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7 July 2016

Shanks Group plc
(“Shanks”, the “Company” or, together with its subsidiaries, the “Group”)

Proposed Merger with van Gansewinkel Groep BV (“VGG”) and restoration of dealings in Shanks ordinary shares

Summary

- **Shanks has entered into exclusive discussions with VGG and its two largest shareholders**
- **Highly compelling strategic rationale for merger, with significant potential cost synergies and significant underlying earnings enhancement**
- **Agreement in principle of merger terms valuing VGG at c. €440 million on a debt-free cash-free basis**
- **VGG shareholders would receive €306 million in cash (inclusive of VGG’s net cash position) and share consideration representing c.29% ownership of the Combined Group**
- **Request for restoration of dealings in Shanks ordinary shares submitted to the FCA**
- **Shanks has started the new financial year well with trading slightly ahead of management’s expectations**

Commenting on the Proposed Merger, Peter Dilnot, Chief Executive of Shanks, said:

“We are delighted to have reached agreement in principle with VGG on the terms of a proposed merger. This is a truly transformational deal for Shanks. Our two businesses are highly complementary and a combination would create a leading Benelux waste-to-product business, with enhanced geographic coverage, capabilities and technologies as well as significant synergy potential. We look forward to working with the VGG team to finalise the terms and financing of the transaction and delivering attractive returns for shareholders in the Combined Group.”

Introduction

Further to the announcement on 24 May 2016 regarding a possible transaction with VGG, a leading privately-owned waste collection and recycling business in the Netherlands and Belgium (together with its subsidiaries, the “VGG Group”) (the “Proposed Merger”), the board of directors (the “Board”) of Shanks is pleased to announce that it has entered into exclusive discussions with the Supervisory Board of VGG and VGG’s two largest shareholders.

The non-binding terms of the Proposed Merger (the “Terms”) contemplate that Shanks would acquire the entire share capital of VGG, free from any liens, charges or encumbrances for consideration of approximately €440 million on a debt-free cash-free basis. The consideration would be satisfied through:

- a cash consideration from Shanks of approximately €236 million, to be financed through new debt facilities for the Combined Group and an equity issue currently envisaged to be approximately £90 million[1]; and
- a share consideration with a current value (based on Shanks' closing share price of 81 pence per share on the business day immediately prior to the suspension of its listing (the "Suspension")) of up to €204 million.

Under the Terms, VGG shareholders would in aggregate receive initial value of approximately €510 million, comprising:

- €306 million in cash (inclusive of the underlying net cash in the VGG business); and
- new Shanks shares currently representing a pro forma ownership of the Combined Group of approximately 29%[1], based on an enlarged issued share capital following completion of the transaction and the equity issue.[2] VGG shareholders would therefore be able to participate in the future development of the Combined Group, including the realisation of significant potential synergies.

The new Shanks shares which would be issued to VGG Shareholders as consideration for the Proposed Merger would be subject to appropriate lock-up undertakings.

The Proposed Merger is conditional upon, inter alia, the satisfactory completion of mutual financial, commercial and legal due diligence, the negotiation of a sale and purchase agreement, financing, anti-trust clearance, conclusion of relevant works councils advice proceedings, and the approval of Shanks and VGG shareholders.

Shanks has entered into a binding exclusivity agreement with VGG's parent company (VGG Holdco B.V.) and its two largest shareholders, which provides for mutual break fees of approximately £3.2 million to be payable in certain specific circumstances. During the period of exclusivity, which will run until mid-September 2016, Shanks will be undertaking detailed due diligence on VGG Group and its prospects, with the intention of finalising proposed terms of the transaction and its financing in order to sign definitive legal documentation and launch the envisaged equity fund raising.

For the avoidance of doubt, no definitive or binding documentation to effect the Proposed Merger has been signed, and there can be no certainty that the Proposed Merger or any other transaction with VGG will ultimately occur.

Strategic rationale for the Proposed Merger

A core element of Shanks' strategy is to actively manage the Group's portfolio to improve returns and accelerate growth through the acquisition of value-enhancing businesses (and/or the disposal of non-core assets), particularly where strong synergies exist with existing Shanks businesses. Given the structure and conditions in the Benelux waste management market, the Board has for a long time believed that a merger with VGG would transform and enhance the Company's position.

[1] Cash consideration value and VGG pro forma ownership of the Combined Group assume full take-up of share consideration of up to €204 million

[2] VGG's pro forma ownership of the Combined Group is determined by the GBP value of the share consideration at signing (approximately £170 million at current GBPEUR foreign exchange rates, assuming full take-up of €204 million share consideration), as a percentage of the sum of Shanks' market capitalisation based on Shanks' closing share price of 81 pence per share the business day immediately prior to the Suspension (c.£323 million) plus the ultimate proceeds from the envisaged equity issue (currently envisaged to be c.£90 million) plus the GBP value of €204 million at signing.

The Board of Shanks believes that Shanks and VGG are highly complementary businesses and that there is an extremely compelling strategic and commercial rationale for a merger of the two businesses. Specifically, the Board of Shanks believes it would:

- create a leading waste-to-product business in Benelux – one of the most advanced recycling markets in the world – with a clear vision to meet the growing needs of the Circular Economy
- result in enhanced geographical coverage within the Benelux market and greater access to adjacent EU markets, especially for specialised recycling technologies;
- bring together two groups with complementary portfolios, such as Shanks' focus on the construction and demolition segment and VGG's services in the municipal collection segment;
- provide customers of the Combined Group with a broader range of complementary technologies and services, for example with Shanks' proven capabilities in hazardous and organic waste and VGG's in the recycling of glass and electronic goods;
- accelerate the commercial development of the two businesses through the sharing of best practice in the areas of commercial effectiveness, continuous improvement, procurement and marketing;
- generate significant synergies through economies of scale and efficiencies that would deliver attractive returns for shareholders in the Combined Group; and
- create an enterprise with enhanced growth prospects and the scale, capabilities and resources to remain at the forefront of recycling technology for the benefit of all stakeholders.

Potential synergies from the Proposed Merger

The Board of Shanks has identified a number of potential areas of significant cost synergy that would be accretive to the performance of the combination of Shanks and VGG. These cost synergies include:

Direct:
- Route optimisation to increase logistic efficiency and reduce costs; and
- Site rationalisation where the combined entity has depots or processing sites in the same geographic region.

Scale:
- Improved procurement, including scale gains and the application of VGG's procurement capabilities across Shanks;
- Improved recyclate income, including the benefits of scale and the sharing of best practices; and
- Reduced off-take costs and optimised application of combined off-take contracts.

Indirect:
- Rationalisation of the headquarters and regional overheads of the combined entity; and
- Cost reductions from more efficient combined back-office processes and systems.

In addition, the Board of Shanks believes the application of its commercial effectiveness programme to VGG, 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 treatment and in outbound logistics management. The Combined Group should also deliver long term cash savings from reduced capital expenditure, and capital procurement at scale, as well as in reduced landfill aftercare costs.

Shanks intends to provide a Quantified Financial Benefits Statement in respect of envisaged cost synergies from the Proposed Merger in due course.

Integration principles

Shanks envisages the Proposed Merger would be implemented using a 'merger of equals' principle, with senior management representation from both businesses reflecting respective strengths and additional targeted new hires from within and outside the industry. The creation of a new entity and brand for the Combined Group would underpin the full integration of the two businesses and synergy delivery.

Extensive pre-completion integration planning, including detailed planning of organisation structures, would enable the new Combined Group to commence its integration effectively immediately following completion.

A full time Integration Director will be appointed, reporting directly to the Group CEO, to oversee the integration process, with direct synergies being delivered from the outset.

Financial effects of the Proposed Merger

On a historical pro forma basis (based on the audited Consolidated Income Statement of VGG for the financial year ended 31 December 2015 and the audited Consolidated Income Statement of Shanks for the financial year ended 31 March 2016), the Combined Group would have had a combined revenue in excess of €1.7 billion, combined non-IFRS EBITDA before exceptionals in excess of €170 million and in excess of 7,500 employees.

It is expected that the Proposed Merger would deliver significant enhancement to underlying earnings by the second full financial year after completion (i.e. the Shanks financial year ending 31 March 2019), and the return on investment would exceed the Group's weighted average cost of capital over the same period.

The Proposed Merger will include establishing new banking facilities, and Shanks has had supportive discussions with its key lending banks.

Post-completion, Shanks' current dividend per share will be adjusted to take account of the equity issue, with a move to a progressive dividend policy linked to its dividend coverage ratio thereafter.

Capital structure of the Combined Group

Following completion, the Board of Shanks anticipates a net debt / EBITDA 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.

Restoration of dealings in Shanks ordinary shares and publicly traded debt

The existence of discussions relating to the Proposed Merger became public on 24 May 2016 and, as the Proposed Merger has been deemed a reverse takeover by the FCA and VGG is not subject to a public disclosure regime, Shanks' listing was suspended on 24 May 2016 pursuant to Listing Rule 5.6.8G. Accordingly, additional information on VGG is being provided in the Appendix to this announcement in accordance with Listing Rule 5.6.15G, and Shanks has requested the FCA to restore dealings in its ordinary shares and publicly traded debt as soon as possible this morning.

Shanks current trading update

Shanks has started the new financial year well, with trading slightly ahead of management's expectations. The Commercial Division has made a strong start, supported by higher construction and demolition activity, a modest recovery in recyclate prices and ongoing operational self-help initiatives. Hazardous Waste has also made an encouraging start to the year, with good volumes of soil and water processed. The Municipal Division has had a more challenging opening period due to the previously reported market and operational headwinds. Overall, the Group remains on track to deliver a full year result in line with management's expectations.

If continued, the recent weakening of Sterling against the Euro following the UK Referendum vote would be net positive for the Group, with a more favourable translation of Euro-denominated revenues and profits into Sterling outweighing a much smaller increase in the costs of the disposal of Refuse Derived Fuel (RDF) for the Municipal Division.

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James Rudd	
James Ireland	

Webcast details:

Management will be holding a webcast presentation at 8:30am today, 7 July, the details of which are below:

Webcast:	www.shanksplc.com
Telephone conference:	
UK:	020 3059 8125
Belgium:	0289 48 067
Netherlands:	0207 946 721
All other locations:	+44 20 3059 8125
Confirmation password:	Shanks

APPENDIX

Information on the VGG Group

Introduction

Founded in 1964, the VGG Group is one of the leading waste management service providers, recyclers and suppliers of high-quality secondary raw materials. The company is a leader in the Benelux area, its home market, and also operates in Germany, France, Portugal and Hungary. VGG is headquartered in Eindhoven, the Netherlands.

Business overview

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

i. Benelux – comprising the VGW NL and VGW BE divisions in the Netherlands and Belgium, and specialising in the collection and recycling of commercial and municipal waste.

ii. Recycling – comprising the Coolrec, Maltha and Minerals businesses – converts specific waste and material streams into high-quality secondary raw materials in the Benelux, Germany, France, Portugal and Hungary.

In addition to these current business lines, VGG seeks new partnerships and start-ups to improve the recovery grade and quality of secondary raw materials and to take on a leading role in the circular economy.

During 2015, VGG consolidated its position as a leader in the waste services and recycling sectors, despite challenging markets. VGG's strategy has been focussed on implementing cost savings and performance improvement measures within the business. In addition, VGG has undertaken a debt restructuring and sold its collection subsidiaries in Poland, the Czech Republic and France. Furthermore VGG, together with its chain partners, developed innovative circular customer propositions and business models.

<u>Benelux</u>

The Benelux segment, comprising the VGW NL and VGW BE divisions in the Netherlands and Belgium respectively, specialises in waste management, material flows and logistical systems. VGG collects and transports waste from households, businesses and other entities 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.

VGG 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 company to recover more raw materials from waste. In 2015, 93.1 per cent. of the waste collected by VGG was given a second life by being used as a raw material or being usefully applied as energy.

The Benelux activities can be classified into five main categories:

- Collection activities: VGG's waste collection activities comprise of waste collection via transport containers, loading containers and (semi) underground containers. Waste collected through these methods includes for instance combustible waste, (confidential/Destra) paper and cardboard, glass, construction and demolition waste etc. VGG becomes owner of most of the collected waste.

- Processing activities: Collected waste is transported to a dense network of transfer stations, where waste is sorted, bulked, stored temporarily and transported to recycling plants, directly sold as secondary raw materials or transported to Energy from Waste facilities.

- Domestic: Includes collection of residential waste, operating in the Netherlands as partnerships with municipalities (PPP contracts), or in Belgium through municipal contracts ('tenders').

- Chemicals: Includes 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 set to processing facilities. In addition, Chemicals also provides intercompany waste collection services, and has a unique specialised processing unit (CFS) for the treatment of specific fluid hazardous waste stream.

- Other: Comprises several activities that support the transition towards circular material provision; including consulting and the Ecosmart waste management service.

Recycling

The VGG recycling division converts waste into secondary raw materials that are supplied throughout Europe. Key group operating companies specialise in recycling waste electrical and electronic equipment (WEEE) and glass while other specialise in landfill, soil decontamination and remediation. The recycling business includes:

- Coolrec: A market leader in the Benelux 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; plastics and non-ferrous metals.

- Maltha (67 per cent. interest): The largest recycler of packaging and sheet glass in Europe, recycling more than 1 million tonnes of glass each year. Maltha operates specialised facilities throughout Europe (three sites in the Benelux, 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 waste into clean and controlled high quality bullet (bottle glass and flat glass), and supplies these high quality raw materials to various glass and glass wool insulation producers.

- VGG Minerals: An operator of three active landfill sites in the Benelux, 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. Minerals is well positioned in the Netherlands with respect to the treatment of hazardous mineral waste and also in the field of immobilisation of specific hazardous waste streams.

As at 31 December 2015, VGG has provided for EUR 75 million of future obligations resulting from landfills, two of which are expected to close within 5 years. The exact timing of the future cash-outs will be impacted by the extensions of the permits currently being considered, as well as a number of strategic initiatives.

Summary historical financial information on VGG

The following historic financial information on VGG has been extracted from the paragraphs below entitled Historical financial information relating to the VGG Group, and includes certain non-IFRS financial measures which are considered to be representative of the VGG business' underlying historical financial performance:

	2014 € '000	2015 € '000
Revenue	961,759	944,852
EBITDA before non-trading and exceptional items[3]	99,430	81,810
EBITA before non-trading and exceptional items[4]	32,815	18,191
Operational cash flow[5]	77,549	61,508
Capital expenditure[6]	51,547	66,282

VGG's 2015 performance and profitability was affected by decreasing margins in waste collection both in the Netherlands (reflecting ongoing challenging conditions through the market downturn) and Belgium (which has achieved relatively stable performance through the cycle). In addition, operational delays with the rebuild of a large glass processing factory at Maltha (VGG's glass business). Furthermore, VGG's specialities business showed significant losses and towards the end of the year. VGG disposed of these assets (notably waste collection in Czech Republic, Poland and France).

Current trading and prospects

For the five month period to 31 May 2016, VGG's trading is ahead of management's expectations and is on track to make further progress during the rest of the year in its top-line revitalisation programme and the delivery of cost improvement projects.

[3] VGG's EBITDA before non-trading and exceptional items is a non-IFRS financial measure calculated based on statutory operating profit / (loss), less depreciation, amortisation, impairment charges and other non-recurring costs and exceptional items.
[4] VGG's EBITA before non-trading and exceptional items is a non-IFRS financial measure calculated based on statutory operating profit / (loss), less amortisation of intangible assets, impairment charges and other non-recurring costs and exceptional items.
[5] Cash flow from operating activities as presented in VGG's Consolidated Statement of Cash Flows on page 16 and 20 of this announcement
[6] VGG's capital expenditure comprises the sum of the investments in other intangible assets and the investments in property, plant and equipment, as presented in VGG's Consolidated Statement of Cash Flows on pages 16 and 20 of this announcement. As disclosed in the notes to VGG's 2015 Annual Report, VGG's total additions of property, plant and equipment and other intangibles (in €'000s) were €61,976 in 2014 and €67,843 in 2015, including assets acquired under finance leases.

Historical financial information relating to the VGG Group

In accordance with paragraph 5.6.15G(1) of the Listing Rules, set out below is the relevant historical financial information on the VGG Group for the years ended 31 December 2013, 31 December 2014 and 31 December 2015.

The following sections of the audited financial statements of the VGG Group, as set out in the Group's Annual Reports for the years ended 31 December 2013 (as restated in the Group's Annual Report for the year ended 31 December 2014), 31 December 2014 (as restated in the Group's Annual Report for the year ended 31 December 2015) and 31 December 2015.

Consolidated financial statements for the VGG Group for the financial year ended 31 December 2013

CONSOLIDATED INCOME STATEMENT	**2013** **€ '000**
Revenue	1,002,281
Raw materials, supplies and energy	(26,856)
Third-party processing	(295,450)
Third-party maintenance	(11,165)
Employee benefit expenses	(278,837)
Depreciation and amortisation	(96,936)
Impairment charges	(1,526)
Other operating expenses	(290,361)
Operating profit/ (loss)	**1,150**
Financial income	11,690
Financial expense	(86,457)
Share in result of associates	(2,843)
Profit / (loss) before tax	(76,460)
Taxes on result	14,830
Profit / (loss) after tax from continuing operations	**(61,630)**
Profit / (loss) after tax from discontinued operations	**53,492**
Profit / (loss) for the year	**(8,138)**
Attributable to:	
Owners of the parent	(13,693)
Non-controlling interests	5,555
	(8,138)

CONSOLIDATED BALANCE SHEET

	31 December 2013 € '000
ASSETS	
Non-current assets	
Property, plant and equipment	423,645
Goodwill	460,721
Other intangible assets	136,688
Investments in associates, joint ventures and other investments	3,357
Deferred tax assets	-
Derivative financial instruments	-
Other non-current financial assets	5,779
Cash and cash equivalents	18,720
Total non-current assets	**1,048,910**
Current assets	
Inventories	16,450
Trade and other receivables	185,339
Derivative financial instruments	158
Prepayments and accrued income	5,929
Other current financial assets	237
Cash and cash equivalents	166,711
	374,824
Assets classified as held for sale	5,036
Total current assets	**379,860**
Total assets	**1,428,770**

EQUITY AND LIABILITIES	31 December 2013 € '000
Capital and reserves	
Issued capital	40
Share premium	574,800
Revaluation reserve	6,030
Cash flow hedge reserve	(7,210)
Retained earnings	(484,683)
Undistributed result	(13,693)
Equity attributable to owners of the parent	75,284
Non-controlling interests	17,681
Total equity	**92,965**
Non-current liabilities	
Borrowings	858,515
Derivative financial instruments	249
Deferred tax liabilities	67,258
Employee benefits	12,261
Provisions	80,610
Total non-current liabilities	**1,018,893**
Current liabilities	
Trade and other payables	185,381
Borrowings	21,370
Derivative financial instruments	6,647
Provisions	11,536
Other liabilities	91,978
Total current liabilities	**316,912**
Total liabilities	**1,335,805**
Total equity and liabilities	**1,428,770**

CONSOLIDATED STATEMENT OF CASH FLOWS	2013	2013
	€ '000	€ '000
Result before tax		(83,564)
Adjustments for:		
- Depreciation and amortisation	132,458	
- Impairment charges	1,526	
- Share based payments	(75)	
- Change in employee benefits	(1,814)	
- Change in provisions	(21,248)	
- Finance income	(11,087)	
- Finance expense	114,392	
- Share in result of associates and joint ventures	(614)	
- Change in fair value of operational hedges	(168)	
Total adjustments on result before tax		213,370
Changes in working capital	15,773	
Dividend received	330	
Corporate income tax (paid) / received	(2,659)	
		13,444
Cash flow from operating activities		**143,250**
Investments in:		
- other intangible assets	(5,545)	
- property, plant and equipment	(56,175)	
- subsidiaries	-	
- associates and joint ventures	(146)	
- other financial assets	(1,430)	
Divestments of:		
- other intangible assets	15	
- property, plant and equipment	2,905	
- subsidiaries	890,147	
- associates and joint ventures	22	
- other financial assets	121	
Cash flow from Investment activities		**829,914**
Repayment borrowings	(775,842)	
New loans	-	
Interest paid	(138,297)	
Dividend paid	(7,414)	
Cash flow from financing activities		**(921,553)**
Increase / decrease in liquidities		**51,611**
Cash position as of 1 January		134,007
Exchange rate differences		(187)
Cash position as of 31 December		**185,431**

Consolidated financial statements for the VGG Group for the financial year ended 31 December 2014

CONSOLIDATED INCOME STATEMENT	**2014**
	€ '000
Revenue	961,759
Raw materials, supplies and energy	(23,273)
Third-party processing	(297,672)
Third-party maintenance	(7,000)
Employee benefit expenses	(275,349)
Depreciation and amortisation	(93,335)
Impairment charges	(490,123)
Other operating expenses	(291,035)
Operating profit/ (loss)	**(516,028)**
Financial income	583
Financial expense	(70,007)
Share in result of associates, joint ventures and other investments	(60)
Profit / (loss) before tax	(585,512)
Taxes on result	36,284
Profit / (loss) for the year	**(549,228)**
Attributable to:	
Owners of the parent	(555,452)
Non-controlling interests	6,224
	(549,228)

CONSOLIDATED BALANCE SHEET

	31 December 2014 € '000
ASSETS	
Non-current assets	
Property, plant and equipment	406,262
Goodwill	38,183
Other intangible assets	51,147
Investments in associates, joint ventures and other investments	2,919
Deferred tax assets	-
Other non-current financial assets	100
Cash and cash equivalents	19,892
Total non-current assets	**518,503**
Current assets	
Inventories	15,907
Trade and other receivables	142,672
Prepayments and accrued income	6,283
Other current financial assets	5,783
Cash and cash equivalents	127,380
	298,025
Assets classified as held for sale	4,223
Total current assets	**302,248**
Total assets	**820,751**

EQUITY AND LIABILITIES	31 December 2014 € '000
Capital and reserves	
Issued capital	40
Share premium	574,800
Revaluation reserve	681
Cash flow hedge reserve	(2,866)
Retained earnings	(494,657)
Undistributed result	(555,452)
Equity attributable to owners of the parent	(477,454)
Non-controlling interests	19,262
Total equity	**(458,192)**
Non-current liabilities	
Borrowings	84,409
Derivative financial instruments	1,769
Deferred tax liabilities	37,367
Employee benefits	14,374
Provisions	80,755
Total non-current liabilities	**218,674**
Current liabilities	
Trade and other payables	151,494
Borrowings	797,003
Derivative financial instruments	2,877
Provisions	11,229
Other liabilities	97,666
Total current liabilities	**1,060,269**
Total liabilities	**1,278,943**
Total equity and liabilities	**820,751**

CONSOLIDATED STATEMENT OF CASH FLOWS	2014	2014
	€ '000	€ '000
Result before tax		(585,512)
Adjustments for:		
- Depreciation and amortisation	93,335	
- Impairment charges	490,123	
- Change in employee benefits	(745)	
- Change in provisions	(403)	
- Financial income	(583)	
- Financial expense	70,007	
- Share in result associates and joint ventures	60	
- Change in fair value of operational hedges	150	
Total adjustments on result before tax		651,944
Changes in working capital	13,439	
Corporate income tax (paid) / received	(2,322)	
		11,117
Cash flow from operating activities		**77,549**
Investments in:		
- other intangible assets	(5,860)	
- property, plant and equipment	(45,687)	
- other financial assets	(345)	
Divestments of:		
- property, plant and equipment	5,179	
- subsidiaries	-	
- associates and joint ventures	-	
- other financial assets	1,174	
Dividend received	378	
Cash flow from investment activities		**(45,161)**
Repayment borrowings	(18,021)	
New loans	-	
Interest paid	(48,380)	
Dividend paid	(4,306)	
Cash flow from financing activities		**(70,707)**
Increase / decrease in liquidities		**(38,319)**
Cash position as of 1 January		185,431
Exchange rate differences		160
Cash position as of 31 December		**147,272**

Consolidated financial statements for the VGG Group for the financial year ended 31 December 2015

CONSOLIDATED INCOME STATEMENT	**2015**
	€ '000
Revenue	944,852
Raw materials, supplies and energy	(23,096)
Third-party processing	(311,038)
Third-party maintenance	(6,759)
Employee benefit expenses	(256,336)
Depreciation and amortisation	(79,668)
Impairment charges	(608)
Other operating expenses	(300,813)
Operating profit / (loss)	**(33,466)**
Financial income	402,839
Financial expense	(76,198)
Share in result of associates, joint ventures and other investments	3,118
Profit / (loss) before tax	296,293
Taxes on result	11,579
Profit / (loss) for the year	**307,872**
Attributable to:	
Owners of the parent	304,702
Non-controlling interests	3,170
	307,872

CONSOLIDATED BALANCE SHEET	31 December 2015 € '000
ASSETS	
Non-current assets	
Property, plant and equipment	378,893
Goodwill	38,183
Other intangible assets	39,594
Investments in associates, join ventures and other investments	2,412
Deferred tax assets	-
Other non-current financial assets	145
Cash and cash equivalents	19,453
Total non-current assets	**478,680**
Current assets	
Inventories	14,010
Trade and other receivables	118,711
Prepayments and accrued income	6,028
Other current financial assets	119
Cash and cash equivalents	112,691
	251,559
Assets classified as held for sale	5,067
Total current assets	**256,626**
Total assets	**735,306**

EQUITY AND LIABILITIES	31 December 2015 € '000
Capital and reserves	
Issued capital	80
Share premium	719,638
Revaluation reserve	681
Cash flow hedge reserve	(643)
Retained earnings	(1,048,871)
Undistributed result	304,702
Equity attributable to owners of the parent	(24,413)
Non-controlling interests	15,605
Total equity	**(8,808)**
Non-current liabilities	
Borrowings	337,463
Derivative financial instruments	10,950
Deferred tax liabilities	25,457
Employee benefits	11,671
Provisions	86,480
Total non-current liabilities	**472,021**
Current liabilities	
Trade and other payables	145,412
Borrowings	24,298
Derivative financial instruments	4,666
Provisions	8,157
Other liabilities	89,560
Total current liabilities	**272,093**
Total liabilities	**744,114**
Total equity and liabilities	**735,306**

CONSOLIDATED STATEMENT OF CASH FLOWS	2015 € '000	2015 € '000
Result before tax		296,293
Adjustments for:		
- Depreciation and amortisation	79,668	
- Impairment charges	608	
- Change in employee benefits	(1,261)	
- Change in provisions	(873)	
- Financial income	(402,839)	
- Financial expense	76,198	
- Share in result associates and joint ventures	(3,118)	
- Change in fair value of operational hedges	2,333	
Total adjustments on result before tax		(249,284)
Changes in working capital	17,785	
Corporate income tax (paid)/received	(3,286)	
		14,499
Cash flow from operating activities		**61,508**
Investments in:		
- other intangible assets	(5,214)	
- property, plant and equipment	(61,068)	
- other financial assets	(164)	
Divestments of:		
- property, plant and equipment	4,922	
- subsidiaries	18,504	
- associates and joint ventures	400	
- other financial assets	1,354	
Dividend received	669	
Cash flow from Investment activities		**(40,597)**
Repayment borrowings	(12,878)	
New loans	-	
Interest paid	(18,625)	
Dividend paid	(4,447)	
Cash flow from financing activities		**(35,950)**
Increase / decrease in liquidities		**(15,039)**
Cash position as of 1 January		147,272
Exchange rate differences		(89)
Cash position as of 31 December		**132,144**

Accounting policies

Shanks and VGG both prepare their consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union. In accordance with paragraph 5.6.15G of the Listing Rules, no material differences in the accounting policies adopted by Shanks and VGG in the years presented in this announcement have been identified, with the exception of the following:

- In the event that Shanks concludes a transaction with VGG, Shanks would expect to account for certain waste management services contracts which VGG has with local municipalities as service concession arrangements rather than as an asset on the balance sheet. Should this accounting treatment be applied to VGG's historical financial information, this would result in the retrospective derecognition and reclassification of certain PPE assets; and
- VGG recognises a deferred tax asset and a deferred tax liability when a landfill restoration provision is initially recognised. In contrast, Shanks' policy is to apply the IAS 12 initial recognition exemption to deferred tax accounting with respect to restoration provisions. Consequently, no deferred tax is recorded upon initial recognition of such provisions in Shanks. Should Shanks' accounting policy be applied to VGG's historical financial information, Shanks expects that this would result in retrospective derecognition of certain deferred tax balances held on VGG's balance sheet for each of the three years ended 31 December 2015.

Confirmations

In accordance with paragraph 5.6.15G(3) of the Listing Rules, the Directors consider that this announcement contains sufficient information about the VGG Group to provide a properly informed basis for assessing its financial position.

In accordance with paragraph 5.6.15G(4) of the Listing Rules, Shanks confirms that it has made the necessary arrangements with the vendors of VGG to enable it to keep the market informed without delay of any developments concerning VGG that would be required to be released were VGG part of Shanks.

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Certain figures contained in this announcement, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this announcement may not conform exactly with the total figure given.

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