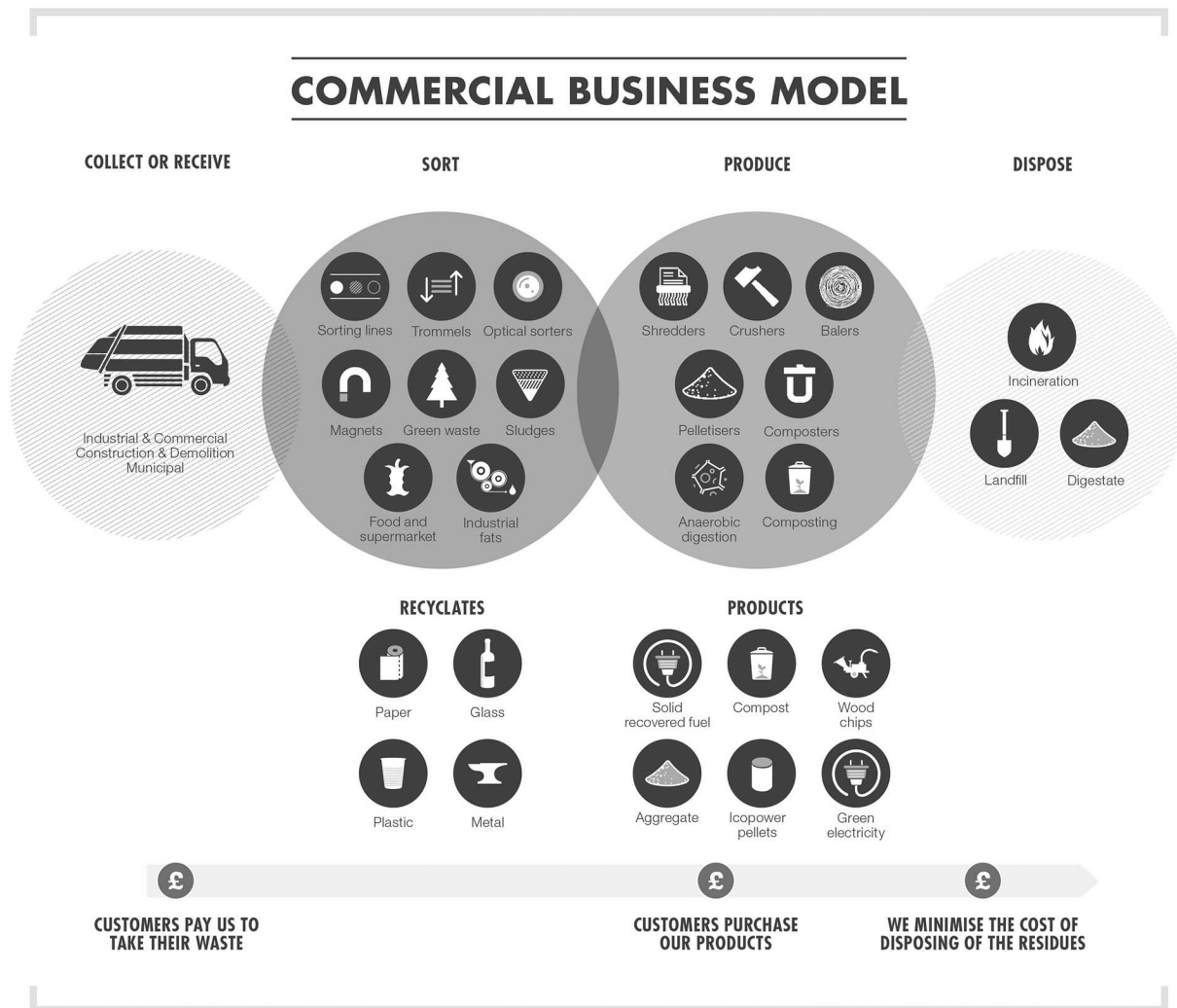
The Shanks Group currently operates as three divisions that reflect its markets: Commercial Waste; Hazardous Waste; and Municipal.

(a) Commercial Waste

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

The commercial waste market covers the collection, sorting, treatment and ultimate disposal of waste materials from a range of sources. The market can be divided into three main sources of waste: C&D, I&C and municipal (save for where it is tied up in a long-term PFI-type contract). The businesses operated in the Netherlands and Belgium each have a different profile in terms of the source of waste. In addition, the Commercial Waste division includes organic waste processing assets in Belgium and the Netherlands.

Shanks' business model in this market focuses primarily on the sorting and treatment phases of the cycle. Its customers pay to collect and treat their waste and Shanks generally collects where necessary to secure waste volumes, and disposes only of the residues that it is unable to convert into a reusable product or recycle. In this way, Shanks is able to 'make more from waste' both environmentally and economically. In line with sources of waste indicated above, Shanks' customers are C&D companies, I&C companies and municipalities.



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

In Ghent, solid recovered fuel (“SRF”) is produced to create a clean fuel for incinerators or cement kilns. C&D waste passes through heavier duty processes, including stone crushers to produce rubble. Shanks’ Icovia site in the Netherlands further processes specifically collected (dry) commercial waste into high

calorific ICOPOWER® pellets which can be used in power stations or cement plants. Shanks also operates businesses that focus on mono-streams, such as glass (Van Tuijl), wood (Shanks Wood Products) and paper and cardboard (Kluivers). The Commercial Waste division further operates a number of composting and AD facilities to process organic waste. It also operates a hazardous waste business in Belgium, one landfill in each country and a sand quarry in Belgium.

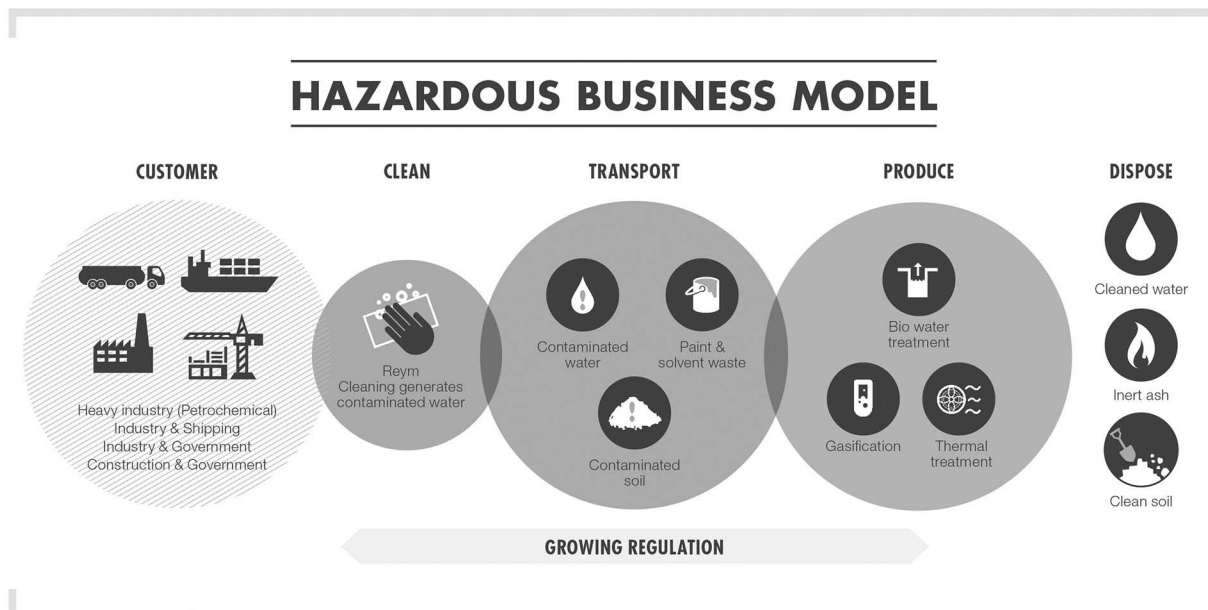
The key products are as follows:

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

Recycling rates for the Commercial Waste division in the year ended 31 March 2016 were over 75 per cent. and over 95 per cent. for the C&D businesses. The Commercial Waste division also has a minority share, along with other leading waste companies, in an incinerator in Wallonia.

(b) Hazardous Waste

The Hazardous Waste division is made up of two businesses: Reym and ATM.



(i) Reym

Reym is a leading industrial cleaning company in the Netherlands. Reym also takes the leading role in promoting the Shanks Total Care solution (cleaning, transport and waste management) for heavy industry, petrochemical sites, oil and gas production (both on and offshore) and the food industry. Reym’s highly experienced and trained cleaning teams use specialist equipment to deliver a reliable and safe cleaning process in a market where the cost of safety and quality is of paramount importance.

The Reym business operates bespoke and specialised cleaning equipment in order to serve its clients. These include trucks for onshore work and specialist transportable units for offshore work. The solutions use ultrasonic cleaning, high pressure cleaning, vacuum cleaning, chemical cleaning and decontamination. Liquid waste streams (including those created by the cleaning process) can be collected and transported to one of Shanks’ waste treatment facilities. Reym operates a fleet of over 150 vehicles and units from sites across the Netherlands. Most of these sites are also equipped and licensed for treating hazardous waste. Contaminated soil can be cleaned by washing or can be treated thermally (depending on contamination levels). Shanks operates a thermal treatment facility with over one million tonnes of capacity as at 31 March 2016.

(ii) *ATM*

ATM is one of Europe's largest sites for the treatment of contaminated soil and water, as well as for the disposal of a broad range of hazardous waste such as waste paints and solvents. ATM is a leader in water and soil treatment because of: the cost advantages provided by its fully integrated plant processes; its waterside location for the cleaning of ships; and its excellent record of compliance with the many environmental controls and permits required in the hazardous waste market.

The ATM unit passes contaminated soil through a kiln in order to produce clean and reusable soil, with the effluent gases being carefully scrubbed of all contaminants. Contaminated water is removed from ships at Shanks' jetty at ATM or delivered by trucks, which can themselves then be cleaned on site. The water is put through a decanter to remove solids and oils; it is then treated in five biological treatment tanks in which bacteria clean the contaminants and produce clean water. Paint and solvent waste, along with sludges removed from the contaminated water, is treated in a gasification process to produce largely inert ash.

Customers active in the oil and gas sector (both offshore and onshore) represent over half of the revenue of the Hazardous Waste division.

(c) *Municipal*

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

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

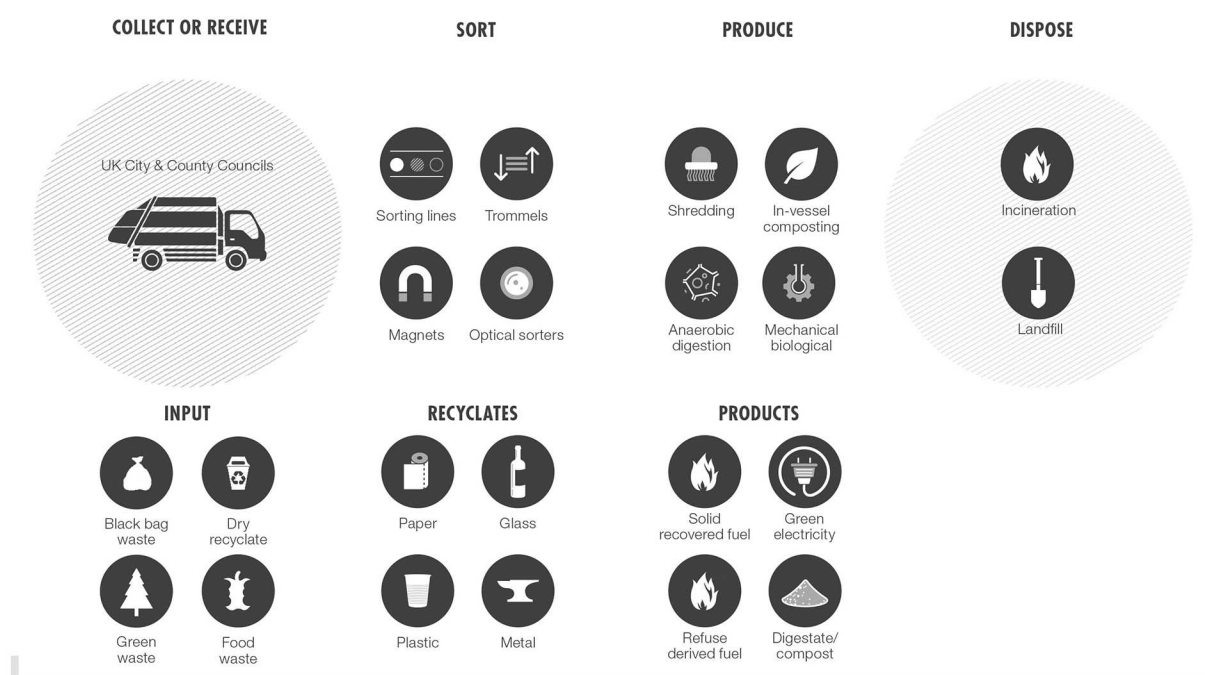
In the UK, the capital cost of the associated infrastructure is financed with non-recourse bank debt and in the case of PFI, is supported by central government funding. Both PFI and PPP contracts benefit from guaranteed revenue and tonnages from the associated council. The business model is shown in the graphic overleaf. In a typical PFI or PPP solution, a special purpose vehicle ("SPV") is created to finance the construction of the treatment assets and Shanks arranges for a club of banks to provide funding. Securing this funding is called 'Financial Close', at which point all the long-term contracts are signed between Shanks, the councils, the suppliers and banks. This signals the start of the build phase, in which Shanks may or may not be the main contractor. On completion and commissioning of the assets, Shanks will generally inject up to 20 per cent. of the invested capital of the SPV in the form of subordinated debt, which may earn a return of around 12 per cent. pre-tax.

Once operational, there are two potential income streams from the PFI or PPP contract. The first is the income for treatment of the waste under the operating contract, which is signed with Shanks as the supplier. Success relies not only on strong operational management of the contract and the meeting of strict diversion targets, but also on working closely with the customer to identify improved ways of managing the waste, to a shared benefit. The operating contract offers the Shanks Group protection from waste volumes and similar items that have caused challenges within the Commercial Waste division.

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

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

MUNICIPAL BUSINESS MODEL



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

4.2 Divisional financial summary

The following table sets out the revenue and trading profit by division from continuing operations for each of the years ended 31 March 2014, 2015 and 2016.

	Revenue (£ millions)			Trading profit (£ millions)		
	As at 31 March			As at 31 March		
	2014	2015	2016	2014	2015	2016
<i>Operating segment</i>						
Commercial Waste	342.3	314.2	297.3	21.8	14.0	15.4
Hazardous Waste	148.2	138.0	136.2	19.9	16.4	15.6
Municipal	152.6	156.6	187.7	11.2	11.3	9.4
Inter-segment revenue	(9.7)	(7.4)	(6.4)	—	—	—
Group central services	—	—	—	(7.3)	(7.4)	(7.0)
Total	633.4	601.4	614.8	45.6	34.3	33.4

For further information, please refer to Part 10 (*Historical financial information of the Shanks Group*) and Part 12 (*Operational and financial review of the Shanks Group*).

5. MARKET AND COMPETITIVE ENVIRONMENT

5.1 Commercial Waste Benelux market

The largest segment in the Dutch market is C&D. This segment was negatively impacted by the Eurozone recession. The market is believed to have contracted by over 12 per cent. in 2013 and 2014. The contraction of the Dutch residential real estate market was due in part to austerity measures by the Dutch government that reduced infrastructure spend and greater funding challenges in the residential market. Having reached 60 year lows by the end of 2014, the market started to grow again in 2015, led by the residential sector, and has continued to grow in the first half of 2016.

The Dutch I&C sector expanded by 0.8 per cent. in the year ended 31 March 2015. Manufacturers have been taking measures to reduce their waste volumes and waste disposal costs. The fall in waste volumes since the credit crunch began coupled with the commissioning of new incinerator capacity for a period has created a significant incinerator over-capacity. The incinerators receive residues after recycling but also receive waste directly from those who do not wish to recycle. The over-capacity caused incinerator 'spot market' gate fees to roughly halve from €100 per tonne five years ago, with consequent price pressure on the gate fees of the recycling companies. By the year ended 31 March 2015, the incinerators have largely addressed their lack of capacity by importing waste from the UK and other markets, such that gate fees started to rise and the Shanks Group believes that there is little spot capacity remaining in the market.

Lower volumes of waste had a significant consequential impact on the pricing of incoming waste. Lower global recycle prices and lower demand for wood chips, paper and metals added to the economic pressure.

In the year ended 31 March 2016, there was some long-awaited stability and pockets of growth in Shanks' end markets. In particular, the construction market in the Netherlands grew by 3 per cent. after a number of years of severe contraction. This was primarily led by growth in residential construction, with broadly flat conditions in commercial and infrastructure construction.

While this return to growth is welcome, it remains fragile, not least because many of the larger Dutch construction companies are still recovering from the impact of the recession. The Dutch commercial market saw some recovery in pricing on the back of rising incinerator gate fees and the introduction of a €13 per tonne incinerator tax. This is expected over time to have a modest positive second order impact on Dutch recycling rates.

Much of the Belgian solid waste market is in public ownership. The key segmentation in Belgium is between the three regions of Wallonia, Flanders and Brussels; each market operating with a high degree of independence from an environmental legislation point of view. The Shanks Group considered the general waste market in Belgium to be stable in year ended 31 March 2015. The Belgian market remained broadly flat at relatively depressed levels, especially in Wallonia which has experienced long-term structural decline in industrial activity. Changing waste tax rates across Belgium also caused some firming of prices from July 2015.

Recyclate markets proved more challenging in the face of the macroeconomic weakening of commodity prices towards cyclical lows. Metal prices fell sharply in the second half, with ferrous metal pricing falling by 40 per cent. in the second half of the year ended 31 March 2016. There was also significant pressure in paper pricing and some disruption to the supply/demand balance in the glass and wood segments that was partially offset by pricing adjustments.

The market leaders in the Benelux commercial waste market are VGG, Sita (now Suez) and the Shanks Group. Nevertheless, the market remains highly fragmented, with many small-to-medium-sized operators putting pressure on pricing.

5.2 Hazardous Waste market

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

The oil and gas sector represents over half of the revenue of the Hazardous Waste division. The slump in oil price in 2016 has had significant second order impacts on the productivity and profitability of the Reym cleaning division, on profitable sludge volumes into ATM and on the value of waste oils produced during treatment. This has been exacerbated by reductions in gas production in the northern Netherlands. Shanks

believe that these impacts are largely short to medium term in nature and will reverse in due course, possibly with pent-up demand.

On a longer-term basis, activity in the Benelux region has stabilised in the last year and Rotterdam has continued to remain busy with growth in waterside waste volumes during the year. The volume of contaminated soil available for treatment in Europe has continued to be affected by the budgetary constraints of governments. This has resulted in continued downward pressure on volumes available and hence on pricing. However, the long-term pipeline remains sound, with many sites earmarked for brownfield redevelopment. Short-term decreases in the volume of soil available are offset by volumes of tar containing asphalt grit as a result of a successful industry lobbying campaign to have this material, produced during road surface replacement, treated within the Netherlands, albeit at lower pricing.

5.3 Municipal market

In the United Kingdom, the market for major PFI/PPP opportunities is largely complete, with only Shanks' Derby project under construction. Some councils are still seeking a solution to their waste diversion needs, which may include contracting spare capacity in existing assets.

The Canadian market is still in a phase of growth, with many municipalities yet to invest in infrastructure required to divert waste, especially organic waste, from landfill.

6. EMPLOYEES

For the year ended 31 March 2016, Shanks employed an average of 3,446 people. The following tables set out the average number of Shanks' employees by reportable segment for the years ended 31 March 2014, 2015 and 2016:

	Years ended 31 March		
	2014	2015	2016
<i>Reportable segment</i>			
Commercial Waste	2,118	2,105	2,012
Hazardous Waste	766	789	783
Municipal	591	592	631
Group Central Services	16	20	20
Total continuing operations	3,491	3,506	3,446
Solid Waste UK	240	0	0
Total	3,731	3,506	3,446

7. REGULATORY ENVIRONMENT AND POLICY

Waste and resources companies operate under strict environmental regulation. Each of the Shanks Group's operations has permits which regulate how they operate, governing aspects such as the waste types and amounts they can accept, emissions and the nature of the treatment, recovery and other activities. Failure to comply with permit requirements can result in the restriction or removal of a site's permit to operate.

In the European Union, the level of environmental regulation is high; however, unlike trade regulations, there are no common standards for waste management. EU legislation on waste sets minimum standards which Member States must meet; however, they are free to exceed these standards in order to follow their own political and environmental agendas. The result is that, within the European Union, national regulations differ and there is no single market.

Within each national market, a further distinction may be made between "collection, transfer and recycling" and "treatment and disposal". Historically, the former has had low barriers to entry and the latter has had high barriers to entry.

National markets may also be split between the industrial and commercial sector and the municipal sector. In most EU Member States, municipalities have a statutory duty to deal with household waste, which they either do themselves or through private sector contractors. They have no such duty in respect of industrial and commercial waste.

The Shanks Group has well developed risk management processes and systems to ensure it remains compliant with its legal responsibilities and permit conditions, and is well-placed to ensure continued compliance and to maximise the opportunities that changes in legislation present.

A significant majority of the Shanks Group's operations are in the European Union, where the principle legislation includes:

- Waste Framework Directive (2008/98/EC)—the key EU directive regulating waste. The underlying policy objective of this directive is to make the European Union a recycling society that seeks to prevent waste and, where waste cannot be prevented, to use it as a resource. It sets minimum energy recovery criteria and introduces statutory recycling targets for Member States to achieve by 2020: 50 per cent. preparing for re-use and recycling of municipal waste and 70 per cent. preparing for re-use, recycling and other recovery of construction and demolition waste. Every three years, Member States shall report to the European Commission on their record with regard to meeting the targets. If targets are not met, this report shall include the reasons for failure and the actions the Member State intends to take to meet those targets. In 2013, the European Commission announced a consultation on the revision of the targets in the directive.
- 'List of Wastes' Decision 2000/532/EC—a clear and accurate description of a waste is important for deciding whether, and how, it is regulated. This decision establishes the classification system for wastes, including a distinction between hazardous and non-hazardous wastes. The decision is implemented at national level.
- Landfill Directive (1999/31/EC)—biodegradable waste in landfill is a major source of methane emissions to the atmosphere. Methane is a potent greenhouse gas with 25 times the impact of a carbon dioxide emission of the same mass. A key objective of this directive is to prevent, or reduce as far as possible, the negative effects on the environment from the landfilling of waste, by introducing stringent technical requirements for waste and landfills. This means preventing the pollution of surface water, groundwater, soil, air and the global environment (including climate change) and any resulting risks to human health.
- Landfill tax—Landfill tax is payable in connection with waste disposed of at a licensed landfill site and is designed to encourage businesses and the public sector to produce less waste and find alternative ways to manage waste (such as recycling and energy from waste plants). As at January 2015, landfill tax in the Netherlands was set at €13 per tonne. In the UK, the June 2010 Budget confirmed that the standard rate of landfill tax would rise by £8 per tonne on 1 April each year up to and including 2014. It also announced a floor under the standard rate so that the rate would not fall below £80 per tonne from April 2014 to at least 2020. Budget 2014 and 2015 announced that, on 1 April 2015 and 1 April 2016, the standard and lower rates would increase in line with inflation (based on the RPI), rounded to the nearest 5 pence. Landfill tax applied across the UK until 1 April 2015 when it was devolved in Scotland. In March 2016, the Welsh government confirmed that it is using its devolved powers to replace the existing UK-wide landfill tax with landfill disposals tax for Wales, from April 2018.
- Industrial Emissions Directive (2010/75/EU)—aims to prevent or reduce emissions to air, land and water from industrial installations. This directive requires installations within its scope to operate under a permit, aims to achieve a high level of protection of the environment as a whole, and strengthens the use of best available techniques.
- Shipments of Waste Regulation (EC) 1013/2006—applies to all international waste shipments for all purposes. This regulation regulates the movement of waste based on (i) the type of waste, that is, whether it is hazardous or not; (ii) whether the waste is being shipped for disposal or recovery purposes; and (iii) the destination country of the waste.
- 'PRF' Directive 2000/59/EC—aims to reduce the discharges of ship-generated waste and cargo residues into the sea, especially illegal discharges from ships using ports in the European Union, by improving the availability and use of port reception facilities. This directive is instrumental in achieving the objective of zero waste maritime traffic, as defined in the Commission Communication on the European Union maritime transport policy until 2018.
- Communication: Closing the loop—An EU action plan for the circular economy—in late 2015, the European Commission, as part of its revised circular economy and green employment initiative, adopted this communication which sets out a range of revised policy measures and actions to move the European Union towards a circular economy that aims to keep the added value in products for as

long as possible, eliminate waste and achieve sustainable growth. The package includes four interconnected draft directives that set out complex amendments to EU waste legislation, including the following proposals:

- (i) a common EU target for recycling 65 per cent. of municipal waste by 2030;
- (ii) a common EU target for recycling 75 per cent. of packaging waste by 2030;
- (iii) a binding landfill target to reduce landfill to maximum of 10 per cent. of municipal waste by 2030;
- (iv) a ban on landfilling of separately collected waste (potentially recycles);
- (v) promotion of economic instruments to discourage landfilling;
- (vi) simplified and improved definitions and harmonised calculation methods for recycling rates throughout the European Union;
- (vii) concrete measures to promote re-use and to turn one industry's by-product into another industry's raw material;
- (viii) economic incentives for producers to put greener products on the market and support recovery and recycling schemes, for example, for packaging, batteries, electric and electronic equipment, vehicles; and
- (ix) measures to tackle marine pollution of all kinds, including marine litter.

This is fully aligned with the Shanks Group's declared strategy and direction of movement.

The Shanks Group is also subject to relevant Canadian legislation, at both the federal and province level, in respect of its Canadian operations.

8. INTELLECTUAL PROPERTY

Shanks has registered EU and Canadian trademarks to protect its principal trademark and logo "Shanks, making more from waste".

While other branding materials such as slogans, colours and designs are not registered, some protection may be afforded by unregistered design rights, unregistered trademarks and copyrights. The Shanks Group has not and does not expect to rely on patent protection or seek patent licences.

The key websites for the Shanks brand all have current domain name registrations held by or on behalf of the Shanks Group.

Following Completion, the Combined Group intends to trade under a new brand and Shanks intends to seek EU trademark protection for the relevant intellectual property of the Combined Group.

9. FACILITIES

The Shanks Group's operations are located in the Netherlands, Belgium, the United Kingdom and Canada. The Shanks Group is headquartered in the United Kingdom.

For further details of the Shanks Group's facilities, see paragraph 10.1 of Part 15 (*Additional information*).

PART 6—INFORMATION ON THE VGG GROUP

1. OVERVIEW

Founded in 1964, the VGG Group is a leading waste management service provider, recycler and supplier of high-quality secondary raw materials in Europe through collection, processing and treatment of commercial and residential waste. VGG is a market leader in its home market, the Benelux region, and also operates in Germany, France, Portugal and Hungary. The VGG Group is headquartered in Eindhoven, the Netherlands.

The VGG Group's operations can be divided into two key business segments:

- Waste Collection—comprising the VGG Netherlands and VGG Belgium divisions, which are specialised in the collection, sorting and recycling of commercial, domestic and chemical waste from businesses, households, municipalities and other entities; and
- Recycling—comprising the Coolrec, Maltha and VGG Minerals businesses, which convert specific waste and material streams into high-quality secondary raw materials in the Benelux region, Germany, France, Portugal and Hungary.

In addition to these current business operations, the VGG Group is involved in new initiatives and partnerships as part of its 'waste no more' vision to improve the recovery grade and quality of secondary raw materials and to take on a leading role in the transformation to a circular economy.

During 2015, the VGG Group maintained its position as a European leader in the waste services and recycling sectors, despite challenging markets through a strategy that focused on implementing cost savings and performance improvement measures within the business. In addition, in 2015, the VGG Group undertook a debt restructuring and sold its non-core collection subsidiaries in Poland, the Czech Republic and France.

2. STRENGTHS AND STRATEGY

2.1 Key strengths

The Directors believe that the VGG Group has a number of strengths and competitive advantages that are key factors in the further development of VGG's business. These include, but are not limited to:

- a focus on achieving growth in the supply of high-quality raw materials streams and the further development of its sorting and recycling activities;
- optimising and developing the operations in the Benelux market based on a large and diversified customer base and high density footprint;
- an efficient full service operating platform with a continuous improvement mind-set;
- market leading recycling capabilities in glass, WEEE and minerals;
- a customer oriented and service driven organisation valued by its customers with high customer satisfaction scores;
- developing innovative circular customer propositions and business models with supply chain partners in relation to waste management and recycling; and
- a dedicated organisation with skilled employees, passionate about their role within society.

2.2 Strategy

The Directors believe that the VGG Group's vision of 'waste no more' enables the VGG Group to play a leading and connecting role in the waste-to-product value chain through working with customers, suppliers and other supply chain partners on an ongoing basis to build cycles and create environmental and economic value from waste.

Manufacturers are increasingly using secondary raw materials in their production processes, as the quality of these materials is on a par with that of primary materials. The Directors expect this trend to continue with a growing number of these customers demanding high-quality secondary raw materials and fuels in the future.

As a result, the VGG Group's strategy is to continuously invest in the transformation from a waste collection company to a supplier of high-quality secondary raw materials, thereby playing an active role in the transition towards a circular economy. The VGG Group aims to achieve growth in the supply of high-quality secondary raw materials streams and the further development of its sorting and recycling activities.

The VGG Group's strategy is based on three key pillars:

(a) Profitability

The VGG Group regards financial sustainability as the first step towards ensuring that sufficient income is generated in order to continue sustainable investment. During 2015, the VGG Group has been focused on implementing cost savings and performance improvement initiatives within its business. In line with the VGG Group's strategy of focusing primarily on its home markets in the Benelux region; in 2015, it sold its non-core collection subsidiaries in Poland, the Czech Republic and withdrew from non-core activities, including waste oil treatment. These costs savings and performance improvement initiatives are expected to contribute to revenue and Adjusted EBITDAE improvements in the VGG Group's business segments going forward, as a result of increased operating and cost efficiencies and also the capacity to generate higher quality recycling products which the Directors expect will enable the VGG Group to generate higher prices.

Going forward, the VGG Group is focused on further optimisation and development of its activities in the Benelux region and becoming an even more service- and customer-oriented company. By offering sector-focused and client specific total waste management solutions, the VGG Group aims to strengthen its market share, particularly in respect to large clients which have more complex waste flows, and also to further expand its market share in the small-to-medium-sized enterprises ("SME") segment. Moreover, the VGG Group's aim is to continue to seek optimal ways of collecting and processing of waste flows in collaboration with municipalities and in this way give substantiation to government policy.

(b) Circular economy

The VGG Group has a strategy to develop innovative circular client propositions and business models together with its chain partners by supervising the different links in the chain, providing insights into the waste and material flows, looking for optimisation in the entire chain and by building bridges between chain partners.

The VGG Group's strategy involves continuously investing in the transformation from a waste collection company to a supplier of high-quality secondary raw materials thereby playing an active role in the transition towards a circular economy. The VGG Group aims to achieve growth in the supply of high-quality secondary raw materials streams and the further development of its sorting and recycling activities. The Directors believe that policy changes and societal trends towards generating less waste and relying more heavily on recycled materials may present growth opportunities for the VGG Group's Recycling segment considering its proposition to the market and its position in the waste value chain as a solution provider, recycler and producer of high-quality secondary raw materials.

The broader societal trend towards waste prevention has also been reflected in direct regulation and taxation of the waste management industry, which has been and is expected to remain to be a key focus of policy makers in Europe. Whereas compliance with such regulations and policy reforms may require significant expenditure by the VGG Group, the Directors believe that such measures may drive further demand for recycling capacity and present growth opportunities for its Recycling segment.

For example, the Directors believe that the EU Circular Economy package, which encourages recycling and reuse as well as several important directives affecting operators in the waste management industry which have been adopted by the European Union in recent years, including WEEE and the Waste Framework Directive, are likely to result in higher market demand for secondary materials, and in the market for those materials becoming more competitive and mature, with more focus on quality. In the Netherlands, for example, the government has declared that for household waste the target is that 65 per cent. of waste should be recycled by 2020; for government agencies the target is 75 per cent. The Directors expect this trend to continue in the future, particularly in the Benelux region.

In addition, recent legislation enacted in Belgium encouraging the sorting of waste by requiring businesses to have subscriptions with a waste service provider for the separate collection of specific waste streams has resulted in increased new contracts for the VGG Group in Belgium and increased volume.

(c) Social innovation

The VGG Group aims to involve employees of all layers in the organisation in developing solutions to further optimise processes, making maximum use of the specific knowledge of people. Externally, the VGG Group aims to engage with clients, suppliers, and partners and as part of the society in which it operates, for example by providing a place to work for people with a distance to the labour market.



In order to deliver this circular economy strategy the VGG Group aims to:

- continuously improve performance in terms of recovering raw materials from waste streams and residuals;
- further improve its positive environmental footprint in the raw materials value chain by recovering larger quantities of raw materials while simultaneously reducing its environmental footprint (such as improving fleet efficiency and reducing truck carbon emissions);
- improve its position as a market leader in the Benelux region and its leading positions in recycling operations (glass and WEEE) across Europe;
- improve profitability through more efficient waste collection and by utilising sorting and recycling stations as efficiently as possible;
- achieve long-term profitability based on a steady cash flow, with sufficient room for investments in future and sustainable development and a stable return on investment; and
- be valued by customers for the quality of its services, achieving an average rating out of 10 of 8.5 in respect of the performance of its truck drivers and an average rating of 8.4 in respect of operational performance in the customer satisfaction survey.

3. HISTORY

The VGG Group started in 1964 when Leo van Gansewinkel founded a waste conveying and processing plant in Maarheeze, near Eindhoven, the Netherlands and, in 1968, the VGG Group opened a waste

services and container company in Belgium. The VGG Group has continued to grow over the years, primarily through acquisitions.

In 2000, VGG acquired a 67 per cent. stake in Maltha Groep B.V. BSN Glass Pack currently holds the remaining stake, which it purchased from American company Owens-Illinois in 2004.

In 2003, Maltha Groep B.V. acquired the Portuguese company, Vidrociclo.

In 2007, a consortium consisting of funds advised by Kohlberg Kravis Roberts & Co. and CVC Capital Partners and the Dutch Oranje Nassau acquired the VGG Group. The transaction also included a merger between VGG and waste processor AVR.

In 2011, VGG acquired the Belgium collection and recycling activities from French group, Veolia Environment, expanding the VGG Group's customer base and number of employees.

In 2012, Coolrec, the VGG Group's WEEE recycling business, acquired RDE Rücknahmen Demontagen Elektronik-Recycling GmbH, a business based in Germany.

In 2013, the VGG Group sold AVR to a consortium controlled by the Cheung Kong Group consortium for €944 million.

On 7 May 2015, Van Gansewinkel International B.V. completed the sale of the VGG Group's waste collection business in the Czech Republic to AVE CZ odpadové hospodářství s.r.o.

In the first half of 2015, members of the VGG Group completed the sale of the assets of the Dutch oil containing waste streams and warehousing business to Wubben Handelsmaatschappij B.V.

In mid-2015, CVC Capital Partners and Kohlberg Kravis Roberts & Co. entered into a financial, debt and corporate restructuring by way of English law schemes of arrangement under which shares in Van Gansewinkel Netherlands 4 B.V., the direct shareholder of VGG, were transferred to the creditors of the company, comprising approximately fifty financial institutions.

In September 2015, Van Gansewinkel International B.V. and VGG (as guarantor) completed the sale to Remondis Sp. z o.o. of VGG Polska spółka z ograniczoną odpowiedzialnością and its subsidiaries.

On 31 December 2015, VGG completed the sale to Paprec France in respect of Van Gansewinkel France, and its subsidiary Gibert Recyclage.

4. ORGANISATIONAL STRUCTURE

On 14 July 2015, the shares of Van Gansewinkel Netherlands 4 B.V., the direct shareholder of VGG, were sold to VGG's syndicate of lenders. Until 14 July 2015, the majority of shares were indirectly held by funds managed by CVC Capital Partners and Kohlberg Kravis Roberts & Co. As of 14 July 2015, the ultimate parent of VGG is VGG Topco 1 SCA and VGG is the holding company of the VGG Group. Following Completion, VGG will be a wholly-owned subsidiary of Shanks Netherlands Holdings B.V.

The principal subsidiaries of VGG are set out in paragraph 9.2(a) Part 15 (*Additional information*). The principal joint operations, joint ventures, associates and other participations of VGG are set out in paragraph 9.2(b) Part 15 (*Additional information*).

4.1 Divisions

The VGG Group currently operates through two divisions that reflect its markets: Waste Collection and Recycling. Waste Collection can be further divided into the VGG Netherlands and VGG Belgium segments while Recycling comprises the Coolrec (WEEE), Maltha (glass) and VGG Minerals segments.

(a) Waste Collection

The Waste Collection division, comprising VGG Netherlands and VGG Belgium, specialises in waste management, collection and sorting, material flow management and logistical systems. It collects and transports waste from households, businesses and other entities in the Netherlands and Belgium to treatment and processing locations. The VGG Benelux business provides a waste management solution and also processes the waste collected into secondary raw materials or energy source.

The Waste Collection division completed a turnaround programme in its waste collection business between 2012 and 2014 in order to deliver sustainable productivity improvements and lower the cost of operations. In 2015, it made a significant investment in processing lines with the view to enable the Waste Collection

division to recover more raw materials from waste. In 2015, 93.1 per cent. of the waste collected by the Waste Collection division was utilised by being transformed into secondary raw materials (65.3 per cent.) or into energy (27.8 per cent.) in a dedicated energy-from-waste facility.

The Waste Collection division's activities can be classified into five main categories:

- Commercial activities: commercial waste collection via transport containers, loading containers and (semi) underground containers. Waste collected through these methods includes combustible waste, (confidential/Destra) paper and cardboard, glass, construction and demolition waste. The VGG Group becomes owner of most of the collected waste.
- Domestic activities: residential waste collection in the Netherlands through municipal contracts obtained through tender processes and as partnerships (PPP contracts) and Belgium through municipal contracts obtained through tender processes.
- Processing activities: transportation of collected waste to a dense network of transfer stations, where waste is sorted, bulked, stored temporarily and transported to the VGG Group's own recycling plants, after which it is directly sold as secondary raw materials or transported to third party "Energy from Waste" facilities.
- Chemicals activities: collection of hazardous waste with pallet and tanker trucks from central chemical depot ("CCD") locations in the Netherlands and Belgium. Most of the hazardous waste is transported directly from the client to a waste processing location, however when considered beneficial, waste is transported to the CCD locations where the hazardous waste is sorted, bulked, stored and transported to processing facilities. In addition, the Waste Collection division's chemicals activities also include intercompany waste collection services, and have a unique specialised processing unit for the treatment of specific fluid hazardous waste stream.
- Other activities: additional activities that support the transition towards circular material provision, including consulting and the office waste management service.

(b) Recycling

The Recycling division converts waste into secondary raw materials that are supplied throughout Europe. The Recycling division includes:

- Coolrec: A market leader in the Benelux region for WEEE recycling. Coolrec operates seven processing sites with locations in the Netherlands and Belgium, as well as France and Germany, and is also active in the recycling of the material streams that come out of WEEE recycling, such as plastics and non-ferrous metals.
- Maltha (67 per cent. shareholding): One of the largest recyclers of packaging and sheet glass in Europe, recycling more than one million tonnes of glass each year. Maltha operates specialised facilities throughout Europe (three sites in the Benelux region, three in France, one in Portugal and one in Hungary), to which recycling schemes, collection companies and other disposers deliver their waste streams. Maltha recycles this glass waste into clean and controlled high quality cullet (bottle glass and flat glass), and supplies these high quality raw materials to various glass factories and glass wool insulation producers. The remaining 33 per cent. shareholding in Maltha is held by Owens-Illinois, the world leader in glass manufacturing, which is also Maltha's largest customer for the glass cullet it produces.
- VGG Minerals: The VGG Group operates three active landfill sites in the Benelux region, including a specialised landfill for dangerous waste and naturally radioactive material, and involved in the cleaning and recycling of contaminated soils and mineral residues in four locations in the Netherlands.

4.2 Divisional financial summary

The following table sets out the revenue and Adjusted EBITDAE by division for each of the years ended 31 December 2013, 2014 and 2015.

	Revenue (€ millions)			Adjusted EBITDAE ⁽⁵⁾ (€ millions)		
	Year ended 31 December			Year ended 31 December		
	2013 ⁽¹⁾	2014	2015 ⁽²⁾	2013 ⁽¹⁾	2014	2015 ⁽²⁾
<i>Operating segment</i>						
Waste Collection	805.3	769.2	760.5	94.8	70.9	57.0
Recycling	175.0	165.8	165.7	26.2	24.2	20.2
Group Support ⁽³⁾	13.2	12.9	13.3	(4.8)	(4.4)	(3.2)
Inter-segment ⁽⁴⁾	(36.5)	(25.2)	(24.7)	—	—	—
Total	957.0	922.7	914.8	116.2	90.7	74.0

(1) Excludes the results of AVR, which was disposed of in 2013.

(2) Includes the results of the VGG Group's subsidiaries in France, Poland and the Czech Republic, which were disposed of in 2015.

(3) Group Support mainly includes revenues related to external real estate rental income.

(4) Inter-segment revenue represents revenue generated from dealings between the segments within the VGG Group.

(5) EBITDAE in relation to the VGG Group is defined as the VGG Group's Adjusted EBITDA for a given period, adjusted to show the result before the impact of certain items that the VGG Group considers to be non-recurring and exceptional items.

For more information see Part 9 (*Operating and financial review of the VGG Group*) and Part 11 (*Historical financial information of the VGG Group*).

5. BUSINESS DEVELOPMENT

Through continuously investing in the organisation and developing new initiatives the VGG Group aims to optimise its service offering and business processes in its transformation from a waste collection company towards a supplier of high-quality secondary raw materials.

5.1 Recent investments

(a) Waste Collection

In order to continue offering a high quality service to its customers, the VGG Group acquired 500 new containers and modified approximately 400 old containers in the year ended 31 December 2015 at a cost of €5.8 million. The VGG Group also invested in 13 additional vehicles for its industrial services activities. The VGG Group also supports its drivers with practical Eco+ tools for efficient and sustainable driving.

(i) VGG Netherlands

The VGG Group constructed a completely new, modern, waste-sorting line in Amsterdam at a cost of approximately €2.2 million, which has been operational since December 2015. The line was designed to sort paper, cardboard and foil from mixed waste streams more easily and to improve the quality of reclaimed wood, metal and construction waste. This new sorting line capable of processing 150,000 tonnes of waste each year.

(ii) VGG Belgium

In Belgium, the VGG Group built a new transshipment and sorting location for industrial waste in Turnhout at a cost of €3.1 million, which opened in April 2015. Since 2 November 2015, a renewed sorting line has also been operational in Puurs. The line was designed in-house and, on the basis of techniques including infrared technology, can more easily separate wood, paper, cardboard, foil, ferrous and non-ferrous materials as well as hard plastic. On an annual basis, the sorting line will process 80,000 tonnes of waste, from which 8,800 tonnes of extra raw materials are currently reclaimed. Within the next two years, the VGG Group targets the volume of reclaimed raw materials in Puurs to rise to 15,000 tonnes. In addition, a swill recycling line (food waste) has been installed in Kampenhout, which processes waste from large kitchens and products past their 'best before' date into a high quality mix which can be used in,

amongst other things, digesters. VGG Belgium also brought a new sorting line into operation in Châtelet at the end of 2015. This line will recover raw materials such as paper/cardboard, stone, metal and plastic. The aim is to have the new line process about 25,000 tonnes of waste, whereby 57 per cent. of the waste will be recycled as new secondary raw materials.

(b) Recycling

(i) Coolrec

Coolrec has invested in new machinery to more easily recover aluminium and separate non-ferrous materials from heavier metals, such as copper, bronze and brass. Coolrec also started to implement Navision in Germany, in order to merge all of its locations into the same enterprise resource planning software system.

(ii) Maltha

In 2015, Maltha finalised the construction of a new, state-of-the-art production line at its largest recycling facility in Heijningen, the Netherlands at a cost of €4.3 million. By using a new drying system and incorporating an additional sorting step, the new line makes it possible to remove contamination even more effectively. This will enable Maltha to increase the amount of raw material it recovers from waste glass by 11 per cent. and further improve the quality of the recycled cullet.

5.2 Circular economy initiatives

VGG Minerals is evolving into a secondary raw materials company, through which it markets Forz® building materials, recovered from mineral residuals. Together with cement manufacturer Betonindustrie De Hamer B.V., the VGG Group successfully uses this product in the manufacturing process of cement products such as blocks, tiles and sheets. In addition, Coolrec, Maltha and its partner PV CYCLE are working together as one of the first in the industry in recovering glass, aluminium and foil from the growing market for solar panels.

A growing number of established manufacturers are seeking to partner with the VGG Group. For example, in 2015, Coolrec worked together with various consumer goods manufacturers in efforts to recover their own raw materials at the end of the lifecycle. In addition, the VGG Group has partnered with companies such as AkzoNobel to realize the implementation of innovative technologies like the Waste-2-Chemicals projects based on Enerkem technology in the Netherlands. Within this process residual waste from household is turned into to a base-chemical product (ethanol) for the chemical industry using a specific gasification technology.

The VGG Group also partners with start-up companies to develop and innovate the circular economy. In 2015, the VGG Group supported the Perpetual Plastic Project initiated by Better Future Factory, helping them to achieve their target of creating 100 per cent. recycled filaments for 3D printers.

The VGG Group's most recent partnership is with BinBang, a company that created a purpose-built collection bin to assist consumers in sorting their waste at home. Another one of the VGG Group's partners is Antes, an organisation that provides mental health services to people who qualify as disadvantaged job seekers; Coolrec provides Antes with the employment of these people in dismantling electronic equipment.

As a leading contributor towards a circular economy, the VGG Group wishes to reduce waste and to ensure that waste will only reappear as waste material in recycling processes after several cycles. To promote the reuse of waste products, a partnership was entered into with SuperUse Studios, a pioneering agency in the field of sustainability design. Together with SuperUse, the VGG Group promotes the use of Oogstkaart.nl, being a marketplace for waste materials, into its service package. The VGG Group is now also able to offer its customers the possibility of having specific waste products reused elsewhere with the minimum amount of processing and the maximum retention of value.

5.3 New products and services

Since the beginning of 2016, the VGG Group has developed value propositions for companies in various sectors such as Business Services, the Assembly & Metal Industry, Retail, Healthcare, Construction, the Food Industry, the Chemical Industry, Hospitality & Recreation, Logistics and the Paper Industry. In the course of 2016, these propositions will be refined and included in specific sector development plans.

Furthermore, the VGG Group has invested in its online activities for both lead generation (e-commerce) and customer services. Consequently, a new online platform ‘waste no more’ was launched in 2016.

In 2015, the VGG Group expanded its cooperation with the field marketing agency, ‘Opvallers’, through the introduction of two new waste-collection concepts: ‘ReCycles’ and ‘Waste Waiters’. The ReCycles concept involves the waste being separately collected and delivered by means of a rear carrier tricycle. A Waste Waiter is a person, dressed in a dinner jacket, who walks round festivals and other events with a tray, on which the public can dispose of their plastic, GFT and other waste. During 2015, these initiatives were successfully used to raise people’s awareness, encouraging them to reduce litter and promote waste separation.

To accelerate the transition to a circular economy, the VGG Group was one of the ambassadors of “*the Netherlands Circular Hotspot*”, a programme aiming to place the Netherlands as an international frontrunner within the circular economy. In Belgium, the VGG Group is a business partner in the project “*Flanders Recycling Hub*”, which was launched by the Flanders Institute for Logistics (VIL), the Flemish Public Waste Agency (OVAM), and the Flemish Institute for Technological Research (VITO). The programme links with Flanders’ Materials Programme (VMP) and intends to emphasise the strengths of Flanders’ ports, economy and recycling industry in order to realise a circular economy in Flanders.

6. MARKET AND COMPETITIVE ENVIRONMENT

In the Benelux region, the VGG Group operates in predominantly the same markets as the Shanks Group, as set out in further detail at paragraph 5 of Part 5 (*Information on the Shanks Group*). Accordingly, the market and competitive environment that the VGG Group operate in is similar to the Shanks Group.

The macroeconomic situation in the Benelux region slightly improved in 2015, but remained difficult by historical standards. The wider waste market experienced continued declining volumes and price pressure. Nevertheless, in 2015, the VGG Group’s collection companies and the majority of its recycling companies managed to obtain higher volumes than in previous years. Raw material prices remained volatile and decreased in the second half of 2015 in particular. However, the demand from the market for sustainable solutions to waste issues and secondary raw materials increased.

6.1 Waste collection

In 2015, market volumes in the Benelux region increased compared to 2014. However, the market remained competitive, with significant price pressure, particularly in the Netherlands. In order to reverse the trend of declining price levels in the collection market, the VGG Group actively engaged in a more competitive pricing policy with fair market rates. Through better customer focus, together with an improved nationwide network, both VGG Netherlands and VGG Belgium were able to grow their customer base in the SME segment. The market conditions for the large accounts segment remained challenging.

6.2 Recycling

In 2015, both Coolrec and VGG Minerals achieved volume growth by, amongst other things, entering into new contracts or extending existing ones. However, Maltha recycled lower volumes, mainly due to the start-up of the new factory in Heijningen and lower imports of waste glass from the United Kingdom to its operation in Portugal. Furthermore, the recycling business was affected by lower and volatile raw material prices; especially at Coolrec, where metal and plastic streams showed significantly lower prices compared to 2014.

(a) Coolrec

WEEE is currently considered to be one of the fastest growing waste streams in the European Union, growing at 3-5 per cent. per year. WEEE contains diverse substances that pose considerable environmental and health risks if treated inadequately. On the other hand, the recycling of WEEE offers substantial opportunities in terms of making secondary raw materials available on the market.

EU legislation promoting the collection and recycling of such equipment provides for the creation of collection schemes where consumers return their used waste equipment free of charge. The objective of these schemes is to increase the recycling and/or re-use of such products. Currently one-third of WEEE in the European Union is being reported by compliance schemes as separately collected and appropriately managed (note some of this might be via destinations outside the Member State of origin). The

Netherlands, Belgium and France have extensive networks for the collection of WEEE organised by compliance schemes to collect consumer WEEE.

Under the EU directive (Directive 2012/19/EU), the collection target is a percentage of all WEEE produced in a country and by 2019, EU member states will be required to collect 65 per cent. of WEEE placed on the market or 85 per cent. of WEEE produced. In the Netherlands, around 88kton of Dutch WEEE is recycled by 9 recyclers in the Netherlands parallel to the 125kton of WEEE collected by the compliance schemes (Wecycle and ICT-Milieu) (source: The Dutch WEEE Flows, 2011 Dutch E-Waste Quantification). The Dutch national (W)EEE Register reported that the total WEEE collected in 2015 was 145,000 tonnes, which represented a recovery rate of 96 per cent. and of which 82 per cent. was recycled. In other locations where Coolrec has operations, such as Belgium and Germany, there is a strong history of WEEE collection in line with the European targets (source: Waste statistics—electrical and electronic equipment, November 2016, Eurostat statistics).

Coolrec operates a total of eight sites across the Netherlands, Belgium, Germany and France. Coolrec offers an integrated international network for the processing of WEEE and recycles electrical appliances and electronic devices such as refrigerators, TVs and monitors, IT equipment and small household appliances. Coolrec recovers and sells high-quality raw materials from these streams, including plastics, ferrous and non-ferrous metals, and other raw materials.

(b) *Maltha*

The European Union is the world's biggest producer of glass with a market share of around one third of total world production. From this glass, approximately 11.3 million tonnes are returned through glass containers and curbside collection as glass waste to glass recycling companies.

Glass production in the European Union has been severely impacted by the economic crisis of recent years. Germany is the European Union's biggest producer (one-fifth of the volume produced), followed by France, Spain, Italy, and the United Kingdom. One of the principal issues for the container glass industry is recycling.

The Netherlands is one of the leading European countries in glass recycling. Both sheet glass and packaging glass is 100 per cent. recyclable and reusable. Sheet glass waste is sourced from renovation and demolition of residential and tertiary buildings (offices, shops, hospitals, etc.). It is estimated that by 2025 the flat glass waste arising from building demolition and renovation in the Netherlands will be approximately 40,767 tonnes for the residential sector and 36,334 tonnes for the tertiary sector (Source: Deloitte Economic study on building flat glass recycling in Europe, April 2016). In respect of packing glass, each year about 80 per cent. of used packaging glass is returned to the manufacturing process, well above the European target of 60 per cent. (Source: Dutch Waste Management Association, Partner in the circular economy, August 2015).

The Netherlands has an extensive glass collection infrastructure, and every municipality has surface or underground containers for clear, green and brown glass or mixed glass collection. For the collection of sheet glass waste, an independent non-profit foundation, Vlakglas Recycling Nederland (VRN), monitors a network of collection points including collections from glass companies, municipal waste recycling centres and temporary collection points. Via a public tender, VRN currently contracts with two treatment facilities based in Belgium, Minerale in Lodelinsart and Maltha in Lommel. Treatment facilities sort and prepare the waste sheet glass into cullet before selling it to the glass and glass wool (isolation) industry); Maltha in particular receives windows and wood frames (PVC frames are bought and treated by another Belgian treatment facility) from the residential sector, and sells its cullet to the following industries (in descending order): bottle glass, flat glass, glass wool (isolation glass), and foam glass industries (source: Deloitte, April 2016).

Maltha is one of the largest glass recycling companies in Europe, with sites located in the Benelux countries, France, Portugal and Hungary, Maltha operates eight specialised processing facilities across five European countries, where it processes both packaging glass and flat (sheet) glass into new raw materials using specialised processing units. The facility processes in excess of 1 million tonnes of glass waste a year. The largest of the company's facilities, located in Heijningen, was fully upgraded recently and is currently one of the most state-of-the-art facilities of its kind in Europe.

(c) VGG Minerals

The core market drivers for the VGG Minerals division are industrial activity in the Benelux region, coupled with construction and site remediation activity across Europe. Industrial waste includes hazardous and non-hazardous waste.

VGG Minerals operates in this specialised sector and is a producer of renewable raw materials and products by recycling mineral residues to produce sustainable construction and secondary raw materials from waste and soil and offering specialised solutions for contaminated waste. VGG Minerals' services include complex sophisticated cleaning techniques and the conversion of selected residuals from which Forz® building materials (sustainable mineral raw materials) are made from the bottom ash released in waste-to-energy plants, among other ingredients. In conjunction with its partners, this recycled product is used in the manufacture of new, sustainable binding agents or products for the cement, concrete and asphalt industry and is also used as a sustainable alternative for the construction of heavy-duty foundations such as container terminals.

For Hazardous Waste that cannot be recycled, VGG Minerals also provides an immobilisation system at its site at Maasvlakte, in which Hazardous Waste is processed and stored safely. At its Braine-le-Chateau site, VGG Minerals processes Hazardous Waste such as asbestos, shredder waste and contaminated soil, and also recycles landfill gas from a capped, organic landfill.

7. EMPLOYEES

For the year ended 31 December 2015, the VGG Group employed an average of 4,181 people (full time equivalents) as well as additional temporary workers (approximately 1,000). The following tables set out the average number of the VGG Group's employees by reportable segment for the years ended 31 December 2013, 2014 and 2015.

	Year ended 31 December		
	2013	2014	2015
<i>Reportable segment</i>			
Waste collection	4,505	3,922	3,560
Recycling	417	376	406
Group support	234	221	215
Total	5,156	4,519	4,181

8. REGULATORY ENVIRONMENT AND POLICY

As the VGG Group operates predominantly in the same markets as the Shanks Group in the Benelux region, the regulatory framework that is applicable to the VGG Group under EU legislation is largely the same as the Shanks Group, as set out in paragraph 7 of Part 5 (*Information on the Shanks Group*).

In addition, the VGG Group carries out various waste collecting, sorting and recycling activities and other waste management activities in the Netherlands and Belgium and recycling activities in other EU member states (through specialised recycling companies, as the case may be).

Some of these activities are subject to permit requirements regulating the VGG Group's operations in Belgium. These requirements may include requirements under environmental permits and related regulations or specific authorizations (e.g. to be issued by local authorities) and/or legislation, such as legislation relating to asbestos or asbestos containing materials, radioactive material, narcotic substances, fertilisers and soil improving substances, and transport regulations). For Belgium, most of these requirements are dealt with on a regional, rather than national, level. As a result, different legislation applies to the VGG Group's operations, depending on the scope of its activities and the region in which these activities are carried out.

In the Netherlands, permit requirements apply to some of the VGG Group's operations, including the obligation to obtain an environmental operating permit for waste processing facilities and a permit for the collection of hazardous waste. Various environmental and waste transportations laws and regulations regulate the VGG Group's operating and impose restrictions to its activities on a national level. As is also the case for Belgium, these laws and regulations, to a large extent, implement EU legislation.

For both Belgium and the Netherlands, these laws and regulations govern aspects such as the waste types and amounts of waste the VGG Group can accept, waste water discharges, protected species, fire safety, separate waste collections, landfill dumps, registration and notifications of waste streams, transport, emissions and the nature of the treatment, recovery and other waste activities. Failure to comply with regulations and permit requirements can result in sanctions, including monetary fines and/or the restriction or withdrawal of a site's permit to operate. For the Netherlands and Belgium, a violation of waste legislation is also considered an (economic) offence and may be prosecuted as such.

If, and to the extent, certain polluting activities (so called 'risk activities') take place or have taken place in the past, transfer of land formalities may apply to VGG's Belgian sites. In the Netherlands, strict laws on the prevention and remediation of soil contamination also apply. These laws could require the VGG Group to conduct soil remediation works.

9. INTELLECTUAL PROPERTY

VGG has registered Benelux, EU and international (France, Poland, Portugal, Slovenia, Slovakia and Czech Republic) trademarks and patents to protect its principal trademark and logos, including "van Gansewinkel" and "Coolrec".

While other branding materials such as slogans, colours and designs are not registered, some protection may be afforded by unregistered design rights, unregistered trademarks and copyrights. The VGG Group has not and does not expect to rely on patent protection or seek patent licences.

The key websites for the van Gansewinkel brand all have current domain name registrations held by or on behalf of the VGG Group.

10. FACILITIES

The VGG Group's operations are located in the Netherlands, Belgium, Germany, France, Portugal and Hungary. VGG is headquartered in Eindhoven, the Netherlands.

For further details of the VGG Group's facilities, see paragraph 10.2 of Part 15 (*Additional information*).

PART 7—DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE

1. DIRECTORS

The Directors of Shanks are:

<u>Name</u>	<u>Position</u>
Colin Matthews	Chairman
Peter Dilnot	Group Chief Executive
Toby Woolrych	Group Finance Director
Eric van Amerongen	Senior Independent Director
Jacques Petry	Non-executive Director
Stephen Riley	Non-executive Director
Marina Wyatt	Non-executive Director

The business address of each Director is Dunedin House, Auckland Park, Mount Farm, Milton Keynes, Buckinghamshire MK1 1BU, United Kingdom.

The management expertise and experience of the Directors are set out below.

Colin Matthews CBE, FREng, Chairman

Colin was appointed to the Board on 7 March 2016 and appointed as Chairman in April 2016. He is also Chairman of the Nomination Committee and member of the Remuneration Committee. Colin currently chairs Highways England Company Limited, formerly the Highways Agency. In his executive career he has been Chief Executive Officer of Heathrow Airport, Hays plc and Severn Trent plc. He has also been Managing Director of Transco and Engineering Director of British Airways. Earlier he worked in the motor industry in Japan and the UK, in strategy consulting and for General Electric in the UK, France and Canada. He has also served as a non-executive director for Mondi plc and Severn Trent plc. Colin is a Fellow of the Royal Academy of Engineering and was awarded the CBE in 2014 for his services to aviation. Colin is a Non-Executive Director of Johnson Matthey Plc.

Peter Dilnot, B.Eng, Group Chief Executive

Peter was appointed to the Board in February 2012. Prior to joining Shanks, Peter was a senior executive at Danaher Corporation, a leading global industrial business listed on the NYSE. He held a number of progressive general management roles including President Danaher Middle East, Group President Emerging Markets, and President EMEA and Asia of its Gilbarco Veeder-Root subsidiary. Before Danaher, Peter spent seven years at the Boston Consulting Group (BCG) in London and Chicago, working with industrial and pharmaceutical clients and was a leader in BCG's global Sales & Marketing Practice. Peter's earlier career, after graduating from RMA Sandhurst, was spent as an officer in the British Armed Forces. He originally trained as an Army helicopter pilot and saw active service with both NATO and the UN.

Toby Woolrych, MA, ACA, Group Finance Director

Toby was appointed to the Board in August 2012. Toby began his career at Arthur Andersen where he qualified as a chartered accountant before becoming Finance Director of Medicom International Ltd, a medical publishing company, in 1992. He joined Johnson Matthey plc as Corporate Development Manager in 1997, going on to become Divisional Finance Director and then Managing Director of one of Johnson Matthey's global speciality chemicals business units. From 2005 to 2008, he was the Chief Financial Officer and Chief Operating Officer at Acta SpA, a renewable energy company, before joining Consort Medical plc as Group Finance Director.

Eric van Amerongen, Senior Independent Director

Eric was appointed to the Board on 9 February 2007 and appointed as Senior Independent Director in July 2007. He is also Chairman of the Remuneration Committee and member of the Audit and Nomination Committees. Eric has wide-ranging European business experience, including in the telecoms, defence and publishing sectors. He holds a number of non-executive and advisory positions. Until January 2008 Eric was a non-executive director of Corus Group plc, a position he held for seven years. Eric is Vice Chairman of the Supervisory Boards of BT Nederland B.V. and Thales Nederlands B.V. and also a Supervisory Board Member of ANWB B.V., Royal Wegener N.V. and Essent N.V.

Stephen Riley, B.Eng, PhD, Non-executive Director

Stephen was appointed to the Board on 29 March 2007. He is also a member of the Audit, Remuneration and Nomination Committees. Stephen is a chartered engineer, having graduated with a First-Class Honours degree in Mechanical Engineering from Liverpool University before completing a PhD. He joined International Power in 1985 as a graduate, before going on to hold senior positions in two UK power stations. In 2000 he was appointed Managing Director of their Australian operations. From January 2004 to February 2011, he was a director of International Power plc, resigning from that Board following the amalgamation of International Power and GDF SUEZ, now ENGIE. Stephen remained as CEO and President of GDF SUEZ Energy UK-Turkey, following his resignation, where he was responsible for plant operations, finance, energy trading and business development until his retirement at the end of 2015.

Jacques Petry, MBA, Non-executive Director

Jacques was appointed to the Board on 30 September 2010. He is also a member of the Audit, Remuneration and Nomination Committees. Jacques is currently Chairman of energy provider Albioma, having held the position of both Chairman and CEO until 1 June 2016. He was Chairman and Chief Executive of SITA and its parent company, Suez Environnement. In 2005 he was appointed Chief Executive of Sodexo Continental Europe and South America. Since 2007 he has advised corporate and financial sponsors, specialising in Infrastructure and Environmental Services investments worldwide. He has extensive international non-executive and executive experience.

Marina Wyatt, MA, FCA, Non-executive Director

Marina was appointed to the Board on 2 April 2013. She is also Chairman of the Audit Committee and member of the Remuneration and Nomination Committees. Marina is a Fellow of the Institute of Chartered Accountants and is currently the Chief Financial Officer at UBM Plc. Following nine years with Arthur Andersen in London and the US, she then joined Psion Plc as its Group Controller and became Group Finance Director in 1996. In 2002 she was appointed Chief Financial Officer of Colt Telecom Plc and joined TomTom as its Chief Financial Officer in September 2005, where she remained until taking up her current position at UBM Plc in September 2015. Marina is a Member of the Supervisory Board at Lucas Bols N.V.

2. SENIOR MANAGEMENT TEAM

In addition to the Executive Directors, each of the following persons are members of Shanks' senior management team ("**Senior Management**"):

<u>Name</u>	<u>Position</u>
Jonny Kappen	Managing Director, Hazardous Waste
Patrick Laevers	Managing Director, Belgium Commercial
George Slade	Group Information Director
Sandra van Halderen	Group HR Director
Michael van Hulst	Managing Director, Netherlands Commercial
Matthew Williams	Interim Managing Director, Municipal

The business address of each member of Shanks' senior management is Dunedin House, Auckland Park, Mount Farm, Milton Keynes, Buckinghamshire MK1 1BU, United Kingdom.

The management expertise and experience of such members of Shanks' senior management are set out below.

Jonny Kappen, Managing Director, Hazardous Waste

Jonny was appointed as Managing Director of the Dutch Hazardous Waste business in 2007. He was appointed to the Executive Committee in July 2012. Jonny has been working for Shanks since 2000 when Shanks took over operations from WMI. He was later appointed Managing Director of Shanks Netherland's Hazardous Waste division in 2007. Jonny started his career as a civil engineer working for Reym in 1979 as a field engineer and he was promoted firstly to Operations Director in 1994 and then to Managing Director in 1997. Jonny is also Chairman of the Industrial Cleaning Foundation—a Benelux Safety Foundation.

Patrick Laevers, Managing Director, Belgium Commercial

Patrick joined Shanks in May 2013 as Regional Director of Shanks' Flanders operations in Belgium. He has over 10 years of experience in the international waste management industry, progressing through various multi-site managerial roles. Prior to his appointment at Shanks, Patrick was a Board Member and Executive Director of waste management and construction company, Group Machiels. He has also held positions at Corus and Tenneco Automotive and has an MBA and a PhD in Engineering.

George Slade, Group Information Director

George was appointed to the Executive Committee on 1 April 2015. George joined Shanks as Group IT Director in 2013 to focus on improving the Shanks Group's IT landscape and developing technology to support and grow the business. In his time at Shanks, he has lead a number of key projects across the business including Commercial Effectiveness and the implementation of a Group-wide collaboration platform. George has a wide range of experience in strategy, M&A, technology, restructuring, process re-engineering and innovation in his years working for a number of blue-chip companies. He has previously held a number of executive positions at IMI plc, BGL Group, Cable and Wireless, Ericsson and Level(3).

Sandra van Halderen, Group HR Director

Sandra was appointed to the Executive Committee on 1 March 2016. Sandra joined Shanks in December 2014 as HR Director of Shanks' Benelux Solid Waste division. After an internal restructure, she was appointed as HR Director of Shanks' Commercial Waste division in the Netherlands. In addition to her deep knowledge of Shanks' business, values, processes and ways of operating, Sandra has a wealth of experience in the HR domain. Prior to her time at Shanks, Sandra held the position of Group HR Director at the international retailer, Action Holdings B.V. In this role she was responsible for 14,500 employees across the Netherlands, Belgium, Germany and France. Prior to her time at Action Holdings, Sandra spent eight years progressing through various HR Director, IT, Legal and Finance roles at Compass Group plc and has also held positions at ISS Nederland.

Michael van Hulst, Managing Director, Netherlands Commercial

Michael was appointed to the Executive Committee in August 2012. Michael has been working for Shanks for almost 20 years and was appointed Managing Director of Shanks Benelux in July 2012, having previously been Managing Director of Shanks Netherlands Holdings B.V. since April 2008. After obtaining a degree in law, Michael started his career at Klok Containers where he gained 5 years extensive experience as Operations Manager. In 1997, Michael continued his career in waste management in Michigan, USA as General Manager at WM International Lansing. Returning to the Netherlands in 1998, Michael became Operations Manager at Icova—the largest of the Shanks Dutch companies. By 2000 he was appointed Managing Director of Icova, leading its development during the past decade.

Matthew Williams, Interim Managing Director, Municipal

Matthew was appointed as Interim Managing Director of the Municipal division and to the Executive Committee in July 2016. Matthew has held a range of appointments at leading European businesses and in a number of sectors including plastics recycling and re-processing steel manufacturing, and industrial packaging. Most recently, Matthew was Managing Director of Belgium-based manufacturing and global sales company, Polycasa.

3. CORPORATE GOVERNANCE

As at the date of this Combined Circular and Prospectus, Shanks complies, and on and following Equity Issue Admission, it will continue to comply, with the UK Corporate Governance Code as published by the Financial Reporting Council (the “**Corporate Governance Code**”). The Board will also take account of institutional shareholder governance rules and guidance on disclosure and shareholder authorisation of corporate events. The Board intends to meet at least six times a year and may meet at other times as required or otherwise at the request of one or more of the Directors.

The Corporate Governance Code sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. The Corporate Governance Code recommends that at least half the board of directors of a UK listed company (excluding the chairman) should comprise “independent” non-executive directors, being individuals determined by the

board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the directors' judgement. It also recommends that a UK listed company's remuneration and audit committees should comprise at least three independent non-executive directors, and that its nomination committee should comprise a majority of independent directors.

The Board is firmly committed to the highest standards of corporate governance. On Equity Issue Admission, the Board will comprise seven members, including the Chairman, four Independent Non-executive Directors and two Executive Directors who are not regarded as independent for the purposes of the Corporate Governance Code. The Board regards Colin Matthews, as Chairman, as independent upon his appointment and regards Jacques Petry, Stephen Riley, Eric van Amerongen and Marina Wyatt as Independent Non-executive Directors for the purposes of the Corporate Governance Code. Eric van Amerongen is Shanks' senior independent director (the "SID"). The SID should be available to Shareholders if they have concerns that the normal channels of the Chairman, Chief Executive Officer or other Executive Directors have failed to resolve or for which such channels of communication are inappropriate.

4. BOARD COMMITTEES

As envisaged by the Corporate Governance Code and the PRA Handbook, the Board has established an Audit Committee, Remuneration Committee and Nomination Committee, each with written terms of reference. If the need should arise, the Board may set up additional committees as appropriate.

4.1 Audit Committee

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing Shanks' annual financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of Shanks' internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board. The Audit Committee will meet at least three times a year at the appropriate times in the reporting and audit cycle and otherwise as required. The Audit Committee currently comprises four of the independent Non-executive Directors: Stephen Riley, Jacques Petry, Eric van Amerongen and Marina Wyatt (Chairman).

4.2 Remuneration Committee

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on Shanks' policy on executive remuneration, determining the individual remuneration and benefits package of each of the executive directors and recommending and monitoring the remuneration of senior management below Board level. The Combined Code provides that the Remuneration Committee should comprise at least three members, all of whom are independent Non-Executive Directors. The Remuneration Committee comprises the five members independent Non-executive Directors: Colin Matthews, Eric van Amerongen (Chairman), Stephen Riley, Jacques Petry and Marina Wyatt.

4.3 Nomination Committee

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement directors and will make appropriate recommendations to the Board on such matters. The Nomination Committee comprises the five members independent Non-executive Directors: Colin Matthews (Chairman), Eric van Amerongen, Stephen Riley, Jacques Petry and Marina Wyatt.

5. SECURITIES DEALING CODE

Shanks has adopted a code on dealings in relation to Shanks' securities which requires full compliance with the requirements of the Disclosure Requirements. Shanks requires the Directors as persons discharging managerial responsibilities within Shanks to comply with Shanks' securities dealing code, and shall take all proper and reasonable steps to secure their compliance.

PART 8—OPERATING AND FINANCIAL REVIEW OF THE SHANKS GROUP

The Group Finance Director's review, Operating review and descriptions of the Shanks Group's market risk for the financial years ended 31 March 2014, 2015 and 2016 as set out in Shanks' 2014 annual report and accounts, 2015 annual report and accounts and 2016 annual report and accounts are incorporated by reference into this Combined Circular and Prospectus.

These reviews and descriptions contain a discussion of the Shanks Group's financial condition and results of operations for the financial years ended 31 March 2014, 2015 and 2016 and should be read in conjunction with the Shanks Group's historical financial information as at and for the years ended 31 March 2014, 2015 and 2016 and the accompanying notes incorporated by reference in this Combined Circular and Prospectus as set out in Part 10 (Historical financial information of the Shanks Group) and with the information relating to Shanks' business included in Part 5 (Information on the Shanks Group). The discussion includes forward-looking statements that reflect the current view of Shanks' management and involve risks and uncertainties. The Shanks Group's actual results could differ materially from those contained in any forward-looking statements as a result of factors discussed in the reviews and elsewhere in this Combined Circular and Prospectus, particularly in the sections headed "Risk Factors" and "Important Information—Information regarding forward-looking statements". Shareholders and prospective investors should read the whole of this Combined Circular and Prospectus and not just rely upon the information incorporated by reference in this Part 8.

The following list is intended to enable Shareholders and prospective investors to identify easily specific items of information which have been incorporated by reference into this Combined Circular and Prospectus.

1. GROUP FINANCE DIRECTOR'S REVIEW, OPERATING REVIEW AND DESCRIPTIONS OF MARKET RISK FOR THE YEAR ENDED 31 MARCH 2014

The page numbers below refer to the relevant pages of the annual report and accounts of Shanks for the financial year ended 31 March 2014:

- Group Finance Director's review—pages 16-21
- Operating review—pages 22-45
- Descriptions of market risk—pages 51 and 130-134

2. GROUP FINANCE DIRECTOR'S REVIEW, OPERATING REVIEW AND DESCRIPTIONS OF MARKET RISK FOR THE YEAR ENDED 31 MARCH 2015

The page numbers below refer to the relevant pages of the annual report and accounts of Shanks for the financial year ended 31 March 2015:

- Group Finance Director's review—pages 34-39
- Operating review—pages 40-55
- Descriptions of market risk—pages 67 and 149-154

3. GROUP FINANCE DIRECTOR'S REVIEW, OPERATING REVIEW AND DESCRIPTIONS OF MARKET RISK FOR THE YEAR ENDED 31 MARCH 2016

The page numbers below refer to the relevant pages of the annual report and accounts of Shanks for the financial year ended 31 March 2016:

- Group Finance Director's Review—pages 28-33
- Operating review—pages 34-49
- Descriptions of market risk—pages 67 and 155-157

PART 9—OPERATING AND FINANCIAL REVIEW OF THE VGG GROUP

The following discussion of the VGG Group's financial condition and results of operations should be read in conjunction with the VGG Group's historical financial information as at and for the years ended 31 December 2013, 2014 and 2015 and the accompanying notes included in Part 11 (Historical financial information of the VGG Group) and with the information relating to the VGG Group's business included in Part 6 (Information on the VGG Group). The discussion includes forward-looking statements that reflect the current view of the VGG Group's management and involve risks and uncertainties. The VGG Group's actual results could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this Combined Circular and Prospectus, particularly in the sections headed "Risk Factors" and "Important Information—Information regarding forward-looking statements". Shareholders and prospective investors should read the whole of this Combined Circular and Prospectus and not just rely upon summarised information set out in this Part 9.

1. OVERVIEW

The VGG Group's operations can be divided into two key business segments:

- Waste Collection—comprising the VGG Netherlands and VGG Belgium divisions, which are specialised in the collection, sorting and recycling of commercial, domestic and chemical waste from businesses, households and other entities; and
- Recycling—comprising the Coolrec, Maltha and VGG Minerals businesses, which convert specific waste and material streams into high-quality secondary raw materials in the Benelux region, Germany, France, Portugal and Hungary.

In addition to these current business operations, the VGG Group is involved in new initiatives and partnerships as part of its 'waste no more' vision to improve the recovery grade and quality of secondary raw materials and to take on a leading role in the transformation to a circular economy.

In the year ended 31 December 2015, the VGG Group's revenue were €914.8 million, its Adjusted EBITDA was €41.1 million and its Adjusted EBITDAE was €74.0 million. These represent significant declines from the year ended 31 December 2014, which saw revenue of €922.7 million, Adjusted EBITDA of €58.8 million and Adjusted EBITDAE of €90.7 million, and the year ended 31 December 2013, which saw revenue of €957.0 million, Adjusted EBITDA of €92.2 million and Adjusted EBITDAE of €116.2 million. These decreases were the result of unfavourable macroeconomic conditions in the Eurozone, challenging market and pricing conditions, a decline in waste volumes across the VGG Group's key geographical markets, declining commodity prices, a restructuring which resulted in the disposal of its non-core collection subsidiaries in France, Poland and the Czech Republic, and higher expenses and increased personnel costs driven by inflation, partially offset by cost reductions resulting from various improvement initiatives implemented by the VGG Group during the three years ended 31 December 2015. During the year ended 31 December 2015, financial performance began to stabilise as the VGG Group sought to maintain its position as a leader in the waste services and recycling sectors in its home markets. The VGG Group's strategy has been focused on continuously investing in the transformation from a waste collection company to a supplier of high-quality secondary raw materials, thereby playing an active role in the transition towards a circular economy and implementing cost savings and performance improvement measures within the business.

2. KEY PERFORMANCE INDICATORS

The Directors consider a variety of financial measures and operating metrics in analysing the VGG Group's performance. The Directors believe that each of these measures provides useful information with respect to the performance of the VGG Group's business and operations. With the exception of operating profit (loss) (which has been extracted without material adjustment from the VGG Group's historical financial information included in Part 11 (*Historical financial information of the VGG Group*)), these are non-IFRS financial measures and operating metrics, and are not audited. These non-IFRS financial measures and operating metrics are not meant to be considered in isolation or as a substitute for measures of financial performance reported in accordance with IFRS. Moreover, these non-IFRS financial measures and metrics may be defined or calculated differently by other companies, and as a result the VGG Group's key performance indicators may not be comparable to similar measures and metrics calculated by its peers.

2.1 Adjusted EBITDA and Adjusted EBITDAE

Adjusted EBITDA in relation to the VGG Group is defined as the VGG Group's operating profit (loss) for a given period, adjusted to show the result before the impact of certain depreciation and amortisation and impairment charges. Adjusted EBITDAE in relation to the VGG Group is defined as the VGG Group's Adjusted EBITDA for a given period, adjusted to show the result before the impact of certain items that the VGG Group considers to be non-recurring and exceptional items. Adjusted EBITDA and Adjusted EBITDAE are reviewed to assess the actual performance of each segment on a periodic basis and also to determine performance against its budget and internal forecasts.

The table below shows a reconciliation of operating profit (loss) to Adjusted EBITDA and Adjusted EBITDAE for the years ended 31 December 2013, 2014 and 2015. Adjusted EBITDA and Adjusted EBITDAE are unaudited non-IFRS metrics.

€ millions	Year ended 31 December		
	2013	2014	2015
Operating profit (loss)	(3.3)	(522.0)	(37.3)
Depreciation of property, plant and equipment ⁽¹⁾	61.5	63.7	61.3
Impairment of property, plant and equipment ⁽¹⁾	1.2	2.5	0.5
Amortisation of operating intangibles ⁽¹⁾	3.0	6.1	6.9
Impairment of operating intangibles ⁽¹⁾	0.8	—	0.5
Impairment of goodwill ⁽²⁾	—	424.0	—
Amortisation of acquisition intangibles ⁽¹⁾	26.2	21.6	9.4
Impairment of acquisition intangibles ⁽¹⁾	—	63.6	—
Loss (gain) on sale of assets ⁽³⁾	2.8	(0.7)	(0.2)
Adjusted EBITDA (unaudited)	92.2	58.8	41.1
Restructuring ⁽⁴⁾	7.7	12.3	11.5
Long term illness expense ⁽⁵⁾	3.4	3.6	—
Advisory costs ⁽⁶⁾	2.4	10.0	21.6
Integration related items ⁽⁷⁾	1.5	0.5	—
Costs for non-operating locations ⁽⁸⁾	2.1	0.2	0.8
Other ⁽⁹⁾	6.9	5.3	(1.0)
Adjusted EBITDAE (unaudited)	116.2	90.7	74.0

(1) Depreciation and impairments of property, plant and equipment, operating and acquisition intangibles is included in cost of sales. See paragraph 6 of this Part 9 for further detail.

(2) Impairment of goodwill is included in administrative expenses. See paragraph 6 of this Part 9 for further detail.

(3) Loss (gain) on sale of assets represents the gains or losses as a result of selling assets to third parties.

(4) Restructuring costs are mainly attributable to the implementation of the improvement initiatives described in paragraph 3.5 of this Part 9 and other improvement projects.

(5) Long term illness expense is defined as employee benefit expenses related to the temporary replacement of own personnel that have been ill for a period longer than six weeks.

(6) Advisory costs include programme office and legal advisory costs in relation to the VGG Group's improvement initiatives, factoring costs, costs incurred in preparatory activities for a potential sale of the VGG Group in 2014 and costs incurred in connection with the 2015 Debt Restructuring (as further described in paragraph 3.7 of this Part 9).

(7) Integration-related items mainly represent ICT and other project costs related to the integration of certain regions in the Netherlands

(8) Costs for non-operating locations mainly represent costs related to closing several of the VGG Group's offices and locations in Belgium and the Netherlands.

(9) Other exceptional items include employee benefit expenses related to redundancy not classified as restructuring costs. In 2013, this included an amount related to a dispute in connection with its incineration operations, which was disposed in 2013, and other smaller items in 2013. Other exceptional items in 2014 include various smaller exceptional items including claims. Costs in 2015 mainly related to unrealised losses on the VGG Group's diesel swap contract, and disputes and claims, partially offset by exceptional income from a release of the VGG Group's landfill provisions and exceptional income related to the VGG Group's defined benefit plan following its annual assessment.

2.2 Capital expenditure

The VGG Group reviews its capital expenditure to assess the actual performance of each segment on a monthly basis and also to determine performance against its budget and internal forecasts. Capital expenditure reflects certain items within the VGG Group's cash flow from investment activities, specifically its investments in intangible assets and in property, plant and equipment, in a given period. The VGG Group has incurred substantial capital expenditures and costs related to upgrading its facilities and implementing logistical improvements, including optimising capacity utilisation of sorting and recycling facilities to extract more value from waste and maintaining the average truck age of its fleet stable at around eight years. See paragraph 9.4 of this Part 9 for further details.

The table below shows the VGG Group's capital expenditure for the years ended 31 December 2013, 2014 and 2015. Capital expenditure is an unaudited non-IFRS metric.

€ millions	Year ended 31 December		
	2013 ⁽¹⁾	2014	2015 ⁽²⁾
Property, plant and equipment	52.7	40.1	59.0
Other intangible assets	5.5	5.9	5.2
Capital expenditure (unaudited)	58.2	46.0	64.2

(1) Includes discontinued operations from the sale of AVR.

(2) Includes divestments in the Czech Republic, Poland, France and OVA/Groenendaal.

2.3 Direct and Indirect FTEs

The VGG Group monitors the development of direct FTEs and indirect FTEs to assess the actual development of its personnel costs and performance against budget and forecast.

The table below shows the VGG Group's direct FTEs and indirect FTEs (excluding temporary personnel) for the years ended 31 December 2013, 2014 and 2015. Direct FTEs and indirect FTEs are unaudited non-IFRS metrics.

Unaudited	Year ended 31 December		
	2013	2014	2015
Direct FTEs ⁽¹⁾	3,633	3,107	2,840
Indirect FTEs ⁽²⁾	1,523	1,413	1,340
	5,156	4,520	4,180

(1) Direct FTE is defined as the VGG Group personnel employed in the physical collection or handling of waste.

(2) Indirect FTE is defined as the VGG Group personnel that are not Direct FTEs and employed in managing and supporting the Waste Collection and Recycling segments.

3. SIGNIFICANT FACTORS AFFECTING FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The principal factors affecting the VGG Group's results of operations and financial condition during the periods under review, and those that are expected to affect its results of operations and financial condition in the future include the following:

3.1 Macroeconomic conditions

The VGG Group's performance is significantly affected by the availability of waste in the market and the resulting level of customer demand for its services, which is directly correlated to the level of economic activity and consumption in the markets where it operates. The VGG Group earns revenue from its customers based directly or indirectly on the volume of waste collected or of materials recycled and sold from those volumes and incurs direct costs related to collection and processing. As a result, all of the VGG Group's revenue and direct costs are directly correlated to the volume of waste collected or recycled by the VGG Group. The waste volumes generated in its core markets are to a large extent affected by factors beyond the VGG Group's control, including general economic conditions, levels of GDP growth and consumption, the levels of construction and renovation works, technological advances and regulatory

changes affecting environmental matters and waste management. Given its focus on commercial and industrial rather than household customers, the VGG Group's performance is more exposed to these factors, and in particular to GDP growth, than it would be if it focused on household waste, volumes of which are less affected by macroeconomic factors. The volume of building and construction waste in particular experienced significant volume decline in 2013, 2014 and 2015 in the Benelux region, but has since recovered slightly and the Directors expect it to recover further over the foreseeable future. Nevertheless, the overall waste market in the Benelux area has had to cope with declining volumes and continued price pressure and strong competition during the three years ended 31 December 2015. This trend has particularly affected the VGG Group's Waste Collection segment, resulting in lower revenue and significantly lower Adjusted EBITDAE for the segment.

During the three years ended 31 December 2015, the VGG Group's financial performance declined in part due to the unfavourable macroeconomic conditions in the Eurozone, particularly in 2013 and 2014. From 2013 to 2014, the VGG Group experienced a decrease in revenue from €957.0 million in 2013 to €922.7 million in 2014, a decline of 3.6 per cent., and in Adjusted EBITDAE from €116.2 million in 2013 to €90.7 million in 2014, a decline of 21.9 per cent.

Macroeconomic conditions improved slightly in 2015 compared to 2014, but remained difficult, as reflected in a further revenue decline in 2015 to €914.8 million, a decrease of 0.9 per cent. compared to 2014, and Adjusted EBITDAE of €74.0 million, a decrease of 18.4 per cent. compared to 2014.

Macroeconomic factors have also contributed to decreased utilisation levels within commercial incinerators contributing to increased waste collection pricing pressure and competition. See paragraphs 3.2 and 3.3 of this Part 9 for further detail. The Directors believe that as the economies of the Eurozone recover and GDP growth improves, the VGG Group's waste volumes and financial results will also improve.

3.2 Waste prevention and the circular economy

In recent years, policy changes and societal trends towards generating less waste and relying more heavily on recycled materials have had, and are expected to continue to have, a significant effect on the VGG Group's results. Waste reduction and prevention efforts driven by governments and policy makers in Europe are likely to result in a reduction in waste volumes over the longer term, which may affect the Waste Collection segment. However, the trend towards more recycling and recovery of materials from waste may present growth opportunities for the VGG Group's future development, considering its proposition to the market and its position in the waste value chain as a solution provider, recycler and producer of high-quality secondary raw materials. The Directors believe that demand for recycling and secondary materials is likely to increase, which may improve volumes for the VGG Group's Recycling division. For example, the Directors expect that the EU Circular Economy package, which encourages recycling and reuse, is likely to result in higher market demand for secondary materials, and for those materials becoming more competitive and mature, with more focus on quality. In the Netherlands, for example, the Dutch government has declared that for household waste the target is that 65 per cent. of waste should be recycled by 2020; for government agencies the target is 75 per cent. The Directors expect this trend to continue in the future, particularly in the Benelux region. The VGG Group's strategy is to continuously invest in the transformation from a waste collection company to a supplier of high-quality secondary raw materials, thereby playing an active role in the transition towards a circular economy. The VGG Group aims to achieve growth in the supply of high-quality raw materials streams and the further development of its sorting and recycling activities. See paragraph 3.6 of this Part 9 for further details.

Additionally, technological advancements leading to the use of fewer, and more complex, materials in the production of electronic goods are changing the composition of waste and the amount of valuable materials that can be extracted from such waste. The Directors believe this trend is likely to continue in the future and has been supported by regulations such as the WEEE and Restriction of Hazardous Substances EU directives, which were adopted by the European Union in 2003. Examples of this can be seen in the shift from CRT television screens to flat screens, the use of more plastic rather than metal in the production of refrigerators and the miniaturising of electronic goods more generally which translates to less recoverable valuable materials per item. The VGG Group is investing to improve its ability to extract value from more complex components, such as the VGG Group's research on chemical recycling which would increase recovery of valuable metals from printed circuit boards to mitigate the effects of this regulation. In addition, the Directors believe that the negative effect of the trend towards miniaturisation

and lower value recovery of components will be offset by the expected positive effect of increased recycling volumes in the long term.

3.3 Revenue sensitivity to incinerator fees

The VGG Group's results are significantly affected by fluctuations in the gate fees charged by third party incineration facilities, which comprise a significant element of the VGG Group's third party processing costs but also indirectly impact the VGG Group's revenue. The level of gate fees charged by incinerators tends to directly correlate to changes in the available incineration capacity in the market, which is affected by factors including local demand and waste import levels. The VGG Group currently has contracts in place with incinerating facilities to fix these fees over specified periods. These contracts typically have original durations that range from one to twenty years. Additionally, the VGG Group has increasingly entered into contracts with incinerators that have shorter durations, as well as ongoing contracts with a notice period of one year. This provides the VGG Group with access to the volume of incineration capacity needed to process Waste Collection volumes at an agreed medium term price, mitigating the direct cost impact of fluctuations in gate fees.

Despite these long term agreements, the VGG Group is subject to an indirect impact on revenue from fluctuations in gate fees. When demand for incineration declines in the market, gate fees tend to decrease, giving certain of the VGG Group's smaller competitors that lack long term agreements and pay gate fees at spot market rates a cost advantage as compared to the VGG Group. These competitors, when able to pay lower gate fees, also tend to charge their customers lower prices for waste collection than the VGG Group charges, thus placing pressure on the prices that the VGG Group is able to charge to its customers and, accordingly, its revenue and margins. In addition, over the medium to long term, the Directors believe that an increase in levels of recycling will result in lower volumes for incineration, also placing downward pressure on gate fees which, while it may result in lower third party processing costs, has also in the past resulted in the VGG Group realising lower margins on its services due to increased price competition from competitors. Mitigating the potential negative effect of this trend, the Directors believe the growth of recycling and the resulting decline in overall volumes is likely to be a gradual process, permitting any free incineration capacity in the Benelux region to be filled with imported tonnages from, amongst others, the UK market and other nearby markets which may lack incineration capacity. For example, in recent months, the incineration overcapacity in the Dutch market has been largely mitigated by waste imports from the United Kingdom. This has had a slight positive effect on price development for the treatment of residual waste. In addition, gate spot market prices in the Dutch market have recently recovered, which suggests that there is limited unutilised capacity in this market currently, which the Directors believe will have a positive impact on its results of operations.

3.4 Exposure to commodity prices

The VGG Group's results are affected by on the value of the materials it extracts from waste and recycling volumes, in particular the value of metals (primarily steel, copper and aluminium), wood, plastic, paper and glass and which the VGG Group sells after extraction and processing from its waste and recycling volumes. The VGG Group generally sells extracted materials at spot or market prices and is therefore exposed to commodity price fluctuations. However, the VGG Group's management seeks to mitigate the negative impacts of adverse price developments through back to back contracting and recycling improving actions. Commodity prices are affected by regional and global macroeconomic factors beyond the VGG Group's control prices are subject to significant volatility and have in recent years decreased due to lower global demand. During the periods under review, metal prices have decreased due to lower global demand, and secondary plastic prices decreased due to lower prices for virgin plastics as a result of lower oil prices. The VGG Group manages its exposure to commodity price volatility, in part, by structuring its customer contracts to allow the impact of price volatility to pass through, to a certain degree, to its customers through dynamic pricing or by linking prices to a commodity price index. However, if commodity prices were to decrease significantly, the VGG Group may not be able to pass through such decreases to customers and, as a result, margins could decline. Additionally, even when such effects are passed through to customers, there is typically a time lag between when the VGG Group incurs the cost and when it is passed through, which can affect the VGG Group's results.

The VGG Group is furthermore exposed to energy price volatility in relation to its energy consumption, which comprises the VGG Group's raw materials, supplies and energy costs and reflects primarily the cost of diesel fuel for the VGG Group's vehicles. Diesel costs represent a significant part of the VGG Group's

cost base (€33.8 million in 2015). To manage this exposure, the VGG Group enters into fuel derivatives contracts.

3.5 Strategic and operational improvement initiatives

The VGG Group has actively managed its cost base by divesting non-core operations and investing in cost improvement initiatives to support its profitability in response to changing market conditions.

In the three-year period ended 31 December 2015, the VGG Group has sought to restructure its business and focus on its core operations and geographies. In 2013, the VGG Group sold AVR, which conducted its incineration operations, to enhance profitability and lower its net debt position. The VGG Group's historical financial information included in this Combined Circular and Prospectus present the operations of AVR as discontinued operations, and as a result this disposal does not affect the other line items on the VGG Group's 2013 income statement. In 2015, in order to increase focus on its core waste collection activities in the Benelux area, the VGG Group disposed of its waste collection businesses in France, Poland and the Czech Republic, and withdrew from the specialised waste oil market by divesting its interests in OVA/Groenendaal. In 2015, the VGG Group's revenue amounted to € 914.8 million, compared to €922.7 million in 2014, reflecting a decrease of €7.9 million. The disposed entities contributed €26.9 million to revenue and accounted for a €21.3 million decrease in revenue in 2015 compared to 2014. Excluding these divestments, revenue increased by €13.4 million in 2015. In 2015, the VGG Group's Adjusted EBITDAE amounted to €74.0 million, compared to €90.7 million in 2014, reflecting a decrease of €16.7 million. The disposed entities contributed €1.1 million to Adjusted EBITDAE and accounted for a €2.6 million decrease in Adjusted EBITDAE in 2015 compared to 2014. Excluding these divestments, Adjusted EBITDAE decreased by €14.1 million in 2015.

In the three-year period ended 31 December 2015, the VGG Group also implemented a more effective organisational structure by centralising group support functions and initiated several cost improvement initiatives. In 2012, the VGG Group initiated a turnaround programme that included various operational and sales improvement initiatives, key asset upgrades and cost optimisation as a response to challenging market conditions, especially in the Benelux waste collection market. After completing the main part of its extensive turnaround programme in waste collection between 2012 and 2014, the VGG Group initiated a performance improvement programme in 2015, intended to improve the VGG Group's revenue and margins.

Improvement initiatives in 2014 also included a number of cost savings initiatives mainly focussed on improving operational efficiency such as route optimisation and equipment upgrades which have enabled a reduction in full time staff costs by, for example, increasing the number of routes that can be serviced by one driver per truck instead of two. Improvement initiatives in 2015 included installation upgrades, further cost improvement measures and an organisational optimisation programme aimed at creating a more decentralised, country based operating model with less overhead costs.

Partly as a result of these initiatives, employee benefit expenses were reduced from €255.9 million in 2013, to €244.1 million in 2014 and to €231.1 million in 2015 corresponding to a reduction in direct FTEs from 3,633 in 2013, to 3,107 in 2014 and to 2,840 in 2015 and in indirect FTEs from 1,523 in 2013, to 1,413 in 2014 and to 1,340 in 2015. The decline in employee benefit expenses in 2015 compared to 2014 of €13.0 million was primarily driven by the disposal of the VGG Group's French, Polish and Czech subsidiaries and OVA/Groenendaal, whereas the direct and indirect FTE decline in 2015 associated with these disposals amounted to 445 direct and indirect FTEs and 146 direct and indirect FTEs, respectively.

In response to market demand for high-quality secondary materials, in 2015, the VGG Group invested significantly in its processing and sorting lines to increase capacity utilisation, and invested €4.3 million to modernise Maltha's largest recycling facility in the Netherlands, located in Heijningen. Also in the Recycling segment, the VGG Group invested in upgrading Coolrec's recycling lines in order to extract more valuable materials from smaller and more complex waste components. These improvement efforts in 2015 are expected to contribute to revenue and Adjusted EBITDAE improvements in these businesses going forward, as a result of increased operating and cost efficiencies and also the capacity to generate higher quality recycling products which the Directors expect will be able to generate higher prices.

Achieving a sustainable cost base while continuing to improve performance is central to the VGG Group's strategy. The VGG Group may undertake further cost and margin improvement programmes in the near future, and any such future initiatives may involve significant costs or have a disruptive effect on the

business. Furthermore, the anticipated benefits of such initiatives may not be fully realised which may have an adverse effect on the VGG Group's results.

3.6 Regulatory

The VGG Group operates in markets in which government regulation and policy can have a significant impact on its operations and results. In addition to the impact of policy changes and societal trends in respect of waste volumes, as described in paragraph 3.2 of this Part 9, direct regulation and taxation of the industry in which the VGG Group operates has been and is expected to remain a key focus of policy makers in Europe. Compliance with such regulations and reforms may require significant expenditure to be incurred by the VGG Group. However, this trend is also expected to increase demand for recycling capacity and may therefore present growth opportunities for the VGG Group's Recycling segment. See paragraph 3.2 of this Part 9 for further detail.

The VGG Group is affected by tax policies directed at the waste management industry. In 2013, the Dutch government enacted a tax on waste ("*afvalstoffenbelasting*"), imposing a tax on landfilling. The tax was then expanded to include combustible waste in Dutch incinerating facilities, which comprise a significant majority of the volumes collected by the VGG Group, in 2015. The applicable tax rate was €13.07 per tonne as of 1 January 2016 and is expected to be examined, and possibly increased, annually. Furthermore, the Belgian government introduced an environmental tax of €11.5 per tonne as of 1 July 2014. These taxes have resulted in higher costs for the Waste Collection segment, specifically within third party processing costs, but have largely been passed through to customers, resulting in higher revenue and as a result have not significantly impacted margins in 2015.

However, the Directors believe other policy and regulatory developments encouraging the reduction of greenhouse gas emissions, such as the results of the COP21 negotiations on climate change and the EU Circular Economy package may present growth opportunities. The Directors believe that the VGG Group's recycling capability can contribute to reduced carbon emissions as the recovery of natural resources typically consumes more energy than recycling recovered materials and using these as secondary resources. In addition, recent legislation enacted in Belgium encouraging the sorting of waste by requiring businesses to have subscriptions with a waste service provider for the separate collection of specific waste streams has resulted in increased volumes for paper and cardboard, as well as plastics, metals and drink cartons for the VGG Group in Belgium. Several important directives affecting operators in the waste management industry have been adopted by the European Union in recent years, including the WEEE and the Waste Framework EU directives, which are expected to increase demand for recycling capacity and may therefore present growth opportunities for the VGG Group's Recycling division. During the coming years, EU policy makers are expected to remain focused on issues involving environmental concerns and waste materials recycling.

3.7 Effects of non-recurring and exceptional items on comparability of results for the years ended 31 December 2013, 2014 and 2015

During the years ended 31 December 2013, 2014 and 2015, the VGG Group's results have been impacted by certain significant non-recurring and exceptional items in connection with various strategic and operational improvement initiatives, including a debt restructuring of its business (as further described in paragraph 3.5 of this Part 9) and various disposals.

In 2014, adverse market conditions characterised by lower waste volumes and pricing pressure in the Waste Collection segment resulted in the VGG Group lowering its forecast Adjusted EBITDA margins and cash flows, leading to a non-cash goodwill impairment charge of €424.0 million. This non-recurring impairment charge was the primary cause of the VGG Group's operating loss of €522.0 million in 2014, compared to an operating loss of €3.3 million in 2013.

In 2015, the VGG Group reached an agreement with its shareholders and lenders on a new and sustainable financing structure (the "**Debt Restructuring**"). Consequently, the ownership of the VGG Group passed to the syndicate of lenders who contributed a share premium in the VGG Group to convert the original senior debt including accrued interest and 50 per cent. of the fair value of the interest rate swaps into equity, and the original senior debt was converted into a €320 million reinstated senior facility with a maturity in 2020 (under the VGG Senior Facilities Agreement). The original revolving credit facility of €70 million, including €25 million of ancillary facilities, was converted into a reinstated revolving credit facility. Principally as a result of the Debt Restructuring, borrowings from financial institutions on the VGG Group's balance sheet were reduced from €766.5 million as at 31 December 2014 to €305.0 million

as at 31 December 2015, and the VGG Group recognised a non-cash one-off gain of €402.8 million in financial income relating to extinguishment of this debt as a result. In connection with the Debt Restructuring, the VGG Group's then-outstanding preference shares were converted into ordinary shares. This resulted in the conversion of the preference shares borrowings amounting to €45.1 million into equity. This non-recurring finance income was the primary cause of the VGG Group's profit before tax increasing from a loss of €591.4 million in 2014 to a profit of €292.4 million in 2015.

Also during 2015, the VGG Group disposed of its waste oil operations by divesting its interests in OVA/Groenendaal and its waste collection operations in France, the Czech Republic and Poland (as further described in paragraph 3.5 of this Part 9). These disposals resulted in certain one-off expenses in 2015, as well as non-recurring book profits on disposal totalling €2.7 million in 2015, as reflected in the share in results of associates, joint ventures and other associates in 2015.

The items described above, as well as certain other operational and business items, have contributed to certain exceptional costs in the periods under review, which the VGG Group does not consider representative of its core business. For this reason, the VGG Group adjusts its EBITDA for these exceptional items as part of its Adjusted EBITDAE calculation, as presented in detail in paragraph 7 of this Part 9, which the Directors believe is a better representation for the performance of the VGG Group's core business.

4. CURRENT TRADING AND PROSPECTS

VGG has turned the corner in the course of 2016, and is trading significantly ahead of budget based on unaudited numbers and compared to management expectations earlier this year.

Waste Collections Netherlands and Belgium, representing around 85 per cent. of the revenue of the VGG Group, has continued to perform well. Revenue composition has improved strongly, providing a platform for the delivery of benefits from the repositioning in the market and the various cost management initiatives. Trading has been particularly strong in Belgium and the Netherlands has showed an improvement in run rate. As a result, trading for these business lines is ahead of what the Directors understand are VGG management's expectations.

Despite historic low material prices, the Recycling business lines, comprising Coolrec, Maltha and VGG's Minerals activities, have also performed well in the period. The recommissioning of Maltha's Dintelmond plant is leading to an improvement in profitability alongside margin improvement initiatives in Coolrec and positive trading in Minerals. As a result, trading for these business lines is developing well.

Cash performance has also been positive during the period. Tight control of working capital, effective capital expenditure, positive trading development and reduced exceptional and non-trading items have all contributed to a cash flow that is approximately €20 million ahead of what the Directors understand are VGG management's expectations.

Given this positive performance, the Directors expect VGG to deliver a result for the year ending 31 December 2016 ahead of what the Directors understand are management's expectations.

5. DESCRIPTION OF KEY INCOME STATEMENT LINE ITEMS

5.1 Revenues

Revenues are largely generated in the Benelux region in various activities associated with collection of waste and directly related activities. Revenues also include proceeds from the sale of secondary materials, which amounted to €223 million in 2015 and €229 million in 2014.

5.2 Cost of sales

Cost of sales is comprised of cost of sales before exceptional items and exceptionals and non-trading cost of sales. Cost of sales before exceptional items includes third-party processing costs, costs of outsourced waste collection and transportation services, purchase costs of material for resale, employee benefits expenses for direct personnel and costs for waste collection. Third-party processing costs includes third-party processing and logistic costs and consists predominantly of gate fees charged by incineration plants, waste segregation and hazardous waste processing and costs related to non-processed single items streams such as paper. Employee benefit expenses for direct personnel, includes wages and salaries, pension charges, other social charges, costs for temporary workforce and other personnel costs such as training and travel. Direct personnel are personnel employed by the VGG Group in the physical collection or handling

of waste costs for waste collection, transportation and processing equipment includes depreciation and all related operating expenses such as rent, lease, repair and maintenance, energy and fuels other direct operational expenses such as shredder costs, cleaning costs and weighing costs.

Exceptionals and non-trading cost of sales includes amortisation of acquisition intangibles and impairments of other intangibles such as brand name and customer contracts.

5.3 Administrative expenses

Administrative expenses are comprised of administrative expenses before exceptional expenses and exceptionals and non-trading administrative expenses. Administrative expenses before exceptional expenses includes employee benefit expenses for indirect personnel, ICT costs, and costs for real estate and housing and other general administrative expenses. Employee benefit expenses for indirect personnel include wages and salaries, pension charges, other social charges, costs for temporary workforce and other personnel costs such as training and travel. Indirect personnel are personnel employed by the VGG Group that are not direct personnel and are employed in managing and supporting the Waste Collection and Recycling segments. Costs for real estate and housing includes depreciation and all related operating expenses such as rent, lease, repair and maintenance, and insurance.

Exceptionals and non-trading administrative expenses includes goodwill impairments, restructuring costs, long-term illness expenses and advisory costs. Restructuring costs are mainly attributable to the implementation of the improvement initiatives described in paragraph 3.5 of this Part 9 and other improvement projects. Long-term illness expense is defined as employee benefit expenses related to the temporary replacement of own personnel that have been ill for a period longer than six weeks. Advisory costs include programme office and legal advisory costs in relation to the VGG Group's improvement initiatives, factoring costs, costs incurred in preparatory activities for a potential sale of the VGG Group in 2014 and costs incurred in connection with the 2015 Debt Restructuring (as further described in paragraph 3.7 of this Part 9).

5.4 Financial income and charges

Financial income includes interest income and other finance income, including the non-recurring non-cash income recognised as a result of the extinguishment of the debt in the Debt Restructuring in 2015.

Financial charges include interest and financing charges on loans, other finance cost, addition of interest to provisions, net interest on employee benefits, amortisation of capitalised financing costs, impairment of loans, foreign exchange result and net result of financial assets and liabilities at fair value through income statement.

Total financial income and charges includes the result of interest rate swaps and embedded derivatives.

5.5 Change in fair value of derivatives at fair value through profit and loss

Change in fair value of derivatives at fair value through profit and loss concern the changes in fair value of derivatives for which no hedge accounting is applied and relates to several interest rate swaps as well as an embedded derivative.

5.6 Share in result of associates, joint ventures and other investments

Share in result of associates, joint ventures and other investments also includes non-recurring profits on disposal from the sale of Czech, Polish and French subsidiaries in 2015 amounting to €3.1 million.

6. RESULTS OF OPERATIONS

The following table sets out selected data extracted without material adjustment from the VGG Group's historical financial information set out in Part 11 (*Historical financial information of the VGG Group*).

€ millions	Year ended 31 December		
	2013 ⁽¹⁾	2014	2015 ⁽²⁾
Waste Collection	805.3	769.2	760.5
Recycling	175.0	165.8	165.7
Group Support ⁽³⁾	13.2	12.9	13.3
Total revenue	993.5	947.9	939.5
Inter-segment revenue ⁽⁴⁾	(36.5)	(25.2)	(24.7)
Revenue	957.0	922.7	914.8
Cost of sales	(769.5)	(833.4)	(756.9)
Gross profit	187.5	89.3	157.9
Administrative expenses	(190.8)	(611.3)	(195.2)
Operating loss	(3.3)	(522.0)	(37.3)
Finance income	0.4	0.6	402.8
Finance charges	(86.4)	(67.8)	(73.6)
Change in fair value of derivatives at fair value through profit or loss	11.3	(2.1)	(2.6)
Share of results from associates and joint ventures	(2.8)	(0.1)	3.1
(Loss) profit before taxation	(80.8)	(591.4)	292.4
Taxation	13.8	35.6	11.3
(Loss) profit after taxation from continuing operations	(67.0)	(555.8)	303.7
Profit after taxation from discontinued operations	53.5	—	—
(Loss) profit for the year	(13.5)	(555.8)	303.7

(1) Excluding the results of AVR, which was disposed of in 2013.

(2) Includes the results of the VGG Group's subsidiaries in France, Poland and the Czech Republic, which were disposed of in 2015.

(3) Group Support mainly includes revenue related to external real estate rental income.

(4) Inter-segment revenue represents revenue generated from dealings between the segments within the VGG Group.

6.1 Revenue

(a) Financial years ended 31 December 2015 and 31 December 2014

Revenue amounted to €914.8 million and €922.7 million during 2015 and 2014 respectively, reflecting a decrease of €7.9 million or 0.9 per cent. This decrease was primarily the result of the disposal of the VGG Group's subsidiaries in France, Poland and the Czech Republic. In 2015, the VGG Group also divested its interests in OVA/Groenendaal, its waste oil business. These divestments accounted for a decrease in revenue of €21.3 million in 2015 compared to 2014. Excluding these divestments, revenue increased by €13.4 million in 2015, mainly as a result of increased volumes in the Waste Collection segment, particularly in Belgium, where the VGG Group won new business from secondary disposer clients, who collect waste from primary disposers, and pricing increases related to environmental taxes. This was partly offset by lower revenue in the Recycling segment primarily due to lower production in Maltha, the VGG Group's glass businesses, as a result decreased production capacity for the duration of facility improvement works during 2015. Lower sales in Portugal also contributed to lower revenue in the period as a result of market prices for waste glass in the United Kingdom increasing relative to the sourcing purchase price offered by Maltha, making it less attractive for Maltha to export waste glass to Portugal.

Segment discussion

Waste Collection

Total revenue in the Waste Collection segment decreased by €8.7 million, or 1.1 per cent. during 2015. During 2015, the VGG Group disposed of operations in France, Poland, the Czech Republic and OVA/Groenendaal resulting in a decline in revenue of €21.3 million during the year for the segment. The

remaining increase in revenue was mainly attributable to higher volumes in the Waste Collection segment in Belgium, where the VGG Group won new business from secondary disposer clients and price increases in connection with environmental tax on waste by the Belgian government, effective as of July 2015. These developments were partially offset by price pressures on the collection operations in the Netherlands. While volumes slightly increased on transport containers and transfer stations, overall volumes decreased due to the loss of a number of large customers. The cost price increase resulting from the implementation of the incineration tax in the Netherlands could not be fully passed on to customers due to commodity price pressure and new customers coming in at lower price levels. See paragraphs 3.1 and 3.2 of this Part 9 for further detail.

Recycling

Total revenue in the Recycling segment decreased by €0.1 million, or 0.1 per cent. during 2015 as compared to the prior year, principally due to adverse pricing effects on metals and plastics as a result of commodity price volatility during the period (see paragraph 3.4 of this Part 9 for further detail). Lower sales in Portugal also contributed to lower revenue in the period as a result of market prices for waste glass in the UK increasing relative to the sale price offered by Maltha, making it less attractive for Maltha to export waste glass to Portugal. The impact on revenue was partially offset by growth in volume at the Coolrec business as a result of new and extended contracts.

(b) Financial years ended 31 December 2014 and 31 December 2013

Revenue amounted to €922.7 million and €957.0 million during the years ended 2014 and 2013 respectively, reflecting a decrease of €34.3 million, or 3.6 per cent. The decrease in revenue during 2014 compared to 2013 was mainly driven by a €36.1 million decrease in revenue from the Waste Collection business and a €9.2 million decrease in revenue for the Recycling segment, as further described below.

Segment discussion

Waste Collection

Total revenue in the Waste Collection segment decreased by €36.1 million, or 4.5 per cent. during 2014 compared to 2013. The decrease is primarily as a result of ongoing price and volume pressure in the Dutch market which had an estimated impact on the Waste Collection business of €32.9 million. Some larger contracts were lost whereas new contracts won were at lower price levels. Revenues from the chemicals business also showed a decrease in volumes due to the loss of several large customers that accounted for €3.2 million in revenue, and price pressure in the market. Volumes for raw materials including paper and metals decreased during 2014 compared to 2013 with an estimated negative revenue impact of €6.0 million following lower incoming volumes for paper trading and lower volumes from large clients. These losses were largely offset by higher prices charged on raw materials. Compared to 2013, the Belgian Waste Collection business also suffered from price pressure leading to concessions with larger customers and competition in the loading container segment in East Belgium. Total Belgian revenue declined by €4.1 million during the year. Increased volumes of raw materials resulted in an increase in revenue of €3.5 million year on year mainly in metals due to a new customer contract.

Recycling

Total revenue in the Recycling segment decreased by €9.2 million, or 5.3 per cent. during 2014 compared to 2013. The Minerals business was impacted by a decrease in revenue mainly due to the decision to stop certain site cleaning or remediation activities, in light of their low margin contributions and high risk profile in management's view. This decision had an estimated negative impact of €3.4 million on revenue in 2014. Lower volumes at the Maltha business caused by increased competition in the sourcing of municipal waste glass resulted in an estimate decrease in revenue of €3.6 million. The Coolrec business was mainly impacted by the adverse effects of commodity price volatility on raw material, resulting in a €1.8 million decrease in revenue during the period.

6.2 Cost of sales

€ millions	Year ended 31 December		
	2013 ⁽¹⁾	2014	2015 ⁽²⁾
Cost of sales before exceptional items	(732.5)	(736.2)	(742.2)
Exceptional and non-trading cost of sales	(37.0)	(97.2)	(14.7)
Cost of sales	(769.5)	(833.4)	(756.9)

(1) Excludes the results of AVR, which was disposed of in 2013.

(2) Includes divestments in the Czech Republic, Poland, France and OVA/Groenendaal.

(a) Financial years ended 31 December 2015 and 31 December 2014

Cost of sales before exceptional items were €742.2 million and €736.2 million during 2015 and 2014 respectively, reflecting an increase of €6.0 million or 0.8 per cent. The increase was primarily due to higher third-party processing costs during the period due to the introduction of an incineration tax in the Netherlands and an environmental tax in Belgium resulting in higher gate fees.

Exceptional and non-trading costs of sales were €14.7 million and €97.2 million during 2015 and 2014 respectively, reflecting a decrease of €82.5 million or 84.9 per cent. Exceptional and non-trading costs of sales in 2014 include an impairment of other intangible assets for an amount of €63.6 million as a result of goodwill impairments in relation to the Waste Collection segment which experienced adverse market conditions in 2014, resulting in a lower cash flow forecast for subsequent years.

(b) Financial years ended 31 December 2014 and 31 December 2013

Cost of sales before exceptional items were €736.2 million and €732.5 million during 2014 and 2013 respectively, reflecting an increase of €3.7 million or 0.5 per cent. Higher third party processing costs are offset by efficiency measures. The increase was primarily due to higher subcontracted work which had a financial impact of €(2.9) million and higher depreciation and amortization costs which had a financial impact of €(0.7) million.

Exceptional and non-trading costs of sales were €97.2 million and €37.0 million during 2014 and 2013 respectively, reflecting an increase of €60.2 million. Exceptional and non-trading costs of sales in 2014 include an impairment of other intangible assets for an amount of €63.6 million as a result of goodwill impairments in relation to the Waste Collection segment which experienced adverse market conditions in 2014, resulting in a lower cash flow forecast for subsequent years.

6.3 Administrative expenses

€ millions	Year ended 31 December		
	2013 ⁽¹⁾	2014	2015 ⁽²⁾
Administrative expenses before exceptional expenses	(175.6)	(164.9)	(166.6)
Exceptional and non-trading administrative expenses	(15.2)	(446.4)	(28.6)
Administrative expenses	(190.8)	(611.3)	(195.2)

(1) Excludes the results of AVR, which was disposed of in 2013.

(2) Includes divestments in the Czech Republic, Poland, France and OVA/Groenendaal.

(a) Financial years ended 31 December 2015 and 31 December 2014

Administrative expenses before exceptional items were €166.6 million and €164.9 million during 2015 and 2014 respectively, reflecting an increase of €1.7 million or 1.0 per cent. The increase was primarily due to higher employee expenses driven by inflation, and partially offset by strategic and operational improvement initiatives described in subsection 3.5 above during the period.

Exceptional and non-trading administrative expenses were €28.6 million and €446.4 million during 2015 and 2014 respectively, reflecting a decrease of €417.8 million or 93.6 per cent. Exceptional and non-trading expenses in 2014 include goodwill impairments for an amount of €424.0 million as a result of goodwill

impairments in relation to the Waste Collection segment which experienced adverse market conditions in 2014, resulting in a lower cash flow forecast for subsequent years.

(b) Financial years ended 31 December 2014 and 31 December 2013

Administrative expenses before exceptional items were €164.9 million and €175.6 million during 2014 and 2013 respectively, reflecting a decrease of €10.7 million or 6.1 per cent. The decrease was primarily due to lower employee expenses as a result of strategic and operational improvement initiatives described in subsection 3.5 above during the period and lower ICT costs as a result of lower software depreciation during the period.

Exceptional and non-trading administrative expenses were €446.4 million and €15.2 million during 2014 and 2013 respectively, reflecting an increase of €431.2 million or 2,836.8 per cent. Exceptional and non-trading expenses in 2014 includes goodwill impairments for an amount of €424.0 million as a result of goodwill impairments in relation to the Waste Collection segment which experienced adverse market conditions in 2014, resulting in a lower cash flow forecast for subsequent years.

6.4 Financial income

(a) Financial years ended 31 December 2015 and 31 December 2014

Financial income was €402.8 million and €0.6 million during 2015 and 2014 respectively. The increase in financial income in 2015 was a result of the one-off gain of €402.8 million due to the Debt Restructuring recognised in 2015 (for further details see paragraph 3.7

(b) Financial years ended 31 December 2014 and 31 December 2013

Financial income was €0.6 million and €0.4 million during 2014 and 2013 respectively. The decrease in financial income in 2014 was primarily driven by a decrease in the net result on financial assets and liabilities at fair value through income statement of €11.3 million as a result of settlement from part of the interest rate swaps.

6.5 Financial charges

(a) Financial years ended 31 December 2015 and 31 December 2014

Financial charges were €73.6 million and €67.8 million during 2015 and 2014 respectively. The increase in financial charges in 2015 was mainly driven by financing fees of €12.2 million, including a write off of capitalised financing fees of €8.2 million, which was incurred in relation to the reinstated senior facility. A further €2.1 million is attributable to cancelations of existing hedging arrangements as the underlying debt was reduced to €304 million in connection with the Debt Restructuring.

(b) Financial years ended 31 December 2014 and 31 December 2013

Financial charges were €67.8 million and €86.4 million during 2014 and 2013 respectively. The decrease in financial charges in 2014 is primarily the result of a decrease in interest and financing charges on loans of €17.0 million.

6.6 Change in fair value of derivatives at fair value through profit and loss

(a) Financial years ended 31 December 2015 and 31 December 2014

Change in fair value of derivatives at fair value through profit and loss was €(2.6) million and €(2.1) million during 2015 and 2014 respectively. The decrease in 2015 of €0.5 million was mainly driven by higher fair value adjustments on the embedded derivative and interest rate swaps, partially offset by lower settlement costs and lower regular interest on hedges.

(b) Financial years ended 31 December 2014 and 31 December 2013

Change in fair value of derivatives at fair value through profit and loss was €(2.1) million and €11.3 million during 2014 and 2013 respectively. The decrease in 2014 of €13.4 million was mainly driven by lower settlement of derivatives.

6.7 Taxation

(a) Financial years ended 31 December 2015 and 31 December 2014

Income from taxes from continuing operations was €11.3 million and €35.6 million in 2015 and 2014 respectively.

The effective corporate income tax on results in 2015 amounted to negative 3.9 per cent., compared to the applicable corporate tax income rate of 25 per cent. This is primarily as a result of the difference of €399 million between the carrying amount and the fair value of the original senior debt, taking into account accrued interest and 50 per cent. of the fair value of the interest rate swaps before refinancing, which was recognised as other finance income in 2015 and is not recognised for corporate income tax purposes. However, the effect was partly offset by tax losses for which no deferred income tax asset was recognised. One of the reasons that no deferred income tax asset was recognised is that up to and including May 2015, the VGG Group's Dutch subsidiaries were included in the fiscal unity of the former shareholders of the VGG Group. Members of the fiscal unity were liable for the tax payable by the fiscal unity as a whole. These tax losses are no longer available for utilisation.

The effective corporate income tax on results in 2014 amounted to 6.0 per cent., compared to the applicable corporate tax income rate of 25 per cent. The difference is primarily caused by the tax effect of the goodwill impairment in 2014, which is not recognised for corporate income tax purposes.

(b) Financial years ended 31 December 2014 and 31 December 2013

Income from taxes from continuing operations was €35.6 million and €13.8 million in 2014 and 2013 respectively.

The effective corporate income tax on results in 2013 amounted to 17.1 per cent., compared to the applicable corporate tax income rate of 25 per cent. The difference is caused by recurring annual tax effects as adjustments in respect to current income tax in previous years, tax losses for which no deferred income tax asset was recognised and income not subject to tax.

7. CONSOLIDATED ADJUSTED EBITDAE AND EXCEPTIONAL ITEMS

The table below shows the VGG Group's Adjusted EBITDA and Adjusted EBITDAE for the years ended 31 December 2013, 2104 and 2015. See paragraph 2 of this Part 9 for further detail.

€ millions	Year ended 31 December		
	2013	2014	2015
Operating profit (loss)	(3.3)	(522.0)	(37.3)
Depreciation of property, plant and equipment ⁽¹⁾	61.5	63.7	61.3
Impairment of property, plant and equipment ⁽¹⁾	1.2	2.5	0.5
Amortisation of operating intangibles ⁽¹⁾	3.0	6.1	6.9
Impairment of operating intangibles ⁽¹⁾	0.8	—	0.5
Impairment of goodwill ⁽²⁾	—	424.0	—
Amortisation of acquisition intangibles ⁽¹⁾	26.2	21.6	9.4
Impairment of acquisition intangibles ⁽¹⁾	—	63.6	—
Loss (gain) on sale of assets ⁽³⁾	2.8	(0.7)	(0.2)
Adjusted EBITDA (unaudited)	92.2	58.8	41.1
Restructuring ⁽⁴⁾	7.7	12.3	11.5
Long term illness expense ⁽⁵⁾	3.4	3.6	—
Advisory costs ⁽⁶⁾	2.4	10.0	21.6
Integration related items ⁽⁷⁾	1.5	0.5	—
Costs for non-operating locations ⁽⁸⁾	2.1	0.2	0.8
Other ⁽⁹⁾	6.9	5.3	(1.0)
Adjusted EBITDAE (unaudited)	116.2	90.7	74.0

(1) Depreciation and impairments of property, plant and equipment, operating and acquisition intangibles is included in cost of sales. See paragraph 6 of this Part 9 for further detail.

(2) Impairment of goodwill is included in administrative expenses. See paragraph 6 of this Part 9 for further detail.

- (3) Loss (gain) on sale of assets represents the gains or losses as a result of selling assets to third parties.
- (4) Restructuring costs are mainly attributable to the implementation of the improvement initiatives described in paragraph 3.5 of this Part 9 and other improvement projects.
- (5) Long term illness expense is defined as employee benefit expenses related to the temporary replacement of own personnel that have been ill for a period longer than six weeks.
- (6) Advisory costs include programme office and legal advisory costs in relation to the VGG Group's improvement initiatives, factoring costs, costs incurred in preparatory activities for a potential sale of the VGG Group in 2014 and costs incurred in connection with the 2015 Debt Restructuring (as further described in paragraph 3.7 of this Part 9).
- (7) Integration-related items mainly represent ICT and other project costs related to the integration of certain regions in the Netherlands
- (8) Costs for non-operating locations mainly represent costs related to closing several of the VGG Group's offices and locations in Belgium and the Netherlands.
- (9) Other exceptional items include employee benefit expenses related to redundancy not classified as restructuring costs. In 2013, this included an amount related to a dispute in connection with its incineration operations, which was disposed in 2013, and other smaller items in 2013. Other exceptional items in 2014 include various smaller exceptional items including claims. Costs in 2015 mainly related to unrealised losses on the VGG Group's diesel swap contract, and disputes and claims, partially offset by exceptional income from a release of the VGG Group's landfill provisions and exceptional income related to the VGG Group's defined benefit plan following its annual assessment.

7.1 Non-recurring costs and exceptional items

Exceptional items and non-recurring costs amounted to €32.9 million, €31.9 million and €24.0 million in 2015, 2014 and 2013, respectively.

Exceptional costs increased by €1.0 million in 2015 as compared to the previous year, and were largely comprised of advisory costs which amounted to €21.6 million, incurred in connection with the Debt Restructuring (further described in paragraph 3.7 of this Part 9) which include legal, accounting, tax and consultancy fees. Restructuring costs of €11.5 million during the year are attributable to the implementation of the improvement initiatives further described in paragraph 3.5 of this Part 9.

Exceptional costs increased by €7.9 million in 2014 as compared to the previous year, and were largely comprised of restructuring and advisory costs, which amounted to €12.3 million and €10.0 million respectively. Restructuring costs during the year were attributable to the implementation of the improvement initiatives further described in paragraph 3.5 of this Part 9. Advisory costs were incurred in preparatory activities for a potential sale of the VGG Group, the negotiations of which were ultimately discontinued in 2014.

Exceptional costs in 2013 amounted to €24.0 million and primarily consisted of a €7.7 million restructuring cost among other costs related to the improvement initiatives further described in paragraph 3.7 of this Part 9, costs related to long term illness of €3.4 million and advisory costs of €2.4 million.

7.2 Adjusted EBITDA and Adjusted EBITDAE

(a) Financial years ended 31 December 2015 and 31 December 2014

Adjusted EBITDAE amounted to €74.0 million and €90.7 million in 2015 and 2014 respectively. During 2015, the VGG Group disposed of operations in France, Poland, the Czech Republic and OVA/Groenendaal, resulting in a €(2.6) million Adjusted EBITDAE impact in 2015. The remaining decrease in Adjusted EBITDAE of €14.1 million was primarily the result of lower Adjusted EBITDAE generated in both the Waste Collection and Recycling segments partly compensated by lower cost levels in group support as further described below.

Segment discussion

The following table sets out the VGG Group's Adjusted EBITDAE by segment for the years ended 31 December 2015 and 2014.

Unaudited, € millions	Year ended 31 December	
	2014	2015
Waste Collection	70.9	57.0
Recycling	24.2	20.2
Group Support ⁽¹⁾	(4.4)	(3.2)
Adjusted EBITDAE	90.7	74.0

(1) Group Support mainly includes revenue related to external real estate rental income.

Segment discussion

Waste Collection

Adjusted EBITDAE in the Waste Collection segment decreased by €13.9 million or 19.6 per cent. in 2015, with €(2.6) million attributable to the disposal of the VGG Group's subsidiaries in France, Poland and the Czech Republic and of OVA/Groenendaal. Price pressure continued during the year in the Netherlands, as a consequence of which cost increases could not be passed on to customers. The negative effect of pricing pressure was further compounded by commodity price volatility of plastics, metals, and particularly, wood.

The effect of these developments was partially offset by lower diesel costs and lower direct personnel costs resulting from further efficiency measures under the improvement initiatives.

In the Belgium Waste Collection segment, Adjusted EBITDAE was negatively impacted by further price concessions and higher direct personnel costs and higher operating and maintenance costs partly offset by lower diesel prices, indirect personnel costs as a result of further efficiency measures under the improvement initiatives.

Recycling

Adjusted EBITDAE in the Recycling segment decreased by €4.0 million or 16.5 per cent. in 2015. This decline was mainly driven by lower volumes from Maltha as a result of the plant not being fully operational during the year due to improvement works. The plant reopened in July 2015, but required fine-tuning before reaching full production capacity for the remainder of 2015. Furthermore, the operations of Maltha suffered from lower glass availability. Due to the shortage of glass availability, purchase prices for glass increased, negatively impacting Adjusted EBITDAE. Segment Adjusted EBITDAE was partially offset by higher volumes for Coolrec.

Despite adverse commodity price volatility during the year, higher volumes resulted in slightly increased Adjusted EBITDAE.

Group support

Adjusted EBITDAE in the Group support segment increased by approximately €1.2 million or 27.3 per cent. in the year ending 2015 as compared to the year 2014. The main driver for the increase in Adjusted EBITDAE were the positive effects from cost reductions including lower discretionary spend.

(b) Financial years ended 31 December 2014 and 31 December 2013

Adjusted EBITDAE amounted to €90.7 million and €116.2 million in 2014 and 2013 respectively. The decrease in Adjusted EBITDAE of €25.5 million during 2014 was primarily the result of market conditions in the collection market which continued to be unfavourable, with lower volumes and lower prices, resulting in a €23.8 million negative impact on Adjusted EBITDAE. The negative impact on revenue of €40.5 million was partly offset by cost reductions. For the Recycling segment, Adjusted EBITDAE was negatively impacted by €2.0 million mainly due to lower sales from Maltha.

Segment discussion

The following table sets out the VGG Group's Adjusted EBITDAE by segment for the years ended 31 December 2013 and 2014.

Unaudited, € millions	Year ended 31 December	
	2013	2014
Waste Collection	94.8	70.9
Recycling	26.2	24.2
Group Support ⁽¹⁾	(4.8)	(4.4)
Adjusted EBITDAE	<u>116.2</u>	<u>90.7</u>

(1) Group Support mainly includes revenue related to external real estate rental income.

Waste Collection

Adjusted EBITDAE in the Waste Collection segment decreased by €23.9 million or 25.2 per cent. in 2014, primarily attributable to lower Adjusted EBITDAE from the Netherlands segment. The Adjusted EBITDAE decline for the collection in the Netherlands was primarily driven by lower revenue as a result of pricing pressure and lower volumes, which was partially due to the loss of certain large customers. The negative impact of these developments was partially offset by the cost impact of further efficiency measures under the improvement initiatives.

Adjusted EBITDAE for the Waste Collection segment in Belgium declined by €5.6 million. Adjusted EBITDAE was mainly negatively impacted by price concessions partially offset by higher raw material prices and volumes primarily as a result of higher customer related volumes in metals and paper and higher prices for wood. Indirect costs increased mainly as a result of higher indirect personnel costs mainly due to the increase in personnel cost as a result of inflation and an increase in indirect personnel related to higher business volumes resulting from recent new regulations.

Recycling

Adjusted EBITDAE in the Recycling segment decreased by approximately €2.0 million or 7.6 per cent. in 2014. The decreased was primarily a result of lower revenue at Maltha, due to lower volume availability in the Benelux market and Portugal leading to both lower production and sales and an increase in glass prices following lower glass availability in the market. Coolrec's Adjusted EBITDAE slightly decreased during the year primarily as a result of adverse pricing of metals. Increased volumes and revenue were offset by higher sourcing costs and related direct costs negatively impacting the Adjusted EBITDAE. The VGG Minerals business' Adjusted EBITDAE improved slightly during the year reflecting lower prices for landfill activities partially off-set by the effects of the cessation of remediation activities.

Group support

Adjusted EBITDAE in the VGG Group support segment increased by approximately €0.4 million or 8.3 per cent. in the year ended 2014 as compared to the year 2013 due to cost reductions from operational improvement initiatives.

8. ADDITIONAL UNAUDITED REVENUE AND ADJUSTED EBITDAE FOR THE YEAR ENDED 31 DECEMBER 2015

The following table sets out the VGG Group's revenue and Adjusted EBITDAE by segment for the year ended 31 December 2015. These revenue and Adjusted EBITDAE figures are unaudited and have been extracted from the VGG Group's management accounts, with the differences between the numbers extracted and presented below and the numbers included in historical financial information of VGG Group (as disclosed in Part 11 (*Historical financial information of the VGG Group*)), relating to divestments made, group support and inter-company eliminations. They have been prepared on the basis set out in Note 1 ('Accounting Policies') to the Shanks Group's historical financial information incorporated by

reference into this Combined Circular and Prospectus as set out in Part 10 (*Historical financial information of the Shanks Group*).

<u>€ millions</u>	<u>Year ended 31 December 2015</u>
Waste Collection	
Netherlands	462.5
Belgium	254.1
Recycling	
Coolrec	80.1
Maltha	41.3
Minerals	44.7
Group Support/eliminations/reconciling items	32.1
Revenue	914.8
Waste Collection	
Netherlands	27.6
Belgium	33.6
Recycling	
Coolrec	5.1
Maltha	3.3
Minerals	11.8
Group Support/eliminations/reconciling items	(7.4)
Adjusted EBITDAE⁽¹⁾	74.0

(1) Adjusted EBITDAE in respect of the VGG Group is defined as the VGG Group's Adjusted EBITDA for a given period, adjusted to show the result before the impact of certain items that the VGG Group considers to be non-recurring costs and exceptional items.

9. LIQUIDITY AND CAPITAL RESOURCES

9.1 Overview

The VGG Group has historically funded its operations principally from its cash flows from operating activities and borrowings under available credit facilities. The VGG Group's principle liquidity needs are to finance operations, satisfy its debt obligations and to invest in capital expenditures relating to both maintenance and to improvements to its facilities and operations.

As described in paragraph 3.7 of this Part 9, as part of the Debt Restructuring, in 2015, the VGG Group reached an agreement with its shareholders and lenders on a new and sustainable financing structure. Consequently, the ownership of the VGG Group passed to the syndicate of lenders who contributed a share premium in the VGG Group to convert the original senior debt including accrued interest and 50 per cent. of the fair value of the interest rate swaps into equity, and the original senior debt was converted into a €320 million reinstated senior facility with a maturity in 2020 (under the VGG Senior Facilities Agreement). The original revolving credit facility of €70 million, including €25 million of ancillary facilities, was converted into a reinstated revolving credit facility.

9.2 Working capital

In general, working capital is significantly impacted by trade receivables improvements as a result of the VGG Group's non-recourse factoring arrangements. The total amounts factored were €33.2 million, €22.6 million and €11.8 million in 2015, 2014 and 2013 respectively. See paragraph 9.7 of this Part 9 for more details.

The following table shows the VGG Group's net working capital as at 31 December 2013, 2014 and 2015.

<u>€ millions</u>	<u>Year ended 31 December</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Inventories	16.3	15.8	13.9
Trade and other receivables	191.1	152.5	126.0
Trade and other payables	(259.5)	(238.8)	(228.5)
Total net working capital	(52.1)	(70.5)	(88.6)

In 2015, net working capital was €(88.6) million, compared to €(70.5) million in 2014. Net working capital decreased in 2015 by €18.1 million compared to 2014. This decrease was partly driven by a reduction of €3.2 million in net working capital as a result of the disposals during 2015. Exclusive of these disposals and limited non-cash working capital movements, net working capital primarily due to an increase of €10.6 million in the level of trade receivables factored as well as an increase in payables following from relative high investment levels in 2015.

In 2014, net working capital was €(70.5) million, compared to €(52.1) million in 2013. Net working capital decreased in 2014 by €18.4 million compared to 2013. In 2014, an increased focus on debtors and additional non-recourse factoring led to an improvement in working capital which was partly offset by a reduction in payment periods with certain creditors to more normalised creditor payment terms. Working capital in 2013 was positively affected by relatively long payment terms to creditors which were partly offset by longer payment terms from debtors.

9.3 Cash flows

The following table sets out the VGG Group's net increase (decrease) in cash and cash equivalents for the years ended 31 December 2013, 2014 and 2015.

€ millions	Year ended 31 December		
	2013	2014	2015
Net cash inflow from operating activities	141.4	68.6	59.6
Net cash inflow (outflow) from investing activities	833.6	(39.6)	(43.8)
Net cash used in financing activities	(924.5)	(65.6)	(31.5)
Net increase (decrease) in cash and cash equivalents	50.5	(36.6)	(15.7)

(1) Includes cash flow from discontinued operations from the sale of AVR.

(2) Includes divestments in the Czech Republic, Poland, France and OVA/Groenendaal.

(a) Cash flow from operating activities

The following table sets out the VGG Group's net cash inflow from operating activities for the years ended 31 December 2013, 2014 and 2015.

€ millions	Year ended 31 December		
	2013 ⁽¹⁾	2014	2015 ⁽²⁾
(Loss) profit before tax	(80.8)	(591.4)	292.4
Fair value (gain) loss on financial instruments	(11.3)	2.1	2.6
Finance income	(0.4)	(0.6)	(402.8)
Finance charges	86.4	67.8	73.6
Share of results from associates and joint ventures	2.8	0.1	(3.1)
Operating loss from continuing operations	(3.3)	(522.0)	(37.3)
Operating gain from discontinued operations	28.4	—	—
Depreciation and amortisation	126.2	91.4	77.6
Gain (loss) on disposal of property, plant and equipment	2.8	(0.7)	(0.2)
Loss on disposal of associate	(3.4)	—	—
Impairment charge	2.0	490.1	1.0
Change in working capital and provisions	(8.3)	11.9	19.5
Fair value (gain) loss on financial instruments	(0.2)	0.2	2.3
Share based payments	(0.1)	—	—
Cash flow from operating activities	144.1	70.9	62.9
Income tax paid	(2.7)	(2.3)	(3.3)
Net cash inflow from operating activities	141.4	68.6	59.6

(1) Includes cash flow from discontinued operations from the sale of AVR.

(2) Includes divestments in the Czech Republic, Poland, France and OVA/Groenendaal.

Net cash inflow from operating activities for the year ended 31 December 2015 was €59.6 million, primarily driven by positive Adjusted EBITDA and improvements in working capital of €9.0 million mainly related to the factors discussed in paragraph 9.2 of this Part 9.

In 2014, net cash inflow from operating activities amounted to €68.6 million, a decrease of €72.8 million compared to the previous year, mainly due to the disposal of AVR which accounted for €74.0 million cash flow in 2013. Excluding the cash flow from operations attributable to discontinued operations, net cash flow from operations increased by €19.7 million in 2014 compared to 2013. This improvement was partly driven by lower payments related to restructuring provisions that were associated with the disposal of AVR in 2013 and improvements in working capital resulting from factoring partly offset by a lower Adjusted EBITDA from continuing operations in 2014.

(b) Cash flow from investing activities

The following table sets out the VGG Group's net cash inflow (outflow) from investing activities for the years ended 31 December 2013, 2014 and 2015.

€ millions	Year ended 31 December		
	2013 ⁽¹⁾	2014	2015 ⁽²⁾
Investments	(58.4)	(46.0)	(64.2)
Divestments	893.0	5.1	18.6
Dividend received	0.3	0.4	0.7
Loans received/granted	(1.3)	0.9	1.2
Net cash inflow (outflow) from investing activities	833.6	(39.6)	(43.8)

(1) Includes cash flow from discontinued operations from the sale of AVR.

(2) Includes divestments in the Czech Republic, Poland, France and OVA/Groenendaal.

Net cash inflow (outflow) from investing activities relates to capital expenditure and net cash paid or received for acquiring or disposing of assets or businesses.

Net cash inflow (outflow) from investing activities was €(43.8) million, €(39.6) million and €833.6 million in the years ended 31 December 2015, 2014 and 2013 respectively.

The increase of €4.2 million in net cash inflow (outflow) from investing activities in 2015 compared to the previous year primarily relates to an increase in cash proceeds from divestments of €18.6 million, due to the disposal of the VGG Group's activities in France, the Czech Republic, Poland and OVA/Groenendaal in 2015. This increase was partly offset by an increase in investments in property, plant and equipment of €18.2 million in 2015, largely reflecting capital expenditures to improve the VGG Group's facilities and additional investments in the Waste Collection segment as further described in paragraph 9.4 of this Part 9.

The decrease of €873.2 million in net cash inflow (outflow) from investing activities in 2014 compared to the previous year is due to the receipt of €893.0 million in proceeds from the disposal of AVR during 2013.

(c) Cash flow from financing activities

The following table sets out the VGG Group's net cash used in financing activities for the years ended 31 December 2013, 2014 and 2015.

€ millions	Year ended 31 December		
	2013	2014	2015
Repayment borrowings / new loans	(776.2)	(17.2)	(12.8)
Interest and loan fees paid	(145.1)	(48.4)	(18.6)
Dividend paid	(3.2)	—	(0.1)
Net cash used in financing activities	(924.5)	(65.6)	(31.5)

Net cash used in financing activities was €(31.5) million, €(65.5) million and €(924.5) million in the years ended 31 December 2015, 2014 and 2013 respectively.

The increase of €34.1 million in net cash used in financing activities in 2015 mainly related to a decrease of €29.8 million in interest paid as a result of the extinguishment of €402.8 million of debt in July 2015

following the implementation of the Debt Restructuring and to a decrease in the repayment of borrowings of €5.1 million as described in paragraphs 3.7 and 9.5(a) of this Part 9.

The decrease of €858.9 million in net cash used in financing activities in 2013 mainly related to a repayment of borrowings of €776.2 million, mainly in relation to the sale of AVR. The repayment of part of the borrowing resulted in a decrease in interest paid of €96.7 million.

9.4 Capital expenditure

The VGG Group reviews its capital expenditure to assess the actual performance of each segment on a monthly basis and also to determine performance against its internal budget and forecast. Capital expenditure reflects certain items within the VGG Group's cash flow from investment activities, specifically its investments in intangible assets and in property, plant and equipment, in a given period.

The VGG Group operates in a relatively capital intensive industry. The VGG Group has incurred substantial capital expenditures and costs related to upgrading its facilities and implementing logistical improvements, including optimising capacity utilisation of sorting and recycling facilities to extract more value from waste and maintaining the average truck age of its fleet stable at around eight years. As part of this strategy, the VGG Group in the future expects to incur further capital expenditures and costs. See paragraph 3.5 of this Part 9 for further detail. For the years ended 31 December 2013, 2014 and 2015, the VGG Group has funded its capital expenditures mainly using operating cash flows. The VGG Group plans to fund its future capital expenditures using amounts available under its borrowings (which, following Completion, may include amounts borrowed under the New Facilities Agreement) and operating cash flows.

The following table sets out the VGG Group's capital expenditures for the years ended 31 December 2013, 2014 and 2015.

<u>Unaudited, € millions</u>	<u>Year ended 31 December</u>		
	<u>2013⁽¹⁾</u>	<u>2014</u>	<u>2015⁽²⁾</u>
Property, plant and equipment	52.7	40.1	59.0
Other intangible assets	5.5	5.9	5.2
Capital expenditure	58.2	46.0	64.2

(1) Includes discontinued operations from the sale of AVR.

(2) Includes divestments in the Czech Republic, Poland, France and OVA/Groenendaal.

Capital expenditures increased by €18.2 million, or 39.6 per cent., from €46.0 million in 2014 to €64.2 million in 2015. This increase was partly as a result of facility upgrades including an investment of €4.3 million to modernise Maltha's largest recycling facility in the Netherlands, continuous optimisation of Coolrec's sorting lines, establishing three new sorting lines and the refurbishment of an ASI plant for the Waste Collection segment and increased investments in logistics and containers. The increase was partly offset by lower investments in land and buildings.

Capital expenditures decreased by €12.2 million, or 30.0 per cent., from €58.2 million in 2013 to €46.0 million in 2014. This decrease was primarily attributable to the absence of capital expenditures relating to AVR, which amounted to €23.5 million in 2013, offset by lower lease financing of which amounted to €4.7 million in 2014 and €8.7 million higher investments which mainly related to purchase of trucks.

9.5 Capital resources and funding structure

(a) *Indebtedness*

The following table provides further detail on the VGG Group's borrowings as at 31 December 2013, 2014 and 2015.

€ millions	Year ended 31 December		
	2013	2014	2015
Financial Institutions ⁽¹⁾	763.5	766.5	305.0
Preference shares	37.6	42.3	—
Financial Lease	60.1	57.1	44.4
Bank Overdrafts	10.3	8.7	10.9
Other Loans ⁽²⁾	2.9	1.7	1.0
Total Borrowings	874.4	876.3	361.3
Amount due for settlement after 12 months	850.9	87.2	337.1
Amount due for settlement within 12 months	23.5	789.1	24.2
Total Borrowings	874.4	876.3	361.3
Cash and cash equivalents	155.4	119.0	103.2
Net Borrowings	719.0	757.3	258.1

(1) Financial Institutions amounts for the year ended 31 December 2013 and 2014 exclude capitalised financing costs which amounted to €12.8 million and €9.8 million, respectively. All Financial Institutions borrowings are expected to be repaid (along with any accrued and unpaid interest) on Completion.

(2) Other loans include a €1.1 million in private bilateral bank loans and pledges to external financial institutions

As at 31 December 2015, the VGG Group's gross indebtedness and net indebtedness were 4.4x and 2.8x its 2015 Adjusted EBITDA respectively. This covenant will be tested for the first time at the end of the third quarter in 2016.

Financial Institutions

Financial Institutions borrowings comprises amounts borrowed under the VGG Senior Facilities Agreement as further described in paragraph 12.2 of Part 15 (*Additional information*) in connection with the Debt Restructuring. On 14 July 2015, the shares of Van Gansewinkel Netherlands 4 B.V., the direct shareholder of the VGG Group, were sold to VGG's syndicate of lenders. The lenders contributed a share premium in the VGG Group to convert the original senior debt including accrued interest and 50 per cent. of the fair value of the interest rate swaps into equity. With the share premium, the remainder of the original senior debt was converted into a €320 million reinstated senior facility with a maturity in 2020. Under the VGG Senior Facilities Agreement, the VGG Group has access to a €320 million reinstated senior facility consisting of an interest bearing 5 per cent. Original Discount Issue of €16 million, leaving a €304 million reinstated senior facility on which the share premium is based.

Amounts outstanding under the VGG Senior Facilities Agreement are expected to be cancelled and repaid in full on Completion. See also paragraph 6 of Part 1 (*Letter from the Chairman of Shanks Group plc*).

Preference Shares

Preference Shares represents cumulative preference shares of the VGG Group's former shareholders, accruing 12.5 per cent. interest annually. In connection with the Debt Restructuring, all of the VGG Group's outstanding preference shares were converted into equity amounting to €45.1 million.

Financial Lease

The VGG Group's capital expenditure is partly financed by financial leases via multiple lease providers. Such financial leases are most commonly used to finance trucks and real estate. Typically, trucks are leased for a period of up to eight years. Under these lease arrangements, the VGG Group typically is granted an option to purchase the trucks. Historically, the VGG Group has exercised this option in most instances.

Bank overdrafts

Bank overdrafts relate to a notional cash pool whereby the bank has the right to set off credit and debit balances. Debit balances are reported under overdraft and credit balances are reported as cash. A multi-purpose overdraft facility of €4.5 million is allocated to this cash pool.

New Facilities Agreement

On 29 September 2016, Shanks entered into the New Facilities Agreement pursuant to which €600 million of multicurrency facilities, comprising a €150 million term facility and a €450 million revolving credit facility, will be provided to certain members of the Shanks Group and, following Completion, the Combined Group (including members of the VGG Group). See paragraph 3.1 of Part 2 (*Details of the Transaction*) for a summary of the terms and conditions of the New Facilities Agreement.

(b) Contractual commitments

The VGG Group has various contractual and commercial commitments to make future payments, including debt obligations, lease obligations, debt repayments and pension obligations.

The table below summarises the VGG Group's contractual obligations as at 31 December 2015.

€ millions	Carrying amount	Contractual cash flow	< 1 year	1-5 years	> 5 years
Financial Institutions ⁽¹⁾	305.0	324.9	—	324.9	—
Financial Lease ⁽²⁾	44.4	44.4	12.7	26.9	4.8
Bank Overdrafts ⁽³⁾	10.9	10.9	10.9	—	—
Other Loans ⁽⁴⁾	1.0	1.0	0.6	0.4	—
Trade and other payables	228.5	228.5	228.5	—	—
Derivative financial liabilities					
Interest Rate Swaps ⁽⁵⁾	2.3	2.3	2.3	—	—
Embedded derivative ⁽⁶⁾	11.0	11.0	—	11.0	—
Diesel hedges ⁽⁷⁾	2.3	2.3	2.3	—	—
	605.4	625.3	257.3	363.2	4.8

- (1) Financial Institutions borrowing represents amounts borrowed under the VGG Senior Facilities Agreement. The difference between the carrying amount and contractual cash flow for Financial Institutions is as a result of IFRS requirements related to fair value adjustments and original issuance discount. All Financial Institutions borrowings are expected to be repaid (along with any accrued and unpaid interest) on Completion.
- (2) Financial leases are lease contracts regarding property, plant and equipment whereby the VGG Group retains ownership and substantially all of the obligations and benefits incidental to such ownership
- (3) Bank overdrafts represents a notional cash pool whereby the bank has the right to set credit and debit balances. A multi-purpose overdraft facility of €4.5 million is allocated to this cash pool.
- (4) Other loans include €1.1 million in private bilateral bank loans and pledges to external financial institutions.
- (5) Represents the VGG Group's two interest rate swaps, the value of which is based on the market value as at 31 December 2015.
- (6) Represents the VGG Group's borrowings which contain a minimal 1 per cent. EURIBOR floor which, under IFRS is considered an embedded derivative, the value of which is based on the market value as at 31 December 2015.
- (7) Represents diesel hedges, the value of which is based on the market value as at 31 December 2015.

9.6 Off-balance sheet arrangements

For several Dutch entities in the VGG Group, in the ordinary course of its business, the VGG Group has issued a guarantee within the meaning of article 2:403 of the Dutch Civil Code with respect to specific contracted business activities. As a result of these guarantees the VGG Group is liable for all liabilities resulting from transactions performed by these entities.

Obligations under these guarantees issued by the VGG Group amounted to €59.5 million as at 31 December 2015 compared to €49.5 million as at 31 December 2014.

The VGG Group has a total obligation for rentals amounting to €47.3 million as of 31 December 2015. For 2016, the VGG Group has committed to rental obligations amounting to €12.3 million, relating to €5.3 million rent of land and buildings and €7.0 million to trucks, containers and other production means.

Total rental obligation with a term between one and five years €25.1 million in 2016. Total rental obligations with a term greater than five years is €10.0 million in 2016.

A number of subsidiaries in the VGG Group have entered into operating leases in respect of private vehicles. The total liability under these contracts was €10.3 million as of 31 December 2015. In 2016, the total commitment under such contracts amounted to €4.3 million. The term of the majority of these leases are between one and five years.

A number of the VGG Group's sites are leasehold sites. Total lease obligations amounted to €85.0 million as of 31 December 2015. In 2016, total lease obligations amounted to €1.8 million. In 2016, total lease obligations with a term between one and five years are €7.4 million, and total obligations with a term greater than five years amounted to €75.8 million.

In respect of current disputes and lawsuits, claims filed by the VGG Group have not been capitalised or have only been partly capitalised and, where necessary, provisions have been made in respect of claims filed by third parties.

9.7 Factoring

The VGG Group has in place a non-recourse ordinary course factoring arrangement with KBC, and factors a portion of its receivables under these arrangements. In the year ended 31 December 2015, the total amount factored was €33.2 million (as compared to total trade receivables remaining on the balance sheet as at year end of €92.8 million) and, in the year ended 31 December 2014, the total amount factored was €22.6 million (as compared to total trade receivables remaining on the balance sheet as at year end of €129.9 million). The factoring company, rather than the VGG Group, is subject to the risk of non-payment of certain receivables.

9.8 Dividend policy

The VGG Group does not currently intend to pay any cash dividends on its ordinary shares for the foreseeable future.

Following Completion, the Shanks Group's dividend policy, as further described in paragraph 11 of Part 1 (*Letter from the Chairman of Shanks Group plc*) will apply to the Combined Group (including the VGG Group).

10. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

In the normal course of business the VGG Group is exposed to financial and market risks related to credits, liquidities, interest rates, foreign currencies, diesel prices and metal prices.

10.1 Credit risk and governance

The VGG Group runs a counterparty risk on cash and deposits held with counterparty banks. This risk is managed by avoiding cash concentration with one counterparty and selecting counterparties of respectable creditworthiness, so there is no concentration of credit risk. The total maximum credit risk on financial assets amounts to €249 million as of 31 December 2015.

The VGG Group runs credit risks on counterparties to the derivative transactions. This risk may result in a loss if the contractual counterparty defaults on payments due to the VGG Group. This risk is governed by only entering into transactions with counterparties of satisfactory creditworthiness. In addition, hedge transactions are allocated to different counterparties. With all counterparties an ISDA (International Swaps & Derivatives Association) Master Agreement has been concluded.

Credit risks on outstanding loans are managed by only entering into transactions with counterparties of satisfactory creditworthiness.

Customer credit risk is managed by each business unit subject to the VGG Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Outstanding customer receivables are regularly monitored. The credit risk on customers is mitigated by the use of a credit insurance policy. Part of the credit risk on customers is further mitigated by non-recourse factoring for an amount of €33.2 million as at 31 December 2015, compared to €22.6 million in the previous year.

Credit risks on unbilled receivables, other receivables, prepayments and accrued income are managed by monitoring the invoicing backlog (unbilled receivables), limitations on prepayments and only doing business with reliable counterparties.

10.2 Liquidity risks and governance

The financing structure of the VGG Group is focused on maximising stakeholder value while retaining sufficient financial flexibility for investments, acquisitions and strategic projects. Liquidity risk consists of the possible financial impact for the VGG Group if liabilities cannot be met due to a liquidity shortage.

The loans and liquidity of the VGG Group are monitored by its central treasury department. The liquidity planning is updated weekly and reported to the board of directors. The daily liquidity governance is focused on the concentration of liquidity within the VGG Group. The VGG Group and its shareholders take a very cautious approach to managing the capital structure and are continuously considering options to adequately manage the liquidity risk.

A revolving credit facility of €70.0 million can be used at discretion of the VGG Group for credit or ancillary purposes. By the end of 2015, no credit was drawn under the revolving credit facility and €32.1 million of the ancillary line was drawn by way of bank guarantees, leaving €37.9 million undrawn. The flexible credit facility is subject to an annual clean down obligation.

Trade and other payables will be fully repaid in 2016. Other than the interest hedges and the diesel hedges, there are no other hedges with a negative value which need to be settled in future years.

As at 31 December 2015, it was unlikely that any credit replacing guarantee would be claimed. Accordingly, there are no outgoing cash flows accounted for under these guarantees.

10.3 Interest rate risk and control

The interest rate risk of the VGG Group relates to the financing structure which to a large extent consists of variable rate loans. Within the terms of these loans the interest rates can be fixed for a period ranging between 1 and 6 months. As a result, the VGG Group's cash flow and results are subject to fluctuations in the short-term interest rate. EURIBOR is the relevant reference interest rate for the VGG Group.

The VGG Group's hedge transactions are aimed at controlling the effects of market interest fluctuations on cash flows and results attempting to keep the effective interest rate as low as possible. To achieve the desired ratio between a fixed and floating rate the VGG Group uses mostly interest rate swaps and occasionally options. Periodically the interest risk profile is analysed and, if necessary, the ratio between fixed and variable interest rates is adjusted.

Based on the financing structure applicable as of 31 December 2015, the VGG Group has fixed the 1-month EURIBOR interest rate in 2016 for an average €300 million of outstanding loans at 0.547 per cent. using interest rate swaps.

The results on the interest rate hedges are settled on a monthly basis. The variable interest component in the hedges is determined monthly.

Following Completion, the VGG Group, as part of the Combined Group, will be exposed to interest rate risk in respect of any borrowings under the New Facilities Agreement. See paragraph 3.1 of Part 2 (*Details of the Transaction*) for a summary of the terms and conditions of the New Facilities Agreement. See also paragraph 2.13 of the section titled "Risk Factors" regarding the VGG Group's and, following Completion, the Combined Group's exposure to interest rate risk.

10.4 Currency risk and control

The VGG Group's activities are mainly executed within the same currency environment. Operational costs and revenue are all in the same currency, making the transactional risk within the VGG Group negligible.

Almost all subsidiaries of the VGG Group are located within the Eurozone. As a result, the currency exchange risks are very limited. For net investments in Poland and the Czech Republic, the VGG Group was exposed to a limited translation risk for the balance sheet and income statement. Given the limited currency risk exposure and since these investments were sold in 2015, no currency hedge transactions were carried out in 2015 and the VGG Group's limited exposure to foreign exchange risk primarily relates to its Hungarian operations of Maltha.

10.5 Diesel price risk and control

The diesel price risk of the VGG Group originates through the physical use of diesel by vehicles in the Waste Collection segment. The current diesel market price is one of the factors which determines the purchase price of diesel. As a result, the results and cash flow of the VGG Group depend on the movements in the market price for diesel.

The VGG Group enters into derivative transactions to hedge the diesel price for the expected volume in 2016. Diesel swaps with a fixed buying price are used. The results on these hedges are settled on a monthly basis. The variable component in the hedge is determined monthly in arrears on the average market price.

Assuming all other variables remain unchanged, a parallel movement of the diesel price curve of €50 per metric tonne up or down has the following effects:

- The charges arising from the diesel hedge decrease / increase by €1.1 million.
- The market value of the diesel hedges increase / decrease by €1.1 million.

As at 31 December 2015, the outstanding position amounted to €2.3 million (2014: nil).

10.6 Metal price risk and control

The VGG Group recovers various metals through processing of waste streams. The selling prices of various metals are mainly determined by the commodity markets. As a result, the results and cash flow of the VGG Group depend on the movements in the commodity market prices for metals.

Particularly in the Recycling segment, natural hedges are pursued through commercial contracts. This is a settlement method for incoming waste streams where the processing fee inversely correlates with the metals' market prices. Higher metal prices lead to a lower processing fee for the customer. This lower fee is offset by higher sales proceeds on the metals.

As far as a natural hedge cover is not applicable, the VGG Group selectively hedges the selling price of metals through derivative transactions. As at 31 December 2015, no position was outstanding. No derivative transactions were entered into during 2015 and subsequently.

10.7 Capital risk management

The VGG Group's objectives when managing capital are to safeguard the VGG Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The gearing ratio is calculated as consolidated net debt divided by total capital. The gearing ratios as at 31 December 2015 and as at 31 December 2014 were as follows:

€ millions	As at 31 December	
	2014	2015
Borrowings excluding preference shares and capitalised financing costs	834.0	361.3
Less: cash and cash equivalents	(119.0)	(103.2)
Consolidated net debt	715.0	258.1
Total equity	(466.0)	(15.5)
Total capital	249.0	242.6
Gearing ratio	287%	106%

As of 31 December 2014, the VGG Group's equity amounted to €466.0 million negative, mainly due to the impairment of goodwill and other intangibles assets in 2014. On 14 July 2015 the shares of Van Gansewinkel Netherlands 4 B.V., the direct shareholder of the VGG Group, were sold to the VGG Group's syndicate of lenders. The lenders contributed a share premium in the VGG Group to convert the original senior debt including accrued interest and 50 per cent. of the fair value of the interest rate swaps into equity. With the share premium the remainder of the original senior debt was converted into a €320 million restated senior facility with a maturity in 2020 (under the VGG Senior Facilities Agreement). This resulted in a significant improvement of the VGG Group's equity in 2015 to a negative equity amounting to €15.5 million as of 31 December 2015.

As part of capital risk management, the VGG Group monitors compliance with bank covenants closely. Bank covenants are monitored on a monthly basis and reported to the VGG Group of financial institutions on a quarterly basis. Based on the new financing structure as of 14 July 2015, as at that date during 2015 and at the end of 2015 the VGG Group complied with all bank covenants. To ensure covenant compliance under the new financing structure and decrease of the gearing ratio over time, cost reduction and revenue improvement programmes are in place, having positive effects on result, cash flow and debt reduction.

It is expected that the VGG Senior Facilities Agreement will be cancelled and repaid in full on Completion. Following Completion, the VGG Group, as part of the Combined Group, will be an eligible borrower under the New Facilities Agreement. See paragraph 3.1 of Part 2 (*Details of the Transaction*) for a summary of the terms and conditions of the New Facilities Agreement, including applicable financial covenants.

PART 10—HISTORICAL FINANCIAL INFORMATION OF THE SHANKS GROUP

The audited consolidated financial statements of Shanks for the financial years ended 31 March 2014, 2015 and 2016 as set out in Shanks' 2014 annual report and accounts, 2015 annual report and accounts and 2016 annual report and accounts are incorporated by reference into this Combined Circular and Prospectus.

The following list is intended to enable Shareholders and prospective investors to identify easily specific items of information which have been incorporated by reference into this Combined Circular and Prospectus.

The audited consolidated financial statements of Shanks for the financial years ended 31 March 2014, 2015 and 2016 are available for inspection in accordance with paragraph 19 of Part 15 (*Additional Information*).

1. IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 AND THE AUDIT REPORT THEREON

The page numbers below refer to the relevant pages of the annual report and accounts of Shanks for the financial year ended 31 March 2014:

- Independent Auditors' Report—pages 87-89
- Consolidated Income Statement—page 90
- Consolidated Statement of Comprehensive Income—page 91
- Balance Sheets—page 92
- Statements of Changes in Equity—page 93
- Statements of Cash Flows—page 94
- Notes to the Financial Statements—pages 95-137

2. IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 AND THE AUDIT REPORT THEREON

The page numbers below refer to the relevant pages of the annual report and accounts of Shanks for the financial year ended 31 March 2015:

- Independent Auditors' Report—pages 96-101
- Consolidated Income Statement—page 102
- Consolidated Statement of Comprehensive Income—page 103
- Balance Sheets—page 104
- Statements of Changes in Equity—page 105
- Statements of Cash Flows—page 106
- Notes to the Financial Statements—pages 107-159

3. IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 AND THE AUDIT REPORT THEREON

The page numbers below refer to the relevant pages of the annual report and accounts of Shanks for the financial year ended 31 March 2016:

- Independent Auditors' Report—pages 97-103
- Consolidated Income Statement—page 104
- Consolidated Statement of Comprehensive Income—page 105
- Balance Sheets—page 106
- Statements of Changes in Equity—page 107
- Statements of Cash Flows—108
- Notes to the Financial Statements—pages 109-164

PART 11—HISTORICAL FINANCIAL INFORMATION OF THE VGG GROUP

Section A of this Part 11 sets out a report from PricewaterhouseCoopers LLP, Shanks' Reporting Accountant, required by Paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules and paragraph 13.5.21R of the Listing Rules.

Section B of this Part 11 sets out the VGG Group's historical financial information as at and for the three years ended 31 December 2013, 2014 and 2015.

Section A: Accountant's report on the VGG Group's historical financial information



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29 September 2016

Dear Sirs

van Gansewinkel Groep B.V.

We report on the financial information of van Gansewinkel Groep B.V. and its subsidiaries (“**VGG Groep**”) set out in Section B of Part 11 (the “**Financial Information Table**”). The Financial Information Table has been prepared for inclusion in the combined class 1 circular and prospectus relating to the acquisition of van Gansewinkel Groep B.V. by Shanks Group plc (the “**Company**”) dated 29 September 2016 (the “**Investment Circular**”) on the basis of the accounting policies set out in note 2 to the Financial Information Table. This report is required by item 20.1 of Annex I to the PD Regulation and 13.5.21R of the Listing Rules of the United Kingdom Listing Authority (the “**Listing Rules**”) and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Financial Information Table gives a true and fair view, for the purposes of the Investment Circular and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation and 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Investment Circular.

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PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Financial Information Table and whether the accounting policies are appropriate to the VGG Groep's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information Table gives, for the purposes of the Investment Circular dated 29 September 2016, a true and fair view of the state of affairs of the VGG Groep as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Investment Circular and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Investment Circular in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

**Section B: The VGG Group's historical financial information as at and for the three years ended
31 December 2013, 2014 and 2015**

**VAN GANSEWINKEL GROEP B.V.
CONSOLIDATED INCOME STATEMENT**

	Note	For the year ended 31 December 2013 €m	For the year ended 31 December 2014 €m	For the year ended 31 December 2015 €m
Revenue	4	957.0	922.7	914.8
Cost of sales		(769.5)	(833.4)	(756.9)
Gross profit		187.5	89.3	157.9
Administrative expenses		(190.8)	(611.3)	(195.2)
Operating loss	6	(3.3)	(522.0)	(37.3)
Finance income	9	0.4	0.6	402.8
Finance charges	9	(86.4)	(67.8)	(73.6)
Change in fair value of derivatives at fair value through profit or loss	9	11.3	(2.1)	(2.6)
Share of results from associates and joint ventures	15	(2.8)	(0.1)	3.1
(Loss) profit before taxation		(80.8)	(591.4)	292.4
Taxation	10	13.8	35.6	11.3
(Loss) profit after taxation from continuing operations		(67.0)	(555.8)	303.7
Profit after taxation from discontinued operations	12	53.5	—	—
(Loss) profit for the year		(13.5)	(555.8)	303.7
Attributable to:				
Owners of the parent		(14.7)	(556.1)	304.4
Non-controlling interest		1.2	0.3	(0.7)
Operating profit before non-trading and exceptional items and loss after taxation from continuing operations before non-trading and exceptional items				
Operating loss as reported		(3.3)	(522.0)	(37.3)
Non-trading and exceptional items:				
Cost of sales	5	37.0	97.2	14.7
Administrative expenses	5	15.2	446.4	28.6
Operating profit before non-trading and exceptional items		48.9	21.6	6.0
(Loss) profit after taxation from continuing operations		(67.0)	(555.8)	303.7
Non-trading and exceptional items:				
Cost of sales		37.0	97.2	14.7
Administrative expenses		15.2	446.4	28.6
Exceptional finance income	9	—	—	(402.8)
Tax impact of non-trading and exceptional items		(5.9)	(8.5)	(8.2)
Loss after taxation from continuing operations before non-trading and exceptional items		(20.7)	(20.7)	(64.0)

VAN GANSEWINKEL GROEP B.V.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>Note</u>	<u>For the year ended 31 December 2013</u> €m	<u>For the year ended 31 December 2014</u> €m	<u>For the year ended 31 December 2015</u> €m
Items that may be subsequently reclassified to the profit or loss				
Exchange differences on translation of foreign subsidiaries		(0.2)	0.1	(0.1)
Fair value movement on cash flow hedges	16	11.5	4.4	2.9
Deferred tax on fair value movement on cash flow hedges		<u>(2.9)</u>	<u>—</u>	<u>(0.7)</u>
		<u>8.4</u>	<u>4.5</u>	<u>2.1</u>
Items that will not be reclassified to the income statement				
Actuarial gain (loss) on defined benefit pension scheme . .	24	1.1	(2.4)	1.8
Deferred tax on actuarial gain (loss) on defined benefit pension scheme		<u>(0.3)</u>	<u>0.6</u>	<u>(0.4)</u>
		<u>0.8</u>	<u>(1.8)</u>	<u>1.4</u>
Other comprehensive income for the year, net of tax		9.2	2.7	3.5
(Loss) profit for the year		<u>(13.5)</u>	<u>(555.8)</u>	<u>303.7</u>
Total comprehensive (loss) income for the year, net of tax		<u>(4.3)</u>	<u>(553.1)</u>	<u>307.2</u>
Attributable to:				
Owners of the parent		(5.5)	(553.4)	307.9
Non-controlling interest		<u>1.2</u>	<u>0.3</u>	<u>(0.7)</u>
		<u>(4.3)</u>	<u>(553.1)</u>	<u>307.2</u>

VAN GANSEWINKEL GROEP B.V.
CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2013 €m	As at 31 December 2014 €m	As at 31 December 2015 €m
Assets				
Non-current assets				
Intangible assets	13	597.4	89.3	77.8
Property, plant and equipment	14	411.1	391.2	369.2
Investments	15	3.4	2.9	2.4
Trade and other receivables	19	24.5	20.0	19.6
Deferred tax assets	17	9.9	16.9	24.7
		<u>1,046.3</u>	<u>520.3</u>	<u>493.7</u>
Current assets				
Inventories	18	16.3	15.8	13.9
Trade and other receivables	19	191.1	152.5	126.0
Current tax receivable		0.1	0.2	0.1
Derivative financial instruments	16	0.2	—	—
Cash and cash equivalents	20	155.4	119.0	103.2
		<u>363.1</u>	<u>287.5</u>	<u>243.2</u>
Assets classified as held for sale	11	5.0	4.2	5.1
		<u>368.1</u>	<u>291.7</u>	<u>248.3</u>
Total assets		<u>1,414.4</u>	<u>812.0</u>	<u>742.0</u>
Liabilities				
Non-current liabilities				
Borrowings	21	(850.9)	(87.2)	(337.1)
Derivative financial instruments	16	(0.2)	(1.7)	(10.9)
Deferred tax liabilities	17	(76.2)	(54.1)	(50.3)
Provisions	23	(82.4)	(84.2)	(90.3)
Defined benefit pension scheme deficit	24	(8.1)	(10.6)	(7.5)
		<u>(1,017.8)</u>	<u>(237.8)</u>	<u>(496.1)</u>
Current liabilities				
Borrowings	21	(23.5)	(789.1)	(24.2)
Derivative financial instruments	16	(6.6)	(2.9)	(4.7)
Trade and other payables	22	(259.5)	(238.8)	(228.5)
Current tax payable		(11.6)	(1.8)	(0.1)
Provisions	23	(8.1)	(7.6)	(3.9)
		<u>(309.3)</u>	<u>(1,040.2)</u>	<u>(261.4)</u>
Total liabilities		<u>(1,327.1)</u>	<u>(1,278.0)</u>	<u>(757.5)</u>
Net assets (liabilities)		<u>87.3</u>	<u>(466.0)</u>	<u>(15.5)</u>
Equity				
Share capital	25	—	—	0.1
Share premium	25	574.8	574.8	719.6
Revaluation reserve		6.0	0.7	0.7
Accumulated losses		(504.6)	(1,052.7)	(744.8)
Equity attributable to owners of the parent		76.2	(477.2)	(24.4)
Non-controlling interest		11.1	11.2	8.9
Total equity		<u>87.3</u>	<u>(466.0)</u>	<u>(15.5)</u>

VAN GANSEWINKEL GROEP B.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Revaluation reserve	Accumulated losses	Non-controlling interest	Total equity
		€m	€m	€m	€m	€m	€m
Balance at 1 January 2013		—	574.7	6.0	(499.1)	13.1	94.7
(Loss) profit for the year		—	—	—	(14.7)	1.2	(13.5)
Other comprehensive income:							
Exchange loss on translation of foreign subsidiaries		—	—	—	(0.2)	—	(0.2)
Fair value movement on cash flow hedges		—	—	—	11.5	—	11.5
Actuarial gain on defined benefit pension scheme		—	—	—	1.1	—	1.1
Tax in respect of other comprehensive income items		—	—	—	(3.2)	—	(3.2)
Total comprehensive (loss) income for the year		—	—	—	(5.5)	1.2	(4.3)
Share based payment transactions		—	0.1	—	—	—	0.1
Dividends paid		—	—	—	—	(3.2)	(3.2)
Balance at 31 December 2013		<u>—</u>	<u>574.8</u>	<u>6.0</u>	<u>(504.6)</u>	<u>11.1</u>	<u>87.3</u>
Balance at 1 January 2014		—	574.8	6.0	(504.6)	11.1	87.3
(Loss) profit for the year		—	—	—	(556.1)	0.3	(555.8)
Other comprehensive income:							
Exchange gain on translation of foreign subsidiaries		—	—	—	0.1	—	0.1
Fair value movement on cash flow hedges		—	—	—	4.4	—	4.4
Actuarial loss on defined benefit pension scheme		—	—	—	(2.4)	—	(2.4)
Tax in respect of other comprehensive income items		—	—	—	0.6	—	0.6
Total comprehensive (loss) income for the year		—	—	—	(553.4)	0.3	(553.1)
Realisation of revaluation reserve		—	—	(5.3)	5.3	—	—
Disposal due to loss of control		—	—	—	—	(0.2)	(0.2)
Balance at 31 December 2014		<u>—</u>	<u>574.8</u>	<u>0.7</u>	<u>(1,052.7)</u>	<u>11.2</u>	<u>(466.0)</u>
Balance at 1 January 2015		—	574.8	0.7	(1,052.7)	11.2	(466.0)
Profit (loss) for the year		—	—	—	304.4	(0.7)	303.7
Other comprehensive income:							
Exchange loss on translation of foreign subsidiaries		—	—	—	(0.1)	—	(0.1)
Fair value movement on cash flow hedges		—	—	—	2.9	—	2.9
Actuarial gain on defined benefit pension scheme		—	—	—	1.8	—	1.8
Tax in respect of other comprehensive income items		—	—	—	(1.1)	—	(1.1)
Total comprehensive income (loss) for the year		—	—	—	307.9	(0.7)	307.2
Capital contribution	25	0.1	144.8	—	—	—	144.9
Disposal due to loss of control		—	—	—	—	(1.5)	(1.5)
Dividends paid		—	—	—	—	(0.1)	(0.1)
Balance at 31 December 2015		<u>0.1</u>	<u>719.6</u>	<u>0.7</u>	<u>(744.8)</u>	<u>8.9</u>	<u>(15.5)</u>

VAN GANSEWINKEL GROEP B.V.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended 31 December 2013	For the year ended 31 December 2014	For the year ended 31 December 2015
		€m	€m	€m
Cash flows from operating activities	27	144.1	70.9	62.9
Income tax paid		(2.7)	(2.3)	(3.3)
Net cash inflow from operating activities		<u>141.4</u>	<u>68.6</u>	<u>59.6</u>
Investing activities				
Purchase of intangible assets		(5.5)	(5.9)	(5.2)
Purchase of property, plant and equipment		(52.7)	(40.1)	(59.0)
Loans granted to related party		(1.4)	(0.3)	(0.2)
Repayment of loan granted to related party		0.1	1.2	1.4
Disposals of property, plant and equipment		2.9	5.1	(0.3)
Proceeds from disposal of subsidiaries		890.1	—	18.5
Proceeds from disposal of associates and joint ventures . .		—	—	0.4
Investment in associates and joint ventures		(0.2)	—	—
Dividends received from associates and joint ventures . . .		0.3	0.4	0.6
Net cash inflow (outflow) from investing activities		<u>833.6</u>	<u>(39.6)</u>	<u>(43.8)</u>
Financing activities				
Finance charges and loan fees paid		(145.1)	(48.4)	(18.6)
Repayment of borrowings		(776.2)	(17.2)	(12.8)
Dividends paid to non-controlling interests		(3.2)	—	(0.1)
Net cash used in financing activities		<u>(924.5)</u>	<u>(65.6)</u>	<u>(31.5)</u>
Net increase (decrease) in cash and cash equivalents		50.5	(36.6)	(15.7)
Effect of foreign exchange rate changes		(0.1)	0.2	(0.1)
Cash and cash equivalents at beginning of the year		<u>105.0</u>	<u>155.4</u>	<u>119.0</u>
Cash and cash equivalents at the end of the year	20	<u>155.4</u>	<u>119.0</u>	<u>103.2</u>

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

van Gansewinkel Groep B.V. (the “VGG”) is a limited liability company incorporated and domiciled in the Netherlands. VGG and its subsidiaries (collectively, the “VGG Group”) provide services of collection, upgrading and recycling of waste. The address of the registered office is Flight Forum 240 in Eindhoven, The Netherlands. The historical financial information consolidates financial information of the VGG and its subsidiaries.

2. ACCOUNTING POLICIES

(a) Basis of preparation

This historical financial information presents the financial track record of the VGG Group for the years ended 31 December 2013, 2014 and 2015 and is prepared for inclusion in the Combined Circular Prospectus of Shanks Group plc (“Shanks”). The consolidated historical financial information has been prepared in accordance with the requirements of the Prospectus Directive Regulation, the Listing Rules and in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”), IFRS Interpretation Committee (“IFRS IC”) interpretations as adopted by the European Union. The consolidated historical financial information has been prepared on the going concern basis and under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The historical financial information has been prepared on the historical cost basis except that liabilities for cash-settled share based payment arrangements, available for sale financial assets and hedging agreements are stated at their fair value. The VGG Group’s presentational currency is Euro. The historical financial information is presented in millions of Euro, unless otherwise stated.

The historical financial information has been adjusted to reflect the accounting policies adopted by Shanks in its audited financial statements for the year ended 31 March 2016, as required by item 13.5.4R(1) of the Listing Rules issued by the FCA. Accordingly, the historical financial information differs, and may not be comparable to, the audited historical financial statements of the VGG Group for the years ended December 31, 2013, 2014 and 2015 filed with the Dutch Chamber of Commerce (*Kamer van Koophandel*) and included in the VGG Group’s annual reports for 2013, 2014 and 2015 available on the VGG Group’s website.

The principal accounting policies adopted in the preparation of the historical financial information are set out below. The policies have been consistently applied to all the years presented and are those policies adopted by Shanks in its audited consolidated financial statements for the year ended 31 March 2016.

(b) Going concern

This historical financial information relating to the VGG Group has been prepared on the going concern basis.

The VGG Group maintains a mixture of medium-term debt, committed credit facilities, lease finance arrangements and cash reserves, which together are designed to ensure that the VGG Group has sufficient available funds to finance its operations. VGG’s board reviews forecasts of the VGG Group’s liquidity requirements based on a range of scenarios to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its committed borrowing facilities at all times so that the VGG Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

After making appropriate enquiries and having considered the business activities and the VGG Group’s principal risks and uncertainties, VGG’s directors are satisfied that the VGG Group as a whole has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the historical financial information has been prepared on a going concern basis.

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

2. ACCOUNTING POLICIES (Continued)

(c) New standards, amendments and interpretations

Standards and interpretations issued by the International Accounting Standards Board (IASB) are only applicable if endorsed by the European Union. As at 1 January 2016, the following standards and interpretations were in issue:

- Amendments to IFRS 11 Joint Arrangements—Accounting for Merger of Interests in Joint Operations, effective 1 January 2016
- IFRS 14 Regulatory Deferral Accounts, effective 1 January 2016
- Amendments to IAS 1 Presentation of Financial Statements—Disclosure Initiative, effective 1 January 2016
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets—Clarification of Acceptable Methods of Depreciation and Amortisation, effective 1 January 2016
- Annual Improvements to IFRSs 2012-2014 Cycle (issued September 2014), effective 1 January 2016
- IFRS 9 Financial Instruments, effective 1 January 2018, subject to EU endorsement
- IFRS 15 Revenue from contracts with customers, effective 1 January 2018, subject to EU endorsement
- IFRS 16 Leases, effective for annual periods beginning on or after 1 January 2019, subject to EU endorsement

None of these new standards will have a material impact on the VGG Group's consolidated financial statements for the next accounting period. The VGG Group is currently in the process of determining the impact of implementing these standards in the consolidated financial statements for periods after the next accounting period.

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

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of van Gansewinkel Groep B.V. and all its subsidiary undertakings (subsidiaries). Subsidiaries are entities which are directly or indirectly controlled by the VGG Group. Control exists where the VGG Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with those used by the VGG Group. The results of subsidiaries acquired or sold during the year are included in the consolidated financial statements up to, or from, the date control passes. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

2. ACCOUNTING POLICIES (Continued)

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

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

(e) Business combinations

The acquisitions of subsidiaries are accounted for using the acquisition method. The cost of acquisition is measured as the fair value of assets transferred and liabilities incurred or assumed. Identifiable assets acquired and liabilities and contingent liabilities assumed, meeting the conditions for recognition under IFRS 3, are recognised at their fair value at the acquisition date. The fair value of businesses acquired may include waste permits, licences and customer lists with the value calculated by discounting the future revenue stream attributable to these lists or relationships, which are recognised as intangible assets and amortised. The excess of the cost of acquisition over the fair value of the VGG Group's share of the identifiable net assets acquired is recorded as goodwill. The costs of acquisition are charged to the Income Statement in the year in which they are incurred.

(f) Revenue recognition

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

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

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

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

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

(g) Intangible assets

Goodwill

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

2. ACCOUNTING POLICIES (Continued)

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

Other intangibles

Other intangible assets are capitalised on the basis of the fair value of the assets acquired or on the basis of costs incurred to purchase and bring the assets into use. They are subsequently measured at cost less accumulated amortisation.

For the valuation of the VGG Group’s brand name the relief from royalty method is used. This method estimates the value of an asset by capitalising the royalty expenses saved as the VGG Group owns the asset.

Other intangibles are amortised over the estimated useful life on a straight-line basis, as follows:

Computer software	3 to 5 years
Acquisition related intangibles:	
Brand name	10 to 20 years
Customer relations	5 to 11 years
Concessions and licences	2 to 25 years

(h) Property plant and equipment

Property, plant and equipment, except for freehold land and assets under construction, is stated at cost less accumulated depreciation and provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Freehold land and assets under construction are not depreciated. The asset’s residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

Assets other than goodwill are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. An impairment loss is recognised immediately as an operating expense and at each subsequent reporting date the impairment is reviewed for possible reversal.

Buildings, plant and machinery

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

Buildings	Up to 10 years
Plant and machinery	2 to 50 years

Landfill sites

Site development costs including engineering works and the discounted cost of final site restoration are capitalised. These costs are written off over the operational life of each site based on the amount of void space consumed.

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

2. ACCOUNTING POLICIES (Continued)

(i) Leased assets

Finance leases

Where the VGG Group has substantially all the risks and rewards of ownership of a leased asset, the lease is treated as a finance lease. Leased assets are included in property, plant and equipment at the total of the capital elements of the payments during the lease term and the corresponding obligation is included in borrowings. Depreciation is provided to write down the assets over the shorter of the expected useful life and the lease term, unless there is reasonable certainty that the VGG Group will obtain ownership of the asset by the end of the lease term, in which case it is depreciated over its useful life.

Operating leases

All leases other than finance leases are treated as operating leases. Rentals payable under operating leases are charged to the Income Statement on a straight-line basis over the term of the relevant lease. The future aggregate minimum lease payments for operating leases are shown in note 28.

(j) Inventories

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

(k) Provisions

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

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

Landfill provisions: Full provision is made for the net present value ("NPV") of the VGG Group's unavoidable costs in relation to restoration liabilities at its landfill sites. In addition the VGG Group continues to provide for the NPV of intermediate restoration costs over the life of its landfill sites and mineral extraction sites, based on the quantity of waste deposited or mineral extracted in the year. Provision is also made for the NPV of post closure costs at the VGG Group's landfill sites based on the quantity of waste deposited in the year.

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

(l) Employee benefits

Retirement benefits

The VGG Group accounts for pensions and similar benefits under IAS 19 (revised) Employee Benefits. For defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at fair value. The operating and financing costs of the plans are recognised separately in the Income Statement. Interest is calculated by applying the discount rate to the net defined pension liability. Actuarial gains and losses are recognised in full through the Statement of Comprehensive Income; surpluses are recognised only to the extent that they are recoverable. Movements in irrecoverable surpluses are recognised immediately in the Statement of Comprehensive Income. Payments to defined contribution schemes are charged to the Income Statement as they become due.

The VGG Group participates in several multi-employer funds and these are accounted for as defined contribution plans as schemes as it is not possible to split the assets and liabilities of the schemes between

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

2. ACCOUNTING POLICIES (Continued)

participating companies, and the VGG Group has no obligation to make additional contributions in the event that the schemes have an overall deficit.

(m) Taxation

Current tax

Current tax is based on taxable profit or loss for the year. Taxable profit differs from profit before tax in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The asset or liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, at the balance sheet date.

Deferred tax

Deferred tax is recognised in full where the carrying value of assets and liabilities in the financial statements is different to the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that have been substantively enacted at the balance sheet date.

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

Deferred income tax liabilities are not provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements as the timing of the reversal of the temporary difference is controlled by the VGG Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority.

(n) Foreign currencies

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

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

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

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

(o) Financial instruments

Trade receivables

Trade receivables do not carry interest and are recognised initially at their fair value and are subsequently measured at amortised cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the VGG Group will not be able to collect all amounts

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

2. ACCOUNTING POLICIES (Continued)

due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the value of estimated future cash flows. Subsequent recoveries of amounts previously written off are credited in the Income Statement.

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

Cash and cash equivalents

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

External borrowings

Interest bearing loans and other borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest rate method.

Trade payables

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

Other receivables and other payables

Other receivables and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Derivative financial instruments and hedging activities

In accordance with its treasury policy, the VGG Group only holds or issues derivative financial instruments to manage the VGG Group's exposure to financial risk. The VGG Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Such financial risk includes:

- Interest risk on the VGG Group's variable rate borrowings;
- Commodity risk in relation to diesel consumption; and
- Foreign exchange risk on transactions.

The VGG Group manages these risks through a range of derivative financial instruments, including interest rate swaps, forward foreign exchange contracts and fuel derivatives.

Interest rate swaps are considered to be used for hedging purposes when they alter the risk profile of an underlying exposure of the VGG Group in line with the VGG Group's risk management policies. At the inception of the hedge relationship the VGG Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the VGG Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

For interest rate swaps which are not designated as a hedge the gains or losses between period ends are taken to finance income or charges in the Income Statement.

The change in the fair value of the portion of the hedging instrument that is determined to be an effective hedge is recognised in equity and subsequently recycled to the Income Statement when the hedged cash

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

2. ACCOUNTING POLICIES (Continued)

flow impacts the Income Statement. The ineffective portion of the fair value of the hedging instrument is recognised immediately in the Income Statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs at which point it is recognised in the Income Statement. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is recognised in the Income Statement immediately.

Details of the fair values of the derivative financial instruments used for hedging purposes are disclosed in note 16.

(p) Assets classified as held for sale

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets are available for sale in their present condition.

(q) Called up share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or share options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the net proceeds over the nominal value of any shares issued is credited to the share premium account.

(r) Dividends

Dividend distributions to the equity holders are recognised in the period in which they are approved by the shareholders in general meeting. Interim dividends are recognised when paid.

(s) Segmental reporting

The VGG Group's segmental reporting reflects the management structure which is aligned with the core activities of the VGG Group. The reportable segments are Waste Collection, Recycling and Group Support.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the VGG Group's historical financial information in accordance with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity are set out below and in more detail in the notes.

Underlying business performance

The Directors believe that Adjusted EBITDAE (earnings before interest, tax, depreciation, amortisation and exceptional items) provides useful information to shareholders, this measure is used by the VGG Group for internal performance analysis.

Non-trading and exceptional items

Items classified as non-trading and exceptional are disclosed separately due to their size or incidence to enable a better understanding of performance. These include, but are not limited to, significant impairments, restructuring of the activities of an entity including employee severance costs, acquisition and disposal transaction costs, onerous contracts, significant provision releases and the profit or loss on disposal of properties.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)*Waste collection arrangements under public private partnership contracts*

The VGG Group manages a number of public-private partnerships for waste collection services to the municipality. These entities are fully owned by the local municipality and their relevant activities (being waste collection to the municipality) are defined by the municipality. The VGG Group has previously consolidated these entities on its ability to direct these entities' operations. In the Historical Financial Information, management have now determined that these entities should not be consolidated under IFRS 10 as the VGG Group does not define the relevant activities. The financial result from operating these contracts is limited to the management fees which the public-private partnerships pay to the VGG Group.

Invoice finance facilities

The VGG Group has entered into invoice finance facilities whereby certain of its trade receivables are sold to third parties on a monthly basis. Trade receivables subject to the arrangement are derecognised if it is assessed that substantially all risks and rewards and rights to receive cash flows have been transferred. The VGG Group continues to perform the servicing of the receivables sold and is not authorised to use the receivables sold other than in its capacity as servicer.

Impairment of intangible assets

In conducting the impairment review on goodwill and intangibles, management is required to make estimates of pre-tax discount rates, future profitability and growth rates. Detailed descriptions of assumptions and values are given in note 13.

Provisions

Restoration and aftercare provisions are recognised in the financial statements at the net present value of the estimated future expenditure required to settle the VGG Group's restoration and aftercare obligations. A discount is applied to recognise the time value of money and is unwound over the life of the provision. Provisions also include the present value of the estimated operating losses on loss-making onerous contracts. Further information is set out in note 23.

Retirement benefit schemes

The VGG Group operates defined benefit schemes for which an actuarial valuation is carried out as determined by the trustees at intervals of not more than three years. The pension cost under IAS 19 (revised) Employee Benefits is assessed in accordance with management's best estimates using the advice of an independent qualified actuary and assumptions in the latest actuarial valuation. The principal assumptions in connection with the VGG Group's retirement benefit schemes are set out in note 24.

Taxation

The VGG Group operates in the Netherlands, Belgium and a number of other European countries, all of which have their own tax legislation. Deferred tax assets and liabilities have been calculated based on the substantially enacted tax rates in the relevant jurisdictions at the balance sheet date or those rates expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. The VGG Group has available tax losses, some of which have been recognised as a tax asset and some have not based on management's best estimate of the ability of the VGG Group to utilise those losses. Further information is set out in note 17.

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

4. SEGMENTAL REPORTING

Management has determined the operating segments based on the operating reports reviewed by the Board of Directors that are used to assess both performance and strategic decisions. Management has identified that the Chief Executive Officer (CEO) is the chief operating decision maker in accordance with the requirements of IFRS 8 ‘Operating segments’.

The CEO considers the business to be split into three main types of business generating revenue: Waste Collection, Recycling and Group Support which comprises central head office functions.

All segment revenue, profit before taxation, assets and liabilities are attributable to the principal activity of the VGG Group being the provision of waste management services.

	<u>For the year ended 31 December 2013</u>			
	<u>Waste Collection</u>	<u>Recycling</u>	<u>Group Support</u>	<u>Total</u>
	€m	€m	€m	€m
Revenue				
Total revenue	<u>805.3</u>	<u>175.0</u>	<u>13.2</u>	993.5
Inter-segment revenue				(36.5)
Total revenue from external customers				<u>957.0</u>
Adjusted EBITDAE	<u>94.8</u>	<u>26.2</u>	<u>(4.8)</u>	116.2
Depreciation of property, plant and equipment				(61.5)
Impairment of property, plant and equipment				(1.2)
Amortisation of operating intangibles				(3.0)
Impairment of operating intangibles				(0.8)
Amortisation of acquisition intangibles				(26.2)
Loss on sale of assets				(2.8)
Exceptional and non-trading items (note 5)				<u>(24.0)</u>
Operating loss				(3.3)
Finance income				0.4
Finance cost				(86.4)
Change in fair value of derivatives at fair value through profit or loss				11.3
Share of results from associates and joint ventures				<u>(2.8)</u>
Loss before taxation				<u>(80.8)</u>
Additions in the year for continuing operations				
Property, plant and equipment and Intangible assets	<u>31.3</u>	<u>13.1</u>	<u>7.3</u>	<u>51.7</u>

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

4. SEGMENTAL REPORTING (Continued)

	For the year ended December 2014			
	Waste Collection	Recycling	Group Support	Total
	€m	€m	€m	€m
Revenue				
Total revenue	769.2	165.8	12.9	947.9
Inter-segment revenue				(25.2)
Total revenue from external customers				<u>922.7</u>
Adjusted EBITDAE	<u>70.9</u>	<u>24.2</u>	<u>(4.4)</u>	90.7
Depreciation of property, plant and equipment				(63.7)
Impairment of property, plant and equipment				(2.5)
Amortisation of operating intangibles				(6.1)
Amortisation of acquisition intangibles				(21.6)
Impairment of acquisition intangibles				(63.6)
Impairment of goodwill				(424.0)
Gain on sale of assets				0.7
Exceptional and non-trading items (note 5)				<u>(31.9)</u>
Operating loss				(522.0)
Finance income				0.6
Finance cost				(67.8)
Change in fair value of derivatives at fair value through profit or loss				(2.1)
Share of results from associates and joint ventures				<u>(0.1)</u>
Loss before taxation				<u>(591.4)</u>
Additions in the year for continuing operations				
Property, plant and equipment and intangible assets	<u>38.8</u>	<u>10.2</u>	<u>8.7</u>	<u>57.7</u>

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

4. SEGMENTAL REPORTING (Continued)

	For the year ended December 2015			
	Waste Collection	Recycling	Group Support	Total
	€m	€m	€m	€m
Revenue				
Total revenue	760.5	165.7	13.3	939.5
Inter-segment revenue				(24.7)
Total revenue from external customers				914.8
Adjusted EBITDAE	57.0	20.2	(3.2)	74.0
Depreciation of property, plant and equipment				(61.3)
Impairment of property, plant and equipment				(0.5)
Amortisation of operating intangibles				(6.9)
Amortisation of acquisition intangibles				(9.4)
Impairment of intangibles				(0.5)
Gain on sale of assets				0.2
Exceptional and non-trading items (note 5)				(32.9)
Operating loss				(37.3)
Exceptional finance income				402.8
Finance cost				(73.6)
Change in fair value of derivatives at fair value through profit or loss				(2.6)
Share of results from associates and joint ventures				3.1
Profit before taxation				292.4
Additions in the year for continuing operations				
Property, plant and equipment and intangible assets	48.5	9.5	7.9	65.9

5. NON-TRADING AND EXCEPTIONAL ITEMS

	For the year ended 31 December 2013	For the year ended 31 December 2014	For the year ended 31 December 2015
	€m	€m	€m
Restructuring	7.7	12.3	11.5
Long term illness	3.4	3.6	—
Advisory costs	2.4	10.0	21.6
Integration related items	1.5	0.5	—
Costs for non-operating locations	2.1	0.2	0.8
Other	6.9	5.3	(1.0)
	24.0	31.9	32.9
Impairments	2.0	490.1	1.0
Amortisation of acquisition intangibles	26.2	21.6	9.4
	52.2	543.6	43.3

Restructuring costs are mainly attributable to the implementation of the improvement initiatives. The charge recorded in cost of sales for 2015 was €4.8m (2014: €6.4m and 2013: €2.6m) and in administrative expenses for 2015 was €6.7m (2014: €5.9m and 2013: €5.2m).

Long term illness expense is defined as employee benefit expenses related to the temporary replacement of own personnel that have been ill for a period longer than six weeks. The charge recorded in cost of sales for 2015 was €nil (2014: €3.6m and 2013: €3.4m).

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

5. NON-TRADING AND EXCEPTIONAL ITEMS (Continued)

Advisory costs include programme office and legal advisory costs in relation to the VGG Group's improvement initiatives, factoring costs, costs incurred in preparatory activities for a potential sale of the VGG Group in 2014 and costs incurred in connection with the 2015 Debt Restructuring. The charge recorded in administrative expenses for 2015 was €21.6m (2014: €10.0m and 2013: €2.4m).

Integration-related items mainly represent ICT and other project costs related to the integration of certain regions in the Netherlands. The charge recorded in administrative expenses for 2015 was €nil (2014: €0.5m and 2013: €1.5m).

Costs for non-operating locations present mainly represent costs related to closing several of the VGG Group's offices and locations in Belgium and the Netherlands. The charge recorded in administrative expenses for 2015 was €0.8m (2014: €0.2m and 2013: €2.1m).

Other exceptionals include employee benefit expenses related to redundancy not classified as restructuring costs, disputes and claims offset by exceptional income from a landfill provision release and income following the annual assessment of the defined benefit plan. The charge recorded in cost of sales for 2015 was €nil (2014: €0.3m and 2013: €3.5m) and in administrative expenses for 2015 there was an income of €1.0m (2014: a charge of €5.0m and 2013: a charge of €3.3m).

The amortisation charge of acquisition intangibles is recorded in cost of sales. For impairment charges the charge recorded in cost of sales for 2015 was €0.5m (2014: €65.3m and 2013: €1.3m) and in administrative expenses for 2015 was €0.5m (2014: €424.8m and 2013: €0.7m).

6. OPERATING LOSS

Operating loss for the year is stated after charging (crediting):

<u>Continuing operations</u>	<u>For the year ended 31 December 2013</u>	<u>For the year ended 31 December 2014</u>	<u>For the year ended 31 December 2015</u>
	€m	€m	€m
Staff costs (Note 7)	255.9	244.1	231.1
Depreciation of property, plant and equipment	61.5	63.7	61.3
Amortisation of intangible assets	29.2	27.7	16.3
Impairment charges	2.0	490.1	1.0
Repairs and maintenance expenditure on property, plant and equipment	34.7	33.7	33.8
Net loss (profit) on disposal of property, plant and equipment . .	2.8	(0.7)	(0.2)
Non-trading and exceptional items	24.0	31.9	32.9
Trade receivables impairment	1.9	0.2	(0.2)
Operating lease costs	30.1	28.2	27.9

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

6. OPERATING LOSS (Continued)

During the year the VGG Group obtained the following services from the VGG Group’s auditors as detailed below:

	For the year ended 31 December 2013	For the year ended 31 December 2014	For the year ended 31 December 2015
	€m	€m	€m
Fees payable to VGG Group’s auditor and its associates for the audit of the consolidated financial statements	0.1	0.1	0.2
Fees payable to VGG Group’s auditor and its associates for other services:			
—The audit of VGG Group’s subsidiaries	0.4	0.3	0.3
—Non-audit fees—corporate finance services	—	0.9	2.4
—Non-audit fees—tax and other services	0.1	0.2	0.1
	<u>0.6</u>	<u>1.5</u>	<u>3.0</u>

7. EMPLOYEES

Staff costs for the VGG Group during the year were:

	For the year ended 31 December 2013	For the year ended 31 December 2014	For the year ended 31 December 2015
	€m	€m	€m
<u>Continuing operations</u>			
Wages and salaries	199.3	189.4	181.8
Social security costs	41.9	39.8	36.8
Other pension costs	14.7	14.9	12.5
Total staff costs	<u>255.9</u>	<u>244.1</u>	<u>231.1</u>

Average monthly number of people (including executive directors) employed were:

	For the year ended 31 December 2013	For the year ended 31 December 2014	For the year ended 31 December 2015
<u>Continuing operations</u>			
By reportable segment			
Waste Collection	4,505	3,922	3,560
Recycling	417	376	406
Group Support	234	221	215
	<u>5,156</u>	<u>4,519</u>	<u>4,181</u>

8. SHARE BASED PAYMENTS

Management of the VGG Group were offered the opportunity by the former investors to acquire Depositary Receipts (“DRs”) issued over common shares in one of the VGG Group’s holding companies via a Management Equity Participation Plan (the “MEP”) or a Medium Term Incentivisation Plan (the “MTIP”). By the end of 2014, the respective management of the VGG Group agreed with one of the VGG Group’s former holding companies that no value was to be expected from the instruments in the future. Keeping the MEP and MTIP in place was no longer feasible and it was agreed upon that the DRs would be handed in. As a result current employees transferred all their DRs for nil during 2015.

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

8. SHARE BASED PAYMENTS (Continued)

The details of the awards are described below:

	<u>As at 31 December 2013</u>	<u>As at 31 December 2014</u>	<u>As at 31 December 2015</u>
Name of arrangement	Purchase of DRs 2013	Purchase of DRs 2014	Purchase of DRs 2015
Date of grant	1 January to 31 December 2013	1 January to 31 December 2014	1 January to 31 December 2015
Number of instruments purchased	750	—	—
Fair value per Depositary Receipt (in €)	—	—	—
Expense recognised as contribution from the parent (under vesting in €m)	0.1	—	—

The total amount recognised in the financial statements (before taxes) for share based payment transactions with key managers was €nil in 2015 (2014: €nil and 2013: €0.1m).

9. NET FINANCE CHARGES

	<u>For the year ended 31 December 2013</u>	<u>For the year ended 31 December 2014</u>	<u>For the year ended 31 December 2015</u>
	€m	€m	€m
Finance charges:			
Interest payable on borrowings repayable within five years	77.4	60.6	51.3
Unwinding of discount on provisions	3.5	3.9	4.0
Interest charge on the retirement pension scheme	0.4	0.3	0.2
Amortisation of loan fees	5.1	3.0	1.6
Impairment of loans	—	—	4.3
Other finance costs	—	—	12.2
Total finance charges	<u>86.4</u>	<u>67.8</u>	<u>73.6</u>
Finance income			
Interest income on bank deposits	(0.4)	(0.6)	—
Exceptional—Other finance income	—	—	(402.8)
Total finance income	<u>(0.4)</u>	<u>(0.6)</u>	<u>(402.8)</u>
Change in fair value of derivatives at fair value through profit or loss	<u>(11.3)</u>	<u>2.1</u>	<u>2.6</u>
Net finance charges	<u>74.7</u>	<u>69.3</u>	<u>(326.6)</u>

The total financial income and expense include results for the interest rate swaps and embedded derivatives, which can be specified as follows:

	<u>For the year ended 31 December 2013</u>	<u>For the year ended 31 December 2014</u>	<u>For the year ended 31 December 2015</u>
	€m	€m	€m
Realised result (included in interest and financing charges on loans)	22.1	7.7	4.6
Unrealised (gain) loss (included in net result on financial assets and liabilities)	<u>(11.3)</u>	<u>2.1</u>	<u>2.6</u>
	<u>10.8</u>	<u>9.8</u>	<u>7.2</u>

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

9. NET FINANCE CHARGES (Continued)

On 14 July 2015, the shares of Van Gansewinkel Netherlands 4 BV, the direct shareholder of the VGG Group, were sold to VGG's syndicate of lenders. The lenders contributed a share premium to the VGG Group by converting a senior debt facility including accrued interest and 50% of the fair value of associated interest rate swaps into equity. The remainder of the original senior debt was converted into a €320m reinstated senior facility with a maturity in 2020. The €320m reinstated senior facility consists of an interest bearing 5% Original Discount Issue (OID) of €16m, leaving a €304m reinstated senior facility on which the contribution to share premium is based. An exceptional gain of €402.8m was recognised in the income statement as a result of the difference between the carrying value of the original senior debt facility and its fair value at the date of the conversion into equity.

The difference between the fair value of the reinstated senior facility amounting to €308m as of 14 July 2015 and the carrying amount of the reinstated senior facility amounting to €304m is €4m and was charged to the Income Statement as other finance costs. Additionally, the capitalised financing costs which were included in the measurement of the amortised cost of the original senior debt were charged as other finance costs. Finally, financing fees for the reinstated senior facility were charged to the Income Statement in 2015. Further reference is made to note 21.

As a result of hedge ineffectiveness in 2015 an additional amount of €2.1m (2014: €0.4m and 2013: €nil) was charged to the Income Statement leading to an increase in finance costs. Resulting from the reinstated senior facility an embedded derivative for 100 basis points minimum for EURIBOR has been measured as of 14 July 2015. In 2014, the 2013 settled part of interest rate swaps relating to hedge accounting was amortised fully.

10. TAXATION

	For the year ended 31 December 2013	For the year ended 31 December 2014	For the year ended 31 December 2015
	€m	€m	€m
Current tax on profits for the year	(15.4)	(11.7)	0.3
Adjustments in respect of prior years	4.9	4.6	1.1
Total current tax	<u>(10.5)</u>	<u>(7.1)</u>	<u>1.4</u>
Origination and reversal of temporary differences	(3.3)	(28.5)	(12.7)
Total deferred tax (note 17)	<u>(3.3)</u>	<u>(28.5)</u>	<u>(12.7)</u>
Total taxation credit for the year	<u>(13.8)</u>	<u>(35.6)</u>	<u>(11.3)</u>

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

10. TAXATION (Continued)

The tax credit for each of the three years differs from the standard rate of corporate income tax in the Netherlands of 25.0 per cent. The differences are explained below:

	For the year ended 31 December 2013	For the year ended 31 December 2014	For the year ended 31 December 2015
	€m	€m	€m
Profit (loss) on ordinary activities before tax	(80.8)	(591.4)	292.4
Tax (credit) charge based on Netherlands tax rate of 25.0% (2014: 25.0%, 2013: 25.0%)	(20.2)	(147.9)	73.1
Effects of:			
Expenses not deductible for tax purposes	1.6	2.6	3.9
Income not subject to tax	(4.7)	—	(99.7)
Non-deductible goodwill impairment	—	106.0	—
Adjustments in respect of prior years	4.9	4.6	1.1
Unrecognised deferred tax	4.2	3.1	11.4
Effect of tax rates in other countries	0.4	(4.0)	0.1
Other	—	—	(1.2)
Total taxation credit for the year	(13.8)	(35.6)	(11.3)

Income not subject to tax in the year ended December 2015 relates mainly to the exceptional finance income as a result of the debt restructuring.

There have been no changes to the corporate income tax rates between the balance sheet dates.

11. ASSETS CLASSIFIED AS HELD FOR SALE

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
Land and buildings	5.0	3.2	5.1
Other assets	—	1.0	—
	<u>5.0</u>	<u>4.2</u>	<u>5.1</u>

The value classified as held for sale represents the lower of the expected sales price or the book value. Several locations with land and buildings are held for sale. The increase in land and buildings classified as held for sale in 2015 is due to a new location classified as held for sale in 2015, partly offset by the sale of part of held for sale location in Maarheeze. The decrease in other assets classified as held for sale mostly relates to assets sold of Riebeeck Olie Amsterdam 1 B.V. and Riebeeck Olie Amsterdam 2 B.V.

The decrease in 2014 was due to the sale of the locations in Maarheeze (partly) and in Capelle a/d IJssel. Other assets included trucks which are out of operation and held for sale.

The assets held for sale have been pledged to financial institutions with a carrying value at balance sheet date of €5.1m (2014: €3.2m and 2013: €4.4m).

12. DISCONTINUED OPERATIONS

In June 2013, the VGG Group reached an agreement to sell its waste processing activities. The sale took place on 28 August 2013. With the sale of the waste processing activities, management followed a strategic decision to place full focus on the waste collection and recycling activities. The VGG Group used a significant part of the consideration received for the repayment of term loans.

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

12. DISCONTINUED OPERATIONS (Continued)

The discontinued operations income statement can be specified as follows:

	For the period 1 January 2013 to 28 August 2013
	€m
Revenue	149.4
Cost of sales	(101.5)
Gross profit	47.9
Administrative expenses	(19.5)
Operating profit	28.4
Finance charges	(35.5)
Loss before tax	(7.1)
Taxation	(149.0)
Loss after tax	(156.1)
Gain on sale of discontinued operations	209.6
Profit for the period	53.5

The 2013 profit from the discontinued operations of €53.5m was attributable entirely to the owners of the parent. The taxation charge of €149.0m partly related to the reversal of a deferred tax asset for losses from previous years.

The operating profit is stated after charging €31.2m of depreciation on property, plant and equipment and €4.3m of amortisation on intangible assets.

Cash flows from (used in) discontinued operations can be specified as follows:

	For the period 1 January 2013 to 28 August 2013
	€m
Net cash provided by operating activities	74.0
Net cash used in investment activities	(40.9)
Net cash used in financing activities	(29.3)
	3.8

During the period there were €23.5m of additions in property, plant and equipment and intangible assets.

The aggregate effect of the disposal on the VGG Group's assets and liabilities was as follows:

	As at 28 August 2013
	€m
Property, plant and equipment	(356.3)
Intangible assets including goodwill	(398.7)
Inventories	(5.6)
Trade and other receivables	(506.5)
Cash and cash equivalents	(24.3)
Borrowings	487.9
Deferred tax liabilities	20.5
Provisions	18.7
Trade and other payables	30.6
Net liabilities	(733.7)
Consideration received, satisfied by cash	914.7
Cash and cash equivalents disposed of	(24.3)
Net cash inflow	890.4

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

13. INTANGIBLE ASSETS

Cost, amortisation and net book value of intangible assets were as follows:

	As at 31 December 2013				
	Goodwill	Brand name	Other acquisition related intangibles	Computer software	Total
	€m	€m	€m	€m	€m
Cost					
At 1 January 2013	939.1	43.5	405.5	58.8	1,446.9
Additions	—	—	—	5.5	5.5
Disposals	—	—	—	(1.2)	(1.2)
Discontinued operations	(413.7)	—	(181.3)	(1.5)	(596.5)
Exchange	—	—	(0.2)	—	(0.2)
At 31 December 2013	<u>525.4</u>	<u>43.5</u>	<u>224.0</u>	<u>61.6</u>	<u>854.5</u>
Accumulated amortisation and impairment					
At 1 January 2013	(112.1)	(13.5)	(256.4)	(39.8)	(421.8)
Charge for the year	—	(2.1)	(25.7)	(5.7)	(33.5)
Impairment	—	—	—	(0.8)	(0.8)
Disposals	—	—	—	1.2	1.2
Discontinued operations	47.4	—	149.3	1.1	197.8
At 31 December 2013	<u>(64.7)</u>	<u>(15.6)</u>	<u>(132.8)</u>	<u>(44.0)</u>	<u>(257.1)</u>
Net book amount					
At 31 December 2013	<u>460.7</u>	<u>27.9</u>	<u>91.2</u>	<u>17.6</u>	<u>597.4</u>
	As at 31 December 2014				
	Goodwill	Brand name	Other acquisition related intangibles	Computer software	Total
	€m	€m	€m	€m	€m
Cost					
At 1 January 2014	525.4	43.5	224.0	61.6	854.5
Additions	1.5	—	—	5.7	7.2
Disposals	—	—	(0.7)	(0.1)	(0.8)
Other	—	—	0.2	0.1	0.3
At 31 December 2014	<u>526.9</u>	<u>43.5</u>	<u>223.5</u>	<u>67.3</u>	<u>861.2</u>
Accumulated amortisation and impairment					
At 1 January 2014	(64.7)	(15.6)	(132.8)	(44.0)	(257.1)
Amortisation charge	—	(2.1)	(19.5)	(6.1)	(27.7)
Impairment charge	(424.0)	(16.6)	(47.0)	—	(487.6)
Disposals	—	—	0.5	—	0.5
At 31 December 2014	<u>(488.7)</u>	<u>(34.3)</u>	<u>(198.8)</u>	<u>(50.1)</u>	<u>(771.9)</u>
Net book amount					
At 31 December 2014	<u>38.2</u>	<u>9.2</u>	<u>24.7</u>	<u>17.2</u>	<u>89.3</u>

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

13. INTANGIBLE ASSETS (Continued)

	As at 31 December 2015				
	Goodwill	Brand name	Other Acquisition related intangibles	Computer software	Total
	€m	€m	€m	€m	€m
Cost					
At 1 January 2015	526.9	43.5	223.5	67.3	861.2
Additions	—	—	0.4	4.8	5.2
Disposals	—	(0.1)	(7.0)	(3.7)	(10.8)
Reclassification	—	—	0.4	(0.5)	(0.1)
At 31 December 2015	<u>526.9</u>	<u>43.4</u>	<u>217.3</u>	<u>67.9</u>	<u>855.5</u>
Accumulated amortisation and impairment					
At 1 January 2015	(488.7)	(34.3)	(198.8)	(50.1)	(771.9)
Amortisation charge	—	(0.8)	(8.6)	(6.9)	(16.3)
Impairment charge	—	(0.3)	(0.2)	—	(0.5)
Disposals	—	0.1	6.9	3.6	10.6
Reclassification	—	—	(0.2)	0.6	0.4
At 31 December 2015	<u>(488.7)</u>	<u>(35.3)</u>	<u>(200.9)</u>	<u>(52.8)</u>	<u>(777.7)</u>
Net book amount					
At 31 December 2015	<u>38.2</u>	<u>8.1</u>	<u>16.4</u>	<u>15.1</u>	<u>77.8</u>

Of the total amortisation charge in 2015 €9.4m (2014: €21.5m and 2013 €26.2m) was charged to cost of sales and €6.9m (2014: €6.2m and 2013 €7.3m) has been treated as an administrative expense in the income statement.

Goodwill

Goodwill acquired through business combinations has been allocated to four CGUs: Waste Collection, VGG Minerals, Coolrec and Maltha.

The recoverable amount of a CGU is determined based on value in use. This is based on estimated revenue, costs, investments and cash flow projections using budgets and outlooks approved by management and estimated growth rates for a period of four years. After the explicit forecast period, the assumptions as presented in the table below are applied.

The other key assumptions for the value in use calculation per CGU are based on approved budgets and outlooks.

The CGU composition is based on the organisational structure of the VGG Group and is similar to 2014.

<u>31 December 2015</u>	<u>Waste Collection</u>	<u>Minerals</u>	<u>Coolrec</u>	<u>Maltha</u>
Compound annual volume growth—2016 to 2019	1.0%	(1.9)%	1.3%	7.9%
Long term growth rate	1.8%	1.8%	1.8%	1.8%
Average EBITDA margin—2016 to 2019	9.8%	22.2%	8.2%	18.4%
EBITDA margin after 2019	10.2%	22.2%	8.6%	19.4%
Pre-tax discount rate	10.2%	10.2%	10.2%	10.2%

VAN GANSEWINKEL GROEP B.V.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

13. INTANGIBLE ASSETS (Continued)

Based on the impairment test of 2015, it was concluded that the estimated recoverable amount was above the carrying value for all CGUs. Therefore, no impairment loss was recognised in 2015.

<u>31 December 2014</u>	<u>Waste Collection</u>	<u>Minerals</u>	<u>Coolrec</u>	<u>Maltha</u>
Compound annual volume growth—2015 to 2019	1.2%	(7.6)%	2.7%	6.1%
Long term growth rate	1.8%	1.8%	1.8%	1.8%
Average EBITDA margin—2015 to 2019	9.1%	23.3%	8.4%	18.2%
EBITDA margin after 2019	9.4%	12.0%	8.7%	19.4%
Pre-tax discount rate	10.5%	10.5%	10.5%	10.5%
Recoverable amount of CGU (€m)	319	15	35	N/A

Due to adverse market conditions during 2014 which resulted in a decline of estimated cash flows, a goodwill impairment loss was recognised in 2014 for a total amount of €424m. This related to the Waste Collection CGU for €381m (recoverable amount of €319m), Coolrec CGU for €37m (recoverable amount of €35m) and VGG Minerals CGU for €6m (recoverable amount of €15m). For the Waste Collection and Minerals CGUs the impairment exceeded goodwill which led to an additional impairment of other intangible assets amounting to €63.5m. The impairment charge in 2014 of €487.6m was recorded in exceptional and non-trading in the consolidated income statement.

In 2013 there was no impairment.

<u>31 December 2013</u>	<u>Waste Collection</u>	<u>Minerals</u>	<u>Coolrec</u>	<u>Maltha</u>
Compound annual volume growth—2014 to 2018	3.0%	(0.3)%	3.7%	6.3%
Long term growth rate	1.5%	0.5%	2.5%	1.5%
Average EBITDA margin—2014 to 2018	15.0%	20.0%	10.5%	24.0%
Pre-tax discount rate	10.5%	10.5%	10.5%	10.5%

The sensitivity of the impairment model was tested in all years by varying four parameters individually while keeping all other original assumptions unchanged. This sensitivity analysis of reasonably possible changes has been performed on each individual CGU. The aggregate effect on the impairment of all the CGUs under each of these scenarios was as follows:

	<u>As at 31 December 2013</u>	<u>As at 31 December 2014</u>	<u>As at 31 December 2015</u>
	<u>€m</u>	<u>€m</u>	<u>€m</u>
Change in discount rate			
—Reduction by 0.5%	—	—	—
—Increase by 0.5%	4.9	28.0	—
Change in revenue growth rate			
—Reduction by 0.5%	15.5	40.0	—
—Increase by 0.5%	—	—	—
Change in EBITDA margin			
—Reduction by 1.0%	29.9	99.0	35.0
—Increase by 1.0%	—	—	—
Change in CAPEX level			
—Reduction by 5.0%	—	—	—
—Increase by 5.0%	—	32.0	—

For the Maltha and Minerals CGUs, no impairment is required based on the sensitivity analysis. For the Waste Collection and Coolrec CGUs, the sensitivity analysis leads to an impairment. With regard to the Waste Collection CGU, the impairment would impact the other intangibles fixed assets as the carrying value of goodwill is nil.

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

13. INTANGIBLE ASSETS (Continued)

Intangible assets

The brand name was acquired on acquisition and at 31 December 2015 had a carrying value of €6.8m and a remaining amortisation period of 11 years.

Other intangible assets were pledged to secure loans granted by financial institutions under the syndicated credit facilities with a carrying value at 31 December 2015 of €0.9m (2014: €nil and 2013: €nil).

An impairment test was performed in 2015 with the key assumptions as listed above, which resulted in a €0.5m impairment charges (2014: €63.6m and 2013: €0.8m). See details of the 2014 impairment above).

14. PROPERTY, PLANT AND EQUIPMENT

	As at 31 December 2013			
	Land and buildings	Landfill sites	Plant and machinery	Total
	€m	€m	€m	€m
Cost				
At 1 January 2013	519.3	57.6	1,374.8	1,951.7
Additions	9.3	3.0	57.4	69.7
Disposals	(2.8)	(1.1)	(38.5)	(42.4)
Discontinued operations	(184.4)	—	(610.8)	(795.2)
Reclassification to assets held for sale	(3.1)	—	—	(3.1)
Other reclassifications	4.2	2.2	(6.4)	—
Disposal due to loss of control	(3.5)	—	(10.1)	(13.6)
Exchange	(0.7)	—	(1.6)	(2.3)
Other	—	—	0.9	0.9
At 31 December 2013	<u>338.3</u>	<u>61.7</u>	<u>765.7</u>	<u>1,165.7</u>
Accumulated depreciation and impairment				
At 1 January 2013	(189.6)	(45.4)	(914.0)	(1,149.0)
Depreciation charge	(16.5)	(4.5)	(71.7)	(92.7)
Impairment charge	(0.5)	—	(0.7)	(1.2)
Disposals	2.3	1.1	33.1	36.5
Discontinued operations	61.6	—	377.3	438.9
Reclassification to assets held for sale	0.6	—	—	0.6
Other reclassifications	(0.7)	—	0.7	—
Disposal due to loss of control	2.9	—	7.7	10.6
Exchange	0.5	—	1.2	1.7
At 31 December 2013	<u>(139.4)</u>	<u>(48.8)</u>	<u>(566.4)</u>	<u>(754.6)</u>
Net book amount				
At 31 December 2013	<u>198.9</u>	<u>12.9</u>	<u>199.3</u>	<u>411.1</u>

See note 12 for details of the discontinued operations.

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	As at 31 December 2014			
	Land and buildings	Landfill sites	Plant and machinery	Total
	€m	€m	€m	€m
Cost				
At 1 January 2014	338.3	61.7	765.7	1,165.7
Additions	5.4	1.1	44.0	50.5
Disposals	(1.1)	(0.5)	(19.8)	(21.4)
Reclassification to assets held for sale	(0.6)	—	(8.0)	(8.6)
Other reclassifications	36.2	15.4	(51.6)	—
Disposal due to loss of control	—	—	(0.2)	(0.2)
Exchange	(0.2)	—	(0.5)	(0.7)
Other	(0.9)	—	(1.4)	(2.3)
At 31 December 2014	<u>377.1</u>	<u>77.7</u>	<u>728.2</u>	<u>1,183.0</u>
Accumulated depreciation and impairment				
At 1 January 2014	(139.4)	(48.8)	(566.4)	(754.6)
Depreciation charge	(14.4)	(6.1)	(43.2)	(63.7)
Impairment charge	(0.6)	(0.3)	(1.6)	(2.5)
Disposals	0.6	—	18.9	19.5
Reclassification to assets held for sale	0.6	—	6.9	7.5
Other reclassifications	(28.1)	(4.6)	32.7	—
Disposal due to loss of control	—	—	0.2	0.2
Exchange	—	—	0.3	0.3
Other	0.2	—	1.3	1.5
At 31 December 2014	<u>(181.1)</u>	<u>(59.8)</u>	<u>(550.9)</u>	<u>(791.8)</u>
Net book amount				
At 31 December 2014	<u>196.0</u>	<u>17.9</u>	<u>177.3</u>	<u>391.2</u>

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	As at 31 December 2015			
	Land and buildings	Landfill sites	Plant and machinery	Total
	€m	€m	€m	€m
Cost				
At 1 January 2015	377.1	77.7	728.2	1,183.0
Additions	2.7	0.4	57.6	60.7
Disposals	(12.8)	(10.6)	(100.4)	(123.8)
Reclassification to/from assets held for sale	(4.5)	—	2.1	(2.4)
Disposal due to loss of control	(15.4)	—	(48.7)	(64.1)
Exchange	0.1	—	0.3	0.4
Other	—	—	(0.2)	(0.2)
At 31 December 2015	<u>347.2</u>	<u>67.5</u>	<u>638.9</u>	<u>1,053.6</u>
Accumulated depreciation and impairment				
At 1 January 2015	(181.1)	(59.8)	(550.9)	(791.8)
Depreciation charge	(12.5)	(4.4)	(44.4)	(61.3)
Impairment charge	(0.4)	—	(0.1)	(0.5)
Disposals	12.9	9.5	104.5	126.9
Reclassification to/from assets held for sale	1.1	—	(1.7)	(0.6)
Disposal due to loss of control	7.9	—	35.2	43.1
Exchange	(0.1)	—	(0.2)	(0.3)
Other	—	—	0.1	0.1
At 31 December 2015	<u>(172.2)</u>	<u>(54.7)</u>	<u>(457.5)</u>	<u>(684.4)</u>
Net book amount				
At 31 December 2015	<u>175.0</u>	<u>12.8</u>	<u>181.4</u>	<u>369.2</u>

Bank borrowings

Land, buildings and other real estate assets were mortgaged to secure loans granted by financial institutions under the syndicated credit facilities with a carrying value at 31 December 2015 of €124.9m (2014: €148.0m and 2013: €145.4m). Other fixed assets have been mortgaged with a carrying value at 31 December 2015 of €169.6m (2014: €72.0m and 2013: €76.9m).

Finance lease commitments

Included in land and buildings are assets held under finance leases with a net book value of €6.9m at 31 December 2015 (2014: €8.9m and 2013: €13.7m).

Included in plant and machinery are assets held under finance leases with a net book value of €55.1m at 31 December 2015 (2014: €64.8m and 2013: €52.1m).

Impairment

The impairment charges in 2013, 2014 and 2015 mainly related to the write down to fair value of assets transferred to assets held for sale.

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

15. INVESTMENTS

Interests in associates and joint ventures relates to the VGG Group's share in the net asset value of associates and joint ventures. See note 30 for a specification of the interests in associates, joint ventures and other investments. The valuation of the interests in associates, joint ventures and other investments is shown below:

	<u>Joint ventures</u>	<u>Associates</u>	<u>Other investments</u>	<u>Total</u>
	€m	€m	€m	€m
At 1 January 2013	—	1.7	1.2	2.9
Additions	—	0.2	—	0.2
Share of retained profits	—	0.6	—	0.6
Dividend income	—	(0.3)	—	(0.3)
At 31 December 2013	—	2.2	1.2	3.4
Share of retained profits	(0.1)	—	—	(0.1)
Dividend income	—	(0.4)	—	(0.4)
At 31 December 2014	(0.1)	1.8	1.2	2.9
Disposals	(0.1)	(0.2)	—	(0.3)
Share of retained profits	0.1	0.2	0.1	0.4
Dividend income	—	(0.6)	—	(0.6)
At 31 December 2015	<u>(0.1)</u>	<u>1.2</u>	<u>1.3</u>	<u>2.4</u>

As a result of disposals of various investments in addition to the results shown above, there was a profit on disposal of €2.7m in the year ended 31 December 2015 (2014: €nil and 2013: €3.4m loss).

16. DERIVATIVE FINANCIAL INSTRUMENTS

	<u>As at 31 December 2013</u>	<u>As at 31 December 2014</u>	<u>As at 31 December 2015</u>
	€m	€m	€m
Liabilities			
Interest rate swaps—at fair value through profit or loss	2.9	0.4	2.3
Interest rate swaps—effective hedges	3.9	4.2	—
Embedded derivative—at fair value through profit or loss	—	—	11.0
Diesel swaps—at fair value through profit or loss	—	—	2.3
	<u>6.8</u>	<u>4.6</u>	<u>15.6</u>
Current liabilities	6.6	2.9	4.7
Non-current liabilities	<u>0.2</u>	<u>1.7</u>	<u>10.9</u>
	<u>6.8</u>	<u>4.6</u>	<u>15.6</u>
Assets			
Diesel swaps—at fair value through profit or loss	<u>0.2</u>	—	—
Current asset	<u>0.2</u>	—	—

Hedge ineffectiveness amounted to €2.1m during the year ended 31 December 2015 (2014: €0.4m and 2013: €nil). In 2015 following on from the reinstated senior facility, an embedded derivative for a 100 basis points minimum for EURIBOR was recognised as at 14 July 2015.

During 2013, the VGG Group settled part of its interest rate swaps for an amount of €11.0m in order to avoid hedge ineffectiveness as the term loan has been repaid for an amount of €729.7m. From the settled interest rate swaps, €4.2m has not been recognised in the income statement.

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

16. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2015 were €300m (2014: €600m and 2013: €600m).

At 31 December 2015, the fixed interest rates vary from 0.3965 per cent. to 0.6225 per cent. (2014: 0.3965 per cent. to 0.8120 per cent. and 2013: 0.8120 per cent. to 2.789 per cent.), and the main floating rates are EURIBOR and LIBOR.

Diesel swaps

The value of wholesale fuel covered by fuel derivatives at 31 December 2015 was €9.4m (2014: €nil and 2013 €0.6m) and all of the purchases of wholesale fuel were expected to occur within 12 months of the year end.

17. DEFERRED TAX

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
Deferred tax assets:			
—Deferred tax assets to be recovered after more than 12 months	7.3	14.3	20.5
—Deferred tax assets to be recovered within 12 months	<u>2.6</u>	<u>2.6</u>	<u>4.2</u>
	<u>9.9</u>	<u>16.9</u>	<u>24.7</u>
Deferred tax liabilities:			
—Deferred tax liabilities to be recovered after more than 12 months	(54.6)	(45.6)	(42.7)
—Deferred tax liabilities to be recovered within 12 months	<u>(21.6)</u>	<u>(8.5)</u>	<u>(7.6)</u>
	<u>(76.2)</u>	<u>(54.1)</u>	<u>(50.3)</u>
Total net deferred tax	<u>(66.3)</u>	<u>(37.2)</u>	<u>(25.6)</u>

On 15 June 2015, the fiscal unity for Dutch corporate income taxes, headed by VGG Netherlands 3 B.V., ceased to exist due to the steps taken for the sale of the shares of Van Gansewinkel Netherlands 4 B.V., the direct shareholder of the VGG Group. Recognised tax losses carried forward as per that date were charged to the profit or loss. Subsequently, a new fiscal unity was headed up by Van Gansewinkel Netherlands 4 B.V. as from 16 June 2015.

On 14 July 2015, the sale of the shares of Van Gansewinkel Netherlands 4 B.V. to the VGG Group's syndicate of lenders was finalised. As of that date, VGG Holdco B.V. is the new shareholder of Van Gansewinkel Netherlands 4 B.V. Furthermore, the fiscal unity has been expanded with VGG Holdco B.V. and its shareholder VGG Topco 2 B.V. as head of the fiscal unity, as from 14 July 2015.

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

17. DEFERRED TAX (Continued)

The movement in deferred tax assets and liabilities during the years were as follows:

	Retirement benefit scheme	Tax losses	Derivative financial instruments	Intangible assets and Property, plant and equipment	Other timing differences	Total
	€m	€m	€m	€m	€m	€m
At 1 January 2013	4.0	125.2	6.7	(98.8)	4.1	41.2
Disposal of subsidiary	—	(125.2)	(1.1)	17.1	1.6	(107.6)
(Charged) credited charged to the income statement	(0.6)	—	—	9.4	(5.5)	3.3
Charged to other comprehensive income	(0.3)	—	(2.9)	—	—	(3.2)
At 31 December 2013	3.1	—	2.7	(72.3)	0.2	(66.3)
Credited (charged) to the income statement	—	8.1	(1.6)	27.8	(5.8)	28.5
Credited to other comprehensive income	0.6	—	—	—	—	0.6
At 31 December 2014	3.7	8.1	1.1	(44.5)	(5.6)	(37.2)
(Charged) credited to the income statement	(0.5)	6.7	3.3	5.9	(2.7)	12.7
Charged to other comprehensive income	(0.4)	—	(0.7)	—	—	(1.1)
At 31 December 2015	2.8	14.8	3.7	(38.6)	(8.3)	(25.6)
Deferred tax assets	3.1	—	2.7	—	4.1	9.9
Deferred tax liabilities	—	—	—	(72.3)	(3.9)	(76.2)
At 31 December 2013	3.1	—	2.7	(72.3)	0.2	(66.3)
Deferred tax assets	3.7	8.1	1.1	—	4.0	16.9
Deferred tax liabilities	—	—	—	(44.5)	(9.6)	(54.1)
At 31 December 2014	3.7	8.1	1.1	(44.5)	(5.6)	(37.2)
Deferred tax assets	2.8	14.8	3.7	—	3.4	24.7
Deferred tax liabilities	—	—	—	(38.6)	(11.7)	(50.3)
At 31 December 2015	2.8	14.8	3.7	(38.6)	(8.3)	(25.6)

Tax losses amounting to €52.7m at 31 December 2015 (2014: €9.7m and 2013: €17.4m) are not recognised in the consolidated balance sheet in relation to tax losses in The Netherlands, Czech Republic, France, Germany and Hungary. An amount of €24.5m during the year ended 31 March 2015 is attributable to the former fiscal unity headed by VGG Netherlands 3 B.V. and as such is no longer available for utilisation against future taxable income. For the remaining amount it is not probable that future taxable income will be available against which the VGG Group can utilise the benefits in the foreseeable future.

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

18. INVENTORIES

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
Raw materials and consumables	3.7	3.6	2.2
Finished goods	13.0	12.7	11.7
Less: impairment	<u>(0.4)</u>	<u>(0.5)</u>	<u>—</u>
	<u>16.3</u>	<u>15.8</u>	<u>13.9</u>

Write down of inventories recognised as an expense in the year to 31 December 2015 was €nil (2014: €0.5m and 2013: €0.4m).

Inventories have been pledged to financial institutions, with a carrying value at the year ended 31 December 2015 of €9.6m (2014: €3.8m and 2013: €3.5m).

19. TRADE AND OTHER RECEIVABLES

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
Non-current assets			
Loans due from related party	5.8	0.1	0.1
Other receivables	<u>18.7</u>	<u>19.9</u>	<u>19.5</u>
	<u>24.5</u>	<u>20.0</u>	<u>19.6</u>
Current assets			
Trade receivables	148.0	111.5	89.2
Provision for impairment of receivables	<u>(5.2)</u>	<u>(4.5)</u>	<u>(2.3)</u>
Trade receivables—net	142.8	107.0	86.9
Accrued income	32.6	27.1	27.3
Other receivables	9.7	6.4	5.8
Loans due from related party	0.2	5.8	0.1
Prepayments	<u>5.8</u>	<u>6.2</u>	<u>5.9</u>
	<u>191.1</u>	<u>152.5</u>	<u>126.0</u>

Non-current other receivables mainly relates to the minimal cash position for guarantees.

The fair value of trade and other receivables equals their carrying amount.

Movement in the provision for impairment of receivables:

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
At 1 January	(5.9)	(5.2)	(4.5)
Charged to Income Statement	(1.9)	(0.2)	0.2
Utilised	2.2	0.9	1.3
Discontinued operations	0.4	—	—
Disposal due to loss of control	<u>—</u>	<u>—</u>	<u>0.7</u>
At 31 December	<u>(5.2)</u>	<u>(4.5)</u>	<u>(2.3)</u>

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

19. TRADE AND OTHER RECEIVABLES (Continued)

Ageing of trade receivables that are past due but not impaired:

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
Neither impaired not past due	85.6	71.0	61.7
Overdue by less than three months	52.7	34.7	23.5
Overdue by between three and six months	3.9	0.9	1.4
Overdue by between six and twelve months	0.3	0.1	0.1
Overdue by more than twelve months	0.3	0.3	0.2
Impaired	5.2	4.5	2.3
Impairment provision	(5.2)	(4.5)	(2.3)
	<u>142.8</u>	<u>107.0</u>	<u>86.9</u>

The carrying amounts of the VGG Group's trade and other receivables are mostly denominated in Euro.

Trade receivables have been pledged to financial institutions with a carrying value at 31 December 2015 of €77.7m (2014: €67.8m and 2013: €86.2m). Prepayments have been pledged to financial institutions with a carrying value at 31 December 2015 of €5.6m (2014: €5.1m and 2013: €4.2m). Other receivables (current and non-current) have been pledged, with a carrying value at 31 December 2015 of €46.2m (2014: €52.0m and 2013: €46.9m).

20. CASH AND CASH EQUIVALENTS

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
Cash and cash equivalents	<u>155.4</u>	<u>119.0</u>	<u>103.2</u>

The carrying amounts of the VGG Group's cash and cash equivalents are mostly denominated in Euro.

Cash includes cash in joint operations amounting to €0.4m at 31 December 2015 (2014: €0.4m and 2013: €0.4m).

The cash and cash equivalents with a carrying value at balance sheet date 2015 of €70.1m (2014: €104.7m and 2013: €140.6m) have been pledged to financial institutions.

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

21. BORROWINGS

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
Non-current			
Private funding from a syndicate of lenders	763.5	—	305.0
Preference shares	37.6	42.3	—
Finance lease obligations	47.8	43.9	31.7
Other loans	2.0	1.0	0.4
	<u>850.9</u>	<u>87.2</u>	<u>337.1</u>
Current			
Private funding from a syndicate of lenders	—	766.5	—
Bank overdraft	10.3	8.7	10.9
Finance lease obligations	12.3	13.2	12.7
Other loans	0.9	0.7	0.6
	<u>23.5</u>	<u>789.1</u>	<u>24.2</u>

The table below details the maturity profile of non-current borrowings:

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
Between one and five years	806.9	37.5	332.5
Over five years	44.0	49.7	4.6
	<u>850.9</u>	<u>87.2</u>	<u>337.1</u>

All the borrowings are denominated in Euro.

Finance lease liabilities

The present value of finance lease liabilities is as follows:

	As at 31 December 2015		
	Minimum lease payments	Interest	Principal
	€m	€m	€m
Within one year	14.5	(1.8)	12.7
Between one and five years	29.5	(2.6)	26.9
More than five years	5.0	(0.2)	4.8
	<u>49.0</u>	<u>(4.6)</u>	<u>44.4</u>
	As at 31 December 2014		
	Minimum lease payments	Interest	Principal
	€m	€m	€m
Within one year	15.6	(2.4)	13.2
Between one and five years	40.4	(4.0)	36.4
More than five years	8.0	(0.5)	7.5
	<u>64.0</u>	<u>(6.9)</u>	<u>57.1</u>

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

21. BORROWINGS (Continued)

	As at 31 December 2013		
	Minimum lease payments	Interest	Principal
	€m	€m	€m
Within one year	14.7	(2.4)	12.3
Between one and five years	47.1	(5.7)	41.4
More than five years	7.1	(0.7)	6.4
	<u>68.9</u>	<u>(8.8)</u>	<u>60.1</u>

Interest rate profile of interest bearing borrowings

	As at 31 December 2013		As at 31 December 2014		As at 31 December 2015	
	Debt	Interest rate	Debt	Interest rate	Debt	Interest rate
	€m	%	€m	%	€m	%
Floating rate borrowings						
Private funding from a syndicate of lenders	763.5	5.2	766.5	5.0	305.0	8.3
Bank overdrafts	10.3	0.2	8.7	1.1	10.9	0.9
Other loans	2.9	2.0	1.7	0.9	1.0	0.7
Fixed rate borrowings						
Finance leases	60.1	5.0-7.0	57.1	5.0	44.4	5.0
Preference shares	37.6	12.5	42.3	12.5	—	—

Private funding from a syndicate of lenders

In April 2015, the VGG Group reached an agreement with its shareholders and syndicate of lenders on a new financing structure.

On 14 July 2015, the shares of Van Gansewinkel Netherlands 4 BV, the direct shareholder of the VGG Group, were sold to the VGG Group's syndicate of lenders. The lenders contributed a share premium in the VGG Group to convert the original senior debt including accrued interest and 50 per cent. of the fair value of the interest rate swaps into equity. With the share premium, the remainder of the original senior debt was converted into a €320m reinstated senior facility with a maturity in 2020. The €320m reinstated senior facility consists of an interest bearing 5 per cent. Original discount issue for €16m, leaving a €304m reinstated senior facility on which the share premium is based.

In accordance with IAS 39 and IFRS 9 this represented an exchange between an existing borrower and lender with 'substantially different' terms which resulted in accounting for the original senior debt as an extinguishment and the recognition of a new financial liability initially valued at fair value and subsequently at amortised cost.

On 14 July 2015, the fair value of the reinstated senior facility amounted to €298m, excluding the fair value of the embedded derivative was €10m. Subsequently, the reinstated senior facility is measured at amortised cost, resulting in an amortised cost value of €320m in 2020, excluding payment in kind interest of €56.8m. The fair value calculation of the reinstated senior facility is based on a discounted cash flow methodology using 6 months EURIBOR interest rates plus discount margin.

At this date the difference between the fair value of the reinstated senior facility of €308m, including the fair value of the embedded derivative and the carrying amount of the reinstated senior facility of €304m was €4m and this was charged to other finance costs in the year ended 31 December 2015.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment of the original debt, any costs or fees incurred need to be recognised as part of the gain or loss on the

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

21. BORROWINGS (Continued)

extinguishment. The capitalised financing costs which were included in the measurement of the amortised cost of the original senior debt were charged as finance costs in the year ended 2015. Financing fees for the reinstated senior facility were charged to the profit or loss as other finance costs in 2015.

At the end of December 2014 the total funding amounted to €776m in term loans and a revolving credit facility of which €35.6m was undrawn.

In April 2013, the VGG Group agreed with its syndicate of lenders to amend and extend the syndicated credit facilities. Through the sale of its waste processing activities, the VGG Group repaid €729.7m on the term loans in September 2013, leaving a remaining debt of €776.3m, due at the earliest in 2017. As the VGG Group did not comply with its bank covenants as at 31 December 2014, the syndicated credit facilities were re-classified to current borrowings.

Preference shares

The preference shares were cumulatively preferent with an annual interest rate of 12.5 per cent. At 31 December 2014, the accrued interest amounted to €27.6m (2013: €22.9m). Interest was calculated on the nominal value plus the share premium paid on these preference shares. Dividends were only paid out if sufficient profit was made, in accordance with the terms of the syndicated credit facilities. On 14 July 2015, the preference shares were converted into ordinary shares. This resulted in a conversion to equity of €45.1m including €2.8m of accrued interest.

Other loans

At 31 December 2015, the VGG Group took on €1.0m (2014: €1.7m and 2013: €2.9m) in private bilateral bank loans. The remaining duration of these loans varies from shorter than one year to up to five years at 31 December 2015 (2014: up to six years and 2013: up to seven years). All of these loans are denominated in Euro.

Undrawn borrowing facilities

There was a revolving credit facility of €70.0m at 31 December 2015 (2014: €70.0m and 2013: €60.6m) which can be used at the discretion of the VGG Group for credit or ancillary purposes. By the end of 2015, no credit was drawn under the revolving credit facility (2014: €10.0m and 2013: €nil) and €32.1m (2014: €9.0m and 2013: €11.0m) of the ancillary line was drawn by way of bank guarantees, leaving €37.9m undrawn (2014: €51.0m and 2013: €49.6m). The flexible credit facility is subject to an annual clean down obligation.

22. TRADE AND OTHER PAYABLES

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
Current liabilities			
Trade payables	145.1	124.0	120.5
Other tax and social security payable	24.1	19.0	18.9
Other payables	26.9	42.7	32.8
Accruals	48.2	45.4	49.8
Deferred revenue	15.2	7.7	6.5
	<u>259.5</u>	<u>238.8</u>	<u>228.5</u>

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

23. PROVISIONS

	Site restoration and aftercare	Restructuring	Other	Total
	€m	€m	€m	€m
At 1 January 2013	68.0	21.5	35.8	125.3
Provided in the year	2.2	4.0	2.0	8.2
Released in the year	(0.2)	—	(1.7)	(1.9)
Finance charges—unwinding of discount	3.0	—	0.5	3.5
Discontinued operations	(0.7)	(3.5)	(14.2)	(18.4)
Utilised in the year	(2.5)	(19.3)	(4.4)	(26.2)
At 31 December 2013	<u>69.8</u>	<u>2.7</u>	<u>18.0</u>	<u>90.5</u>
Current	1.1	2.6	4.4	8.1
Non-current	<u>68.7</u>	<u>0.1</u>	<u>13.6</u>	<u>82.4</u>
At 31 December 2013	<u>69.8</u>	<u>2.7</u>	<u>18.0</u>	<u>90.5</u>
	Site restoration and aftercare	Restructuring	Other	Total
	€m	€m	€m	€m
At 1 January 2014	69.8	2.7	18.0	90.5
Provided in the year	0.4	2.1	4.1	6.6
Released in the year	—	—	(6.1)	(6.1)
Finance charges—unwinding of discount	3.7	—	0.2	3.9
Utilised in the year	(0.9)	(2.1)	(0.1)	(3.1)
At 31 December 2014	<u>73.0</u>	<u>2.7</u>	<u>16.1</u>	<u>91.8</u>
Current	3.9	2.2	1.5	7.6
Non-current	<u>69.1</u>	<u>0.5</u>	<u>14.6</u>	<u>84.2</u>
At 31 December 2014	<u>73.0</u>	<u>2.7</u>	<u>16.1</u>	<u>91.8</u>
	Site restoration and aftercare	Restructuring	Other	Total
	€m	€m	€m	€m
At 1 January 2015	73.0	2.7	16.1	91.8
Provided in the year	0.2	6.4	3.0	9.6
Released in the year	(0.2)	(0.5)	(1.6)	(2.3)
Finance charges—unwinding of discount	3.8	—	0.2	4.0
Disposal due to loss of control	(0.9)	—	(0.1)	(1.0)
Reclassification	—	—	0.2	0.2
Utilised in the year	(0.9)	(5.1)	(2.1)	(8.1)
At 31 December 2015	<u>75.0</u>	<u>3.5</u>	<u>15.7</u>	<u>94.2</u>
Current	—	2.8	1.1	3.9
Non-current	<u>75.0</u>	<u>0.7</u>	<u>14.6</u>	<u>90.3</u>
At 31 December 2015	<u>75.0</u>	<u>3.5</u>	<u>15.7</u>	<u>94.2</u>

With exception of the restructuring provision, the nature of the provisions is mainly long-term.

VAN GANSEWINKEL GROEP B.V.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

23. PROVISIONS (Continued)

The landfill related provisions serve to finance the expected costs of restoration during and at the end of the filling period and have been calculated on the basis of a discount rate of 5 per cent., taking into account a future inflation rate of 2 per cent. The release in 2015 mainly related to re-assessments of the landfill provision and the increased charge in 2013 included €2.0m as a re-assessment of a landfill site.

A restructuring provision covers costs directly related to restructurings. The charge of €6.4m relates to a 2015 restructuring. The utilisation in 2015 of €5.1m mainly relates to severance payments for employees that left the VGG Group during 2015 resulting from reorganisations in 2014 and 2015. The large utilisation in 2013 for €19.3m included severance payments paid to employees that left the VGG Group during 2013 resulting from the restructuring in 2012.

The other provisions include provisions for contract risks of €4.6m at 31 December 2015 (2014: €5.4m and 2013: €2.9m), rent related provisions of €1.6m at 31 December 2015 (2014: €1.8m and 2013: €3.7m), and provision for demolition and repair costs and the long term employment jubilee schemes. The release during 2015 included the demolition and repair costs for a location which was sold in 2015.

24. RETIREMENT BENEFIT SCHEMES

The VGG Group participates in both defined contribution schemes and defined benefit schemes and the retirement benefit costs were:

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
Defined benefit schemes	0.4	1.2	0.9
Defined contribution schemes	14.3	13.7	11.6
	14.7	14.9	12.5

Defined benefit schemes

The net defined benefit obligation is related to funded plans, mainly insurance contracts, managed by insurers. The assets consist of qualifying insurance policies which match the vested benefits. The vested benefits will be financed immediately for the pension plan. The funded plans can be classified as defined benefit plans. There are various schemes which are based on final salaries and in some cases on average salaries. The build-up of rights for inactives are indexed on the basis of additional interest and rights of active employees are being indexed unconditionally with the price-inflation figure. There are no unfunded plans.

Income statement

The amounts recognised in the income statement under employee benefit expenses, for both plan assets and defined benefit obligations, were as follows:

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
Current service cost	1.7	1.7	2.3
Past service gain	—	(0.5)	(1.4)
Curtailement	(1.3)	—	—
	0.4	1.2	0.9

During 2014, amendments were made to the defined benefit plan for the Dutch entities related to the increase of the retirement age to 67 and the change in financing of indexations which resulted in a past

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

24. RETIREMENT BENEFIT SCHEMES (Continued)

service gain of €0.5m. In 2014 the settlement of a pension plan for one of the former VGG entities was recorded, as all risks have been transferred to the insurer with a settlement result of nil.

The net pension benefit obligation recognised in the balance sheet in respect of defined-benefit post-employment plans is the fair value of plan assets less the present value of the projected defined benefit obligations at the balance sheet date, together with adjustments for projected unrecognised past service costs. The projected defined-benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the pension liability is calculated by discounting the estimated future cash flows. This is based on interest rates applying to high-quality corporate bonds with a term approximately equal to the term of the related pension liability.

The principal assumptions used by the actuaries were as follows:

	<u>As at 31 December 2013</u>	<u>As at 31 December 2014</u>	<u>As at 31 December 2015</u>
Rate of increase in salaries	2.5%	2.5%	2.5%
Discount rate	3.6%	2.5%	2.4%
Future pension indexation	2.0%	2.0%	2.0%
Future indexing of new pensions	<u>excess interest</u>	<u>excess interest</u>	<u>excess interest</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in the Netherlands and Belgium.

The mortality assumptions imply the following expected future lifetimes from age 65:

	<u>As at 31 December 2013</u>	<u>As at 31 December 2014</u>	<u>As at 31 December 2015</u>
Retiring at the end of the reporting period:			
Males	20	21	21
Females	23	23	23
Retiring 20 years after the end of the reporting period:			
Males	22	24	24
Females	<u>24</u>	<u>26</u>	<u>26</u>

The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The amounts recognised in the balance sheet were as follows:

	<u>As at 31 December 2013</u>	<u>As at 31 December 2014</u>	<u>As at 31 December 2015</u>
	€m	€m	€m
Present value of funded obligations	(48.9)	(54.2)	(50.9)
Fair value of plan assets	40.8	43.6	43.4
Pension scheme deficit	<u>(8.1)</u>	<u>(10.6)</u>	<u>(7.5)</u>

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

24. RETIREMENT BENEFIT SCHEMES (Continued)

Analysis of the movement in the net liability:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
	€m	€m	€m
At 1 January	(9.7)	(8.1)	(10.6)
Contributions by employer	1.6	1.4	2.4
Actuarial gains (losses) gains recognised in the year	1.1	(2.4)	1.8
Net interest expense	(0.4)	(0.3)	(0.2)
Other	(0.3)	—	—
Curtailment	1.3	—	—
Past service cost	—	0.5	1.4
Current service cost	(1.7)	(1.7)	(2.3)
At 31 December	<u>(8.1)</u>	<u>(10.6)</u>	<u>(7.5)</u>

Changes in the present value of the defined benefit obligation were as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
	€m	€m	€m
At 1 January	(48.3)	(48.9)	(54.2)
Current service cost	(1.8)	(1.7)	(2.2)
Past service cost	—	0.5	1.4
Curtailment	1.3	—	—
Interest expense on plan liabilities	(1.3)	(1.3)	(1.4)
Gains and losses on settlement	—	13.9	—
Other	(0.3)	—	—
Actuarial losses / (gains):			
—Changes in demographic assumptions	0.3	(1.6)	—
—Changes in financial assumptions	—	(15.7)	(1.3)
—Changes in experience	0.6	0.6	6.3
Contributions by employees	(0.6)	(0.5)	(0.5)
Benefits paid	1.2	0.5	1.0
At 31 December	<u>(48.9)</u>	<u>(54.2)</u>	<u>(50.9)</u>

Changes in the fair value of the defined benefit asset were as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
	€m	€m	€m
At 1 January	38.6	40.8	43.6
Current service cost	0.1	—	(0.1)
Interest income on plan assets	0.9	1.0	1.2
Gains and losses on settlement	—	(13.9)	—
Return on plan assets	0.2	14.3	(3.2)
Contributions by employees	2.2	1.9	2.9
Benefits paid	(1.2)	(0.5)	(1.0)
At 31 December	<u>40.8</u>	<u>43.6</u>	<u>43.4</u>

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

24. RETIREMENT BENEFIT SCHEMES (Continued)

Statement of comprehensive income

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
Actuarial gains (losses) on liabilities:			
—Changes in demographic assumptions	0.3	(1.6)	—
—Changes in financial assumptions	—	(15.7)	(1.3)
—Other changes	0.6	0.6	6.3
Actuarial gains (losses) on assets:			
—Return on plan assets	0.2	14.3	(3.2)
	<u>1.1</u>	<u>(2.4)</u>	<u>1.8</u>

Sensitivity to assumptions

The disclosures above are dependent on the assumptions used. The table below demonstrates the sensitivity of the defined benefit obligation to changes in assumptions.

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
Discount rate effect:			
—increase of 0.25% for all years	(1.8)	3.2	(2.9)
—decrease of 0.25% for all years	1.9	3.5	3.2
Salary and price inflation effect:			
—increase of 0.25% for 2013 and 2014 (2015: 1%)	0.2	(0.6)	1.5
—decrease of 0.25% for 2013 and 2014 (2015: 1%)	<u>(0.2)</u>	<u>(0.5)</u>	<u>(1.6)</u>

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting year.

The following disclosures relate to the VGG Group's defined benefit plan only.

Risks

Through its defined benefit pension schemes the VGG Group is exposed to a number of risks and the most significant of these are set out below:

Changes in bond yields

The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields. However, the market value of assets is determined based on the net present value of the accrued benefits using the same discount rate as the liabilities. Therefore the risk on the liabilities is partly offset against the change in value of the assets.

Inflation risk

The majority of the scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities.

Life expectancy

The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in the life of the member will result in an increase in the liabilities. However, the market value of assets is

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

24. RETIREMENT BENEFIT SCHEMES (Continued)

determined based on the net present value of the accrued benefits which have the same life expectancy as the liabilities. Therefore the risk on the liabilities is partly offset against the change in value of the assets.

In the Netherlands, employees are members of industry-wide multi-employer pension schemes. These schemes are treated as defined contribution plans as it is not possible to separately identify the VGG Group's share of the assets and liabilities of those schemes. The VGG Group has been informed that it has no direct obligation to make additional contributions in the event that the schemes have an overall deficit.

25. SHARE CAPITAL AND SHARE PREMIUM

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
80,000 ordinary shares of €1 each (2013: 40,000; 2014: 40,000)	—	—	0.1
Share premium	574.8	574.8	719.6
	<u>574.8</u>	<u>574.8</u>	<u>719.7</u>

Ordinary shares

Issued capital at 31 December 2015 consisted of 80,000 ordinary shares which were fully paid. Following on from the conversion of preference shares into ordinary shares on 14 July 2015, the number of issued shares increased by 40,000 in 2015.

Share premium

On 14 July 2015 the shares of Van Gansewinkel Netherlands 4 B.V., the direct shareholder of the VGG Group, were sold to VGG's syndicate of lenders. The lenders contributed a share premium in the VGG Group to convert the original senior debt including accrued interest and 50 per cent. of the fair value of the interest rate swaps into equity. With the share premium, the remainder of the original senior debt was converted into a €320m reinstated senior facility with a maturity in 2020. The €320m reinstated senior facility consists of an interest bearing 5 per cent. Original Discount Issue (OID) of €16m, leaving a €304m reinstated senior facility on which the share premium is based.

No dividends were paid nor declared in 2013, 2014 or 2015.

26. FINANCIAL INSTRUMENTS

Carrying value of financial assets and financial liabilities

Financial assets

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
Loans and receivables			
Trade and other receivables excluding prepayments	209.8	166.3	139.7
Cash and cash equivalents	155.4	119.0	103.2
Financial assets at fair value through profit or loss			
Derivative financial instruments	0.2	—	—
	<u>365.4</u>	<u>285.3</u>	<u>242.9</u>

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

26. FINANCIAL INSTRUMENTS (Continued)

Financial liabilities

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
Financial liabilities at amortised cost			
Borrowings	(874.4)	(876.3)	(361.3)
Trade and other payables	(220.2)	(212.1)	(203.1)
Liabilities at fair value through profit or loss			
Derivative financial instruments	(2.9)	(0.4)	(15.6)
Derivatives used for hedging			
Derivative financial instruments	(3.9)	(4.2)	—
	<u>(1,101.4)</u>	<u>(1,093.0)</u>	<u>(580.0)</u>

The table below presents the assets and liabilities measured at fair value:

	Level 2		
	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
Assets			
Derivative financial instruments	<u>0.2</u>	<u>—</u>	<u>—</u>
Liabilities			
Borrowings	(894.1)	(626.4)	(350.5)
Derivative financial instruments	(6.8)	(4.6)	(15.6)
	<u>(900.9)</u>	<u>(631.0)</u>	<u>(366.1)</u>

Valuation techniques and significant inputs

The fair value of the financial instruments as shown in the consolidated balance sheet is a result of the sum of the calculated expected future cash flows on the basis of the applicable yield curve. The VGG Group uses published ‘market data’, credit risk, counterparty quotes and market value calculations provided by external independent parties. The fair value of cash and cash equivalents and short-term trade receivables and payables equal their carrying amounts.

Level 1 financial assets and liabilities at fair value through income statement are instruments traded on an active market, based on quoted market prices. Level 2 financial assets and liabilities through income statement concern instruments that are not traded on an active market and valuation is determined by using generally accepted valuation techniques. These valuation techniques make maximum use of available market data and rely as little as possible on estimates. If all significant inputs required for the establishment of the fair value of an instrument are observable, the instrument is included in level 2. Level 3 financial assets and liabilities consist of items for which one or more of the significant inputs are not based on observable market data. There were no transfers between levels in either direction in 2013, 2014 or 2015.

Financial and market risks and risk control

Credit risk and governance

The VGG Group runs a counterparty risk on cash and deposits held with counterparty banks. This risk is governed by avoiding cash concentration with one counterparty and selecting counterparties of respectable

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

26. FINANCIAL INSTRUMENTS (Continued)

creditworthiness, so there is no concentration of credit risk. The total maximum credit risk on financial assets amounted to €247m at December 31 2015 (2014: €287m and 2013: €364m).

The VGG Group runs credit risks on counterparties to the derivative transactions. This risk may result in a loss if the contractual counterparty defaults on payments due to the VGG Group. This risk is governed by only entering into transactions with counterparties of respectable creditworthiness. In addition, hedge transactions are allocated to different counterparties. With all counterparties an ISDA (International Swaps & Derivatives Association) Master Agreement has been concluded.

Credit risks on outstanding loans are managed by only entering into transactions with counterparties of respectable creditworthiness.

Customer credit risk is managed by each business unit subject to the VGG Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Outstanding customer receivables are regularly monitored. The credit risk on customers is mitigated by the use of a credit insurance policy. Part of the credit risk on customers is further mitigated by non-recourse factoring for an amount of €33.2m at 31 December 2015 (2014: €22.6m and 2013: €11.8m).

Credit risks on unbilled receivables, other receivables, prepayments and accrued income are managed by monitoring the invoicing backlog (unbilled receivables), limitations on prepayments and only doing business with reliable counterparties.

Liquidity risks and governance

The financing structure of the VGG Group is focused on maximizing stakeholder value while retaining sufficient financial flexibility for investments, acquisitions and strategic projects. Liquidity risk consists of the possible financial impact for the VGG Group if liabilities cannot be met due to a liquidity shortage.

The loans and liquidity of the VGG Group are monitored by the central treasury department. The liquidity planning is updated weekly and reported to VGG's management board. The daily liquidity governance is focused on the concentration of liquidity within the VGG Group. The VGG Group and its shareholders take a very cautious approach to managing the capital structure and are continuously considering (strategic) options to adequately manage the liquidity risk.

A revolving credit facility of €70.0m can be used at discretion of the VGG Group for credit or ancillary purposes. By the end of 2015, no credit was drawn under the revolving credit facility and €32.1m of the ancillary line was drawn by way of bank guarantees, leaving €37.9m undrawn. The flexible credit facility is subject to an annual clean down obligation.

The tables below provides an insight in the contractual undiscounted cash flows of the financial obligations related to borrowings, based on the financing structure applicable at each year end. For each period, the nominal cash outflows are given. The expected future interest payments are based on forward EURIBOR rates. The expected nominal payments under hedge transactions are determined on the basis of the fixed hedge price and the assumption that the year-end variable rate remains constant for the remainder of the

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

26. FINANCIAL INSTRUMENTS (Continued)

hedge term. If hedges are subject to a net settlement the corresponding cash flows are presented on a net basis.

<u>Undiscounted cash flows after 2015</u>	<u>Within one year</u>	<u>Between one and two years</u>	<u>Between two and three years</u>	<u>Between three and four years</u>	<u>Over four years</u>
	€m	€m	€m	€m	€m
Repayments loans	—	—	—	—	376.8
Repayment finance leases	12.7	8.5	6.9	5.7	10.7
Repayment other loans	0.6	0.3	0.1	—	—
Interest loans	16.7	17.2	17.7	18.3	10.1
Interest finance leases	1.7	1.1	0.8	0.5	0.5
Interest hedges	2.4	—	—	—	—
	<u>34.1</u>	<u>27.1</u>	<u>25.5</u>	<u>24.5</u>	<u>398.1</u>

Trade and other payables will be fully repaid in 2016. Other than the interest hedges and the diesel hedges, there are no other hedges with a negative value which need to be settled in future years.

At the balance sheet date it was unlikely that any credit replacing guarantee would be claimed. Accordingly, there are no outgoing cash flows accounted for under these guarantees. Issued guarantees are disclosed in note 28.

<u>Undiscounted cash flows after 2014</u>	<u>Within one year</u>	<u>Between one and two years</u>	<u>Between two and three years</u>	<u>Between three and four years</u>	<u>Over four years</u>
	€m	€m	€m	€m	€m
Repayments loans	—	—	685.6	90.7	—
Repayment finance leases	13.2	13.1	9.1	8.5	13.1
Repayment other loans	0.7	0.6	0.2	—	0.2
Interest loans	39.1	39.3	13.4	1.2	—
Interest finance leases	2.4	1.7	1.1	0.7	0.9
Interest other loans	—	—	—	—	—
Interest hedges	3.3	2.7	—	—	—
	<u>58.7</u>	<u>57.4</u>	<u>709.4</u>	<u>101.1</u>	<u>14.2</u>

<u>Undiscounted cash flows after 2013</u>	<u>Within one year</u>	<u>Between one and two years</u>	<u>Between two and three years</u>	<u>Between three and four years</u>	<u>Over four years</u>
	€m	€m	€m	€m	€m
Repayments loans	—	—	—	685.6	90.7
Repayment finance leases	12.8	10.9	10.8	9.1	16.5
Repayment other loans	0.8	0.7	0.8	0.2	0.4
Interest loans	38.9	39.0	40.2	13.7	1.2
Interest finance leases	2.5	1.5	1.5	1.2	2.0
Interest other loans	0.1	0.1	0.1	—	—
Interest hedges	7.2	1.9	0.9	—	—
	<u>62.3</u>	<u>54.1</u>	<u>54.3</u>	<u>709.8</u>	<u>110.8</u>

Interest rate risk and control

The interest rate risk of the VGG Group relates to the financing structure which to a large extent consists of variable rate loans. Within the terms of these loans the interest rates can be fixed for a period ranging between 1 and 6 months. As a result, the VGG Group's cash flow and results are subject to fluctuations in the short-term interest rate and EURIBOR is the relevant reference interest rate.

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

26. FINANCIAL INSTRUMENTS (Continued)

Hedge transactions are aimed at controlling the effects of market interest fluctuations on cash flows and results attempting to keep the effective interest rate as low as possible. To achieve the desired ratio between a fixed and floating rate the VGG Group uses mostly interest rate swaps and occasionally options. Periodically the interest risk profile is analysed and, if necessary, the ratio between fixed and variable interest rates is adjusted.

The sensitivity analysis below is based on the ratio between fixed and variable rate loans as mentioned in the financial statements and the corresponding interest rate hedges at the end of 2015.

A parallel movement of the interest curve of 50 basis points up or down has the following effects:

- The interest charges arising from the variable rate loans can only increase by €1.5m in 2016 since the EURIBOR rate is 10 basis points negative for budget 2016.
- The interest income arising from the interest rate hedges can only increase by €1.5m in 2016 since the EURIBOR rate is 10 basis points negative for budget 2016.

The following list provides insight into the interest rate repricing periods on the long term loans and the corresponding interest rate hedges based on the financing structure applicable as of 31 December 2015. For the sake of analysis it is assumed that over time all debt that matures will not be rolled over. Fixed interest loans are assumed to be sensitive to interest re-pricing risk if loans are refinanced.

<u>December 2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>>2020</u>
	€m	€m	€m	€m	€m	€m
Average borrowings per year						
Borrowings—total fixed interest	38.2	27.4	18.5	11.2	6.6	1.4
Borrowings—total variable interest	<u>313.8</u>	<u>328.8</u>	<u>344.4</u>	<u>360.5</u>	<u>217.8</u>	<u>—</u>
Total repricing amount	<u>352.0</u>	<u>356.2</u>	<u>362.9</u>	<u>371.7</u>	<u>224.4</u>	<u>1.4</u>
Interest rate swaps						
Total repricing amount	(300.0)	—	—	—	—	—
Net amount subject to floating interest rate	<u>13.8</u>	<u>328.8</u>	<u>344.4</u>	<u>360.5</u>	<u>217.8</u>	<u>—</u>

Based on the financing structure applicable as of 31 December 2015, the VGG Group has fixed the 1-month EURIBOR interest rate in 2016 for an average €300m of outstanding loans at 0.547 per cent. using interest rate swaps.

The results on the interest rate hedges are settled on a monthly basis. The variable interest component in the hedges is determined monthly.

Comparative figures derived from the 2014 financial statements are included in the following table:

<u>December 2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>>2019</u>
	€m	€m	€m	€m	€m	€m
Average borrowings per year						
Borrowings—total fixed interest	50.8	36.9	25.4	17.0	10.2	1.8
Borrowings—total variable interest	<u>776.2</u>	<u>776.3</u>	<u>433.5</u>	<u>45.4</u>	<u>0.1</u>	<u>—</u>
Total repricing amount	<u>827.0</u>	<u>813.2</u>	<u>458.9</u>	<u>62.4</u>	<u>10.3</u>	<u>1.8</u>
Interest rate swaps						
Total repricing amount	(600.0)	(600.0)	—	—	—	—
Net amount subject to floating interest rate	<u>176.2</u>	<u>176.3</u>	<u>433.5</u>	<u>45.4</u>	<u>0.1</u>	<u>—</u>

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

26. FINANCIAL INSTRUMENTS (Continued)

Comparative figures derived from the 2013 financial statements are included in the following table:

<u>December 2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>>2018</u>
	€m	€m	€m	€m	€m	€m
Average borrowings per year						
Borrowings—total fixed interest	57.9	45.0	33.3	22.5	17.1	0.9
Borrowings—total variable interest	778.3	777.6	776.9	433.7	45.4	0.1
Total repricing amount	<u>836.2</u>	<u>822.6</u>	<u>810.2</u>	<u>456.2</u>	<u>62.5</u>	<u>1.0</u>
Interest rate swaps						
Total repricing amount	(590.8)	(600.0)	(600.0)	—	—	—
Net amount subject to floating interest rate	<u>187.5</u>	<u>177.6</u>	<u>176.9</u>	<u>433.7</u>	<u>45.4</u>	<u>0.1</u>

Currency risk and control

The VGG Group's activities are mainly executed within the same currency environment. Operational costs and revenue are all in the same currency, making the level of transactional risk virtually nil.

Almost all subsidiaries of the VGG Group are located within the Eurozone. As a result, the currency exchange risks are very limited. For net investments in Poland and the Czech Republic, the VGG Group is exposed to a limited translation risk for the balance sheet and income statement. Given the limited currency risk exposure and since these investments were sold in 2015, no currency hedge transactions were carried out in 2015.

Diesel price risk and control

The diesel price risk originates through the physical use of diesel by vehicles in the collection business. The current diesel market price is one of the factors which determine the purchase price of diesel. As a result, the results and cash flow of the VGG Group depend on the movements in the market price for diesel.

The VGG Group enters into derivative transactions to hedge the diesel price for the expected volume in 2016. Diesel swaps with a fixed buying price are used. The results on these hedges are settled on a monthly basis. The variable component in the hedge is determined monthly in arrears on the average market price.

Assuming all other variables remain unchanged, a parallel movement of the diesel price curve of €50 per metric tonne up or down would have the following effects:

- The charges arising from the diesel hedge decrease / increase by €1.1m.
- The market value of the diesel hedges increase / decrease by €1.1m.

As at 31 December 2015, the outstanding position amounted to €2.3m (2014: €nil and 2013 €0.1m).

Metal price risk and control

The VGG Group recovers various metals through processing of waste streams. The selling prices of various metals are mainly determined by the commodity markets. As a result, the results and cash flow of the VGG Group depend on the movements in the commodity market prices for metals.

Particularly in recycling, natural hedges are pursued through commercial contracts. This is a settlement method for incoming waste streams where the processing fee inversely correlates with the metals' market prices. Higher metal prices lead to a lower processing fee from the customer. This lower fee is offset by higher sales proceeds on the metals which guarantee the VGG Group's margin and net cash flow.

As far as a natural hedge cover is not applicable, the VGG Group selectively hedges the selling price of metals through derivative transactions. As per year end no position is outstanding. No derivative transactions have been entered into for 2015 and beyond.

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

26. FINANCIAL INSTRUMENTS (Continued)

Capital risk management

The VGG Group's objectives when managing capital are to safeguard the VGG Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The gearing ratio is calculated as consolidated net debt divided by total capital. The gearing ratios as of 31 December 2015, 31 December 2014 and 31 December 2013 were as follows:

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
Borrowings excluding preference shares	836.8	834.0	361.3
Less: cash and cash equivalents	<u>(155.4)</u>	<u>(119.0)</u>	<u>(103.2)</u>
Consolidated net debt	681.4	715.0	258.1
Total equity	<u>87.3</u>	<u>(466.0)</u>	<u>(15.5)</u>
Total capital	<u>768.7</u>	<u>249.0</u>	<u>242.6</u>
Gearing ratio	<u>89%</u>	<u>287%</u>	<u>106%</u>

As at 31 December 2014, the VGG Group's equity amounted to €466.0m negative, mainly due to the impairment of goodwill and other intangibles assets in 2014. On 14 July 2015 the shares of Van Gansewinkel Netherlands 4 B.V., the direct shareholder of the VGG Group, were sold to VGG's syndicate of lenders. The lenders contributed a share premium in the VGG Group to convert the original senior debt including accrued interest and 50 per cent. of the fair value of the interest rate swaps into equity. With the share premium the remainder of the original senior debt was converted into a €320m reinstated senior facility with a maturity in 2020. This resulted in a significant improvement of the VGG Group's equity in 2015 to a negative equity amounting to €15.5m as at 31 December 2015.

As part of capital risk management, the VGG Group monitors compliance with bank covenants closely. Bank covenants are monitored on a monthly basis and reported to the group of financial institutions on a quarterly basis. Based on the new financing structure as of 14 July 2015, as of that date during 2015 and at the end of 2015, the VGG Group complied with all bank covenants. To ensure covenant compliance under the new financing structure and decrease of the gearing ratio over time, cost reduction and revenue improvement programmes are in place, having positive effects on result, cash flow and debt reduction.

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

27. NOTES TO THE STATEMENT OF CASH FLOWS

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
(Loss) profit before tax	(80.8)	(591.4)	292.4
Fair value (gain) loss on financial instruments	(11.3)	2.1	2.6
Finance income	(0.4)	(0.6)	(402.8)
Finance charges	86.4	67.8	73.6
Share of results from associates and joint ventures	2.8	0.1	(3.1)
Operating loss from continuing operations	(3.3)	(522.0)	(37.3)
Operating gain from discontinued operations	28.4	—	—
Depreciation and amortisation	126.2	91.4	77.6
Gain (loss) on disposal of property, plant and equipment	2.8	(0.7)	(0.2)
Loss on disposal of associate	(3.4)	—	—
Impairment charge	2.0	490.1	1.0
Change in working capital and provisions	(8.3)	11.9	19.5
Fair value (gain) loss on financial instruments	(0.2)	0.2	2.3
Share based payments	(0.1)	—	—
Cash flows from operating activities	<u>144.1</u>	<u>70.9</u>	<u>62.9</u>

28. COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	€m	€m	€m
Within 1 year	19.3	17.2	18.4
More than 1 year and less than 5 years	36.7	43.0	38.5
After 5 years	88.9	86.6	85.8
	<u>144.9</u>	<u>146.8</u>	<u>142.7</u>

(b) Contingent liabilities

For several Dutch entities in the VGG Group, van Gansewinkel Groep B.V. has issued a guarantee under article 2:403 of the Dutch Civil Code. As a result of this guarantee van Gansewinkel Groep B.V. is liable for all liabilities resulting from transactions performed by these entities.

For corporate income tax, van Gansewinkel Groep B.V. and its 100 per cent. owned (direct or indirect) Dutch subsidiaries are part of a fiscal unity, which is headed by VGG Topco 2 B.V. For VAT, van Gansewinkel Groep B.V. and its over 50 per cent. owned (direct or indirect) Dutch subsidiaries are part of a fiscal unity, together with VGG Holdco B.V. Based on the general conditions for a fiscal unity, all members of the fiscal unity are liable for the tax payable by the fiscal unity as a whole.

In the ordinary course of business, the VGG Group has issued relevant parent guarantees with respect to specific contracted business activities. Obligations under guarantees issued by the VGG Group amounted to €59.5m at 31 December 2015 (2014: €49.5m and 2013 €55.2m).

In respect of current disputes and lawsuits, claims filed by the VGG Group have not been capitalised or have only been partly capitalised and, where necessary, provisions have been made in respect of claims filed by third parties.

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

29. RELATED PARTY TRANSACTIONS

Trading transactions

<u>Related party relationship</u>	<u>Relationship</u>	<u>Transaction type</u>	<u>31 December 2013</u>	<u>31 December 2014</u>	<u>31 December 2015</u>
			<u>€m</u>	<u>€m</u>	<u>€m</u>
Income statement					
VGG Netherlands 1 B.V.	Holding company	Management fee	1.7	1.5	(2.8)
AlixPartners (CVC)	Indirect Shareholder	Consultancy	—	2.7	—
Capstone (CVC)	Indirect Shareholder	Consultancy	0.7	—	—
Van Gansewinkel					
Netherlands 4 B.V.	Direct Holding company	Interest on preference shares	5.3	4.7	2.8
VGG Netherlands 3 B.V.	Holding company	Interest on loans granted	0.2	0.2	—
VGG Netherlands 3 B.V.	Holding company	Impairment of loan	—	—	(6.5)
Balance sheet					
VGG Netherlands 3 B.V.	Holding company	Loan granted	—	4.2	—
VGG Netherlands 3 B.V.	Holding company	Current liabilities	—	9.2	—

In 2015, VGG received a credit note for management fees invoiced by VGG Netherlands 1 B.V. amounting to €2.8m. VGG charged VGG Netherlands 1 B.V., VGG Netherlands 2 B.V., VGG Netherlands 3 B.V. and Van Gansewinkel Netherlands 4 B.V. for administrative services up till and including 2014. As from 2015 onwards, VGG is charged management fees by the new holding company VGG Holdco B.V.

The loan granted to VGG Netherlands 3 B.V. of €4.2m was included in the other current financial fixed assets as of 31 December 2014 and had an interest charge of 6.5 per cent. This loan was impaired in 2015 and additionally, in 2015, a receivable on VGG Netherlands 3 B.V. of €2.3m was impaired.

Transactions between VGG Group and its non-controlling interests

<u>Year ended 31 December 2013</u>	<u>Maltha Groep BV</u>	<u>Other</u>	<u>Total</u>
<u>NCI percentage</u>	<u>33%</u>	<u>Average 30%</u>	<u>Average 42%</u>
	<u>€m</u>	<u>€m</u>	<u>€m</u>
Non-current assets	28.9	13.6	42.5
Current assets	27.3	6.3	33.6
Non-current liabilities	(11.9)	(2.6)	(14.5)
Current liabilities	(22.2)	(3.8)	(26.0)
Net assets	22.1	13.5	35.6
Carrying amount of NCI	7.3	3.7	11.0
Revenue	48.8	25.5	74.3
Result	3.9	(0.8)	3.1
OCI	—	—	—
Total comprehensive income	3.9	(0.8)	3.1
Result allocated to NCI	1.3	(0.1)	1.2
OCI allocated to NCI	—	—	—
Net decrease in cash and cash equivalents	(0.4)	(2.1)	(2.5)

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

29. RELATED PARTY TRANSACTIONS (Continued)

<u>Year ended 31 December 2014</u> <u>NCI percentage</u>	<u>Maltha Groep BV</u> <u>33%</u>	<u>Other</u> <u>Average 35%</u>	<u>Total</u> <u>Average 44%</u>
	€m	€m	€m
Non-current assets	31.8	7.6	39.4
Current assets	25.5	6.4	31.9
Non-current liabilities	(11.1)	1.5	(9.6)
Current liabilities	(19.7)	(6.3)	(26.0)
Net assets	26.5	9.2	35.7
Carrying amount of NCI	8.8	2.4	11.2
Revenue	45.2	25.1	70.3
Result	0.5	(0.2)	0.3
OCI	—	—	—
Total comprehensive income	0.5	(0.2)	0.3
Result allocated to NCI	0.2	0.2	0.4
OCI allocated to NCI	—	—	—
Net decrease in cash and cash equivalents	(0.1)	(0.1)	(0.2)

<u>Year ended 31 December 2015</u> <u>NCI percentage</u>	<u>Maltha Groep BV</u> <u>33%</u>	<u>Other</u> <u>Average 19%</u>	<u>Total</u> <u>Average 43%</u>
	€m	€m	€m
Non-current assets	31.6	4.5	36.1
Current assets	23.9	7.4	31.3
Non-current liabilities	(8.3)	(0.2)	(8.5)
Current liabilities	(23.5)	(6.1)	(29.6)
Net assets	23.7	5.6	29.3
Carrying amount of NCI	7.9	1.0	8.9
Revenue	41.3	24.1	65.4
Result	(2.7)	0.5	(2.2)
OCI	—	—	—
Total comprehensive income	(2.7)	0.5	(2.2)
Result allocated to NCI	(0.9)	0.2	(0.7)
OCI allocated to NCI	—	—	—
Net increase in cash and cash equivalents	1.1	0.5	1.6

Key management compensation

The following table details the aggregate compensation paid in respect of the members of the Management Board and the Supervisory Board.

	<u>For the year ended</u> <u>31 December</u> <u>2013</u>	<u>For the year ended</u> <u>31 December</u> <u>2014</u>	<u>For the year ended</u> <u>31 December</u> <u>2015</u>
	€m	€m	€m
Short-term employee benefits	4.2	2.1	1.5
Post-employment benefits	0.2	0.2	0.1
	<u>4.4</u>	<u>2.3</u>	<u>1.6</u>

VAN GANSEWINKEL GROEP B.V.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

30. SUBSIDIARIES, JOINT OPERATIONS, JOINT VENTURES, ASSOCIATES AND OTHER INVESTMENTS

List of subsidiaries, joint operations, joint ventures, associates and other investments:

<u>Company name</u> <u>Subsidiaries</u>	<u>Registered</u> <u>office address</u>	<u>As at</u> <u>31 December</u> <u>2013</u>	<u>As at</u> <u>31 December</u> <u>2014</u>	<u>As at</u> <u>31 December</u> <u>2015</u>
		%	%	%
The Netherlands				
A&G Holding B.V.	Utrecht	100%	100%	100%
B.V. Twente Milieu bedrijven	Hengelo	100%	100%	100%
Coolrec B.V.	Eindhoven	100%	100%	100%
Coolrec Nederland B.V.	Dordrecht	100%	100%	100%
Ecosmart Nederland B.V.	Maarheeze	100%	100%	100%
Glasrecycling Noord-Oost Nederland B.V.	Emmen	67%	67%	67%
Immo CV	Rotterdam	100%	100%	100%
Maltha Glasrecycling Nederland B.V.	Rotterdam	67%	67%	67%
Maltha Glasrecycling International B.V.	Rotterdam	67%	67%	67%
Maltha Groep B.V.	Rotterdam	67%	67%	67%
Plastic Herverwerking Brakel B.V.	Drunen	100%	100%	100%
Regionale Reinigingsdienst (R.R.D.) B.V.	Eindhoven	100%	100%	100%
Rebeek Olie Amsterdam 1 B.V. (formerly known as Olie Verwerking Amsterdam B.V.)	Rotterdam	100%	100%	100%
Rebeek Olie Amsterdam 2 B.V. (formerly known as Groenendaal Handel in Afgewerkte Oliën B.V.)	Amsterdam	100%	100%	100%
Robesta Vastgoed Acht B.V.	Maarheeze	100%	100%	100%
Robesta Vastgoed B.V.	Maarheeze	100%	100%	100%
Semler B.V.	Son en Breugel	100%	100%	100%
Van Gansewinkel CFS B.V.	Weert	100%	100%	100%
Van Gansewinkel Industrial Services B.V.	Rotterdam	100%	100%	100%
Van Gansewinkel Industrie B.V.	Rotterdam	100%	100%	100%
Van Gansewinkel International B.V.	Maarheeze	100%	100%	100%
Van Gansewinkel Maasvlakte B.V.	Rotterdam	100%	100%	100%
Van Gansewinkel Milieuservices Overheidsdiensten B.V.	Maarsse	100%	100%	100%
Van Gansewinkel Milieutechniek B.V.	Waalwijk	100%	100%	100%
Van Gansewinkel Nederland B.V.	Maarheeze	100%	100%	100%
Van Gansewinkel Recycling B.V.	Maarheeze	100%	100%	100%
Van Gansewinkel Transporten B.V.	Eindhoven	100%	100%	—
Van Gansewinkel Zweekhorst B.V.	Rotterdam	100%	100%	100%
Verwerking Bedrijfsafvalstoffen Maasvlakte (V.B.M.) B.V.	Rotterdam	100%	100%	100%
Belgium				
Belgo-Luxembourgeoise de Services Publics S.A.	Athus	100%	100%	100%
Coolrec Belgium N.V. (formerly known as Apparec N.V.)	Tisselt	100%	100%	100%
Cegemi S.A.	Moeskroen	100%	—	—
Coolrec N.V.	Willebroek	100%	—	—
Eco-Smart N.V.	Ruisbroek	100%	100%	100%
Maltha Glasrecyclage B.V.BA	Lommel	67%	67%	67%
Recydel S.A.	Wandre	80%	80%	80%
Van Gansewinkel N.V.	Mol	100%	100%	100%
Van Gansewinkel België N.V.	Mol	100%	100%	100%

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

30. SUBSIDIARIES, JOINT OPERATIONS, JOINT VENTURES, ASSOCIATES AND OTHER INVESTMENTS (Continued)

<u>Company name</u> <u>Subsidiaries</u>	<u>Registered office address</u>	<u>As at 31 December 2013</u>	<u>As at 31 December 2014</u>	<u>As at 31 December 2015</u>
		%	%	%
Van Gansewinkel ES Treatment N.V.	Mol	100%	100%	100%
Van Gansewinkel Industrial Services Belgium N.V.	Mol	—	—	100%
France				
Coolrec France S.A.S.	Lesquin	92%	92%	92%
Gibert Recyclage S.A.S.	Béthune	100%	100%	—
Industries Propres d'Aquitaine S.A.	Villeurbanne	67%	67%	67%
Société Civile Immobilière des Lucs	Villeurbanne	67%	—	—
Van Gansewinkel France S.A.S.	Béthune	100%	100%	—
Germany				
Coolrec Deutschland GmbH	Pulheim	100%	100%	100%
Coolrec RDE Rucknahmen Demontagen Elektronik-Recycling GmbH	Pulheim	100%	100%	100%
Hungary				
Maltha Hungary Uvegujrahasznosit o Kft.	Budapest	67%	67%	67%
Luxembourg				
Van Gansewinkel Luxembourg S.A.	Differdange	100%	100%	100%
Poland				
Maltha Szklo Recycling Polska Sp. z.o.o	Kraków	67%	67%	67%
PUK van Gansewinkel Górny Śląsk Sp. z.o.o	Wrocław	100%	100%	—
PUK van Gansewinkel Legnica Sp. z.o.o	Legnica	100%	100%	—
PUK van Gansewinkel Kraków Sp. z.o.o	Kraków	100%	100%	—
PUK van Gansewinkel Śląsk Dolny Sp. z.o.o	Oława	100%	100%	—
PUK van Gansewinkel Tarnów Sp. z.o.o w link idacji	Tarnów	100%	100%	—
Van Gansewinkel Polska SP. z.o.o	Kraków	100%	100%	—
Portugal				
Maltha Glass Recycling Portugal Lda (formerly known as Vidrocicio Lda)	Figuera da Foz	67%	67%	67%
Czech Republic				
A&G Envirotech sro	Modrice	100%	100%	100%
PETKA CZ as	Modrice	64%	64%	—
TEMPOS Breclav as	Breclav	66%	66%	—
Van Gansewinkel as	Modrice	100%	100%	—
Van Gansewinkel Services sro	Modrice	100%	100%	—
Van Gansewinkel Slovensko sro	Bratislava (Slovak Republic)	100%	100%	—
Van Gansewinkel HBSS sro	Modrice	100%	100%	—
Joint operations				
Baggerspecieverwerking Noord-Nederland VOF	Leeuwarden	50%	50%	50%
Hydrovac VOF	Rosmalen	50%	50%	50%
Induserve VOF	Eindhoven	33%	33%	33%
Octopus VOF	Raamsdonksveer	50%	50%	50%
TOP Leeuwarden VOF	Leeuwarden	50%	50%	50%

VAN GANSEWINKEL GROEP B.V.
NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (Continued)

30. SUBSIDIARIES, JOINT OPERATIONS, JOINT VENTURES, ASSOCIATES AND OTHER INVESTMENTS (Continued)

<u>Company name</u> <u>Subsidiaries</u>	<u>Registered office address</u>	<u>As at 31 December 2013</u>	<u>As at 31 December 2014</u>	<u>As at 31 December 2015</u>
		%	%	%
Joint ventures				
Recycling Maatschappij Bovenveld B.V.	Hattem	50%	50%	50%
PQA B.V.	Haarlemmermeer	50%	50%	50%
Associates and other investments				
Afval Loont Holding B.V.	Rotterdam	25%	25%	22%
AMP B.V.	Noordwijkerhout	33%	33%	33%
CPP-Incofin CVBASO	Wilrijk (Belgium)	1%	—	—
EARN Elektrogeräte Service GmbH	Vienna (Austria)	33%	33%	33%
EN.V.IE2e S.A.S.	Villeneuve d'Ascq (France)	17%	17%	17%
Full Service Facility B.V.	Grou	25%	—	—
Ipalle SC SCRL	Froyennes (Belgium)	2%	1%	—
Sita Decontamination Serices N.V.	Beerse (Belgium)	23%	23%	23%
Uvelia S.A.	Herstal (Belgium)	15%	15%	15%
Zandrecycling Nederland B.V.	Poeldijk	33%	33%	—
Zavin B.V.	Dordrecht	33%	33%	33%
Zavin C.V.	Dordrecht	33%	33%	33%

PART 12—UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMBINED GROUP

Section A—Unaudited pro forma financial information of the Combined Group

The unaudited pro forma statement of net assets of the Combined Group and unaudited pro forma income statement of the Combined Group has been compiled on the basis of the notes set out below (together the “**Unaudited Pro Forma Financial Information**”) and in accordance with the requirements of items 1 to 6 of Annex II of the Prospectus Directive in order to illustrate the effect of (i) the Equity Issue; (ii) the refinancing of the existing debt of the VGG Group; and (iii) the Merger on the consolidated net assets of Shanks as if they had taken place on 31 March 2016 and the income statement of Shanks as if they had taken place on 1 April 2015.

The Unaudited Pro Forma Financial Information is based on the consolidated financial information of the Shanks Group and the VGG Group and has been prepared in accordance with Annex II of the Prospectus Directive Regulation and in a manner consistent with the accounting policies adopted by Shanks for the year ended 31 March 2016.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature, addresses a hypothetical situation. It does not purport to represent what the Combined Group’s financial position or results of operations actually would have been if the Equity Issue, refinancing the existing debt of the VGG Group and the Merger had been completed on the dates indicated, nor does it purport to represent the results of operations for any future period or financial position at any future date. It does not reflect the results of any purchase price allocation exercise as this will be conducted following the Merger.

The Unaudited Pro Forma Financial Information does not constitute financial statements within the meaning of Section 434 of the Companies Act. Shareholders should read the whole of this Combined Circular and Prospectus and not rely solely on the summarised financial information contained in this Part 12. PricewaterhouseCoopers LLP’s report on the Unaudited Pro Forma Financial Information is set out in Section B of this Part 12.

In addition to the matters noted above, the unaudited pro forma financial information does not reflect the effect of anticipated synergies and efficiencies associated with the Merger.

1. Pro forma statement of net assets

£ millions	Shanks Group as at 31 Mar 2016 (Note 1)	Adjustments					Pro forma Combined Group
		Equity Issue (Note 2)	VGG Group as at 31 Dec 2015 (Note 3)	Finance costs/ refinancing (Note 4)	Inter-company adjustment (Note 5)	Merger adjustment (Note 6)	
<i>Non-current assets</i>							
Intangible assets	194.5	—	61.7	—	—	179.9	436.1
Property, plant and equipment	297.0	—	292.6	—	—	—	589.6
Investments	12.1	—	1.9	—	—	—	14.0
Financial assets relating to PFI/ PPP contracts	145.8	—	—	—	—	—	145.8
Trade and other receivables	1.1	—	15.5	(15.4)	—	—	1.2
Deferred tax assets	19.9	—	19.6	—	—	—	39.5
	<u>670.4</u>	<u>—</u>	<u>391.3</u>	<u>(15.4)</u>	<u>—</u>	<u>179.9</u>	<u>1,226.2</u>
<i>Current assets</i>							
Inventories	6.8	—	11.0	—	—	—	17.8
Financial assets relating to PFI/ PPP contracts	12.8	—	—	—	—	—	12.8
Trade and other receivables	122.4	—	99.9	—	(1.5)	—	220.8
Derivative financial instruments	0.3	—	—	—	—	—	0.3
Current tax recoverable	—	—	0.1	—	—	—	0.1
Cash and cash equivalents	34.7	135.5	81.8	2.6	—	(219.8)	34.8
	<u>177.0</u>	<u>135.5</u>	<u>192.8</u>	<u>2.6</u>	<u>(1.5)</u>	<u>(219.8)</u>	<u>286.6</u>
Assets classified as held for sale	—	—	4.0	—	—	—	4.0
Total assets	<u>847.4</u>	<u>135.5</u>	<u>588.1</u>	<u>(12.8)</u>	<u>(1.5)</u>	<u>(39.9)</u>	<u>1,516.8</u>
<i>Non-current liabilities</i>							
Borrowings—PFI/PPP non recourse net debt	(87.9)	—	—	—	—	—	(87.9)
Borrowings—other	(224.9)	—	(267.2)	166.0	—	—	(326.1)
Derivative financial instruments	(28.8)	—	(8.6)	8.6	—	—	(28.8)
Other non-current liabilities	(6.4)	—	—	—	—	—	(6.4)
Deferred tax liabilities	(31.6)	—	(39.9)	—	—	—	(71.5)
Provisions	(43.9)	—	(71.6)	—	—	—	(115.5)
Defined benefit pension scheme deficit	(10.7)	—	(5.9)	—	—	—	(16.6)
	<u>(434.2)</u>	<u>—</u>	<u>(393.2)</u>	<u>174.6</u>	<u>—</u>	<u>—</u>	<u>(652.8)</u>
<i>Current liabilities</i>							
Borrowings—PFI/PPP non recourse net debt	(3.2)	—	—	—	—	—	(3.2)
Borrowings—other	(2.4)	—	(19.2)	—	—	—	(21.6)
Derivative financial instruments	(2.4)	—	(3.7)	1.8	—	—	(4.3)
Trade and other payables	(203.3)	—	(181.1)	0.2	1.5	—	(382.7)
Current tax payable	(6.1)	—	(0.1)	—	—	—	(6.2)
Provisions	(13.0)	—	(3.1)	—	—	—	(16.1)
	<u>(230.4)</u>	<u>—</u>	<u>(207.2)</u>	<u>2.0</u>	<u>1.5</u>	<u>—</u>	<u>(434.1)</u>
Total liabilities	<u>(664.6)</u>	<u>—</u>	<u>(600.4)</u>	<u>176.6</u>	<u>1.5</u>	<u>—</u>	<u>(1,086.9)</u>
Net Assets	<u>182.8</u>	<u>135.5</u>	<u>(12.3)</u>	<u>163.8</u>	<u>—</u>	<u>(39.9)</u>	<u>429.9</u>

Notes:

- (1) Shanks' financial information for the 12 months ended 31 March 2016 has been extracted, without material adjustment, from the Shanks Group's published financial information for the year ended 31 March 2016, which is incorporated by reference in this Combined Circular and Prospectus as set out in Part 10 (*Historical financial information of the Shanks Group*).
- (2) The net proceeds of the Equity Issue of £135.5 million represents gross proceeds of £141.0 million calculated on the basis that Shanks issues 203,463,203 new Ordinary Shares at a blended price of 69.3 pence per share calculated in accordance with the offer price mechanism set out in the Merger Agreement, representing a 33.7 per cent. discount to the Shanks share price of 104.5 pence at 26 September 2016, being the latest practicable date, net of estimated expenses in connection with the Equity Issue of approximately £5.5 million.

- (3) The VGG Group's financial information for the 12 months ended 31 December 2015 has been extracted, without material adjustment, from the financial information in Section B of Part 11 (*Historical financial information of the VGG Group*) using the closing exchange rate at 31 March 2016 (GBP:Euro 1.262). The table below sets out the Euro and GBP values.

	The VGG Group as at 31 December 2015	
	€ millions	£ millions
Non-current assets		
Intangible assets	77.8	61.7
Property, plant and equipment	369.2	292.6
Investments	2.4	1.9
Financial assets relating to PFI/PPP contracts	—	—
Trade and other receivables	19.6	15.5
Deferred tax assets	24.7	19.6
	493.7	391.3
Current assets		
Inventories	13.9	11.0
Financial assets relating to PFI/PPP contracts	—	—
Trade and other receivables	126.0	99.9
Derivative financial instruments	—	—
Current tax recoverable	0.1	0.1
Cash and cash equivalents	103.2	81.8
	243.2	192.8
Assets classified as held for sale	5.1	4.0
Total assets	742.0	588.1
Non-current liabilities		
Borrowings—PFI/PPP contracts	—	—
Borrowings—other	(337.1)	(267.2)
Derivative financial instruments	(10.9)	(8.6)
Other non-current liabilities	—	—
Deferred tax liabilities	(50.3)	(39.9)
Provisions	(90.3)	(71.6)
Defined benefit pension scheme deficit	(7.5)	(5.9)
	(496.1)	(393.2)
Current liabilities		
Borrowings—PFI/PPP contracts	—	—
Borrowings—other	(24.2)	(19.2)
Derivative financial instruments	(4.7)	(3.7)
Trade and other payables	(228.5)	(181.1)
Current tax payable	(0.1)	(0.1)
Provisions	(3.9)	(3.1)
	(261.4)	(207.2)
Total liabilities	(757.5)	(600.4)
Net liabilities	(15.5)	(12.3)

- (4) The adjustments arising as a result of refinancing the existing debt of the VGG Group are set out below:

£ millions	Repayment of VGG Group bank facilities	Drawdown of new and committed facilities	Capitalised refinancing fees	Total
	(Note 4a)	(Note 4b)	(Note 4c)	
Trade and other receivables	(15.4)	—	—	(15.4)
Cash and cash equivalents	(81.8)	89.9	(5.5)	2.6
Borrowings—other	250.4	(89.9)	5.5	166.0
Non-current derivative financial instrument liabilities	8.6	—	—	8.6
Current derivative financial instrument liabilities	1.8	—	—	1.8
Trade and other payables	0.2	—	—	0.2
Impact on net assets	163.8	—	—	163.8

- (a) The repayment of existing VGG bank facilities of £163.8 million comprises: repayment of borrowings of £250.4 million (which excludes finance leases) net of £81.8m of cash in the VGG Group and £15.4 million of bank guarantee funds (included as trade and other receivables); the repayment of accrued interest of £0.2 million; and the non cash settlement

of £10.4 million in relation to derivatives (of which £8.6 million is non-current and £1.8 million is current) held in connection with the VGG bank funding.

- (b) The drawdown of £89.9 million on new and committed financing in the Combined Group to settle £200.2 million of cash consideration net of the Equity Issue proceeds of £135.5 million and £22.6 million of associated deal costs. In addition, under a multicurrency note facility and guarantee agreement held by Shanks, an amount of £2.5 million (€3.2 million translated at the closing exchange rate at 31 March 2016, being GBP:Euro 1.262) is required to repay the make-whole premium detailed in paragraph 12.1(f) of Part 15 (*Additional Information*) on completion of the Merger; and
 - (c) The payment of debt adviser fees of £5.5 million which have been capitalised.
- (5) Intra-group adjustments reflect a £1.5 million adjustment to trade and other receivables and a corresponding adjustment to trade and other payables to remove Shanks' trading balances with the VGG Group as at 31 March 2016, as per the accounting records of the Shanks Group and the VGG Group.
- (6) The adjustments arising as a result of the Merger are set out below:
- (a) The adjustment reflects goodwill arising on the Merger and has been accounted for using the acquisition method of accounting. The excess of consideration over the book value acquired has been reflected as goodwill. A fair value exercise to allocate the purchase price will be completed following completion of the Merger; therefore, no account has been taken in the pro forma of any fair value adjustments that may arise on the Merger.

The total consideration payable has been calculated in accordance with the offer price mechanism detailed in the Merger Agreement and this will be payable as a combination of the issuance of new ordinary shares in Shanks (referred to as "Equity Consideration" in these notes) and cash (referred to as "Cash Consideration" in these notes). The total consideration payable and the calculation of the adjustment to goodwill is set out below:

	<u>Note</u>	<u>£ millions</u>
Equity consideration	(i)	131.2
Cash consideration	(ii)	200.2
Total consideration		331.4
Repayment of financing in the VGG Group	(iii)	(163.8)
Consideration on a debt free basis		167.6
Less net liabilities acquired of the VGG Group	(iv)	42.6
Goodwill arising on acquisition		210.2
Existing goodwill		(30.3)
Pro forma goodwill adjustment		179.9

The provisional initial consideration for the Merger shown in the above table and calculated using the full goodwill method shows an illustrative amount of £331.4 million reflecting the pro forma equity value of £167.6 million for the VGG Group. On completion of the Merger, a purchase price adjustment reflecting the difference between the actual and budgeted cash balances at 31 August 2016 and operating cash flows for the period from 31 December 2015 to 31 August 2016 will also be calculated, however, these have not been considered for the purposes of the Unaudited Pro Forma Financial Information.

The total consideration is due to be settled as follows:

- (i) The Equity Consideration of £131.2 million has been calculated as the issue of 182,733,356 shares at a discounted post Equity share price of 71.8 pence in accordance with the offer price mechanism set out in the Merger Agreement, representing a 31.3 per cent. discount to the Shanks share price of 104.5 pence at 26 September 2016, being the latest practicable date.
- (ii) The Cash Consideration of £200.2 million will be funded by proceeds from the Equity Issue and an assumed additional drawdown of £89.9 million of the €600 million syndicated debt facility agreed at the time of the Merger announcement.

The total consideration payable at completion will be different to the total consideration included in this Unaudited Pro Forma Financial Information due to the purchase price adjustments outlined above, which will be computed at the completion date.

- (iii) The £163.8 million repayment of existing financing in the VGG Group comprises VGG Group borrowings of £250.6 million (inclusive of £0.2 million of accrued interest) and non-cash settlement of derivative financial instrument liabilities of £10.4 million net of £81.8 million of cash in the VGG Group and £15.4 million of bank guarantee funds included as trade and other receivables.
 - (iv) The net liabilities acquired of £42.6 million include £12.3 million of net liabilities of the VGG Group as at 31 December 2015 and an elimination of existing goodwill of £30.3 million (as shown in note 13 to the VGG Group Financial Information of Part 11 (*Historical financial information of the VGG Group*)).
- (b) A £219.8 million adjustment to cash reflects the Cash Consideration of £200.2 million, transaction costs of £17.1 million and repayment of a make-whole premium of £2.5 million (€3.2 million translated at the closing exchange rate at 31 March 2016, being GBP:Euro 1.262) relating to the agreement detailed in paragraph 12.1(f) of Part 15 (*Additional Information*) on completion of the Merger.

- (7) In preparing the unaudited pro forma statement of net assets no account has been taken of the trading or transactions of the VGG Group since 31 December 2015 and Shanks since 31 March 2016.

2. Pro forma income statement

£ in millions	Shanks Group for the year ended 31 Mar 2016	Adjustments			Pro forma Combined Group	
		VGG Group for the year ended 31 Dec 2015	Finance costs	Inter-company adjustment		Merger adjustment
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	
Revenue	613.8	669.3	—	(6.8)	—	1,276.3
Cost of sales	(518.4)	(553.8)	—	6.8	—	(1,065.4)
Gross profit/(loss)	95.4	115.5	—	—	—	210.9
Administrative expenses	(85.6)	(142.8)	—	—	(17.1)	(245.5)
Operating profit (loss)	9.8	(27.3)	—	—	(17.1)	(34.6)
Finance income	16.7	294.7	—	—	—	311.4
Finance charges	(30.0)	(55.8)	27.2	—	(2.3)	(60.9)
Share of results from associates and joint ventures	1.0	2.3	—	—	—	3.3
Profit/(loss) before tax	(2.5)	213.9	27.2	—	(19.4)	219.2
Taxation (note 6)	(1.5)	8.3	(6.8)	—	4.2	4.2
Profit/(loss) for the year from continuing operations	(4.0)	222.2	20.4	—	(15.2)	223.4
Discontinued operations						
Profit/(loss) for the year from discontinued operations	0.1	—	—	—	—	0.1
Profit/(loss) for the year	(3.9)	222.2	20.4	—	(15.2)	223.5

Notes:

- (1) Shanks' financial information for the 12 months ended 31 March 2016 has been extracted, without material adjustment, from the Shanks Group's published financial information for the year ended 31 March 2016, which is incorporated by reference into this Combined Circular and Prospectus as set out in Part 10 (*Historical financial information of the Shanks Group*).
- (2) The VGG Group's financial information for the 12 months ended 31 December 2015 has been extracted, without material adjustment, from the financial information in Part 11 (*Historical financial information of the VGG Group*) using the average exchange rate for the year ended 31 March 2016 (GBP: Euro 1.367). The table below sets out the Euro and GBP values.

	The VGG Group as at 31 December 2015	
	€ millions	£ millions
Revenue	914.8	669.3
Cost of sales	(756.9)	(553.8)
Gross profit/(loss)	157.9	115.5
Administrative expenses	(195.2)	(142.8)
Operating profit (loss)	(37.3)	(27.3)
Finance income	402.8	294.7
Finance charges	(76.2)	(55.8)
Share of results from associates and joint ventures	3.1	2.3
Profit/(loss) before tax	292.4	213.9
Taxation	11.3	8.3
Profit/(loss) for the year from continuing operations	303.7	222.2
Discontinued operations		
Profit/(loss) for the year from discontinued operations	—	—
	303.7	222.2

- (3) The adjustment to finance costs includes the following elements:
- (a) an adjustment to reverse £33.1 million of VGG finance costs, of which £31.1 million relates to interest on term and other loans and £2.0 million relates to the fair value loss on derivative financial instruments, which will no longer be incurred as the existing debt of the VGG Group is refinanced and derivative financial instruments are settled as part of the

Transaction with the new and committed €600 million syndicated debt facility in the Combined Group. This adjustment will not have a continuing impact on the Combined Group;

- (b) finance charge of £5.9 million, which will have a continuing impact on the Combined Group, includes:
- (i) an adjustment of £2.4 million representing the full year interest expense relating to the £90.5m total draw down on Facility B (€150 million) of the new and committed €600 million syndicated debt facility, calculated on the basis of an estimated interest rate of 2.67% (EURIBOR plus estimated margin of 2.65%) based on the terms of the New Facilities Agreement assuming that this was taken out on 1 April 2015;
 - (ii) an adjustment of £0.2 million to replace Shanks Group's finance cost of £0.6 million incurred in relation to £31.2 million draw down on its existing debt facility as at 1 April 2015 at an effective interest rate of 1.89% (EURIBOR plus estimated margin of 1.91%) based on the terms of the existing debt facility, with £0.8 million of finance cost which will be incurred on the draw down amount under the terms of the New Facilities Agreement at an estimated interest rate of 2.63% (EURIBOR plus estimated margin of 2.65%);
 - (iii) an adjustment of £1.1 million representing the amortisation of £5.5 million advisor fees incurred to arrange the new €600 million syndicated debt facility; and
 - (iv) £2.2 million representing the full year commitment fee on the undrawn amount of £203.4 million of Facility A (€450 million) of the €600 million syndicated debt facility at an estimated interest rate of 1.06% (40% of the applicable margin of 2.65%) based on the terms of the New Facilities Agreement.
- (4) Intra-group adjustments remove £6.8 million of revenue and £6.8 million of cost of sales resulting from Shanks' trading operations with the VGG Group for the 12 months ended 31 March 2016, as per the accounting records of the Shanks Group and the VGG Group. This adjustment will have a continuing impact on the Combined Group.
- (5) This reflects an adjustment of £17.1 million in relation to transaction costs for the Merger charged to administrative expenses and a finance cost of £2.3 million (€3.2 million translated at the opening exchange rate at 1 April 2015, being GBP:Euro 1.381) in relation to the repayment of a make-whole premium associated with the agreement detailed in paragraph 12.1(f) of Part 15 (*Additional Information*) on completion of the Merger. It is expected that that total transaction costs of £30.4 million will be incurred in relation to the Transaction which also comprises transaction costs of £5.5 million in relation to refinancing (note 3(b)(ii)) and £5.5 million of costs associated with the Equity Issue which have been recorded against equity. These costs will not have a continuing impact on the Combined Group.
- (6) The £6.8 million tax effect of the adjustments to financing costs is calculated at the VGG's Group's Dutch corporate income tax rate of 25.0%. The £4.2 million tax effect of the Transaction costs is calculated at the Shanks Group's effective tax rate of 21.7%
- (7) In preparing the unaudited pro forma income statement no account has been taken of the trading or transactions of the VGG Group since 31 December 2015 and Shanks since 31 March 2016.
- (8) In preparing the unaudited pro forma income statement no account has been taken of the impact of additional depreciation or amortisation costs that may arise, and have a continuing impact, following any purchase price allocation exercise, as this will be undertaken following the Merger.

Section B—Accountants’ report on the unaudited pro forma financial information of the Combined Group



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29 September 2016

Dear Sirs

Shanks Group plc (the “Company”)

We report on the unaudited pro forma financial information (the “**Pro Forma Financial Information**”) set out in Section A of Part 12 of the Company’s combined prospectus and class 1 circular dated 29 September 2016 (the “**Investment Circular**”) which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how (i) the Equity Issue; (ii) the refinancing of the existing debt of the VGG Group; and (iii) the Merger might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 March 2016. This report is required by item 7 of Annex II to the PD Regulation, item 20.2 of Annex I to the PD Regulation and item 13.3.3R of the Listing Rules of the UK Listing Authority (the “**Listing Rules**”) and is given for the purpose of complying with that PD Regulation and Listing Rule and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with Annex II to the PD Regulation, item 20.2 of Annex I to the PD Regulation and item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 7 of Annex II to the PD Regulation, item 20.2 of Annex I to the PD Regulation and item 13.3.3R of the Listing Rules as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we

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accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation and item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Investment Circular.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

- a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3 R(2)(f), we are responsible for this report as part of the Investment Circular and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Investment Circular in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART 13—CAPITALISATION AND INDEBTEDNESS

1. SHANKS

The tables below set out Shanks' capitalisation as at 31 March 2016, indebtedness as at 31 July 2016 and net financial indebtedness as at 31 July 2016. Shanks' statement of indebtedness and statement of net financial indebtedness have been prepared under IFRS using policies which are consistent with those used in preparing the Shanks Group's audited consolidated financial information for the year ended 31 March 2016.

1.1 Indebtedness

Unaudited, £ millions	As at 31 July 2016
<i>Current debt</i>	
Guaranteed	(0.5)
Secured ⁽¹⁾	(5.3)
Unguaranteed/unsecured	—
Total current debt	(5.8)
<i>Non-current debt (excluding portion of long-term debt)</i>	
Guaranteed	(271.3)
Secured ⁽¹⁾	(92.4)
Unguaranteed/unsecured	—
Total non-current debt	(363.7)
Total indebtedness	(369.5)

(1) Secured debt comprises: (i) PFI/PPP non-recourse debt which is secured by a legal mortgage over any land and a fixed and floating charge over the assets of the PFI/PPP company—£2.6 million is current and £85.2 million is non-current; and (ii) finance leases which are secured by the underlying leased assets—£2.7m is current and £7.2 million is non-current.

1.2 Capitalisation

Unaudited, £ millions	As at 31 March 2016
<i>Capitalisation</i>	
Share capital ⁽¹⁾	39.8
Other reserves	124.6
Total capitalisation	164.4

(1) Shareholders' equity does not include the profit and loss account reserve.

There has been no material change in Shanks' total indebtedness since 31 July 2016 or in Shanks' total capitalisation since 31 March 2016.

1.3 Net financial indebtedness

<u>Unaudited, £ millions</u>	<u>As at 31 July 2016</u>
Cash	12.0
Cash equivalents	0.1
Trading securities	—
Liquidity	<u>12.1</u>
Current bank debt	(0.5)
Current portion of non-current debt ⁽¹⁾	(2.6)
Other current financial debt ⁽²⁾	<u>(2.7)</u>
Current financial debt	<u>(5.8)</u>
Net current financial indebtedness	<u>6.3</u>
Non-current bank loans ⁽³⁾	(189.0)
Bonds issued	(167.5)
Other non-current financial debt ⁽²⁾	<u>(7.2)</u>
Non-current financial indebtedness	<u>(363.7)</u>
Net financial indebtedness	<u>(357.4)</u>

(1) Current portion of non-current debt relates to PFI/PPP non-recourse net debt.

(2) Other financial debt relates to finance leases.

(3) Non-current bank loans include £85.2 million of PFI/PPP non-recourse net debt.

As at 31 July 2016, the Shanks Group had a total net derivatives liability of £37.4 million of which £0.4 million was a current asset, £2.1 million a current liability and £35.7 million as a non-current liability. The derivatives related to interest rate swaps (£35.3 million liability), fuel derivatives (£2.3 million liability) and forward foreign exchange contracts (£0.2 million asset).

As at 31 July 2016, the Shanks Group had no other indirect or contingent liabilities, or any contingent commitments.

2. VGG

The tables below set out VGG's capitalisation as at 31 December 2015, indebtedness as at 31 August 2016 and net financial indebtedness as at 31 August 2016. VGG's statement of indebtedness and statement of net financial indebtedness have been prepared under IFRS using policies which are consistent with those used in preparing the Shanks Group's audited consolidated financial information for the year ended 31 March 2016.

2.1 Indebtedness

<u>Unaudited, € millions</u>	<u>As at 31 August 2016</u>
<i>Current debt</i>	
Guaranteed	—
Secured ⁽¹⁾	(26.0)
Unguaranteed/unsecured	—
Total current debt	(26.0)
<i>Non-current debt (excluding portion of long-term debt)</i>	
Guaranteed	—
Secured ⁽¹⁾	(346.4)
Unguaranteed/unsecured	—
Total non-current debt	(346.4)
Total indebtedness	(372.4)

(1) Secured debt comprises finance leases which are secured by the underlying leased assets—€11.1m is current and €31.1m is non-current.

2.2 Capitalisation

<u>Unaudited, € millions</u>	<u>As at 31 December 2015</u>
<i>Capitalisation</i>	
Share capital ⁽¹⁾	0.1
Other reserves	720.3
Total capitalisation	720.4

(1) Shareholders' equity does not include the profit and loss account reserve.

There has been no material change in VGG's indebtedness since 31 August 2016 or VGG's capitalisation since 31 December 2015.

2.3 Net financial indebtedness

<u>Unaudited, € millions</u>	<u>As at 31 August 2016</u>
Cash	92.7
Cash equivalents	—
Trading securities	—
Liquidity	92.7
Current bank debt	(14.5)
Current portion of non-current debt	(0.4)
Other current financial debt	(11.1)
Current financial debt	(26.0)
Net current financial indebtedness	66.7
Non-current bank loans	(315.3)
Other non-current loans	(31.1)
Non-current financial indebtedness	(346.4)
Net financial indebtedness	(279.7)

As at 31 August 2016, the VGG Group had no indirect or contingent liabilities, or any contingent commitments.

PART 14—TAXATION

The statements on taxation referred to in this Part 14 are for general information purposes only and are not intended to be a comprehensive summary of all technical aspects of the structure and are not intended to constitute legal or tax advice to Shareholders and prospective investors.

The statements on taxation below are intended to be a general summary of certain tax consequences that may arise for Shareholders and prospective investors in relation to the acquisition, holding and disposition of Ordinary Shares (which may vary depending upon the particular individual circumstances and status of Shareholders and prospective investors). These comments are based on the laws and practices as at the time of writing and may be subject to future revision. This discussion is not intended to constitute advice to any person and should not be so construed.

1. UNITED KINGDOM

1.1 General

The following statements are intended to apply only as a general guide to certain UK tax considerations, and are based on current UK tax law and current published practice of HM Revenue and Customs (“HMRC”), both of which are subject to change at any time, possibly with retrospective effect. They relate only to certain limited aspects of the UK taxation treatment of Shareholders who are resident and, in the case of individuals, domiciled in (and only in) the UK for UK tax purposes (except to the extent that the position of non-UK resident Shareholders is expressly referred to), who hold the Ordinary Shares as investments (other than under an individual savings account or a self-invested personal pension) and who are the beneficial owners of both the Ordinary Shares and any dividends paid on them. The statements may not apply to certain classes of Shareholders such as (but not limited to) persons acquiring their Ordinary Shares in connection with an office or employment, dealers in securities, insurance companies and collective investment schemes.

Prospective purchasers of Ordinary Shares who are in any doubt as to their tax position regarding the acquisition, ownership and disposition of the Ordinary Shares or who are subject to tax in a jurisdiction other than the United Kingdom are strongly recommended to consult their own tax advisers.

1.2 UK resident individuals

Under current UK legislation, no tax is required to be withheld from dividend payments by Shanks.

An individual Shareholder who is resident and domiciled for tax purposes in the United Kingdom and who receives a cash dividend from Shanks will pay no tax on the first £5,000 of dividend income received in a year (the “dividend allowance”). The rates of income tax on dividends received above the dividend allowance are: (a) 7.5 per cent. for dividends taxed in the basic rate band; (b) 32.5 per cent. for dividends taxed in the higher rate band; and (c) 38.1 per cent. for dividends taxed in the additional rate band (2016/2017).

Dividend income that is within the dividend allowance counts towards an individual’s basic or higher rate limits—and will therefore affect the level of savings allowance to which they are entitled, and the rate of tax that is due on any dividend income in excess of this allowance. In calculating into which tax band any dividend income over the £5,000 allowance falls, savings and dividend income are treated as the highest part of an individual’s income. Where an individual has both savings and dividend income, the dividend income is treated as the top slice.

1.3 UK resident companies

Shareholders within the charge to UK corporation tax which are “small companies” for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will generally not be subject to UK corporation tax on any dividend received from Shanks provided certain conditions are met (including an anti-avoidance condition).

Other Shareholders within the charge to UK corporation tax will not be subject to UK corporation tax on dividends received from Shanks so long as the dividends fall within an exempt class and certain other conditions are met. Examples of exempt classes include dividends paid on shares that are “ordinary shares” and are not “redeemable” (as defined in Chapter 3 of Part 9A of the Corporation Tax Act 2009), and dividends paid to a person holding less than 10 per cent. of the issued share capital (or any class of that

share capital) in Shanks. However, the exemptions are not comprehensive and are subject to anti-avoidance rules.

If the conditions for exemption are not met or cease to be satisfied, or such a Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received from Shanks at the rate of corporation tax applicable to that Shareholder (currently 20 per cent. with effect from 1 April 2015 and reducing to 19 per cent. from 1 April 2017, the rate will reduce further to 17 per cent. from 1 April 2020).

1.4 Non-UK resident Shareholders

Where a non-UK resident Shareholder who is resident for tax purposes outside the United Kingdom, carries on a trade profession or vocation in the United Kingdom and the dividends are a receipt of that trade, profession or vocation or, in the case of a non-UK resident corporate Shareholder if, the Ordinary Shares are held for a UK permanent establishment through which a trade is carried on, the Shareholder may be liable to UK tax on dividends paid by Shanks.

A Shareholder resident outside the United Kingdom may be subject to taxation on dividend income under their local law. Any such Shareholder should consult his (or its) own tax advisers concerning his (or its) tax liabilities (in the United Kingdom and any other country) on dividends received from Shanks.

1.5 Taxation of disposals

(a) General

For the purpose of UK tax on chargeable gains, the amounts paid by a Shareholder for Ordinary Shares will generally constitute the base cost of his holdings in those Ordinary Shares.

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is (at any time in the relevant UK tax year) resident in the UK for tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains depending upon the Shareholder's circumstances and subject to any available exemption or relief.

(b) UK resident individual Shareholders

For an individual Shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax. The rate of capital gains tax is 10 per cent. (2016/2017) for individuals who are subject to income tax at the basic rate and 20 per cent. (2016/2017) for individuals who are subject to income tax at the higher or additional rates. An individual Shareholder is entitled to realise an annual exempt amount of gains (currently £11,100) for the year to 5 April 2017 without being liable to UK capital gains tax.

(c) UK resident corporate Shareholders

For a corporate Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain at the rate of corporation tax applicable to that Shareholder (currently 20 per cent. for companies with effect from 1 April 2015), or an allowable loss for the purposes of UK corporation tax. Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax by increasing the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index but indexation allowance cannot create or increase any allowable loss.

A gain accruing to a corporate Shareholder on a disposal of shares in Shanks may qualify for the substantial shareholding exemption if certain conditions regarding the amount of shareholding and length of ownership, the investing company and the company invested in are fulfilled. If the substantial shareholding exemption applies, gains are exempt from tax and losses do not accrue.

(d) Non-UK resident Shareholders

A Shareholder (individual or corporate) who is not resident in the UK for tax purposes is generally not subject to UK taxation on chargeable gains. They may, however, be subject to taxation under their local law.

However, if such a Shareholder carries on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a non-UK resident corporate Shareholder, a permanent establishment) to which

the Ordinary Shares are attributable, the Shareholder will be subject to the same rules that apply to UK resident Shareholders.

Individual Shareholders who are not resident in the United Kingdom will not be subject to UK capital gains tax in respect of gains arising on disposals of Ordinary Shares. However, a Shareholder who has previously been resident or ordinarily resident in the United Kingdom may in some cases be subject to UK tax on capital gains in respect of a disposal of Ordinary Shares in the event that they re-establish residence in the United Kingdom.

1.6 Chargeable gains taxation on acquisition of new Ordinary Shares

Shareholders and prospective investors resident in certain territories may not, for regulatory reasons, receive an allocation under the Equity Issue. Therefore, for the purposes of UK taxation of chargeable gains, the treatment of the Equity Issue for UK resident Shareholders is not beyond doubt.

UK tax law requires that all Shareholders are allocated rights in respect of, and in proportion to, their existing shareholding in the company, in order to meet the definition of a reorganisation of a company's share capital. In circumstances where some Shareholders do not receive an allocation, the Rights Issue does not strictly constitute, as a matter of UK tax law, a reorganisation of Shanks' share capital for the purposes of UK taxation of chargeable gains. However, practice and experience indicates that HMRC could still treat a Rights Issue which is not made to all Shareholders as a reorganisation for UK chargeable gains purposes.

If the reorganisation treatment applies for UK chargeable gains purposes, a UK resident Shareholder that takes up their entitlement to new Ordinary Shares under the Rights Issue, should not be treated as making a disposal of their existing Ordinary Shares. The new Ordinary Shares issued to a Shareholder should be treated as the same asset acquired at the same time as their existing holding of Ordinary Shares, and the amount paid for the new Ordinary Shares acquired under the Rights Issue should be added to the base cost of that Shareholder's existing Ordinary Shares.

In the event that reorganisation treatment does not apply for UK chargeable gains purposes, when a UK resident Shareholder takes up their rights, they will be treated as acquiring new Ordinary Shares. If the Rights Issue Shares are offered at a discount to their market value, such Shareholders might be regarded as having made a part-disposal of their existing shareholding when they take up new Ordinary Shares under the Rights Issue.

1.7 Inheritance tax

The Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A transfer of ownership by gift or settlement of such assets by, or the death of, an individual Shareholder, may (subject to certain exemption reliefs) therefore give rise to a liability to UK inheritance tax regardless of where the Shareholder is resident or domiciled, subject to any available exemption or relief. A transfer of Ordinary Shares at less than market value may be treated for inheritance tax purposes as a gift of the Ordinary Shares, and particular rules apply to gifts where the donor reserves or retains some benefit. Special rules apply to close companies and to trustees of certain settlements who hold Ordinary Shares, which rules may bring them within the charge to inheritance tax. The inheritance tax rules are complex and Shareholders should consult an appropriate professional adviser in any case where those rules may be relevant, particularly in (but not limited to) cases where Shareholders intend to make a gift of Ordinary Shares, to transfer Ordinary Shares at less than market value or to hold Ordinary Shares through a company or trust arrangement.

1.8 Stamp duty and stamp duty reserve tax (SDRT)

(a) General

The following statements are intended as a general guide to the current UK stamp duty and SDRT position for holders of Ordinary Shares. Certain categories of person, including intermediaries, brokers, dealers and persons connected with depositary receipt systems and clearance services may not be liable to stamp duty or SDRT or may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986. The comments in this section relating to stamp duty and SDRT apply whether or not a Shareholder is resident in the UK.

(b) The Equity Issue

No stamp duty or SDRT will be payable on the issue of Rights Issue Shares pursuant to the Rights Issue or on the issue of the Firm Placing Shares pursuant to the Firm Placing, other than as explained in the paragraphs below.

No stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters or the crediting of Nil Paid Rights to accounts in CREST. Where Rights Issue Shares represented by such documents or rights are registered in the name of the Shareholder entitled to such shares, or New Shares are credited in uncertificated form to CREST accounts, no liability to stamp duty or SDRT will generally arise unless this is for consideration in money or money's worth.

A purchaser of rights to Rights Issue Shares represented by Provisional Allotment Letters (whether nil or fully paid) or of Nil Paid Rights or Fully Paid Rights held in CREST on or before the latest time for registration of renunciation will not generally be liable to pay stamp duty, but the purchaser will normally be liable to pay SDRT at the rate of 0.5 per cent. of the value or amount of the consideration given.

Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. In other cases, the purchaser of the rights to the Rights Issue Shares represented by the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights held in CREST is liable to pay the SDRT and must account for it to HMRC. In the case of transfers within CREST, any SDRT due should be collected through CREST in accordance with the CREST rules.

No stamp duty or SDRT will be payable on the registration of Provisional Allotment Letters or Nil Paid Rights or Fully Paid Rights, whether by the original holders or their renounees.

(c) Subsequent non-CREST transfers of Ordinary Shares

Stamp duty at the rate of 0.5 per cent. of the amount or value (in the case of consideration given in the form of other marketable securities or debt) of the consideration given (rounded up to the nearest multiple of £5) is generally payable on an instrument transferring Ordinary Shares, outside the CREST system. An exemption from stamp duty applies to an instrument transferring Ordinary Shares where the amount or value of the consideration (whether in the form of cash or otherwise) is £1,000 or less and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

A charge to SDRT will also generally arise on an unconditional agreement to transfer Ordinary Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if within six years of the date of the agreement (or, if the agreement is conditional, the date on which it becomes unconditional) an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument or the instrument is certified as exempt, any SDRT already paid will generally be refunded provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled. The purchaser or transferee of the Ordinary Shares will generally be responsible for paying such stamp duty or SDRT.

(d) Subsequent transfers of Ordinary Shares held through CREST

Paperless transfers of Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Under the CREST system, generally no stamp duty or SDRT will arise on a deposit of Ordinary Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise usually at a rate of 0.5 per cent. of the amount or value of the consideration for the Ordinary Shares.

(e) Depositary receipt systems and clearance services

Under current UK legislation, where Ordinary Shares are issued or transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services; or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will generally be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares (rounded up to the nearest multiple of £5 in

the case of stamp duty). Subsequent transfers of the Ordinary Shares held within the clearance service or depository receipt scheme should then not be subject to either stamp duty or SDRT.

There is an exception from the 1.5 per cent. charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service operator has made and maintained an appropriate election under section 97A of the Finance Act of 1986 which has been approved by HMRC. In these circumstances, the normal rates of stamp duty and SDRT (rather than the higher rate regime referred to above) will generally apply to any transfer of Ordinary Shares into the clearance service (in the event that this is done for consideration) and to any transfers of the Ordinary Shares held within the clearance service.

Any liability for stamp duty or SDRT in respect of the transfer into a clearance service or depository receipt system, or in respect of a transfer of Ordinary Shares held within such a service or system, will strictly be payable by the operator of the clearance service or depository receipt system or its nominee, as the case may be, but in practice will generally be reimbursed by participants in the clearance service or depository receipt system.

Following litigation, HMRC issued a note stating that it will no longer seek to impose the 1.5 per cent. SDRT charge on issues of UK shares to depository receipt issuers and clearance service providers anywhere in the world on the basis that the charge is not compatible with EU law. HMRC consider, though, that the 1.5 per cent. SDRT or stamp duty charge will still apply to transfers of shares to depository receipt issuers or clearance service providers that are not an integral part of an issue of share capital. As such, it may be appropriate to seek specific professional advice before transferring shares to, or to a nominee or agent for, a person whose business includes issuing depository receipts or a person providing clearing services.

PART 15—ADDITIONAL INFORMATION

2. RESPONSIBILITY STATEMENT

2.1 Shanks and the Directors, whose names appear on page 50 of this Combined Circular and Prospectus, accept responsibility for the information contained in this Combined Circular and Prospectus. To the best of the knowledge and belief of Shanks and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Combined Circular and Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

3. INCORPORATION AND REGISTERED OFFICE

- 3.1 Shanks was incorporated and registered in Scotland on 4 February 1982 under the name “Anonymous Limited” as a private limited company under the Companies Acts 1948 to 1980, with registered number SC077438. On 23 September 1985, Shanks re-registered as a public limited company and changed its name to “Shanks & McEwan Group plc”. On 22 July 1999, Shanks changed its name to “Shanks Group plc”.
- 3.2 Shanks is domiciled in the United Kingdom. Its registered office is at 16 Charlotte Square, Edinburgh EH2 4DF, United Kingdom and its head office is at Dunedin House, Auckland Park, Mount Farm, Milton Keynes, Buckinghamshire MK1 1BU, United Kingdom. Its telephone number is +44 (0)1908 650 580 or, if dialling from outside the United Kingdom, +44 1908 650 580.
- 3.3 The principal legislation under which Shanks operates, and under which the Ordinary Shares were created, is the Companies Act and regulations made thereunder. Shanks operates in conformity with its Articles.

4. SHARE CAPITAL

- 4.1 The Ordinary Shares have been created under the Companies Act and they conform with the laws of Scotland. The Ordinary Shares have been and will be duly authorised according to the requirements of the Articles and have and will have all necessary statutory and other consents.
- 4.2 The Ordinary Shares carry the right to receive dividends and distributions paid by Shanks. Shareholders will have the right to receive notice of and to attend and vote at all general meetings of Shanks. There are no different voting rights for any Shareholder. Further information on the rights attaching to the Ordinary Shares is set out in paragraph 5 of this Part 15.
- 4.3 As at 1 April 2013, the first day covered by the Shanks Group’s historical financial information incorporated by reference into this Combined Circular and Prospectus, 397,463,413 Ordinary Shares were in issue fully paid or credited as fully paid. Since 1 April 2013, there have been the following changes in Shanks’ issued share capital:

<u>Period</u>	<u>Ordinary Shares issued pursuant to the Executive Share Option Scheme 1995⁽¹⁾</u>	<u>Ordinary Shares issued pursuant to the Savings Related Share Option Scheme and the Shanks Group plc 2015 Sharesave scheme</u>
1 April 2013-31 March 2014	—	237,761
1 April 2014-31 March 2015	18,877	130,366
1 April 2015-31 March 2016	—	339,140
1 April 2016-Latest Practicable Date	—	15,680
Total	<u>18,877</u>	<u>722,947</u>

(1) The Executive Share Option Scheme 1995 was replaced by the Shanks Group’s first long-term incentive plan in 2005. This exercise represents the last vesting of options under the scheme. All remaining options under the scheme expired on 5 June 2015.

4.4 As at the Latest Practicable Date:

- (a) Shanks had 398,205,237 Ordinary Shares in issue fully paid or credited as fully paid;
- (b) Shanks held no treasury shares;

- (c) the following Ordinary Shares were under option pursuant to Shanks' employee share schemes in favour of employees of the Shanks Group, including the Directors:

The Savings Related Share Option Scheme (the "SRSOS") and The Shanks Group plc 2015 Sharesave Scheme

<u>Year of grant</u>	<u>Maturity date⁽¹⁾</u>	<u>Exercise price</u>	<u>Number of Ordinary Shares under option</u>
2013	November 2016	76 pence	219,529
2014	November 2017	84 pence	299,792
2015	November 2018	75 pence	575,616
2016	November 2019	82 pence	466,828
Total			<u>1,561,765</u>

(1) Exercise period ordinarily lasts six months from this date.

The Shanks Group plc 2011 Long-Term Incentive Plan

<u>Year of grant</u>	<u>Vesting date</u>	<u>Exercise price</u>	<u>Number of Ordinary Shares under option</u>
2014	May 2017	Nil	2,778,000
2015	May 2018	Nil	3,128,000
Total			<u>5,906,000</u>

The Shanks Group plc Deferred Annual Bonus Plan

<u>Year of grant</u>	<u>Vesting date⁽¹⁾</u>	<u>Exercise price</u>	<u>Number of Ordinary Shares under option</u>
2015	May 2018, May 2019, May 2020	Nil	158,313
Total			<u>158,313</u>

(1) Two thirds of award shares in year three, one third in year four, and one third in year five.

Details of the Directors' interests in Ordinary Shares as at the Latest Practicable Date, including pursuant to Shanks' employee share schemes, are set out at paragraph 6.2 of this Part 15. Summaries of the terms of Shanks' employee share schemes can be found at paragraph 7 of this Part 15; and

(a) save as otherwise disclosed in this Part 15:

- (i) no share or loan capital of Shanks has, since the incorporation of Shanks, been issued or agreed to be issued, or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash, to any person;
- (ii) no commission, discounts, brokerages or other special terms have been granted by Shanks in connection with the issue or sale of any share or loan capital; and
- (iii) no share or loan capital of Shanks is under option or agreed, conditionally or unconditionally, to be put under option.

5. ARTICLES

The Articles, which were adopted by special resolution passed on 22 July 2010, are available for inspection at the addresses specified in paragraph 19.1 of this Part 15. The Articles contain provisions (among others) to the following effect:

5.1 Objects

Shanks' objects are unrestricted.

5.2 Voting rights in respect of shares

Shareholders shall have the right to receive notice of, to attend and to vote at all general meetings of Shanks. Save as otherwise provided in the Articles, on a show of hands each member present in person or by proxy at a general meeting of Shanks and entitled to vote shall have one vote and upon a poll each such member who is present in person or by proxy and entitled to vote shall have one vote in respect of every share of which he is a holder.

5.3 Restrictions on shares

If a member or any person appearing to be interested in shares in Shanks has been duly served with a statutory notice (whether pursuant to section 793 of the Companies Act or otherwise) and is in default in supplying to Shanks information thereby required within 14 days from the date of service of such notice Shanks may serve on such member or on any such person a notice (a “**restriction notice**”) in respect of the shares in relation to which the default occurred directing that the member shall not be entitled to be present or to vote at any general meeting or class meeting of Shanks. Where such shares represent at least 0.25 per cent. in number or nominal value of the issued shares of Shanks of the same class the restriction notice may in addition direct that any dividend or other money (or shares issued in lieu of dividends) which would otherwise be payable on those shares shall be withheld by Shanks and (subject to the CREST Regulations as amended from time to time and any provisions of or under the Companies Act and any other statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies (the “**Statutes**”) which supplement or replace such CREST Regulations) that no transfer of any of the shares held by the member shall be registered unless the transfer of the shares (or any of them) is pursuant to arm’s length terms (as defined in the Articles).

5.4 Variation of class rights

Subject to the Statutes, all or any of the rights for the time being attached to any class of shares for the time being issued may from time to time (whether or not Shanks is being wound up) be varied either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. All the provisions of the Articles as to general meetings of Shanks shall, mutatis mutandis, apply to any such separate general meeting, but so that the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares), (but so that at any adjourned meeting one holder present in person or by proxy (whatever the number of shares held by him) shall be a quorum), that every holder of shares of the class present in person or by proxy (excluding any shares of that class held as treasury shares) shall be entitled on a poll to one vote for every share of the class held by him (subject to any rights or restrictions attached to any class of shares) and that any holder of shares of the class present in person or by proxy may demand a poll. The foregoing provisions shall apply to the variation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class and their special rights were to be varied.

5.5 Transfer of shares

- (a) Any member may transfer all or any of his uncertificated shares by means of a relevant system in such manner provided for, and subject as provided in the CREST Regulations and the rules of any relevant system, and accordingly no provision of the Articles shall apply in respect of an uncertificated share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the share to be transferred.
- (b) Any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a partly paid share) the transferee, and the transferor shall be deemed to remain the holder of the share concerned until the name of the transferee is entered in the register in respect of it. All instruments of transfer, when registered, may be retained by Shanks.
- (c) The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid (whether certificated or uncertificated) provided that where such shares are admitted to the Official List, such discretion may not be exercised in a way which the

FCA regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The Directors may likewise refuse to register any transfer of a share (whether certificated or uncertificated) in favour of more than four persons jointly. In relation to certificated shares, the Directors may decline to recognise any instrument of transfer unless it is left at the registered office of Shanks or such other place as the Directors may determine, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), and unless the instrument is in respect of only one class of share. The registration of transfers may be suspended by the Directors for any period (not exceeding 30 days in any year) except that, in respect of uncertificated shares, the consent of the operator of the relevant system for those shares will first be required.

5.6 General meetings

- (a) An annual general meeting shall be convened by not less than twenty-one clear days' notice in writing. All other general meetings shall be convened by not less than fourteen clear days' notice in writing. The notice shall specify the place, day and time of the meeting, and the general nature of the business to be transacted. Notice of every general meeting shall be given to all members other than any who, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from Shanks, and also to the auditors or, if more than one, each of them.
- (b) The accidental omission to give any notice of a meeting or the accidental omission to send any document, including a proxy form, relating to any meeting to, or the non-receipt of any such notice or document by, any person entitled to receive the notice or document shall not invalidate the proceedings at that meeting.

5.7 Directors

- (a) Unless otherwise determined by ordinary resolution of Shanks, the number of directors (disregarding alternate directors) shall not be less than two and there shall be no maximum number of directors. No shareholding qualification for directors shall be required. Each director shall retire from office at the third annual general meeting after the annual general meeting at which he was last elected or re-elected and each non-executive director shall retire from office at each annual general meeting. A retiring director shall be eligible for re-election. Without prejudice to the power of Shanks in general meeting pursuant to any of the provisions of the Articles to appoint any person to be a Director, the Board may appoint any person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed any maximum number fixed by or in accordance with the Articles. Any director so appointed shall hold office only until the next general meeting and shall then be eligible for election.
- (b) Each Director may appoint any person to be his alternate and may at his discretion remove an alternate director so appointed. If the alternate director is not already a director, the appointment, unless previously approved by the Board, shall have effect only upon and subject to its being so approved. Any appointment or removal of an alternate director shall be effected by notice in writing signed by the appointor and delivered to the registered office of Shanks or tendered at a meeting of the Board, or in any other manner approved by the Board. An alternate director shall be entitled to receive notice of all meetings of the Board or of committees of the Board of which his appointer is a member. He shall also be entitled to attend and vote as a director at any such meeting at which the Director appointing him is not personally present and at such meeting to exercise and discharge all the functions, powers, rights and duties of his appointer as a director and for the purposes of the proceedings at such meeting the provisions of the Articles shall apply as if he were a director.
- (c) The Board or any committee authorised by the Board may from time to time appoint one or more Directors to hold any employment or executive office with Shanks for such period (subject to the provisions of the Statutes) and upon such other terms as the Board or any committee authorised by the Board may in its discretion decide and may revoke or terminate any appointment so made. Any revocation or termination of the appointment shall be without prejudice to any claim for damages that the director may have against Shanks or Shanks may have against the director for any breach of any contract of service between him and Shanks which may be involved in the revocation or termination. A director so appointed shall receive such remuneration (whether by way of salary, commission,

participation in profits or otherwise) as the Board or any committee authorised by the Board may decide, and either in addition to or in lieu of his remuneration as a Director.

- (d) The Directors shall be paid, out of the funds of Shanks by way of fees for their services as Directors, such sums (if any) as the Board may from time to time determine (not exceeding in the aggregate £400,000 per annum or such larger amount as Shanks may by ordinary resolution determine) and such remuneration shall be divided between the Directors as the Board shall agree or, failing agreement, equally. Such remuneration shall be deemed to accrue from day to day. The provisions of this Article shall not apply to the remuneration of any director who is appointed to any executive office (whether part time or full time) which remuneration shall be established pursuant to the provisions on additional remuneration.

5.8 Permitted interests and voting

- (a) No Director or proposed or intending director shall be disqualified by his office from contracting with Shanks, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatever, nor shall any contract in which any Director is in any way interested be liable to be avoided, nor shall any Director who is so interested be able to account to Shanks or the members for any remuneration, profit or other benefit realised by the contract by reason of the Director holding that office or of the fiduciary relationship thereby established.
- (b) A Director may hold any other office with Shanks (except that of auditor) in conjunction with his office of Director for such period (subject to the provisions of the Statutes) and upon such other terms as the Board may decide, and may be paid such extra remuneration for so doing (whether by way of salary, commission, participation in profits or otherwise) as the Board or any committee authorised by the Board may decide, and either in addition to or in lieu of any remuneration provided for by or pursuant to any other Article.
- (c) A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by Shanks or in which Shanks may be interested or as regards which it has any power of appointment, and shall not be liable to account to Shanks or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in the other company. The Board may also cause any voting power conferred by the shares in any other company held or owned by Shanks or any power of appointment to be exercised in such manner in all respects as it thinks fit, including the exercise of the voting power or power of appointment in favour of the appointment of the Directors or any of them as directors or officers of the other company, or in favour of the payment of remuneration to the directors or officers of the other company.
- (d) A Director may act by himself or his firm in a professional capacity (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (e) A Director shall not vote on or be counted in the quorum in relation to any resolution of the Board concerning his own appointment, or the settlement or variation of the terms or the termination of his own appointment, as the holder of any office or place of profit with Shanks or any other company in which Shanks is interested but, where proposals are under consideration concerning the appointment, or the settlement or variation of the terms or the termination of the appointment, of two or more Directors to offices or places of profit with Shanks or any other company in which Shanks is interested, a separate resolution may be put in relation to each Director and in that case each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution unless it concerns his own appointment or the settlement or variation of the terms or the termination of his own appointment or the appointment of another director to an office with a company in which Shanks is interested and the Director seeking to vote or be counted in the quorum owns one per cent. or more of it.
- (f) Save as otherwise provided by the Articles, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board in respect of any actual or proposed transaction or arrangement with Shanks in which he has an interest which (taken together with any interest of any person connected with him) is to his knowledge an interest of which he is aware, or ought reasonably to be aware, does conflict, or can reasonably be regarded as likely to give rise to a conflict, with the interests of Shanks and, if he shall do so, his vote shall not be counted, but this prohibition shall not

apply to any resolution where that material interest arises only from one or more of the following matters:

- (i) the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him or by any other person at the request of or for the benefit of Shanks or any of its subsidiary undertakings;
 - (ii) the giving to a third party of any guarantee, indemnity or security in respect of a debt or obligation of Shanks or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (iii) where Shanks or any of its subsidiary undertakings is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub underwriting of which the Director is to participate;
 - (iv) any contract in which he is interested by virtue of his interest in shares or debentures or other securities of Shanks or by reason of any other interest in or through Shanks;
 - (v) any contract concerning any other company (not being a company in which the Director owns one per cent. or more) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;
 - (vi) any contract concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors and employees of Shanks or of any of its subsidiary undertakings and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;
 - (vii) any contract for the benefit of the employees of Shanks or of any of its subsidiary undertakings under which he benefits in a similar manner to the employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom the contract relates; and
 - (viii) any contract for the purchase or maintenance of insurance against any liability for, or for the benefit of, any Director or Directors or for, or for the benefit of, persons who include Directors.
- (g) If any question shall arise at any meeting of the Board as to whether the interest of a Director gives rise to a conflict, or could reasonably be regarded as likely to give rise to a conflict, with the interests of Shanks or as to the entitlement of any Director to vote or be counted in the quorum and the question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, the question shall be decided by a resolution of the Board (for which purpose the Director in question shall not be counted in the quorum and provided that the resolution was agreed to without the Director in question voting or would have been agreed if their votes had not been counted) and the resolution shall be conclusive except in a case where the nature or extent of the interest of the Director (so far as it is known to him) has not been fairly disclosed to the Board.
- (h) A Director who is in any way, whether directly or indirectly, interested in an actual or proposed transaction or arrangement with Shanks shall declare the nature and extent of his interest at the meeting of the Board at which the question of entering into the contract is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. A general notice to the Board by a Director to the effect that (a) he is a member of a specified company or firm and is to be regarded as interested in any contract which may after the date of the notice be made with that company or firm or (b) he is to be regarded as interested in any contract which may after the date of the notice be made with a specified person who is connected with him, shall be deemed to be a sufficient declaration of interest under this Article in relation to any such contract, provided that no such notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.

5.9 Borrowing powers

- (a) The Board may exercise all the powers of Shanks to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of Shanks and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Shanks or of any third party.

- (b) The Board shall restrict the borrowings of Shanks and exercise all voting and other rights or powers of control exercisable by Shanks in relation to its subsidiary undertakings so as to secure (but as regards subsidiary undertakings only in so far as by the exercise of the rights of powers of control the Board can secure) that the aggregate principal amount from time to time outstanding of all borrowings by the Shanks Group (exclusive of borrowings owing by one member of the Shanks Group to another member of the Shanks Group) shall not at any time without the previous sanction of any ordinary resolution of Shanks exceed an amount equal to three times the aggregate from time to time of:
- (i) the amount paid up on the issued share capital of Shanks; and
 - (ii) the amount standing to the credit of the reserves (including any share premium account, capital redemption reserve, merger reserve and special reserve arising through the reduction or cancellation of share premium account) and any credit balance on the profit and loss account;
- all as shown by the then latest audited consolidated balance sheet after such adjustments and deductions (including any amounts attributable to intangibles) as are specified in the relevant Article.

5.10 Dividends and other payments

- (a) Subject to the provisions of the Statutes, Shanks may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board.
- (b) Subject to the provisions of the Statutes, the Board may pay such interim dividends as appear to the Board to be justified by the financial position of Shanks and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of Shanks, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it shall not incur any liability to the holders of any shares for any loss they may suffer in consequence of the payment of an interim or fixed dividend on any other class of shares ranking *pari passu* with or after those shares.
- (c) Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide:
 - (i) all dividends shall be declared and paid according to the amounts paid up on the share in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of this Article as paid up on the share;
 - (ii) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the share during any portion or portions of the period in respect of which the dividend is paid; and
 - (iii) dividends may be declared or paid in any currency.

The Board may agree with any member that dividends which may at any time or from time to time be declared or become due on his shares in one currency shall be paid or satisfied in another, and may agree the basis of conversion to be applied and how and when the amount to be paid in the other currency shall be calculated and paid and for Shanks or any other person to bear any costs involved.

- (d) The Board may deduct from any dividend or other moneys payable to a member by Shanks on or in respect of any shares all sums of money (if any) presently payable by him to Shanks. Sums so deducted can be used to pay amounts owing to Shanks in respect of the shares.
- (e) The Directors may, if authorised by an ordinary resolution of Shanks in general meeting, offer the holders of Ordinary Shares the right to elect to receive Ordinary Shares issued pursuant to a rights issue credited as fully paid instead of cash in respect of the whole or part of any dividend.
- (f) Subject to the rights attaching to, or the terms of issue of, any shares, no dividend or other moneys payable by Shanks on or in respect of any share shall bear interest against Shanks.

5.11 Winding Up

If Shanks commences liquidation, the liquidator may, with the sanction of a special resolution of Shanks and any other sanction required by the Statutes:

- (a) divide among the members in kind the whole or any part of the assets of Shanks (whether they shall consist of property of the same kind or not) and, for that purpose, set such values as he deems fair upon any property to be divided and determine how the division shall be carried out as between the members or different class of members; or

(b) vest the whole or any part of the assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit;

but no member shall be compelled to accept any shares or other assets upon which there is any liability.

5.12 Non-United Kingdom Shareholders

There are no limitations in the Articles on the rights of non-United Kingdom shareholders to hold, or to exercise voting rights attached to, the Ordinary Shares. However, non-United Kingdom shareholders are not entitled to receive notices unless they have given an address in the United Kingdom to which such notices may be sent.

6. DIRECTORS AND SENIOR MANAGEMENT

6.1 Other directorships and partnerships

Details of those companies and partnerships outside Shanks of which the Directors and Senior Management are currently directors or partners, or have been directors or partners at any time during the five years prior to the date of this Combined Circular and Prospectus, are set out in the table below.

<u>Director/Member of Senior Management</u>	<u>Current Directorships/Partnerships</u>	<u>Past Directorships/Partnerships</u>
<i>Directors</i>		
Colin Matthews	Highways England Company Limited Johnson Matthey Plc	Heathrow Airport Holdings Limited Heathrow Airport Limited Heathrow Holdco Limited LHR Airports Limited Ridley Hall, Cambridge Wycliffe Hall
Peter Dilnot	—	—
Toby Woolrych	—	Bespak Europe Limited Bespak Finance Limited Bespak Holdings Limited Bespak Quest Limited Consort Medical Finance 2010 Limited Consort Medical plc Integrated Aluminium Components Limited Medical House (ASI) Limited Medical House Products Limited The Medical House Group Limited The Medical House Limited
Eric van Amerongen	ANWB B.V. BT Nederland B.V. Essent N.V. Royal Wegener N.V. Thales Nederland B.V.	Imtech N.V. ⁽¹⁾ HTT N.V. ASMI International N.V. CBR Rijswijk Lucent NL CBR, Rijswijk
Jacques Petry	Albioma	Entrepose Jacques Petry Strategic Services
Stephen Riley	Ficycle Limited	Gippsland Ventures Pty Limited International Power (Trading) Limited International Power Consolidated Holdings Limited International Power Levanto Investments Limited International Power Retail (UK) Limited IPM Hydro (UK) Limited IPM International B.V. Morwell Financial Services Pty Limited Swindon Power Technical Services Limited Scotia Wind (Craigengelt) Limited Snakebay Limited Association of Electricity Producers Limited GDF Suez Energy Limited GDF Suez Marketing Limited GDF Suez Sales Limited GDF Suez Services Limited GDF Suez Shotton Limited GDF Suez Solutions Limited GDF Suez Teesside Limited

<u>Director/Member of Senior Management</u>	<u>Current Directorships/Partnerships</u>	<u>Past Directorships/Partnerships</u>
		International Power Retail Supply Company (UK) Limited IPM Energy Retail Limited IPM Holdings (UK) Limited Teesside Energy Trading Limited Future Film Sale and Leaseback 2000/1 LLP TomTom Development Germany GmbH TomTom Global Assets B.V. TomTom N.V. TomTom Sales B.V. TomTom Treasury I B.V. TomTom Treasury Luxembourg II Sarl
Marina Wyatt	Lucas Bols N.V. Supercali LLP The Children's House School The Invicta Film Partnership No. 5, LLP UBM plc	
<i>Senior Management</i>		
Patrick Laevers	Paladan B.V.BA Platinum Invest B.V.BA Jos Van Vlierden N.V. GO4CIRCLE vzw	—
Jonny Kappen	—	—
George Slade	Slade Consulting Services Limited	—
Sandra van Halderen	S.V.H. Management B.V	—
Michael van Hulst	Vereniging Afvalbeheer	—
Matthew Williams	Glevum Associates Ltd	Polycasa Limited Polycasa Services Limited Polycasa Group Limited Paget Holdings Limited

(1) Imtech N.V. entered administration on 11 August 2015 and there are outstanding legal claims against this company and its former supervisory board members (including Eric van Amerongen) relating to, among other things, a prospectus which Imtech N.V. published.

Save as disclosed above, as at the date of this Combined Circular and Prospectus, none of the Directors:

- (a) has any convictions in relation to fraudulent offences for at least the previous five years;
- (b) was a director of a company, a member of an administrative, management or supervisory body or a senior manager of a company within the previous five years which has entered into any bankruptcy, receivership or liquidation proceedings; and
- (c) has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

6.2 Director and Senior Management and other interests in Shanks' share capital

(a) The interests of the Directors and Senior Management in Shanks' share capital are set out in the table below.

Director/Member of Senior Management	Interest in Ordinary Shares as at the Latest Practicable Date		Interest in Ordinary Shares immediately after Equity Issue Admission ⁽¹⁾		Interest in Ordinary Shares immediately after Consideration Share Admission ⁽²⁾	
	Number of Ordinary Shares	% of total issued share capital	Number of Ordinary Shares	% of total issued share capital	Number of Ordinary Shares	% of total issued share capital
Directors						
Colin Matthews	—	—	—	—	—	—
Peter Dilnot ⁽³⁾	95,538 ⁽²⁾	0.02%	131,364	0.02%	131,364	0.02%
Toby Woolrych ⁽⁴⁾	39,821 ⁽²⁾	0.01%	54,752	0.01%	54,752	0.01%
Eric van Amerongen	—	—	—	—	—	—
Jacques Petry	—	—	—	—	—	—
Stephen Riley	20,000	0.01%	27,500	—	27,500	—
Marina Wyatt	—	—	—	—	—	—
Senior Management						
Jonny Kappen ⁽⁷⁾	—	—	—	—	—	—
Patrick Laevers ⁽⁶⁾	—	—	—	—	—	—
George Slade ⁽⁹⁾	—	—	—	—	—	—
Sandra van Halderen ⁽⁸⁾	—	—	—	—	—	—
Michael van Hulst ⁽⁵⁾	—	—	—	—	—	—
Matthew Williams	—	—	—	—	—	—

- (1) Assuming that each Shareholder takes up its rights in full under the Rights Issue and that no new Ordinary Shares (other than the Equity Issue Shares) are issued from the date of this Combined Circular and Prospectus until Equity Issue Admission.
- (2) Assuming that each Shareholder takes up its rights in full under the Rights Issue and that no new Ordinary Shares (other than the Equity Issue Shares and the Consideration Shares) are issued from the date of this Combined Circular and Prospectus until Consideration Share Admission.
- (3) Excludes interests in Ordinary Shares pursuant to Shanks' employee share schemes. As at the Latest Practicable Date, Peter Dilnot was interested in 95,668 Ordinary Shares under the DAB (unvested but subject to a holding period), 1,274,000 Ordinary Shares under the LTIP (unvested and subject to performance conditions) and 22,714 Ordinary Shares under the Sharesave (unvested and subject to continuous employment).
- (4) Excludes interests in Ordinary Shares pursuant to Shanks' employee share schemes. As at the Latest Practicable Date, Toby Woolrych was interested in 62,645 Ordinary Shares under the DAB (unvested but subject to a holding period), 667,000 Ordinary Shares under the LTIP (unvested and subject to performance conditions) and 22,714 Ordinary Shares under the Sharesave (unvested and subject to continuous employment).
- (5) Excludes interests in Ordinary Shares pursuant to Shanks' employee share schemes. As at the Latest Practicable Date, Jonny Kappen was interested in 400,000 Ordinary Shares under the LTIP (unvested and subject to performance conditions).
- (6) Excludes interests in Ordinary Shares pursuant to Shanks' employee share schemes. As at the Latest Practicable Date, Patrick Laevers was interested in 245,000 Ordinary Shares under the LTIP (unvested and subject to performance conditions).
- (7) Excludes interests in Ordinary Shares pursuant to Shanks' employee share schemes. As at the Latest Practicable Date, George Slade was interested in 260,000 Ordinary Shares under the LTIP (unvested and subject to performance conditions) and 14,400 Ordinary Shares under the Sharesave (unvested and subject to continuous employment).
- (8) Excludes interests in Ordinary Shares pursuant to Shanks' employee share schemes. As at the Latest Practicable Date, Sandra van Halderen was interested in 45,000 Ordinary Shares under the LTIP (unvested and subject to performance conditions).
- (9) Excludes interests in Ordinary Shares pursuant to Shanks' employee share schemes. As at the Latest Practicable Date, Michael van Hulst was interested in 400,000 Ordinary Shares under the LTIP (unvested and subject to performance conditions).

- (b) As at the Latest Practicable Date, in so far as is known to Shanks, no persons were interested, directly or indirectly, in 3 per cent. or more of Shanks' issued share capital, except as set out below and in paragraph 6.2(a) above.

Shareholder	Interest in Ordinary Shares as at the Latest Practicable Date		Interest in Ordinary Shares immediately after Equity Issue Admission ⁽¹⁾		Interest in Ordinary Shares immediately after Consideration Share Admission ⁽²⁾	
	Number of Ordinary Shares	% of total issued share capital	Number of Ordinary Shares	Number of Ordinary Shares	% of total issued share capital	Number of Ordinary Shares
Aberforth Partners LLP	37,914,756	9.52%	52,132,788	8.55%	52,132,788	6.52%
Kabouter Management LLC	35,892,191	9.01%	49,351,760	8.10%	49,351,760	6.17%
FIL Limited	21,155,740	5.31%	29,089,141	4.77%	29,089,141	3.64%
FMR LLC	19,982,254	5.01%	27,475,597	4.51%	27,475,597	3.44%
Neptune Investment Management Ltd	19,479,360	4.89%	26,784,120	4.40%	26,784,120	3.35%
Royal London Asset Management Ltd	15,952,727	4.01%	21,934,997	3.60%	21,934,997	2.74%
Sterling Strategic Value Ltd	15,890,046	3.99%	21,848,811	3.59%	21,848,811	2.73%

- (1) Assuming that each Shareholder takes up its rights in full under the Rights Issue and that no new Ordinary Shares (other than the Equity Issue Shares) are issued from the date of this Combined Circular and Prospectus until Equity Issue Admission.
- (2) Assuming that each Shareholder takes up its rights in full under the Rights Issue and that no new Ordinary Shares (other than the Equity Issue Shares and the Consideration Shares) are issued from the date of this Combined Circular and Prospectus until Consideration Share Admission.
- (c) Save as disclosed in paragraph 6.2(a) above, no Director or member of Senior Management has any interests (beneficial or non-beneficial) in Shanks' share capital or any other securities of Shanks.
- (d) Save as disclosed in paragraph 6.2(b) above, Shanks is not aware of any person who directly or indirectly, jointly or severally, exercises or, immediately after Equity Issue Admission, could exercise control over Shanks.

6.3 Director service contracts and letters of appointment

(a) Executive Director service contracts

Peter Dilnot entered into a rolling service agreement with Shanks on 3 November 2011, which became effective from 1 February 2012. Toby Woolrych entered into a rolling service agreement with Shanks on 2 July 2012, which became from 27 August 2012.

The salary payable under each Executive Director's service agreement is subject to annual review by the Remuneration Committee. In addition, the Remuneration Committee may, at its absolute discretion, award a bonus payment to an Executive Director (a due proportion of which may be payable upon termination of employment, subject to certain conditions).

Each Executive Director's service agreement is terminable on one year's notice served by either party. Shanks may terminate a service agreement at any time by making a payment in lieu of the notice period (or, if applicable, the remainder of the notice period) in an amount equivalent to the salary and the costs of the Executive Director's contractual benefits (at the date of termination). In the event an Executive Director is guilty of gross misconduct or in certain other specified circumstances, Shanks may terminate his agreement with immediate effect and without notice or payment in lieu thereof. In the event of early termination in either case, the Remuneration Committee will consider carefully what compensation should be paid taking into account the circumstances in the particular case.

(b) Non-executive Director letters of appointment

The Non-executive Directors do not have service contracts, although each have letters of appointment reflecting their responsibilities and commitments. These letters and the Articles make provision for annual re-election by Shareholders at each annual general meeting. Therefore, the term of appointment for each of the Non-executive Directors expires at Shanks' 2017 annual general meeting.

6.4 Director and Senior Management remuneration

- (a) The amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to the Directors for services in all capacities to Shanks for the year ended 31 March 2016 was as set out below.

<u>Director</u>	<u>Basic salary/fees</u>	<u>Percentage related bonus</u>	<u>Other emoluments</u>	<u>Total</u>
Chairman				
Adrian Auer ⁽¹⁾	£ 118,000	—	—	£ 118,000
Colin Matthews ⁽²⁾	£ 13,000	—	—	£ 13,000
Executive Directors				
Peter Dilnot ⁽³⁾	£ 452,000	£465,000	£140,000	£1,057,000
Toby Woolrych ⁽³⁾	£ 296,000	£305,000	£ 80,000	£ 681,000
Non-executive Directors⁽⁴⁾				
Eric van Amerongen	£ 52,000	—	—	£ 52,000
Jacques Petry	£ 40,000	—	—	£ 40,000
Stephen Riley	£ 40,000	—	—	£ 40,000
Marina Wyatt	£ 47,000	—	—	£ 47,000
Total	£1,058,000	£770,000	£220,000	£2,048,000

(1) Adrian Auer retired as Chairman and from the Board on 31 March 2016.

(2) Colin Matthews was appointed as Chairman Designate on 7 March 2016 and succeeded Adrian Auer as Chairman on 1 April 2016.

(3) Other emoluments for Peter Dilnot and Toby Woolrych included such items as car allowance, medical insurance and a cash element, paid in lieu of pension scheme contributions, equating to 25 per cent. and 20 per cent. of salary, respectively. All of these items are non-pensionable.

(4) The Non-executive Directors do not participate in the DAB and do not receive any pension contributions from the Shanks Group.

- (b) The aggregate amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to Senior Management for services in all capacities to Shanks in the year ended 31 March 2016 was £2.1 million.

6.5 Transactions with Directors and Senior Management

- (a) None of the Directors or Senior Management has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business which was effected by Shanks during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.
- (b) None of the Directors or Senior Management has or has had a beneficial interest in any contract to which Shanks was a party during the current or immediately preceding financial year.
- (c) No loan has been granted to, nor any guarantee provided for the benefit of, any Director or Senior Management by Shanks.
- (d) None of the Directors or Senior Management is considered to be subject to any conflicts of interest between his duties to Shanks and his private interests or other duties.

7. EMPLOYEE SHARE SCHEMES

Shanks operates the LTIP, the Sharesave, the DAB and The Shanks Group Plc Employee Share Trust (the “EBT”). Summaries of each of these share schemes are set out below.

Adjustments to reflect the effects of the Rights Issue on the value of subsisting options may be made, provided that the prior approval of HMRC has been obtained. Shanks intends to seek such approval and participants in Shanks’ employee share schemes will be advised separately of adjustments (if any) to their rights.

7.1 The Shanks Group plc 2011 Long-Term Incentive Plan

(a) General

The LTIP was established in July 2011 and is administered by the Remuneration Committee.

(b) Eligibility

Any employee (including an executive director) of Shanks or any member of the Shanks Group shall be eligible to participate in the LTIP. The Remuneration Committee may from time to time in its absolute discretion grant awards to such eligible employees as it shall in its absolute discretion select.

(c) Awards under the LTIP

An award takes the form of a conditional award of a specified number of fully paid Ordinary Shares. On vesting, an award may be satisfied by the grant of an option to acquire some or all of such Ordinary Shares exercisable at nil cost, or, to the extent that no option was granted, the issue or transfer to or at the direction of the employee of such Ordinary Shares. No payment is required for the grant of an award. Awards may be granted within 42 days after the commencement of the LTIP, and within 42 days after the announcement of Shanks' results for any period. Awards may also be granted at any other time at which the Remuneration Committee determines that there are exceptional circumstances which justify the grant of an award. No award may be granted later than ten years after the date of approval of the LTIP nor at any time at which dealing would not be permitted under the Market Abuse Regulation.

(d) Performance conditions

An award may be granted subject to such performance condition or conditions as the Remuneration Committee determines, which must be satisfied before an award may vest. Performance will be measured over a performance period of three consecutive financial years commencing with that in which the award is granted.

Under the performance conditions for LTIP awards granted in the years ended 31 March 2015 and 2016, performance will be assessed 50 per cent. on an earnings per share target, 25 per cent. on the share price and 25 per cent. on return on capital employed over the relevant three-year performance period. Under the performance conditions for LTIP awards granted in the year ended 31 March 2014, performance will be assessed on a core earnings per share target subject to a share price multiplier.

For any shares to vest, the Remuneration Committee will also need to satisfy itself that the recorded outcome is a fair reflection of the overall performance of the Shanks Group over the period. In addition, the Remuneration Committee may vary or waive any condition if circumstances occur which cause the Remuneration Committee to determine that such condition has ceased to be appropriate, provided that any new condition or any variation must be fair, reasonable and no more difficult to satisfy than before.

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

Details of the applicable performance conditions are set out in Shanks' annual report for that financial year.

(e) Dividend accrual payments

The Remuneration Committee may in its absolute discretion determine that a participant who is granted an award or option, shall receive a payment equal in value to the aggregate amount of the dividends that would have been paid to the participant in respect of those Ordinary Shares for a period starting no earlier than the vesting date of the award and ending no later than the date of exercise of the option as if they had been beneficially owned by him over that period. The payment may be made in cash or in an equivalent number of Ordinary Shares.

(f) Individual limit

No award shall be granted to any individual if the aggregate market value of the Ordinary Shares subject to that award, together with the aggregate market value of any Ordinary Shares committed to be issued or transferred pursuant to any other award made to him in the same financial year of Shanks under the LTIP (discounting any Ordinary Shares which may be issued or transferred to satisfy a dividend accrual payment), would exceed a sum equal to twice his base salary.

(g) *Plan limit*

No award may be granted under the LTIP on any date if, as a result, the aggregate number of Ordinary Shares issued or transferred from treasury, or committed to be issued or transferred from treasury, pursuant to awards made under the LTIP (other than to satisfy a dividend accrual payment) and pursuant to grants or appropriations made during the previous ten years under all other employee share schemes established by Shanks, would exceed ten per cent. of the issued ordinary share capital of Shanks on that date. For the avoidance of doubt, Ordinary Shares which have been the subject of awards or of rights granted under any other employees' share scheme of Shanks which have lapsed shall not be taken into account.

(h) *Exercise of awards*

An award shall not vest unless the applicable performance conditions have been satisfied and provided the participant remains employed by the Shanks Group. An Option, if granted, may be exercised for a period commencing on the date of grant of the original award and ending no later than the tenth anniversary of such date.

Should a participant cease to be employed before the expiry of the relevant three-year performance period by reason of:

- (i) death;
- (ii) injury, ill-health or disability;
- (iii) redundancy, in respect of awards on or before 21 May 2014;
- (iv) retirement;
- (v) Shanks employing the participant ceasing to be, or the business to which the participant's office or employment relates being transferred to a person who is not a member of the Shanks Group; or
- (vi) any other reason in the discretion of the Remuneration Committee,

an award will vest on the normal vesting date (i.e. at the end of the relevant three-year performance period), subject to both the fulfilment of the applicable performance conditions up to such date and time apportionment for the period of service actually performed during the relevant three-year performance period. Where the award was granted on or after 6 June 2013, the Remuneration Committee may, in its absolute discretion, determine that an earlier vesting date shall apply. Where an award vests and is satisfied by the grant of an option, that option may be exercised within the period of six months (or, in the case of death, 12 months) of the relevant vesting date.

(i) *Cash alternative*

Where an award has vested or an option has been exercised but no Ordinary Shares have yet been transferred, the Remuneration Committee may decide instead to pay the participant an amount in cash equal to the market value of the relevant Ordinary Shares. The amount will be paid as soon as reasonably practicable.

(j) *Reconstruction, takeover or liquidation*

In the event of a takeover, reconstruction or the voluntary winding-up of Shanks before the expiry of the relevant three-year performance period, an award will vest immediately, and an option will remain exercisable for a period of two months or until the expiry of any compulsory acquisition period, if earlier. The number of shares which vest or over which options may be exercised will, in these circumstances, be determined by reference to the extent to which the applicable performance conditions have been fulfilled over the reduced performance period, and will then be pro-rated according to the length of the reduced performance period as compared to the original three-year performance period. If such an event occurs on or after the expiry of the original three-year performance period, a subsisting option may be exercised for a period of two months or until the expiry of any compulsory acquisition period, if earlier. If such an event occurs, an award may also be released in exchange for an equivalent new award to be granted by any acquiring company, if the participant so wishes and the acquiring company agrees. Where any such event occurs as part of an internal reorganisation of Shanks, and there is no material change of ownership, subsisting awards will be exchanged for new awards granted by the acquiring company unless such an offer

is not forthcoming from the acquiring company, in which case vesting or exercise as set out above will be permitted.

(k) Variation of share capital

On any variation in the ordinary share capital of Shanks or certain other corporate events which, in the reasonable opinion of the Board, justifies an adjustment then the number and the nominal value of Ordinary Shares subject to any award may be adjusted in such manner and with effect from such date as the Remuneration Committee may determine to be appropriate.

(l) Voting, dividend and other rights

Until awards vest, or options are exercised, participants have no voting or other rights in respect of the Ordinary Shares subject to those awards. Ordinary Shares issued or transferred pursuant to the LTIP will rank *pari passu* in all respects with Ordinary Shares already in issue except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise or vesting of the relevant award.

Benefits obtained under the LTIP shall not be pensionable.

Options are not assignable or transferable.

(m) Administration and amendment

The Plan will be supervised by the Remuneration Committee which may amend or add to the LTIP by resolution provided that:

- (i) prior approval of Shanks in general meeting will be required for any amendment to the advantage of participants to those provisions of the LTIP relating to eligibility, the limitations on the number of Ordinary Shares, cash or other benefits subject to the LTIP, a participant's maximum entitlement or to the basis for determining a participant's entitlement under the LTIP and the adjustment thereof in the event of a variation in capital, except in the case of minor amendments to benefit the administration of the LTIP and amendments to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Shanks Group; and
- (ii) no amendment may be made which would alter to the disadvantage of participants any rights already acquired by them under the LTIP without the prior approval of a majority of the affected participants.

(n) Overseas plans

The Remuneration Committee may from time to time and without further formality establish further plans to operate in overseas territories, any such plan to be similar to the LTIP but modified to take account of local tax, exchange control and/or securities laws, regulation or practice. Ordinary Shares made available under any such plan would count against the limits on overall and individual participation in the LTIP save that only newly issued Ordinary Shares or Ordinary Shares transferred from Treasury would count against the overall dilution limits.

(o) Termination

The Plan may be terminated at any time by resolution of the Remuneration Committee or of Shanks in general meeting and in any event no award may be granted on or after the tenth anniversary of the date on which the LTIP is approved by Shanks in general meeting. Termination will not affect the outstanding rights of participants.

7.2 The Shanks Group plc 2015 Sharesave scheme

(a) General

The Sharesave has been approved by Shareholders at the annual general meeting in 2015. The Sharesave replaced the Shanks Group Plc Savings Related Share Option Scheme 2005. Whilst options remain outstanding under the SRSOS, no new options have been granted under the SRSOS since the adoption of the Sharesave. The terms of the SRSOS are principally the same as those of the Sharesave described below.

(b) Eligibility

Any employee or director of Shanks or any participating member of the Shanks Group who is a UK taxpayer is eligible to participate in the Sharesave. Participation may be subject to the Board requiring eligible employees to have completed a qualifying period of employment of up to five years.

(c) The savings contract

To participate in the Sharesave, an employee must enter into a savings contract with an appropriate savings carrier under which they agree to make aggregate monthly savings between (and including) the statutory minimum and maximum (£5 and £500 per month respectively or such other amounts as may from time to time be permitted under the savings contract), or any other lesser maximum specified by the Board, for a specified savings period of three or five years. The Board has discretion to determine which savings contract will be available in respect of any invitation to apply for the grant of options. A bonus determined by HMRC may be payable after the expiration of the savings period.

(d) Timing of invitations

Invitations to participate in the Sharesave will only be issued within 42 days after (i) the date on which the Sharesave is approved by shareholders, (ii) the announcement of Shanks' results for any period, (iii) the day of the annual general meeting, (vi) the date on which any change to the legislation affecting savings-related option schemes takes effect, or (v) the date on which a new savings contract prospectus is announced or takes effect. Invitations may also be issued at any other time at which the Board determines that there are exceptional circumstances which justify the grant of options.

(e) Grant of options

Options can only be granted under the Sharesave to employees who have entered into a savings contract which is an HMRC-approved savings contract.

Options must be granted within 30 days (or 42 days if applications are scaled back) of the first day by reference to which the option price is set.

The number of shares under option is equal to that number of shares which may be acquired at the option price with the proceeds of the savings contract (including any bonus) at maturity. The Board may impose a limit on the number of shares over which options may be granted in which case applications from employees may be scaled down.

(f) Exercise price

The option exercise price per share will be the market value of a share when invitations to participate in the Sharesave are issued less a discount of up to 20 per cent. (or, in the case of an option to subscribe, the nominal value of a share if higher). Market value is determined as the middle market quotation of a Share as derived from the Daily Official List of the London Stock Exchange on the last dealing day before invitations to participate in the Sharesave are sent out or, if the Board so decides, the average of the middle market quotations over the three dealing days preceding that date.

(g) Exercise and lapse of options

An option may be exercised within six months following the date on which a bonus is payable under the savings contract and any option not exercised within that period will lapse.

An option may be exercised earlier than the date on which a bonus is payable under the savings contract, for a limited period, on the death of a participant or on his ceasing to hold office or employment with the Shanks Group by reason of injury, disability, redundancy, retirement, the sale or transfer out of the Shanks Group of his employing company or business or provided the option was granted more than three years previously, for any other reason.

Except where stated above, options will lapse on cessation of employment.

Options may be satisfied by the issue of new shares or by the transfer of existing shares, either from treasury or otherwise.

(h) *Limit on issue of new shares*

The Scheme may operate over new issue shares, treasury shares or shares purchased in the market. However, no option may be granted under the Sharesave if, as a result, the aggregate number of shares issued or committed to be issued pursuant to grants made under the Sharesave and during the previous ten years under all other employee share schemes established by Shanks would exceed ten per cent. of the issued ordinary share capital of Shanks on that date.

Treasury shares will count as shares issued or committed to be issued while institutional investor guidelines require this.

(i) *Alterations of share capital*

In the event of any variation in the share capital of Shanks, adjustments to the number of shares subject to options and the exercise price may be made by the Board in such manner and with effect from such date as the Board may determine to be appropriate, provided always that any such adjustment complies with the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003.

(j) *Takeovers, reconstructions and liquidations*

Rights to exercise options early for a limited period also arise if another company acquires control of Shanks as a result of a takeover, compromise or scheme of arrangement. An option may be exchanged for an option over shares in the acquiring company if the participant so wishes and the acquiring company agrees.

If Shanks passes a resolution for a voluntary winding-up, any subsisting option must be exercised within six months of the passing of that resolution, otherwise it lapses.

(k) *Voting, dividend and other rights*

Until options are exercised, optionholders have no voting or other rights in respect of the shares subject to their options.

Ordinary Shares issued or transferred pursuant to the Sharesave shall rank *pari passu* in all respects with the ordinary shares of Shanks already in issue except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the option.

(l) *Administration and amendments*

The Scheme will be administered by the Board which may amend it by resolution provided that:

- (i) no amendment may be made which would alter to the disadvantage of a participant any rights already acquired by him under the Sharesave without the prior approval of the majority of the affected participants;
- (ii) no alteration shall have effect unless it complies with the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003; and
- (iii) prior approval of Shanks in general meeting will be required for any amendment to the advantage of participants to those provisions of the Sharesave relating to eligibility, the limitations on the number or amount of shares subject to the Sharesave, a participant's maximum entitlement or the basis for determining a participant's entitlement under the Sharesave and the adjustment thereof in the event of a variation in capital, except in the case of minor amendments to benefit the administration of the Sharesave and amendments to take account of changes in legislation, to obtain or maintain favourable tax, exchange control or regulatory treatment of participants or for any member of the Shanks Group or to obtain or maintain the status of the Sharesave as a scheme meeting the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003.

(m) *Overseas schemes*

The Board may at any time and without further formality establish further schemes in overseas territories, any such plan to be similar to the Sharesave but modified to take account of local tax, exchange control or securities laws, regulation or practice. Ordinary Shares made available under any such scheme will count against the limit on the number of new shares which may be issued under the Sharesave.

(n) Termination

The Scheme may be terminated at any time by resolution of the Board or of Shanks in general meeting and shall in any event terminate on the tenth anniversary of the date on which shareholder approval of the Sharesave was approved. Termination will not affect the outstanding rights of participants.

7.3 The Shanks Group plc Deferred Annual Bonus

(a) General

The DAB was adopted on 22 May 2014 and is administered by the Board.

(b) Eligibility

Any employee (including an executive director) of Shanks or any member of the Shanks Group is eligible to participate in the DAB. The Board may in its absolute discretion grant as a bonus either cash or an award under the DAB to such eligible employees as it shall select.

(c) Grant of award

An award takes the form of an option or conditional right to acquire a specified number of Ordinary Shares. On vesting, an award may be satisfied either by the issue or transfer of the Ordinary Shares in respect of which it has vested, or by the grant of an option to acquire such Ordinary Shares exercisable at nil cost. No payment is required for the grant of an award. Awards may be granted within 42 days after the commencement of the DAB, and within 42 days after the announcement of Shanks' results for any period. Awards may also be granted at any other time at which the Board determines that there are exceptional circumstances which justify the grant of an award. No award may be granted later than ten years after the date of approval of the DAB nor at any time at which dealing would not be permitted under the Market Abuse Regulation.

(d) Dividend equivalent payment

The Board may decide at any time up to and including the vesting date of an award that a participant shall be entitled to receive, in addition to the Ordinary Shares to which he becomes entitled on exercise of the award, a payment equal in value to the aggregate amount of the dividends (excluding any related tax credits and any dividend of a special or exceptional nature unless the Board in its absolute discretion determines otherwise) that would have been paid to the participant in respect of those Ordinary Shares on exercise or vesting of an award as if they had been beneficially owned by him over that period. The payment may be made in cash and/or in an equivalent number of Ordinary Shares. The Board may in its absolute discretion, in lieu of such payment, either (i) increase the award to reflect the number of Ordinary Shares which could have been acquired by reinvesting the dividends at the time in which they were paid or (ii) pay the market value of that number of Ordinary Shares which could have been acquired by reinvesting the dividends at the time at which they were paid, in each case including any dividends which would have been paid in respect of Shares acquired from a previous reinvestment of dividends.

(e) Individual limit

The maximum value of all awards granted to an eligible employee under the DAB in respect of any one financial year must not exceed the gross amount of that employee's bonus for that financial year.

(f) Vesting and exercise of award

Normally, an award in the form of a conditional right will vest on the vesting date and an award in the form of an option will be deemed to have been exercised in full on the vesting date (and the participant will not be required to take any action to effect the exercise). Should a participant cease to be employed before the expiry of the performance period by reason of:

- (i) death;
- (ii) injury, ill-health or disability;
- (iii) retirement with Shanks' consent;
- (iv) Shanks employing the participant ceasing to be, or the business to which the participant's office or employment relates being transferred to a person who is not a member of the Shanks Group; or

(v) any other reason in the absolute discretion of the Board,

an award shall vest in full on the normal vesting date (i.e. the date determined by the Board at the time of grant which, in the case of an executive director participant only, shall be no earlier than three years from the date of grant) unless the Board, in its absolute discretion, shall determine that the award shall vest on an earlier date. An award which is granted as an option shall be deemed to have been exercised in full on the normal vesting date (or earlier vesting date, as the case may be) unless the Board determines that it shall be exercisable:

- (i) in the event of the death of a participant, for the period of twelve months from the date of his death; and
- (ii) in the event of the participant ceasing to hold employment in the circumstances described above, for the period of six months from the date on which the participant so ceases to hold employment.

(g) *Lapse*

An award shall lapse and cease to be capable of vesting or exercise on the earlier of the date on which the participant ceases to office or employment with the Shanks Group (save in respect of an award granted as an option which, if the Board determines in its absolute discretion, will lapse twelve months from the date of the participant's death or six months from the date on which he ceases to hold employment for certain specified reasons), the date on which the participant is adjudicated bankrupt and the date on which the participant or his personal representative(s) transfers, charges, pledges, mortgages or encumbers the award.

(h) *Cash alternative*

Where an award has vested or an option has been exercised (or deemed to have been exercised) but no Ordinary Shares have yet been transferred, the Board may decide instead to pay the participant an amount in cash equal to the market value of the relevant Ordinary Shares on the vesting date. The amount (less any related tax liability) will be paid as soon as reasonably practicable.

(i) *Takeovers, reconstructions and liquidations*

In the event of a takeover, reconstruction or the voluntary winding-up of Shanks, an award will vest immediately, and an option will remain exercisable for a period of 90 days or until the expiry of any compulsory acquisition period, if earlier. If such an event occurs, an award may also be released in exchange for an equivalent new award to be granted by any acquiring company, if the participant so wishes and the acquiring company agrees. Where any such event occurs as part of an internal reorganisation of Shanks, and there is no material change of ownership, subsisting awards will be exchanged for new awards granted by the acquiring company. The number of Ordinary Shares which vest or over which options may be exercised will, in these circumstances, be pro-rated to reflect the proportion of the vesting period which has elapsed at the time of the event.

(j) *Variation of share capital*

On any variation in the ordinary share capital of Shanks, demerger, dividend in specie, super dividend or other corporate event which, in the reasonable opinion of the Board, justifies an adjustment then the number and the nominal value of Ordinary Shares subject to any award may be adjusted in such manner and with effect from such date as the Board may determine to be appropriate.

(k) *Voting, dividend and other rights*

A participant is not entitled to vote or receive dividends or have any other rights of a Shareholder in respect of the Ordinary Shares subject to those awards unless and until the Ordinary Shares are transferred to him.

(l) *Administration and amendments*

The Board may at any time and from time to time by resolution and without other formality delete, amend or add to the rules of the DAB in any respect, provided that no deletion, amendment or addition shall operate to affect adversely in any material way any rights already acquired by a participant without the approval of the majority of the affected participants first having been obtained.

(m) *Overseas plans*

The Board may at any time by resolution and without further formality establish further plans or sub-plans to apply in overseas territories governed by rules similar to the rules of the DAB but modified to take account of local tax, exchange control or securities laws, regulation or practice provided that any Ordinary Shares made available under any such plan shall be treated as counting against any limits on overall or individual participation in that plan.

(n) *Termination*

The DAB may be terminated at any time by resolution of the Board or of Shanks in general meeting and in any event no award may be granted on or after the tenth anniversary of the date on which the DAB is approved by Shanks in general meeting. Termination will not affect the outstanding rights of participants.

7.4 The Shanks Group Plc Employee Share Trust

The EBT was established on 31 July 2002 for the purpose of encouraging or facilitating the holding of Ordinary Shares by or for the benefit of existing and former employees of the Shanks Group and the dependents of such existing and former employees (the “**Beneficiaries**”). The EBT is used for the granting of awards under the LTIP and to hold shares in Shanks which are either purchased in the market or new shares for which the Trust subscribes using funds provided by Shanks or its subsidiaries. The trustee of the EBT is BWCi Trust Company Limited, an independent professional trustee incorporated in Guernsey. BWCi Trust Company Limited as trustee has the power to acquire shares and to establish schemes for providing benefits to the Beneficiaries and also has the power to grant awards or options under such schemes. At the Latest Practicable Date, the number of Ordinary Shares held by the EBT was zero.

8. PENSIONS

8.1 Shanks

As at 31 March 2016, there were no amounts set aside or accrued by the Shanks Group to provide pension, retirement or similar benefits. Shanks makes annual contributions in respect of its UK defined benefit pension scheme.

8.2 VGG

As at 31 December 2015, there were no amounts set aside or accrued by the VGG Group to provide pension, retirement or similar benefits.

9. SUBSIDIARY UNDERTAKINGS

9.1 Shanks

(a) Shanks’ principal subsidiary undertakings are:

<u>Subsidiary undertaking</u>	<u>Country of incorporation</u>	<u>Percentage of ownership interest</u>
AB Civiel Beheer B.V.	Netherlands	100%
Afvalstoffen Terminal Moerdijk B.V.	Netherlands	100%
B.V. van Vliet Groep Milieu-Dienstverleners	Netherlands	100%
Icopower B.V.	Netherlands	100%
Icova B.V.	Netherlands	100%
Jaartsveld Groen En Milieu B.V.	Netherlands	100%
Klok Containers B.V.	Netherlands	100%
Orgaworld International B.V.	Netherlands	100%
Orgaworld Nederland B.V.	Netherlands	100%
Orgaworld WKK 1 B.V.	Netherlands	100%
Orgaworld WKK II B.V.	Netherlands	100%
Orgaworld WKK III B.V.	Netherlands	100%
Papier Recycling Alphen B.V.	Netherlands	100%
Reym B.V.	Netherlands	100%
Shanks Belgium Holding B.V.	Netherlands	100%
Shanks B.V.	Netherlands	100%

<u>Subsidiary undertaking</u>	<u>Country of incorporation</u>	<u>Percentage of ownership interest</u>
Shanks European Investments 1 Coop WA	Netherlands	100%
Shanks European Investments 2 Coop WA	Netherlands	100%
Shanks Hazardous Waste B.V.	Netherlands	100%
Shanks Nederland B.V.	Netherlands	100%
Shanks Netherlands Holdings B.V.	Netherlands	100%
Shanks Netherlands Holdings B.V. Investments B.V.	Netherlands	100%
Smink Afvalverwerking B.V.	Netherlands	100%
Smink Beheer B.V.	Netherlands	100%
Transportbedrijf Van Vliet B.V.	Netherlands	100%
Vliko B.V.	Netherlands	100%
ATM Entsorgung Deutschland GmbH	Germany	100%
Reym GmbH	Germany	100%
Enviro+ N.V.	Belgium	100%
Ocean Combustion Services N.V.	Belgium	100%
Shanks Belgium SSC bvba	Belgium	100%
Shanks Brussels-Brabant S.A.	Belgium	100%
Shanks Logistics N.V.	Belgium	100%
Shanks S.A.	Belgium	100%
Shanks Belgium N.V.	Belgium	100%
Shanks Wallonia Waste & Services S.A.	Belgium	100%
Shanks Wood Products N.V.	Belgium	100%
Shanks & McEwan (Overseas Holdings) Limited	United Kingdom	100%
Shanks European Holdings Limited	United Kingdom	100%
Shanks Finance Limited	United Kingdom	100%
Shanks Financial Management Limited	United Kingdom	100%
Shanks Holdings Limited	United Kingdom	100%
Shanks Investments	United Kingdom	100%
Shanks PFI Investments Limited	United Kingdom	100%
Shanks SRF Trading Limited	United Kingdom	100%
Shanks Waste Management Limited	United Kingdom	100%
Orgaworld Canada Limited	Canada	100%
Orgaworld Design-Builder General Partner Limited	Canada	100%
Orgaworld Design-Builder Limited Partnership	Canada	100%
Orgaworld Surrey General Partner Limited	Canada	100%
Orgaworld Surrey Limited Partnership	Canada	100%
Safewaste	United Kingdom	100%
Caird Group	United Kingdom	100%
Shanks Argyll & Bute Limited	United Kingdom	100%
Shanks Argyll & Bute Holdings Limited	United Kingdom	100%
Shanks Cumbria Limited	United Kingdom	100%
Shanks Cumbria Holdings Limited	United Kingdom	100%
3SE (Barnsley, Doncaster & Rotherham) Holdings Limited (75%)	United Kingdom	75%
3SE (Barnsley, Doncaster & Rotherham) Limited (75%)	United Kingdom	75%

(b) Shanks holds, through wholly-owned subsidiaries, the following interests in joint venture companies, joint operations and associates, all of which operate in the waste management sector:

<u>Joint venture, joint operation or associate</u>	<u>Country of incorporation</u>	<u>Percentage of ownership interest</u>
Dorst B.V.	Netherlands	50%
Induserve VOF	Netherlands	33.3%
M&I Airport Waste Services VOF	Netherlands	50%
Mokum Mariteam B.V.	Netherlands	50%
Mokum Mariteam CV	Netherlands	20%
Reym HMVT B.V.	Netherlands	50%
Smink Boskalis Dolman VOF B.V.	Netherlands	50%
Tankterminal Sluiskil B.V.	Netherlands	40%

<u>Joint venture, joint operation or associate</u>	<u>Country of incorporation</u>	<u>Percentage of ownership interest</u>
Marpos N.V.	Belgium	45%
Silvamo N.V.	Belgium	50%
Valorem S.A.	Belgium	30%
Caird Evered Holdings Limited	UK	50%
Caird Evered Limited	UK	50%
ELWA Limited	UK	20%
ELWA Holdings Limited	UK	20%
Energen Biogas Limited	UK	50%
Resource Recovery Solutions (Derbyshire) Holdings Limited	UK	50%
Resource Recovery Solutions (Derbyshire) Limited	UK	50%
Shanks Dumfries And Galloway Holdings Limited	UK	20%
Shanks Dumfries And Galloway Limited	UK	20%
Wakefield Waste Holdings Limited	UK	50.001%
Wakefield Waste PFI Holdings Limited	UK	50.001%
Wakefield Waste PFI Limited	UK	50.001%

9.2 VGG

(a) VGG's principal subsidiary undertakings are:

<u>Subsidiary undertaking</u>	<u>Country of incorporation</u>	<u>Percentage of ownership interest</u>
Belgo-Luxembourgeoise de Services Publics S.A.	Belgium	100%
Coolrec Belgium N.V.	Belgium	100%
Eco-Smart N.V.	Belgium	100%
Maltha Glasrecyclage België BVBA	Belgium	66.72%
Recydel S.A.	Belgium	80%
Van Gansewinkel ES Treatment N.V.	Belgium	100%
Van Gansewinkel Industrial Services Belgium N.V.	Belgium	100%
Van Gansewinkel N.V.	Belgium	100%
A&G Holding B.V.	Netherlands	100%
B.V. Twente Milieu Bedrijven	Netherlands	100%
Coolrec B.V.	Netherlands	100%
Coolrec Nederland B.V.	Netherlands	100%
Ecosmart Nederland B.V.	Netherlands	100%
Glasrecycling Noord-Oost Nederland B.V.	Netherlands	66.72%
Immo C.V.	Netherlands	100%
Maltha Glasrecycling Nederland B.V.	Netherlands	66.72%
Maltha Glassrecycling International B.V.	Netherlands	66.72%
Maltha Groep B.V.	Netherlands	66.72%
Plastic Herverwerking Brakel B.V.	Netherlands	100%
Regionale Reinigingsdienst (R.R.D.) B.V.	Netherlands	100%
Riebeeck Olie Amsterdam 1 B.V.	Netherlands	100%
Riebeeck Olie Amsterdam 2 B.V.	Netherlands	100%
Robesta Vastgoed Acht B.V.	Netherlands	100%
Robesta Vastgoed B.V.	Netherlands	100%
Semler B.V.	Netherlands	100%
Van Gansewinkel CFS B.V.	Netherlands	100%
Van Gansewinkel Industrial Services B.V.	Netherlands	100%
Van Gansewinkel Industrie B.V.	Netherlands	100%
Van Gansewinkel International B.V.	Netherlands	100%
Van Gansewinkel Maasvlakte B.V.	Netherlands	100%
Van Gansewinkel Milieuservices Overheidsdiensten B.V.	Netherlands	100%
Van Gansewinkel Milieutechniek B.V.	Netherlands	100%
Van Gansewinkel Nederland B.V.	Netherlands	100%
Van Gansewinkel Recycling B.V.	Netherlands	100%
Van Gansewinkel Zweckhorst B.V.	Netherlands	100%

<u>Subsidiary undertaking</u>	<u>Country of incorporation</u>	<u>Percentage of ownership interest</u>
Verwerking Bedrijfsafvalstoffen Maasvlakte (V.B.M.) C.V.	Netherlands	100%
A&G Envirotech s.r.o.	Czech Republic	100%
Coolrec France S.A.S.	France	91.7%
Industries Porpres d'Aquitaine S.A.	France	66.72%
Coolrec Deutschland GmbH	Germany	100%
Coolrec RDE Rücknahmen Demontagen Elektronik-Recycling GmbH	Germany	100%
Maltha Hungary Üvegújrahasznosító Kft.	Hungary	66.72%
Van Gansewinkel Luxembourg S.A.	Luxembourg	100%
Maltha Szklo Recykling Polska Sp. z o.o.	Poland	66.72%
Maltha Glass Recycling Portugal Lda.	Portugal	66.72%

(b) VGG holds, through wholly-owned subsidiaries, the following interests in joint venture companies, joint operations and associates, all of which operate in the waste management sector:

<u>Joint venture, joint operation or associate</u>	<u>Country of incorporation</u>	<u>Percentage of ownership interest</u>
Baggerspecieverwerking Noord-Nederland V.O.F.	Netherlands	50%
Hydrovac V.O.F.	Netherlands	50%
Induserve V.O.F.	Netherlands	33%
Octopus V.O.F.	Netherlands	50%
Top Leeuwarden V.O.F.	Netherlands	50%
Recycling Maatschappij Bovenveld B.V.	Netherlands	50%
PQA B.V.	Netherlands	50%
Afval Loont Barendrecht B.V.	Netherlands	21.8%
Afval Loont Holding B.V.	Netherlands	21.8%
Afval Loont Rotterdam B.V.	Netherlands	21.8%
Afval Loont Shared Service Center B.V.	Netherlands	21.8%
AMP B.V.	Netherlands	33.33%
CPP-Incofin CVBASO	Belgium	0.24%
EARN Electroaltgeräte Service GmbH	Austria	33.33%
Envie 2e S.A.S.	France	17.4%
Ipalle SC SCSL	Belgium	2.8%
Sita Decontamination N.V.	Belgium	23%
Uvelia S.A.	Belgium	15%
Zavin B.V.	Netherlands	33.33%
Zavin C.V.	Netherlands	33.33%

10. FACILITIES

10.1 Shanks

Details of Shanks' material leased and owned properties are set out in the table below. There are no material encumbrances on these properties.

<u>Location</u>	<u>Tenure</u>	<u>Purpose</u>	<u>Term Expiry Date</u>	<u>Approximate annual tonnage capacity</u>
United Kingdom				
<i>Argyll & Bute</i>				
Dalningart	Leasehold	Landfill Site & Compost Facility	03/09/2026	20,500
Lingerton	Leasehold	Landfill Site, Compost Facility, Civic Amenity Site & Sorting/Baling of Recyclate	03/09/2026	36,500
Moleigh	Leasehold	Closed Landfill Site, Compost Facility & Civic Amenity Site	03/09/2026	20,000
<i>Barnsley, Doncaster & Rotherham</i>				
Wath-upon Dearne Rotherham	Leasehold	Mechanical Biological Treatment (MBT) & Anaerobic Digestion (AD)	30/06/2040	MBT 265,000 & AD 75,000
Barnsley	Leasehold	Waste Transfer Station	30/06/2040	50,000
<i>Cumbria</i>				

<u>Location</u>	<u>Tenure</u>	<u>Purpose</u>	<u>Term Expiry Date</u>	<u>Approximate annual tonnage capacity</u>
Carlisle	Leasehold	MBT	03/06/2034	75,000
Barrow-in-Furness	Leasehold	MBT	02/09/2035	75,000
Derby/Derbyshire				
Derby	Leasehold	Gasification	31/03/2042	190,000
Dumfries & Galloway				
Galdenoch	Leasehold	Landfill Site, Civic Amenity Site & Compost Facility	26/11/2030	37,000
Lochar Moss	Leasehold	MBT & Civic Amenity Site	26/11/2029	75,000
East London				
Frog Island	Leasehold	Offices, Maintenance Facility, Recycling & Reuse Materials	31/10/2033	RRC MRF 110,000 & MBT 180,000
Jenkins Lane	Leasehold	Recycling Facility (MRF), MBT Offices, Recycling & Reuse Site, MRF & MBT	19/12/2032	Recycling & Reuse Site 55,000— MRF 100,000 & MBT 180,000
Wakefield				
South Kirkby	Leasehold	Offices, Composting, Residual Waste Transfer Facility including AD (RWTF) & Mixed Dry Recyclate Materials Recycling Facility (MDR MRF)	24/02/2038	Composting 22,000—MDR MRF 30,000 & RWTF 145,000
Other				
Cumbernauld	Freehold	AD	N/A	100,000
Derby	Leasehold	Offices	02/12/2019	N/A
Glasgow	Leasehold	Offices	06/05/2019	N/A
Lochgilphead	Leasehold	Office	Year to Year	N/A
Lochgilphead	Leasehold	Office	Year to Year	N/A
Milton Keynes	Leasehold	Offices	29/01/2023	N/A
Westcott	Leasehold	AD	31/12/2035	48,000
Canada				
London	Leasehold	Tunnel Composting	01/07/2017	150,000
Ottawa	Leasehold	Tunnel Composting	31/03/2030	100,000
Surrey	Leasehold	AD	21/03/2042	115,000
Netherlands Commercial				
Amsterdam	Land: Long leasehold; buildings: Freehold	C&D Recycling and CW, production Icopower pellets	21/12/2031	641,500
Vijfhuizen	Leasehold	Transfer station C&D and CW	31/12/2017	140,000
Purmerend	Freehold	Transfer station C&D and CW	N/A	100,000
Burgerbrug	Freehold	Transfer station C&D and CW	N/A	178,000
Zeewolde	Freehold	Transfer station C&D and CW	N/A	275,000
Hilversum	Freehold	Transfer station C&D and CW	N/A	74,000
Wateringen	Freehold	C&D Recycling, CW, stonecrusher	N/A	1,900,000
Hoek van Holland	Freehold	Tunnel composting	N/A	181,500
Hoek van Holland	Leasehold	Stone crusher	31/12/2018	50,000
Pijnacker	Freehold	Transfer station C&D and CW	N/A	175,000
Zoetermeer	Freehold	Transfer station C&D and CW	N/A	130,000
Den Haag	Leasehold	Transfer station C&D and CW	30/06/2020	256,250
Rotterdam	Freehold	Transfer station C&D and CW	N/A	115,500
Alphen aan de Rijn	Leasehold	Paper recycling	31/08/2016	15,000
Leiderdorp	Leasehold	Paper, Plastics recycling	30/09/2016	70,000
Leiderdorp	Freehold	Transfer station C&D, CW, paper, plastics recycling	N/A	278,000
Zoeterwoude	Freehold	Transfer station C&D, CW, paper, plastics recycling	N/A	425,000
Rotterdam	Land: Long leasehold; buildings: Freehold	C&D Recycling center and CW	13-12-2020 and 30-09-2025	315,000
Renesse	Leasehold	Transfer station C&D and CW	31/12/2019	15,000
Roosendaal	Leasehold	Transfer station C&D and CW	28/02/2018	350,000
Nieuwegein	Freehold	C&D Recycling center and CW	N/A	550,000
Soesterberg	Freehold	Transfer station C&D and CW	N/A	146,000
Mijdrecht	Freehold	Transfer station C&D and CW	N/A	125,000

<u>Location</u>	<u>Tenure</u>	<u>Purpose</u>	<u>Term Expiry Date</u>	<u>Approximate annual tonnage capacity</u>
Amersfoort	Freehold	Transfer station C&D, CW, stone crusher, landfill, composting, minerals	N/A	234,000
Gameren	Leasehold	Glass recycling	28/02/2022	315,000
Amsterdam	Land: Long leasehold; buildings: Freehold	Wet AD	30/04/2057	120,000
Drachten	Freehold	Hall composting	N/A	89,000
Lelystad	Leasehold	(Tunnel) composting	31/12/2017	112,000
Lelystad	Freehold	Tunnel composting, dry AD	N/A	95,000
Den Bosch	Leasehold	Office	31/03/2018	N/A
Netherlands Hazardous				
Moerdijk	Owned	Waste treatment oil, sludges	N/A	Sludges 1,061,000 / chemicals 60,000 / Fuel 52,000 / Soil 1,200,000
Steenbergen NB	Owned	Hold for sale, not operational	N/A	N/A
Rotterdam-Botlek	Financial lease building / ground lease	Waste treatment sludges	2038	365,000
Rotterdam-Europoort	Owned	Office	N/A	N/A
Veendam	Owned	Office and waste treatment sludges	N/A, license waste treatment no expiry date	10,000
Drachten	Rented	Office	31/12/2016	N/A
Delfzijl	Rented	Office	N/A	N/A
Beverwijk	Owned	Waste treatment sludges	N/A	15,000
Beverwijk	Rented	Office	01/05/2017	N/A
Emmen	Owned	Production mud and storage	N/A, license mud production no expiry date	N/A
Sittard	Owned	Office and waste treatment sludges	N/A, license waste treatment no expiry date	20,000
Amsterdam	Ground lease	Parking place	31/12/2050	N/A
Amsterdam	Owned	Office	N/A	N/A
Amersfoort	Rented	Office	01/01/2021	N/A
Den Helder	Rented	Office	01/01/2017	N/A
Amsterdam	Owned	Office	N/A	N/A
Andelst	Rented	Office	01/04/2019	N/A
Geleen	Owned	Office	N/A	N/A
Farsum	Owned	Office and waste treatment sludges	N/A	70,000
Germany				
Schneiderkrug, DE	Rented	Rented	01/05/2020	N/A
Belgium Commercial				
Mont Saint Guibert Cetem	Freehold	Landfill Site, Collection & Electricity from gas Facility		100,000
Mont Saint Guibert Sablières	Freehold	Sand quarry, Sorting/baling of recyclates		1,000,000
Braine Stordeur	Leasehold	Sorting of recyclates, Collections	2019	50,000
Mont Saint Guibert Devriendt	Freehold	Sorting/baling of recycle paper		135,000
Seraing	Leasehold	Offices & Sorting of recyclates, Collections	2024	210,000
Liège	Freehold	Collections municipal waste		—
Villerot	Freehold	Sorting of recyclates, Collections		80,000
Monceau	Freehold	Sorting of recyclates, Collections		90,000
Forest	Leasehold	Sorting of recyclates, Collections	2025	200,000
Wielsbeke	Leasehold	Wood trading	2019	—
Manhay	Freehold	Bark treatment		250,000
Bree	Freehold	Wood trading		120,000
Silvamo	Leasehold	Landfill	N/A	1,000,000
Marpos	Leasehold	Water treatment	2018	20,000
Roeselare	Freehold	Hazardous Waste treatment		235,000
Gent	Leasehold	Soil waste sorting and water treatment	2023	350,000
Kortemark	Leasehold	Solid Waste sorting	2021	80,000
Zaventem	Leasehold	Head office	2022	—

10.2 VGG

Details of VGG's material leased and owned properties are set out in the table below. There are no material encumbrances on these properties.

Location	Tenure	Purpose	Term Expiry Date
Netherlands			
Eindhoven	Rented	Head office	31-12-2024
Netherlands Waste Collection / Region South			
Breda	Rented	Confidential paper recycling	31-05-2021
Eindhoven (Acht)	Ground lease	Waste handling / Parking / Plastic recycling / Office	30-09-2082
Heerle	Owned	Waste handling / Sorting / Parking / Office	N/A
Heerlen	Owned	Waste handling / Parking / Office	N/A
Maarheeze	Owned	Parking / Office / Maintenance repair	N/A
Oss	Owned	Waste handling	N/A
Oss	Owned	Parking / Office / Maintenance repair	N/A
Roermond	Owned	For sale	N/A
Rucphen	Owned	Waste handling / Paper recycling / Parking / Office	N/A
Tilburg	Owned	Waste handling / Parking / Office	N/A
Venlo	Owned	Waste handling / Parking / Office	N/A
Vlissingen	Owned	Waste handling / Parking / Office	N/A
Weert (Lozerweg)	Rented	Waste handling / Parking / Office	31-12-2019
Zierikzee	Owned	Waste handling / Parking / Office	N/A
Netherlands Waste Collection / Region Randstad			
Alkmaar (Koelmalaan)	Rented	Parking containers / Office	Year to Year
Alkmaar (Zeglis)	Rented	Parking trucks	Year to Year
Amsterdam (Nieuwe Hemweg)	Ground lease	Waste handling / Sorting / Parking / Office	30-09-2047
Den Haag	Rented	Parking containers	31-12-2016
Den Helder (Handelskade)	Rented	Parking containers	31-03-2017
Den Helder (Nagelklinkersweg)	Rented	Parking containers	30-11-2018
Rotterdam (Ophemertstraat)	Ground lease	Waste handling / Parking / Office	03-06-2048
Rotterdam (Vareseweg)	Ground lease	Paper recycling	22-03-2092
Utrecht (Isotopenweg)	Rented	Parking / Office	Year to Year
Utrecht (Uraniumweg)	Rented	Waste handling	31-12-2017
Ijmuiden (location Tata Steel)	Rented	Small office	Year to Year
Vlaardingen	Owned	Waste handling / Sorting / Parking / Office	N/A
Netherlands Waste Collection / Region North-East			
Drachten (de Lier 2)	Owned	Waste handling / Sorting / Parking / Office	N/A
Drachten (Stuurboord 1)	Owned	Parking containers	N/A
Drachten (Stuurboord 3)	Owned	Waste handling / Sorting	N/A
Ede	Rented	Waste handling / Parking / Office	31-10-2019
Gieten	Owned	For sale	N/A
Groningen	Rented	Parking	17-07-2019
Hengelo	Rented	Parking / Office	31-12-2026
Hoogeveen	Owned	Waste handling / Paper recycling / Parking / Office	N/A
Ommen	Rented	Brick- concrete recycling	15-5-2017
Stadskanaal	Rented	Waste handling / Sorting / Parking / Office	31-12-2027
Ter Apel	Rented	municipality environmental street	30-07-2017
Tubbergen	Rented	municipality environmental street	31-12-2016
Twello	Owned	Parking / Office	N/A
Velp	Rented	Parking	Year to Year
Vlachtwedde	Owned	Closed landfill	N/A
Westerbork	Rented	Closed july 2016	28-02-2017
Netherlands Chemicals			
Drachten (de Hemmen)	Owned	Washing location packaging chemical waste	N/A

Location	Tenure	Purpose	Term Expiry Date
Drachten (de Lier 2)	Owned	Chemical depot	N/A
Geleen	Ground lease	Closed chemical depot	30-06-2016
Geldrop	Owned	Chemical depot	N/A
Moerdijk (Middenweg 24)	Owned	Chemical depot	N/A
Weert (Wetering)	Owned	Water treatment	N/A
Netherlands vGW Industrial Services			
Amsterdam	Rented	Parking trucks / Office	01-08-2018
Barendrecht	Rented	Office	Year to Year
Duiven	Rented	Parking trucks / Office	01-12-2021
Maastricht	Owned	Parking trucks / Office	N/A
Rotterdam	Rented	Parking trucks / Office	30-12-2020
Rucphen (location Waste Coll)	Owned	Parking trucks / Office	N/A
Stadskanaal (location Waste Coll)	Rented	Parking trucks / Office	Year to Year
Netherlands vGW Minerals			
Leeuwarden	Rented	Soil cleaning / Recycling	N/A
Moerdijk (Middenweg 15)	Owned / Ground lease	Soil cleaning / Recycling	1-7-2065
Rottendam (Maasvlakte)	Ground lease	Soil cleaning / Recycling	31-12-2017
Veendam	Owned	Soil cleaning / Recycling	N/A
Zweekhorst	Owned	Soil cleaning / Recycling	N/A
Netherlands Maltha			
Emmen	Owned	Glass recycling	N/A
Heijningen	Owned	Glass recycling	N/A
Netherlands Coolrec			
Dordrecht	Rented	Rec. electronic devices	31-11-2023
Geldrop (location Chemicals)	Owned	Rec. electronic devices	31-12-2016
Waalwijk (PHB)	Rented	Plastic recycling	31-12-2020
Netherlands Semler			
Son	Rented	Overdue products / Swill	31-7-2022
Netherlands Domestic Waste PPS			
Bergentheim	Rented	Parking trucks / Office	31-12-2020
Den Haag	Rented	Parking trucks / Office	31-12-2019
Hellevoetsluis	Rented	Parking trucks / Office	31-12-2017
Krimpen a/d IJssel	Rented	Parking trucks / Office	30-06-2018
Noordwijk	Rented	Parking trucks / Office	N/A
Ridderkerk	Rented	Office	31-12-2016
Velp	Rented	Parking trucks / Office	Year to Year
Utrecht	Rented	Parking trucks / Office	Year to Year
Belgium			
Lommel (Gerard Mercatorstraat)	Rented	Office	31-7-2018
Belgium Waste Collection / Region East			
Antwerpen (Leon Bonnetweg)	Ground lease	Waste handling / Parking / Office	31-12-2045
Antwerpen (Rostockweg)	Ground lease	Waste handling / Parking / Office	31-12-2030
Heusden Zolder	Owned	Waste handling / Parking / Office	N/A
Houthalen (1538)	Owned	Waste handling / Paper rec. Parking / Office	N/A
Houthalen (2010)	Owned	Plastic recycling / Parking / Office	N/A
Kampenhout	Owned		N/A
Lier	Rented		
Merkspas	Rented	Closed location	31-1-2017
Mol	Owned	Parking / Office / Maintenance repair	N/A
Puurs (Flandria)	Owned	Office / parking	N/A
	Ground lease	Water Quai	30-09-2028
Puurs (Vanachter)	Owned	Waste handling / Paper rec. / Sorting / Parking / Office	N/A
	Ground lease	Access road	31-05-2078
Schoten	Ground lease	Parking containers / Closing	31-12-2016
Turnhout	Ground lease	Waste handling / Paper rec. / Parking / Office	04-12-2063
Vilvoorde	Rented	Waste handling / Paper rec. / Parking / Office	20-05-2039
Belgium Waste Collection / Region West			
Aalst	Rented	Waste handling / Office	31-12-2020
Brugge	Owned	Parking / Office	N/A

<u>Location</u>	<u>Tenure</u>	<u>Purpose</u>	<u>Term Expiry Date</u>
Eeklo (Ringlaan)	Owned	Waste handling / Sorting / Parking / Office	N/A
Evergem	Owned	Waste handling / Sorting / Parking / Office	N/A
	Ground lease	Water Quai	28-02-2038
Gent	Owned	Vacant location	N/A
Lokeren (Waaslandlaan 1)	Owned	Confidential paper recycling	N/A
Lokeren (Waaslandlaan 11)	Owned	Plastic recycling (PMD)	N/A
Ronse	Ground lease	Waste handling / Parking / Office	31-12-2021
Wevelgem	Owned	For sale	N/A
Belgium Waste Collection / Region Wallonia			
Châtelet	Ground lease	Waste handling / Sorting / Parking / Office	31-05-2039
	Rented	Parking	Year to Year
Moeskroen	Owned	Waste handling / Parking / Office	N/A
Seneffe	Rented	Office	31-12-2016
Wandre	Owned	Waste handling / Parking / Office / Rec. electric devices	N/A
Belgium Chemicals			
Mol	Owned	Chemical depot	N/A
Belgium Minerals			
Boekendael	No economic title	Closed landfill	—
Bois de Halle	No economic title	Closed landfill	—
Brain le Chateau (Cour au Bois)	Owner	Landfill	N/A
Marbais	Rented	Closed landfill	—
Belgium Minerals			
Lommel (Fabrieksstraat)	Owned	Glass recycling	N/A
Belgium Coolrec / recycling			
Tisselt	Owned	Rec. electronic devices	N/A
Wandre (location waste coll.)	Owned	Rec. electronic devices	N/A
Luxembourg			
Differdange	Rented	Office	Year to Year
Differdange	Rented	Parking	Year to Year
France Maltha			
Beziers	Owned	Glass recycling	N/A
Izon Cedex	Owned	Glass recycling	N/A
Lavilledieu	Owned	Glass recycling	N/A
Puy Guillaume	Owned	Glass recycling	N/A
France Coolrec			
Lesquin	Rented	Rec. electronic devices	—
Hungary Maltha			
Szod	Rented	Glass recycling	—
Szod	Owned	Glass recycling	N/A
Portugal Maltha			
Figuera de Foz	Owned	Glass recycling	N/A
Germany Coolrec			
Baumholder	Owned	Rec. electronic devices	N/A
Baumholder	Rented	Rec. electronic devices	31-12-2017
Pulheimr	Rented	Office	Year to Year

11. MANDATORY BIDS AND COMPULSORY ACQUISITION RULES RELATING TO THE ORDINARY SHARES

Other than as provided by the City Code on Takeovers and Mergers of the United Kingdom (the “City Code”) and Chapter 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules that apply to the Ordinary Shares or Shanks.

11.1 Mandatory bids

The City Code applies to Shanks. Under Rule 9 of the City Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in Shanks, the acquirer and, depending on the circumstances, its concert parties would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares in Shanks at a price not less than the highest price paid for interests in shares by the

acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in Shanks if the effect of such acquisition were to increase that person's percentage of the total voting rights in Shanks.

"Interests in shares" is defined broadly in the City Code. A person who has long economic exposure, whether absolute or conditional, to changes in the price of shares will be treated as interested in those shares. A person who only has a short position in shares will not be treated as interested in those shares.

"Voting rights" for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting.

Persons acting in concert (and concert parties) comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. Certain categories of people are deemed under the City Code to be acting in concert with each other unless the contrary is established.

11.2 Squeeze-out rules

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made by an offeror to acquire all of the shares in Shanks not already owned by it and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which such offer relates, the offeror could then compulsorily acquire the remaining shares. The offeror would do so by sending a notice to the outstanding members informing them that it will compulsorily acquire their shares and, six weeks later, it would deliver a transfer of the outstanding shares in its favour to Shanks which would execute the transfers on behalf of the relevant members, and pay the consideration for the outstanding shares to Shanks which would hold the consideration on trust for the relevant members. The consideration offered to the members whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the original offer unless a member can show that the offer value is unfair.

11.3 Sell-out rules

The Companies Act also gives minority members a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares in Shanks and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. in value of the shares and not less than 90 per cent. of the voting rights carried by the shares in Shanks, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any member notice of his/her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority members to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on members notifying them of their sell-out rights. If a member exercises his/her rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

12. MATERIAL CONTRACTS

12.1 Shanks

The following are summaries of (i) each material contract, other than contracts entered into in the ordinary course of business, to which Shanks or any member of the Shanks Group is a party, for the two years immediately preceding publication of this Combined Circular and Prospectus; and (ii) any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Shanks Group which contains any provision under which any member of the Shanks Group has any obligation or entitlement which is material to the Shanks Group as at the date of this Combined Circular and Prospectus.

(a) Merger Agreement

On 29 September 2016, Shanks, Shanks Netherlands Holdings B.V. and Van Gansewinkel Netherlands 4 B.V. entered into the Merger Agreement, as more fully described in paragraph 1 of Part 2 (*Details of the Transaction*).

(b) New Facilities Agreement

On 29 September 2016, Shanks, Coöperatieve Rabbobank N.V., ABN Amro Bank N.V., KBC Bank N.V., BNP Paribas Fortis S.A./N.V. and HSBC Bank plc entered into the New Facilities Agreement, as more fully described in paragraph 3.1 of Part 2 (*Details of the Transaction*).

(c) Underwriting Agreement

On 29 September 2016, Shanks and the Joint Sponsors entered into the Underwriting Agreement, as more fully described in paragraph 3.2 of Part 2 (*Details of the Transaction*).

(d) Sale of subordinated debt and equity in the Wakefield PFI contract

On 2 February 2016, Shanks, Shanks PFI Investments Limited and Equitix Infrastructure 4 Limited entered into a share purchase agreement (as amended on 26 March 2016) in relation to the sale of shares in Wakefield Waste Holdings Limited and loan notes in Wakefield Waste PFI Limited. Under the share purchase agreement it was agreed that Shanks would sell to Equitix Infrastructure 4 Limited (i) the 13 per cent. loan notes due 2036 issued by Wakefield Waste PFI Limited; and (ii) 49.99 per cent. of the ordinary shares in Shanks PFI Investments Limited, the financing and infrastructure vehicle relating to Shanks' PFI contract with Wakefield Council. The gross consideration for the sale of £30 million, with £25.8 million paid for the loan notes on 30 March 2016 and £4.2 million paid for the ordinary shares on 17 August 2016.

(e) Redemption of 5.025 per cent. series A guaranteed senior notes due 2018

On 26 June 2015, Shanks, Shanks B.V. and certain Shanks Group subsidiary guarantors entered into an agreement with holders of the €40 million of 5.025 per cent. series A guaranteed senior notes due 11 April 2018 issued by Shanks B.V. under a multicurrency note facility and guarantee agreement dated 24 March 2011, as amended, pursuant to which it was agreed that Shanks B.V. would (i) repay the total outstanding principal amount of the notes along with €1 million of the €4 million make-whole premium payable on such repayment, and (ii) pay the remaining €3.2 million of the make-whole premium in quarterly instalments from 31 March 2016. The amounts due pursuant to (i) above were paid on 26 June 2015. The remaining amounts due under (ii) above will be repaid on Completion.

(f) 3.65 per cent. guaranteed retail notes due 2022

On 16 June 2015, Shanks issued €150,000,000 of 3.65 per cent. guaranteed retail notes to investors pursuant to trust deed dated 16 June 2015 (the "**2022 Notes Trust Deed**"). The notes are guaranteed by a number of Shanks' subsidiaries and the noteholders have the benefit of a share pledge dated 9 April 2009 under which Shanks B.V. has pledged the shares of Shanks Nederland B.V. as well as the benefit of any other security existing in respect of certain facility and other debt agreements entered into by Shanks. The net proceeds of the offering were used to fund eligible sustainable waste management projects and to refinance outstanding debt on existing eligible projects.

The notes include terms and conditions, including events of default, that are customary for notes of this nature. These include restrictions on the creation of security (with certain exemptions), and an investor put option that, subject to certain conditions, allows noteholders to require that Shanks redeem their notes early at 101 per cent. of the principal amount upon a change of control of Shanks. There is also a call option that allows Shanks to redeem the notes if it or any guarantor under the 2022 Notes Trust Deed would be required to pay additional amounts for tax reasons due to a change in law in Belgium, Canada, the Netherlands or the United Kingdom.

(g) 4.23 per cent. guaranteed retail notes due 2019

On 30 July 2013, Shanks issued €100,000,000 of 4.23 per cent. guaranteed notes to investors pursuant to a trust deed dated 30 July 2013 (the "**2019 Notes Trust Deed**"). The notes are guaranteed by a number of Shanks' subsidiaries and the noteholders have the benefit of a share pledge dated 9 April 2009 under which Shanks B.V. has pledged the shares of Shanks Nederland B.V. as well as the benefit of any other security existing in respect of certain facility and other debt agreements entered into by Shanks. The net proceeds of the offering were used for general corporate purposes.

The notes include terms and conditions, including events of default, that are customary for notes of this nature. These include restrictions on the creation of security (with certain exemptions), and an investor put option that, subject to certain conditions, allows noteholders to require that Shanks redeem their notes

early at 101 per cent. of the principal amount upon a change of control of Shanks. There is also a call option that allows Shanks to redeem the notes if it or any guarantor under the 2019 Notes Trust Deed would be required to pay additional amounts for tax reasons due to a change in law in Belgium, Canada, the Netherlands or the United Kingdom.

(h) Existing Facility Agreement

On 31 January 2014, Shanks and certain of its subsidiaries entered into the Existing Facility Agreement with, among others, Barclays Bank PLC, HSBC Bank plc, BNP Paribas Fortis S.A./N.V., ING Bank N.V., Rabobank International, The Royal Bank of Scotland plc and KBC Bank N.V. as Arrangers and Lenders and Barclays Bank PLC as Facility Agent pursuant to which a €180 million multicurrency revolving credit facility is available to certain members of the Shanks Group. The lenders under the Existing Facility Agreement have the benefit of a share pledge dated 9 April 2009 under which Shanks B.V. has pledged the shares of Shanks Nederland B.V. in respect of certain facility and other debt agreements entered into by Shanks.

Interest is calculated on drawdowns under the Existing Facility Agreement at a percentage rate per annum equal to the aggregate of applicable (i) margin; and (ii) LIBOR or, in relation to any loan in Euro, EURIBOR or, in relation to any loan in Canadian dollars, CDOR or, in relation to any loan in any currency for which LIBOR is not available, the relevant interbank rate, as determined by the Facility Agent. The margin payable on interest varies on a ratchet determined by the consolidated net borrowings to consolidated EBITDA ratio of the Shanks Group. The financial covenants of the Existing Facility Agreement principally include ensuring that:

- (a) the consolidated net worth of the Shanks Group is not at any time less than £175 million for any accounting period from 31 March 2016;
- (b) the ratio of consolidated net borrowings to consolidated EBITDA of the Shanks Group for each 12 month accounting period ending on a given quarter date does not exceed:
 - (i) a ratio of 3.5:1 for any quarter date from and including 31 March 2015 up to and including 30 September 2017;
 - (ii) a ratio of 3.25:1 for any quarter date from and including 31 December 2017 to 31 March 2018; and
 - (iii) a ratio of 3.0:1 for any quarter date from and including 30 June 2018, and
- (c) the consolidated EBITA to consolidated net interest charges ratio of the Shanks Group for each 12 month accounting period ending on a given quarter date is not less than 3.00:1.

Capitalised terms used in the above paragraph have the meaning ascribed to them in the Existing Facility Agreement.

The Existing Facility Agreement is available to the borrowers until 31 January 2019 for general corporate purposes. It is intended that the Existing Facility Agreement will be cancelled, prepaid and refinanced on or prior to first utilisation of the New Facilities Agreement.

(d) Intercreditor Deed

On 8 April 2009, Shanks, Shanks B.V. and certain of the guarantors under the Existing Facility Agreement and of Shanks' 3.65 per cent. guaranteed retail notes entered into an intercreditor deed, as amended and restated from time to time, with Barclays Bank PLC, HSBC Bank plc, Fortis International Finance (Dublin), ING Bank N.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and The Royal Bank of Scotland plc as Finance Parties, The Prudential Insurance Company of America and Barclays Bank PLC as Security Agent and Trustee (the "**Intercreditor Deed**").

The Intercreditor Deed regulates the application of proceeds of enforcement of security, being the share pledge dated 9 April 2009 under which Shanks B.V. has pledged the shares of Shanks Nederland B.V. The Intercreditor Deed sets out equalisation arrangements amongst various finance and hedging providers, who each have agreed to rank *pari passu* amongst themselves.

It is intended that, once all relevant guarantors have acceded to the relevant financing documents to allow for release of the above-mentioned share pledge as anticipated by the terms of such financing documents, Shanks will release the share pledge, following which the Intercreditor Deed will cease to be operative.

12.2 VGG

The following are summaries of (i) each material contract, other than contracts entered into in the ordinary course of business, to which VGG or any member of the VGG Group is a party, for the two years immediately preceding publication of this Combined Circular and Prospectus; and (ii) any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the VGG Group which contains any provision under which any member of the VGG Group has any obligation or entitlement which is material to the VGG Group as at the date of this Combined Circular and Prospectus.

(a) VGG Senior Facilities Agreement

On 1 March 2006, VGG, Global Loan Agency Services Limited (as agent), KBC Bank N.V. (as issuing bank) and GLAS Trust Corporation Limited (as security agent) entered into the VGG Senior Facilities Agreement pursuant to which €389,976,185.64 of senior facilities were provided to the VGG Group. The facilities presently available to the VGG Group under the VGG Senior Facilities Agreement, as amended and restated, are:

- (i) a €69,976,185.64 revolving credit facility, under which VGG and certain of its subsidiaries are borrowers; and
- (ii) a €320,000,000 term loan facility, under which VGG is the borrower.

Borrowings under the revolving credit facility and the term loan facility bear interest at rates per annum equal to (x) the specified amount in respect of each facility as set out below *plus* (y) LIBOR or, if the loan is denominated in Euro, EURIBOR, subject to a floor of 1 per cent. per annum.

Interest under the revolving credit facility is 4.375 per cent. per annum. Interest under the term loan facility comprises (i) an accrued Term Facility Cash Margin of 4 per cent. per annum; and (ii) a Term Facility PIK Margin of 3.25 per cent. per annum (capitalised at the end of each interest period) except to the extent that VGG notifies the agent five business days in advance of the last day of the relevant interest period of its intention to pay Term Facility PIYW Cash Margin (2.5 per cent. per annum). If the Term Facility PIYW Cash Margin is not paid in full, the proportion of the Term Facility PIK Margin for the relevant period equal to that proportion of the Term Facility PIYW Cash Margin not paid in cash shall be compounded with the principal amount of the term loan. Capitalised terms used in this paragraph have the meanings ascribed to them in the VGG Senior Facilities Agreement.

VGG and the other borrowers' obligations under the VGG Senior Facilities Agreement are guaranteed by VGG, Van Gansewinkel Netherlands 4 B.V. and certain other members of the VGG Group and secured by first-priority (to the extent possible) security interests in substantially all of the tangible and intangible assets of VGG, the other borrowers and the guarantors, as well as share pledges.

Utilisation of the revolving credit facility and the term loan facility is subject to satisfaction of various customary conditions precedent, including the absence of a default or an event of default and the accuracy in all material respects of representations and warranties.

The VGG Senior Facilities Agreement contains representations and warranties, financial covenants, undertakings and events of default customary for a facilities agreement of this nature.

The VGG Senior Facilities Agreement permits VGG to make voluntary prepayments (such prepayment including customary break costs), and requires the mandatory prepayment, of outstanding loans and cancellation of commitments in full in certain circumstances, including in the case of a change of control.

The Merger will constitute a change of control for the purposes of the VGG Senior Facilities Agreement and it is intended that, at Completion, all outstanding borrowings and accrued and unpaid interest thereunder will be repaid, all commitments thereunder will be cancelled and all related guarantees and security will be released.

(b) Disposal of Czech waste collection business

On 30 March 2015, Van Gansewinkel International B.V. entered into an agreement with AVE CZ odpadové hospodářství s.r.o. in respect of the sale and purchase of VGG, a.s. and its subsidiaries and subsidiary undertakings from time to time. Pursuant to this agreement the VGG Group's waste collection business in the Czech Republic was disposed on the basis of an enterprise value of €7,562,600, on a debt

free and cash free basis subject to customary purchase price adjustments. The disposal completed on 7 May 2015.

Under the terms of the disposal agreement, Van Gansewinkel International B.V. assumed a non-compete obligation for a period of two years following completion in respect of assuming or beginning or engaging in competing businesses in Poland and the Czech Republic.

Van Gansewinkel International B.V. provided limited warranties to AVE CZ odpadové hospodářství s.r.o. with respect to the disposed business. The liability for breach of the fundamental warranties is limited to the final purchase price, whilst its liability for all other warranties is limited to 35 per cent. of the initial purchase price. The liability for breach of any warranty not notified lapses 18 months after the completion of the disposal (which is expected to be on 7 November 2016).

(c) Disposal of Polish business

On 2 June 2015, Van Gansewinkel International B.V. and VGG (as guarantor) entered into a preliminary agreement with Remondis SP. Z O.O. in respect of the sale and purchase of VGG Polska spółka z ograniczoną odpowiedzialnością and its subsidiaries for a fixed purchase price of PLN 42.5 million. The disposal was completed on 28 September 2015, on which date Van Gansewinkel International B.V. and Remondis SP. Z O.O. entered into the final share sale agreement declaring that all conditions precedent had been fulfilled or waived.

Van Gansewinkel International B.V. issued a tax indemnity limited in time to five years from the end of the financial year for which the respective tax claim was due.

The sale and purchase agreement contained a non-compete provision for a period of two years following completion in respect of assuming or beginning or engaging in competing businesses in Poland and the Czech Republic, unless the investment of Van Gansewinkel International B.V. in such competing business does not exceed 10 per cent. of the share capital of Shanks carrying out such business.

Van Gansewinkel International B.V. provided limited warranties to Remondis SP. Z O.O. with respect to the disposed business. The liability for breach of the fundamental warranties is limited to the amount of the purchase price, whilst its liability for all other warranties is limited to 30 per cent. of the purchase price. The liability for breach of any warranty not notified lapses 18 months after the completion of the transaction (which is expected to be on 7 November 2016).

(d) Disposal of French business

On 23 December 2015, VGG entered into an agreement with Paprec France in respect of the sale and purchase of VGG France, and its subsidiary Gibert Recyclage for a consideration of €3.5 million. The disposal was completed on 31 December 2015, on which date €3 million was paid towards the purchase price.

Under the terms of the disposal agreement, VGG assumed a non-compete obligation for a period of two years following completion in respect of assuming or beginning or engaging in the waste management and recycling business in Belgium and France. The current and future glass recycling activities of Maltha and the WEEE recycling business of Coolrec were excluded. VGG further assumed a non-solicitation obligation for a period of two years.

VGG granted an indemnity to Paprec France in respect of all damages and reasonable expenses actually incurred which result from any breach of representations and warranties. The indemnity is capped at €1.4 million, except in respect of the fundamental warranties. The term to claim under this indemnity expires 18 months from the date of the agreement (which will be on 23 June 2017), except for the fundamental warranties for which claims may be presented until 30 days after expiration of the applicable statute of limitations.

(e) Disposal of Dutch oil containing waste streams and warehousing business

On 1 April 2015, members of the VGG Group entered into an asset purchase agreement with Wubben Handelsmaatschappij B.V. in respect of the assets of the Dutch oil containing waste streams and warehousing business for a preliminary purchase price of €2 million. This disposal was completed on 1 May 2015 on which date the purchase price was settled.

Under the terms of the disposal agreement, the VGG Group assumed a non-compete obligation for a period of three years following completion in respect of waste stream collection services for direct customers as services in the period of two years prior to completion and the sellers further assumed a non-solicit obligation for a period of three years.

The VGG Group sellers issued a tax indemnity to Wubben Handelsmaatschappij B.V. for the underlying tax claims. The liability of the VGG Group sellers for any tax claim expires 3 months after the last day on which a tax authority can claim and is capped at €1.2 million.

(f) Arrangements relating to Maltha Groep B.V.

The Maltha segment is comprised of Maltha Groep B.V. as the holding entity, and the operating companies of Maltha Glasrecycling Nederland B.V. and Glasrecycling Noord-Oost Nederland B.V. in the Netherlands, Maltha Glasrecyclage België B.V.B.A. in Belgium, IPAQ S.A.S. in France, Maltha Glass Recycling Portugal Lda. in Portugal, Maltha Hungary Kft. in Hungary, Maltha Szklo Recykling Polska Sp. Z.o.o in Poland and Maltha Glassrecycling International B.V., which is responsible for the purchase and export of treated and untreated glass from various countries to (principally) Portugal, France and The Netherlands.

Maltha Groep B.V.'s shareholders are Van Gansewinkel N.V. (66.7 per cent.) and Veglarec B.V. (part of the Owens-Illinois group through O-I Europe S.A.S.) (33.3 per cent.). Owens-Illinois is the world leader in glass manufacturing, and is also Maltha's largest customer for the glass cullet it produces.

The supervisory board of Maltha consists of Mr. E.H.T.M. Nijpels, Mr. M. Zwaaneveld, CEO of van Gansewinkel Groep B.V. and Ms. S. Lémond, Cullet Director Country Group Procurement & Logistic Leader South-West Europe of O-I Europe S.A.S.

There is no shareholders agreement or joint venture agreement in respect of Maltha Groep B.V. The respective rights of Van Gansewinkel N.V. and Veglarec B.V. as shareholders are governed by the terms of the articles of association of Maltha Groep B.V. The articles of association provide, inter alia, that in the event that a shareholder of Maltha Groep B.V. is subject to (i) a merger, split-off or split-up and the entity ceases to exist; or (ii) a takeover by an issue, transfer or any other transmission of shares or voting rights, or a change of the management of the shareholder, the remaining shareholder will have the right to purchase the shares in Maltha Groep B.V. held by the merged or taken over shareholder. The price payable in such circumstances is to be determined by the shareholders or, failing agreement by the shareholders, by a panel of three independent experts.

Under the terms of the articles of association of Maltha Groep B.V., on Completion, Veglarec B.V. will have the right to purchase the shares in Maltha Groep B.V. held by Van Gansewinkel N.V. On 29 September 2016, Van Gansewinkel N.V., Veglarec B.V., Shanks and VGG entered into an agreement pursuant to which Veglarec B.V. has agreed not to exercise this existing right until the earlier of (i) 30 June 2017; and (ii) six months from the date of Completion.

13. RELATED PARTY TRANSACTIONS

13.1 Between 1 April 2014 and the date of this Combined Circular and Prospectus, Shanks did not enter into any related party transactions (within the meaning ascribed to that term in paragraph 9 of IAS 24, being the standard adopted according to Regulation (EC) No. 1606/2002) other than as disclosed in Note 34 ('Related party transactions') to the Shanks Group's historical financial information incorporated by reference in this Combined Circular and Prospectus as set out in Part 10 (*Historical financial information of the Shanks Group*).

13.2 Between 1 January 2013 and the date of this Combined Circular and Prospectus, VGG did not enter into any related party transactions (within the meaning ascribed to that term in paragraph 9 of IAS 24, being the standard adopted according to Regulation (EC) No. 1606/2002) other than as disclosed in Note 29 ('Related party transactions') to the VGG Group's historical financial information set out in Part 11 (*Historical financial information of the VGG Group*).

14. LITIGATION

14.1 There are no, and have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Shanks is aware), during the previous

12 months preceding the date of this Combined Circular and Prospectus which may have, or have had in the recent past significant effects on the Shanks Group's financial position or profitability.

14.2 There are no, and have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Shanks is aware), during the previous 12 months preceding the date of this Combined Circular and Prospectus which may have, or have had in the recent past significant effects on the VGG Group's financial position or profitability.

15. SIGNIFICANT CHANGE

15.1 There has been no significant change in the Shanks Group's financial or trading position since 31 March 2016, being the latest date to which the Shanks Group's historical financial information incorporated by reference in this Combined Circular and Prospectus as set out in Part 10 (*Historical financial information of the Shanks Group*) was prepared.

15.2 There has been no significant change in the VGG Group's financial or trading position since 31 December 2015, being the latest date to which the VGG Group's historical financial information in Part 11 (*Historical financial information of the VGG Group*) was prepared.

16. WORKING CAPITAL STATEMENT

16.1 In the opinion of Shanks, taking into account the net proceeds of the Equity Issue, the Shanks Group has sufficient working capital for its present requirements, that is, for at least 12 months following the date of this Combined Circular and Prospectus.

17. CONSENTS

17.1 PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion of its accountants' reports in Section A of Part 11 (*Historical financial information of the VGG Group*) and Section B of Part 12 (*Unaudited pro forma financial information of the Combined Group*) in the form and context in which they appear and has authorised the contents of those reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

17.2 Investec Bank plc has given and has not withdrawn its written consent to the inclusion in this Combined Circular and Prospectus of the references to its name in the form and context in which they are included.

17.3 Greenhill & Co. International LLP has given and has not withdrawn its written consent to the inclusion in this Combined Circular and Prospectus of the references to its name in the form and context in which they are included.

17.4 A written consent under the Prospectus Rules is different from a consent filed with the Securities Exchange Commission under section 7 of the US Securities Act. As the Ordinary Shares have not been and will not be registered under the US Securities Act, none of PricewaterhouseCoopers LLP, Investec Bank plc or Greenhill & Co. International LLP has filed a consent under section 7 of the US Securities Act.

18. GENERAL

18.1 The historical financial information contained in this Combined Circular and Prospectus does not constitute full statutory accounts as referred to in section 434(3) of the Companies Act. Statutory audited accounts of Shanks have been delivered to the Registrar of Companies in respect of the accounting periods ended 31 March 2014, 2015 and 2016.

18.2 The information set out in this Combined Circular and Prospectus that has been sourced from third parties has been accurately reproduced and, so far as Shanks is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Combined Circular and Prospectus, the source of such information has been identified.

18.3 The total costs, charges and expenses payable by Shanks in connection with the Equity Issue and the Merger are estimated to be £22.6 million (exclusive of VAT).

19. DOCUMENTS AVAILABLE FOR INSPECTION

19.1 Copies of the following documents will be available for inspection at the registered office of Shanks during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of publication of this Combined Circular and Prospectus up to and including the date of Completion:

- the Articles;
- the report of PricewaterhouseCoopers LLP set out in Section A of Part 11 (*Historical financial information of the VGG Group*);
- the report of PricewaterhouseCoopers LLP set out in Section B of Part 12 (*Unaudited pro forma financial information of the Combined Group*);
- the documents incorporated by reference as set out in the section titled “Documents incorporated by reference”;
- each of the consent letters referred to in paragraph 17 of this Part 15;
- the Merger Agreement;
- this Combined Circular and Prospectus; and
- the Form of Proxy.

19.2 Copies of this Combined Circular and Prospectus are also available for inspection at the National Storage Mechanism at www.morningstar.co.uk/uk/nsm.

19.3 For the purposes of PR 3.2.4 of the Prospectus Rules, the Combined Circular and Prospectus will be published in printed form and available free of charge, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of publication of this Combined Circular and Prospectus at the registered office of Shanks at 16 Charlotte Square, Edinburgh EH2 4DF, United Kingdom. In addition, the Combined Circular and Prospectus will be published in electronic form and be available on Shanks’ website at www.shankspc.com, subject to certain access restrictions.

PART 16—DEFINITIONS AND GLOSSARY

The following definitions will apply throughout this Combined Circular and Prospectus unless the context otherwise requires.

“€” or “Euro” or “cents”	the lawful currency of the Member States of the European Union that have adopted the Euro as their common currency and sole legal tender;
“£” or “p” or “Sterling” or “pence”	the lawful currency of the United Kingdom;
“2019 Notes Trust Deed”	a trust deed in relation to the €100,000,000 of 34.23 per cent. guaranteed notes due 30 July 2019 dated 16 June 2015 among, <i>inter alia</i> , Shanks and certain of its subsidiaries;
“2022 Notes Trust Deed”	a trust deed in relation to the €150,000,000 of 3.65 per cent. guaranteed notes due 16 June 2022 dated 30 July 2013 among, <i>inter alia</i> , Shanks and certain of its subsidiaries;
“AD”	anaerobic digestion;
“Adjusted EBITDA”	in respect of the Shanks Group means the Shanks Group’s earnings before interest, tax, depreciation and amortisation and in respect of the VGG Group means the VGG Group’s operating profit (loss), adjusted to show the result before the impact of certain depreciation and amortisation and impairment charges;
“Adjusted EBITDA from continuing operations”	the Shanks Group’s continuing trading profit before depreciation, amortisation and profit or loss from on disposal of property, plant and equipment;
“Adjusted EBITDAE”	in respect of the VGG Group means the VGG Group means the VGG Group’s EBITDA for a given period, adjusted to show the result before the impact of certain items that the VGG Group considers to be non-recurring costs and exceptional items;
“Approval Condition”	the conditions under the Merger Agreement described in paragraphs 1.2(b) to 1.2(d) of Part 2 (<i>Details of the Transaction</i>);
“Articles”	Shanks’ articles of association;
“Audit Committee”	the audit committee of the Board as described in paragraph 4.1 of Part 7 (<i>Directors, Senior Management and Corporate Governance</i>);
“AVR”	AVR-Afvalverwerking B.V.;
“Beneficiaries”	existing and former employees of the Shanks Group and the dependents of such existing and former employees who are beneficiaries of the EBT;
“Board” or “Directors”	the directors of Shanks as at the date of this Combined Circular and Prospectus and whose names are set out in Part 7 (<i>Directors, senior management and corporate governance</i>);
“Business Day”	a day on which the London Stock Exchange and banks in London are normally open for business;
“C&D”	Construction and Demolition;
“Canada”	Canada, its provinces and territories and all areas subject to its jurisdiction or any political subdivision thereof;
“Capital Expenditure”	certain items within the VGG Group’s cash flow from investment activities, specifically its investments in intangible assets and in property, plant and equipment, in a given period;

“CCD”	central chemical depot;
“certificated” or “certificated form”	not uncertificated or in uncertificated form;
“City Code”	the City Code on Takeovers and Mergers of the United Kingdom;
“Combined Circular and Prospectus”	this Combined Circular and Prospectus;
“Combined Group”	the group to be formed by the merger of the Shanks Group and the VGG Group;
“Companies Act”	the Companies Act 2006, as amended;
“Completion”	completion of the Merger;
“Consideration Shares”	the up to approximately 190 million new Ordinary Shares to be issued at Completion as part consideration for the Merger;
“Consideration Share Admission”	admission of the Consideration Shares to the premium listing segment of the Official List and to trading on the Main Market;
“Corporate Governance Code”	the UK Corporate Governance Code as published by the Financial Reporting Council;
“Corporations Act”	the Corporations Act 2001 of the Commonwealth of Australia;
“CREST”	the facilities and procedures for the time being of the relevant system of which Euroclear has been approved as “Operator” pursuant to the CREST Regulations;
“CREST Regulations”	the UK Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755);
“DAB”	The Shanks Group plc Deferred Annual Bonus Plan;
“Debt Restructuring”	the restructuring of VGG’s financing and capital structure completed in 2015 pursuant to which, among other things, ownership of VGG passed to a syndicate of lenders as in paragraph 3.7 of Part 11 (<i>Operating and financial review of the VGG Group</i>);
“Direct FTE”	the VGG Group personnel employed in the physical collection or handling of waste;
“Disclosure Requirements”	articles 17, 18 and 19 of the Market Abuse Regulation;
“EBT”	The Shanks Group Plc Employee Share Trust;
“EEA”	the European Economic Area;
“Equity Issue”	the Firm Placing and the Rights Issue;
“Equity Issue Admission”	admission of the Firm Placing Shares and the Rights Issue Shares (nil paid) to the premium listing segment of the Official List and to trading on the Main Market;
“Equity Issue Condition”	the condition under the Merger Agreement described in paragraph 1.2(f) of Part 2 (<i>Details of the Transaction</i>);
“Equity Issue Shares”	the Firm Placing Shares and the Rights Issue Shares;
“Euroclear”	Euroclear UK and Ireland Limited;
“Ex-Rights Date”	the time and date on which the holders of existing Ordinary Shares cease to have a right to participate in the Rights Issue (expected to be 8.00 a.m. (London time) on 26 October 2016);

“ Excluded Jurisdictions ”	the United States, Australia, Canada, Japan or the Republic of South Africa, or any other jurisdiction where the extension into or availability of the Equity Issue would breach any applicable law;
“ Existing Facility Agreement ”	the €180 million multicurrency revolving credit facility agreement dated 31 January 2014 among Shanks, certain of its subsidiaries and, among others, Barclays Bank PLC, HSBC Bank plc, BNP Paribas Fortis S.A./N.V., ING Bank N.V., Rabobank International, The Royal Bank of Scotland plc and KBC Bank N.V.
“ FCA ”	the UK Financial Conduct Authority (or its successor bodies);
“ Financing Condition ”	the condition under the Merger Agreement described in paragraph 1.2(i) of Part 2 (<i>Details of the Transaction</i>);
“ Firm Placing ”	the offer of the Firm Placing Shares;
“ Firm Placing Shares ”	the new Ordinary Shares being offered pursuant to the Firm Placing;
“ Form of Proxy ”	the form of proxy for use at the General Meeting;
“ FSMA ”	the Financial Services and Markets Act 2000, as amended;
“ FTE ”	full-time equivalent;
“ Fully Paid Rights ”	the rights to acquire Rights Issue Shares, fully paid;
“ General Meeting ”	the general meeting of Shanks to be held at the offices of Ashurst LLP at Broadwalk House, 5 Appold Street, London EC2A 2HA at 10.00 a.m. on 24 October 2016 to vote on the Resolutions;
“ GM Condition ”	approval by the Shareholders of the Resolutions;
“ Greenhill ”	Greenhill & Co. International LLP;
“ HMRC ”	HM Revenue and Customs of the United Kingdom;
“ Holdco PIK Loan ”	the €528 million PIK loan issued by Van Gansewinkel Holdco B.V.;
“ I&C ”	Industrial and Commercial;
“ IAS ”	the International Accounting Standards, as issued by the antecedent International Accounting Standards Council, and endorsed and amended by the International Accounting Standards Board;
“ IFRS ”	the International Financial Reporting Standards, as adopted by the European Union;
“ IFRS IC ”	IFRS Interpretation Committee;
“ Indirect FTE ”	the VGG Group personnel that are not direct FTEs and employed in managing and supporting the waste collection and Recycling segments;
“ Initial Lock-up Period ”	the period commencing on Completion and ending on the later of the (i) day falling 180 days after (and including) the day of Completion; and (ii) publication of the Shanks’ preliminary results for the financial year ending March 2017;
“ Intercreditor Deed ”	the intercreditor deed dated 8 April 2009, as amended and restated from time to time, among Shanks, certain of its subsidiaries and Barclays Bank PLC (as finance party), HSBC Bank plc, Fortis International Finance (Dublin), ING Bank N.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and The Royal Bank of Scotland plc, The Prudential Insurance Company of America and Barclays Bank PLC (as security agent and trustee)
“ Investec ”	Investec Bank plc;

“ ISIN ”	International Securities Identification Number;
“ Issue Price ”	58 pence per Right Issue Share;
“ Joint Sponsors ”	Greenhill and Investec;
“ Latest Practicable Date ”	28 September 2016;
“ Listing Rules ”	the listing rules made by the FCA under section 73A of FSMA;
“ London Stock Exchange ”	London Stock Exchange plc;
“ Long Stop Date ”	28 March 2017;
“ LTIP ”	The Shanks Group plc 2011 Long-Term Incentive Plan;
“ MAE Condition ”	the condition under the Merger Agreement described in paragraph 1.2(h) of Part 2 (<i>Details of the Transaction</i>);
“ Main Market ”	the London Stock Exchange’s main market for listed securities;
“ Market Abuse Regulation ”	Regulation (EU) No. 596/2014 of the European Parliament and the Council of 16 April 2014;
“ MBT ”	mechanical biological treatment;
“ Member State ”	a member state of the EEA;
“ Merger ”	the proposed acquisition of the entire issued share capital of VGG by Shanks Netherlands Holdings B.V. pursuant to the Merger Agreement;
“ Merger Agreement ”	the agreement between Shanks, Shanks Netherlands Holdings B.V. and Van Gansewinkel Netherlands 4 B.V. dated 29 September 2016 relating to the Merger;
“ MRF ”	material recycling facility;
“ MTM ”	a many-to-many instruction in CREST;
“ New Facilities Agreement ”	the €600 million multicurrency facilities agreement between Shanks, ING Bank N.V. as Arranger, ING Bank N.V., Coöperatieve Rabbobank U.A., ABN Amro Bank N.V., KBC Bank N.V., BNP Paribas Fortis S.A./N.V. and HSBC Bank plc as Original Lenders, ING Bank N.V. as Issuing Bank and Coöperatieve Rabbobank U.A. as Facility Agent dated 29 September 2016 pursuant to which a €150 million term facility and a €450 million revolving credit facility will be provided to certain members of the Combined Group;
“ Nil Paid Rights ”	Rights Issue Shares in nil paid form provisionally allotted to Qualifying Shareholders pursuant to the Rights Issue;
“ Nomination Committee ”	the nomination committee of the Board as described in paragraph 4.3 of Part 7 (<i>Directors, senior management and corporate governance</i>);
“ Notice of General Meeting ”	the notice of General Meeting which forms part of this Combined Circular and Prospectus;
“ NPV ”	net present value;
“ Official List ”	the list maintained by the FCA pursuant to Part VI of FSMA;
“ Order ”	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended);
“ Ordinary Shares ”	ordinary shares of 10 pence each in the capital of Shanks;
“ Overseas Shareholders ”	Shareholders who are resident in, ordinarily resident in or citizens of, or who have a registered address in, a jurisdiction outside the United Kingdom;

“PFI”	private finance initiative;
“Placee”	placees procured by the Sole Underwriter and Bookrunner to subscribe for Firm Placing Shares pursuant to the Firm Placing;
“Placing Price”	100 pence per Firm Placing Share;
“PPP”	public private partnership;
“PRA”	the UK Prudential Regulation Authority;
“Profit before tax from continuing operations”	the Shanks Group’s profit before taxation before amortisation of acquisition intangibles, exceptional items and changes in fair value of derivatives;
“Prospectus Directive”	Directive 2003/71/EC as amended and including any relevant implementing measure in each Relevant Member State;
“Prospectus Rules”	the prospectus rules made by the FCA under section 73A of FSMA;
“Provisional Allotment Letter”	the renounceable provisional allotment letter relating to the Rights Issue to be issued to Qualifying Non-CREST Shareholders other than certain Overseas Shareholders;
“Purchaser Regulatory Condition”	the conditions under the Merger Agreement described in paragraphs 1.2(e) to 1.2(g) of Part 2 (<i>Details of the Transaction</i>);
“qualified investors”	“qualified investors” as defined in section 86 of FSMA;
“Qualifying CREST Shareholders”	Qualifying Shareholders whose existing Ordinary Shares are in uncertificated form;
“Qualifying non-CREST Shareholders”	Qualifying Shareholders whose existing Ordinary Shares are in certificated form;
“Qualifying Shareholders”	Shareholders on the Shanks’ statutory register of members and Placees who have been conditionally allotted Firm Placing Shares pursuant to the Firm Placing at the Record Date;
“QIB”	a “qualified institutional buyer” within the meaning of the Rule 144A under the US Securities Act;
“RDF”	refuse derived fuels;
“Re-admission”	admission of the ordinary share capital of the Combined Group to the premium listing segment of the Official List and to trading on the Main Market;
“Re-admission Prospectus”	the prospectus to be published in connection with Re-admission;
“Receiving Agent”	Computershare Investor Services PLC;
“Record Date”	the close of business in London on 24 October 2016;
“Registrar”	Computershare Investor Services PLC;
“Regulation S”	Regulation S under the US Securities Act;
“Relevant Member State”	a Member State of the EEA which has implemented Directive 2003/71/EC;
“relevant persons”	a “relevant person” as defined in section 86 of FSMA;
“Remuneration Committee”	the remuneration committee of the Board as described in paragraph 4.2 of Part 7 (<i>Directors, senior management and corporate governance</i>);

“Resolutions”	the resolutions to be proposed at the Shanks General Meeting as set out in the Notice of General Meeting, with any permitted amendments thereto;
“restriction notice”	a notice served by Shanks on a member pursuant to the Articles directing that the member shall not be entitled to be present or to vote at any general meeting or class meeting of Shanks;
“revenue from continuing operations”	the Shanks Group’s revenue before non-trading and exceptional items;
“Rights Issue”	the offer of Rights Issue Shares by way of rights to certain Shareholders;
“Rights Issue Shares”	the new Ordinary Shares being offered pursuant to the Rights Issue;
“SDRT”	stamp duty reserve tax;
“Senior Management”	the members of the senior management team of Shanks as at the date of this Combined Circular and Prospectus, whose names are set out in Part 7 (<i>Directors, senior management and corporate governance</i>);
“Shareholder”	a registered holder of an Ordinary Share;
“Sharesave”	The Shanks Group plc 2015 Sharesave Scheme;
“SID”	senior independent director;
“Signing Date”	29 September 2016;
“Shanks”	Shanks Group plc, a public limited company incorporated and registered in Scotland under the Companies Act, with registered number SC077438;
“Shanks Group”	Shanks and its subsidiaries and subsidiary undertakings from time to time;
“SME”	small-to-medium-sized enterprise;
“Sole Underwriter and Bookrunner”	Investec;
“SPV”	a special purpose vehicle;
“SRF”	solid recovered fuel;
“SRSOS”	The Savings Related Share Option Scheme;
“Statutes”	the Companies Act and any other statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies;
“statutory notice”	a notice given under section 793 of the Companies Act;
“trading profit from continuing operations”	the Shanks Group’s continuing operating profit before non-trading and exceptional items and amortisation of acquisition intangibles;
“Transaction”	the Merger and the Equity Issue;
“Unaudited Pro Forma Financial Information”	the unaudited pro forma statement of net assets, pro forma income statement and the related notes set out in Part 12 (<i>Unaudited pro forma financial information of the Combined Group</i>);

“ uncertificated ” or “ in uncertificated form ”	recorded on the register of members as being held in uncertificated form in CREST and title to which may be transferred by means of CREST;
“ underlying free cash flow ”	the Shanks Group’s cash flow before dividends, growth capital expenditure, acquisitions and disposals;
“ Underwriting Agreement ”	the underwriting agreement dated 29 September 2016 between Shanks and the Joint Sponsors;
“ United Kingdom ”	the United Kingdom of Great Britain and Northern Ireland;
“ United States ”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
“ US Securities Act ”	the US Securities Act of 1933, as amended;
“ VAT ”	value added tax;
“ VGG ”	van Gansewinkel Groep B.V., a private company incorporated and registered in the Netherlands a limited liability company (<i>besloten vennootschap</i>), with registered number 24390763;
“ VGG Group ”	VGG and its subsidiaries;
“ VGG Senior Facilities Agreement ”	the VGG Group’s senior facilities agreement dated 1 March 2006, among VGG, Global Loan Agency Services Limited (as agent), KBC Bank N.V. (as issuing bank) and GLAS Trust Corporation Limited (as security agent);
“ WEEE ”	waste electrical and electronic equipment; and
“ W&I Insurance Policy ”	the warranty and indemnity insurance policy obtained by Shanks Netherlands Holdings B.V. in relation to those warranties described in paragraph 1.6 of Part 2 (<i>Details of the Transaction</i>), up to an aggregate amount of €100 million.

NOTICE OF GENERAL MEETING

SHANKS GROUP PLC

(a public limited company incorporated and registered in Scotland under the Companies Act 2006, with registered number SC077438)

Notice of General Meeting

NOTICE is hereby given that a General Meeting of Shanks Group plc (the “Company” or “Shanks”) will be held at 10.00 a.m. on 24 October 2016 at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA for the purpose of considering and, if thought fit, passing the resolutions set out below. Resolutions 1, 2 and 3 will be proposed as ordinary resolutions and resolution 4 will be proposed as a special resolution. Voting on each resolution will be by poll.

Resolution 1

THAT:

- (i) the proposed merger of Shanks with van Gansewinkel Groep B.V., as described in the combined prospectus and circular to the shareholders of Shanks dated 29 September 2016, substantially on the terms and subject to the conditions set out in the Merger Agreement dated 29 September 2016 (the “Merger”) be, and is hereby, approved; and
- (ii) the board of directors of Shanks (the “Board”) (or any duly constituted committee thereof) be and is hereby authorised to take all necessary, expedient or desirable steps and to do all necessary, expedient or desirable things to implement or complete, or to procure the implementation or completion of, the Merger and give effect thereto with such modifications, variations, revisions, waivers or amendments (not being modifications, variations, revisions, waivers or amendments of a material nature) as the Board (or any duly authorised committee thereof) may deem necessary, expedient or desirable in connection with the Merger.

Resolution 2

THAT subject to the passing of Resolution 1 and in connection with the issue of new ordinary shares as part consideration for the Merger, and in addition to all existing authorities, the Board be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 551 of the Companies Act 2006, as amended (the “Act”) to exercise all the powers of Shanks to allot shares in Shanks and to grant rights to subscribe for or convert any security into ordinary shares in Shanks up to an aggregate nominal amount of £19,018,750.20 as part consideration for the Merger, such authority to expire at the conclusion of the next annual general meeting of Shanks in 2017 (or, if earlier, on 31 August 2017) (save that Shanks may before such expiry make any offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the Board may allot shares or grant rights to subscribe for or to convert any security into shares pursuant to any such offer or agreement as if such authority had not expired).

Resolution 3

THAT subject to the passing of Resolution 1 and in connection with:

- (i) the issue for cash of 45,000,000 new ordinary shares at a price of 100 pence per new ordinary share to places in a firm placing (the “Firm Placing”); and
- (ii) the issue by way of rights of up to 166,201,962 new ordinary shares at a price of 58 pence per new ordinary share to qualifying shareholders on the register of members of Shanks at close of business on 24 October 2016 and places in the Firm Placing (the “Rights Issue”);

and in addition to all existing authorities, the Board be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 551 of the Act to exercise all the powers of Shanks to allot shares in Shanks and to grant rights to subscribe for or convert any security into ordinary shares in Shanks up to an aggregate nominal amount of:

- (i) £4,500,000.00 pursuant to or in connection with the Firm Placing; and
- (ii) £16,620,196.20 pursuant to or in connection with the Rights Issue;

such authority to expire at the conclusion of the next annual general meeting of Shanks in 2017 (or, if earlier, on 31 August 2017) (save that Shanks may before such expiry make any offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the Board may allot shares or grant rights to subscribe for or convert any security into shares pursuant to any such offer or agreement as if such authority had not expired).

Resolution 4

THAT subject to the passing of Resolutions 2 and 3, pursuant to section 571 of the Act, section 561 of the Act shall not apply to any allotment of equity securities (within the meaning of section 560 of the Act) of Shanks for cash pursuant to the authorities conferred by such Resolutions 2 and/or 3, being the allotment of:

- (i) up to 190,187,502 ordinary shares of 10 pence each as part consideration for the Merger;
- (ii) up to 45,000,000 ordinary shares of 10 pence each pursuant to the Firm Placing; and
- (iii) up to 166,201,962 ordinary shares of 10 pence each pursuant to the Rights Issue,

provided that this disapplication shall expire at the conclusion of the next annual general meeting of Shanks in 2017 (or, if earlier, 31 August 2017) save that Shanks may before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of any such offer or agreement as if the disapplication conferred hereby had not expired.

By order of the Board

Philip Griffin-Smith

Company Secretary
29 September 2016

Registered Office:
16 Charlotte Square
Edinburgh EH2 4DF

Notes on the Notice of Meeting and How to Vote

1. Attending the General Meeting in person

If you wish to attend the General Meeting in person, you should arrive at the venue in good time to allow your attendance to be registered. It is advisable to have some form of identification with you as you may be asked to provide evidence of your identity to Shanks' Registrar, Computershare Investor Services PLC (the "Registrar"), prior to admittance.

2. Appointment of proxies

Members are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the General Meeting. A proxy need not be a member of Shanks but must attend the General Meeting to represent a member. To be validly appointed, a proxy must be appointed using the procedures set out in these notes and in the notes to the accompanying proxy form. If members wish their proxy to speak on their behalf at the meeting, members will need to appoint their own choice of proxy (not the Chairman of the General Meeting) and give their instructions directly to them. Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, additional proxy forms may be obtained by contacting the Registrar's helpline on Tel: 0370 707 1290* or members may photocopy their proxy form. A member may instruct their proxy to abstain from voting on any of the resolutions to be considered at the meeting by marking the 'Vote Withheld' option when appointing their proxy. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes 'For' or 'Against' the relevant resolution.

The appointment of a proxy will not prevent a member from attending the General Meeting and voting in person if he or she wishes. A person who is not a member of Shanks but who has been nominated by a

member to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read note 9 below.

3. Appointment of a proxy online

As an alternative to appointing a proxy using the proxy form or CREST, members can appoint a proxy online at www.investorcentre.co.uk/eproxy. In order to appoint a proxy using this website, members will need their Control Number, Shareholder Reference Number (SRN) and PIN. This information is printed on the proxy form. If for any reason a member does not have this information, they should contact the Registrar on Tel: 0370 707 1290*. Members may appoint a proxy using the website no later than 48 hours (excluding non-working days) before the time of the General Meeting or any adjournment of that meeting.

4. Appointment of a proxy using a proxy form

A proxy form for use in connection with the General Meeting is enclosed. To be valid, any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand by the Registrar at The Pavilions, Bridgwater Road, Bristol BS99 6ZY by no later than 48 hours (excluding nonworking days) before the time of the General Meeting or any adjournment of that meeting. If you do not have a proxy form and believe that you should have one, or you require additional proxy forms, please contact the Registrar on Tel: 0370 707 1290*.

5. Appointment of a proxy through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the following website: www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Registrar (ID number 3RA50) no later than 48 hours (excluding nonworking days) before the time of the General Meeting or any adjournment of that meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. Shanks may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the CREST Regulations.

6. Appointment of proxy by joint holders

In the case of joint holders, where more than one of the joint holders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in Shanks' register of members in respect of the joint holding (the first named being the most senior).

**Calls from the UK mainland will be charged at your service provider's national rate; different charges may apply to mobile telephones. Calls may be recorded and randomly monitored for security and training purposes.*

7. Corporate representatives

Any corporation that is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

8. Entitlement to attend and vote

To be entitled to attend and vote at the General Meeting (and for the purpose of determining the votes they may cast), members must be registered in Shanks' register of members at 6.00 p.m. on 20 October 2016 (or, if the General Meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the General Meeting.

9. Nominated persons

Any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between them and the member by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

10. Website giving information regarding the General Meeting

Information regarding the General Meeting, including information required by section 311A of the Act, and a copy of this Notice is available from www.shanksplc.com.

11. Voting rights

As at 28 September 2016 (being the latest practicable date prior to the publication of this Notice) Shanks' issued share capital consisted of 398,205,237 ordinary shares, carrying one vote each. Therefore, the total voting rights in Shanks as at 28 September 2016 was 398,205,237 votes.

12. Notification of shareholdings

Any person holding 3 per cent. or more of the total voting rights of Shanks who appoints a person other than the Chairman of the General Meeting as their proxy will need to ensure that both they, and their proxy, comply with their respective disclosure obligations under the UK Disclosure Requirements and Transparency Rules.

13. Further questions and communication

Under section 319A of the Act, Shanks must cause to be answered any question relating to the business being dealt with at the General Meeting put by a member attending the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, or the answer has already been given on a website in the form of an answer to a question, or it is undesirable in the interests of Shanks or the good order of the meeting that the question be answered. Members who have any queries about the General Meeting should contact Shanks Secretarial Department by writing to the Company Secretary at Shanks Group plc, Dunedin House, Auckland Park, Mount Farm, Milton Keynes, Buckinghamshire MK1 1BU, United Kingdom or by email to Company.Secretary@shanks.co.uk. Any other electronic address provided in this Notice or in any related documents (including the accompanying circular and proxy form) should only be used for the purposes expressly stated.

14. Documents available for inspection

A copy of the agreement entered into in connection with the Merger will be available for inspection at the registered office of Shanks during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Notice until the conclusion of the General Meeting.

Copies of this Combined Circular and Prospectus will also be available for inspection at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Notice until the conclusion of the General Meeting.

