Final Results

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Augean Plc
20 March 2018

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Augean plc ("Augean" or the "Group")
Final results for the year ended 31 December 2017

Augean, one of the UK's leading specialist waste management businesses, is pleased to announce its preliminary results for the year ended 31 December 2017.

Financial highlights
From continuing operations and excluding exceptional items

- Total revenue increased by 11% to £84.7m (2016: £76.0m)
- Adjusted profit before taxation[1] and share based payment charges decreased 19% to £5.8m (2016: £7.2m)
- Net operating cash flows decreased by 21% to £10.7m (2016: £13.5m)
- Adjusted[2] basic earnings per share decreased by 4% to 4.23 pence (2016: 4.42p)
- Net debt remained in line with the prior year at £10.8m
- No proposed dividend given the ongoing discussions with HMRC (2016: 1.0p per share)
- As at 19 March net debt is £8.9m. A further £0.8m consideration in relation to the sale of AIS is expected in the next month

Commenting on the Results, Jim Meredith, Executive Chairman, said:

"2017 was a challenging year with the HMRC Landfill Tax assessments and a decline in Group profitability. We remain in active discussions with HMRC but do not anticipate a swift resolution. Steps have been taken to reduce the Group cost base by £4m and we have also reduced Group debt from over £18m in the Autumn to under £11m by year-end. Trading has commenced the year in line with board expectations."

There will be a meeting for analysts at 9.00am today at the offices of FTI Consulting, 9th Floor, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD. For further information please call 020 3727 1000.

For further information, please call:

Augean plc	01937 844 980
Jim Meredith Executive Chairman	
Mark Fryer, Group Finance Director	
N+1 Singer	020 7496 3000
Shaun Dobson	
Alex Price	
FTI Consulting	020 3727 1000
Fiona Walker	

[1] Profit before tax and exceptional items also adjusted to exclude amortisation of acquired intangible assets of £0.3m (2016: £0.2m)

[2] Before exceptional items

Executive Chairman's statement

During 2017, the Group profit before tax and exceptional items decreased 21% to £5.5m because of losses on the legacy Colt contract and cost increases committed through the second half of 2016.The legacy contract has now been completed and settlement reached. The Group has enacted measures to reduce the cost base by £4m on an annualised basis which has seen over 50 employees, or over 15% of the workforce leave the business. The Group is currently trading in line with expectations for 2018. A focus on cash control is reflected in our debt position.

At an operational level, the Group has achieved a number of key strategic goals including securing further contracts with top-tier customers and a significant increase in Energy from Waste (EfW) volumes, reaffirming our integrated waste management proposition with our customers. It was particularly pleasing to see the 3x Waste Acceptance Criteria (WAC) derogation unchanged by DEFRA following almost four years of review and consultation. This decision validates the Groups' successful investment in processing solutions to generate the most environmentally beneficial outcomes for our customers. The investment in these core assets for the Group remains valid whilst we ensure that the associated cost base (particularly overheads) has to be balanced to ensure appropriate cash and profit generation.

Health and safety continues to remain the highest priority for the Board, management and employees across the Group. The management team has responded to an increase in accidents in 2016 by enhancing hazard recognition, risk evaluation and learning from incidents. As such, number of accidents resulting in injuries in 2017 has reduced by 37%. The Board continues to recognise the risks faced by our people, who work in environments moving, treating and disposing of hazardous waste.

Protecting the environment is not only a matter of compliance with permits but encompasses our broader responsibilities to society and future generations. The Group diligently monitors its performance in this regard, the results of which are regularly reported to the Board. The majority of our sites in England are ranked by the Environment Agency as Category A and the Scottish Environmental Protection Agency rates all of the Group's sites in Scotland as "Excellent".

The Board recognises that our business success is dependent on the quality, diligence and hard work of all Augean's employees and I would like to take this opportunity on behalf of the Board to thank everyone who has contributed to the Group's continued progress during a challenging year.

The Group's balance sheet and operating cash flow remain robust but given the HMRC position, described in note 9, which has been communicated to shareholders previously, the Board will not pay a dividend for 2017 (2016 final: 1.0p per share).

Since our announcement on 27 October 2017, we have received a further two assessments from HMRC on the same basis as the previous assessments. We expect to receive further assessments to be issued in order for HMRC to protect subsequent periods and we will continue to provide appropriate and periodic updates without announcing the receipt of each and every update. The total number of quarterly assessments received to date is five, and the value of these assessments received at the date of this report is £12.0m, including interest of £1.2m. On 19 March 2018, we were advised by HMRC that certain waste types assessed as standard rated in one of the three assessments received for Augean South, will be treated as exempt for the February 2014 quarter. The impact of this is to potentially remove £1.5m from the February 2014 quarterly assessment when this is formally re-issued. This represents 53% of that quarter's £2.8m original assessment. Whilst this is clearly a welcome development in proving our case with HMRC, there is still substantial time and clarification required to fully justify our position. Despite this, we believe the assessments are without merit, we will robustly defend the assessments, have not provided for these and do not expect to make a net cash payment.

As in previous years, I am pleased to note the addition of new shareholders to our register during the year and again I am thankful for the continued support from all of our investors.

I am pleased that we have been able to strengthen the Board with the appointment of Christopher Mills and Roger McDowell and thank Andrew Bryce for re-joining the Board to bring his particular skills to bear in resolution of our HMRC issue.

I look forward to updating shareholders on our progress during the current financial year.

Jim Meredith

Executive Chairman

19 March 2018

Operating Review

Introduction

The adjusted Group profit before tax of £5.5m (2016: £7.0m) is after intangible asset amortisation of £0.4m (2016: £0.3m), share option expense of £0.2m (2016: £0.2m) and before exceptional items of £8.6m (2016: £5.7m) with a loss after tax and exceptional costs of £3.5m (2016: £0.4m profit).

During 2017, the Group operated through five business units. To generate the savings made and because of the need to focus on profitable cash generative growth more heavily, the Group has amended the business unit infrastructure for 2018. Going forward, the Group will therefore be reported as two segments, with the results of the North Sea Service business separately disclosed and all others combined to produce one new segment. The results for 2017 are therefore shown for the last time under the five business units, the results of which were:

	Adjusted revenues		Adjusted operating profit before interest, tax and central costs		IFRS basis operating profit before interest, tax and central costs	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Energy and Construction	21.0	25.3	6.6	8.3	5.3	8.1
Radioactive Waste Services	3.1	1.2	1.2	0.3	1.0	0.1
Industry and Infrastructure	21.1	18.8	(0.8)	0.5	(7.4)	0.2
Augean Integrated Services	10.7	7.6	(0.4)	(0.7)	(0.7)	(4.2)
Augean North Sea Services	18.2	12.9	0.7	0.5	0.5	(1.0)
Total	**74.1**	**65.8**	**7.3**	**8.9**	**(1.3)**	**3.2**

Adjusted revenues exclude intra segment trading and landfill tax, adjusted operating profit excludes exceptional items and intangible asset amortisation.

The operating cash flow of the Group of £9.4m was used to fund the future growth of the Group, with total capital expenditure investment of £8.8m. This comprised £4.5m of maintenance capital expenditure to lengthen the productive life of existing assets (including £1.7m on landfill cell engineering) and £4.3m of development capital expenditure for targeted future growth.

As has been announced previously, the acquisition of Colt has not met the Board's expectations. The goodwill and associated intangible assets of £6.1m has therefore been impaired to £nil and a further impairment of £0.2m against Property Plant and Equipment has been recognised. Other significant exceptional items relate to redundancy costs to reduce the Group cost base of £1.0m and costs of dispute relating to Landfill Tax with HMRC of £1.1m.

Business performance

The Group operated through five business units during 2017 and 2016 (Energy & Construction, Radioactive Waste Services, Industry & Infrastructure, Augean Integrated Services and Augean North Sea Services). The performance of each of the five business units in 2017 is set out below.

Energy & Construction (E&C)

The principal activity of this business unit is the disposal of Energy from Waste including APCR, asbestos and other contaminated waste materials and soils, mainly from construction sectors.

Adjusted revenues, excluding landfill tax and inter group sales, reduced by 17% to £21.0m (2016: £25.3m), with the reduction primarily caused by lower construction soil volumes.

The total volume of waste disposed by the E&C business reduced by 20% to 458,000 tonnes in 2017, from 574,000 tonnes in 2016. APCR volumes increased by 10% from 111,000 tonnes to 122,000 tonnes and all other waste streams decreased by 27% from 463,000 tonnes to 336,000 tonnes.

The adjusted operating profit of the business unit declined by 20% to £6.6m (2016: £8.3m) compared with adjusted revenue decline of 17%.

APCR volumes have shown strong growth as a result of contract wins for the Group. An increase in the volume of APCR treated by the Group remains a key strategic objective in the short and medium term, with the business well-positioned to utilise its additional investment in treatment capacity to service the growth in Energy from Waste and biomass energy capacity in the areas of the UK served by our sites. The Group is committed to obtaining recycling credit for its treatment of APCR which, after cost, is important for the operators of the EfW plants, the municipal authorities and ultimately the British public in lower Council taxes.

Radioactive Waste Services (RWS)

The principal activity of this business unit is the treatment and disposal of low level radioactive waste generated from the UK nuclear estate.

The total adjusted revenue from the disposal and treatment of low level radioactive waste increased by 258% to £3.1m (2016: £1.2m) due to a number of new contract awards from the Nuclear Decommissioning Authority. Operating profit before exceptional items increased by fourfold to £1.2m (2016: £0.3m). The Group in 2017 has benefitted from reasonable inputs of radioactive material during the year, however, the control and contracting environment (not under Group Control) for these materials means volumes released are very unpredictable, albeit welcome when received.

The Group has successfully won contracts to maintain revenue for 2018 subject to expected release rates of the waste although these will be more heavily weighted to the second half of 2018. Further medium-term opportunities exist for the RWS business through anticipated growth in the market for treatment and disposal of naturally occurring radioactive material (NORM) and low level radioactive waste from other sectors.

The Group operates a number of essential assets for the delivery of the Government's strategy for dealing with radioactive waste and will seek to expand the range of our permits for the treatment of this waste through 2018.

Industry & Infrastructure (I&I)

The principal activity of this business unit is the recovery and recycling of oil and solvents and the generation of secondary liquid and solid fuels from waste. This business also provides specialist industrial cleaning and other waste management services to a range of markets, including refinery chemical processing & manufacturing, port & shipping operations and water treatment.

I&I total adjusted revenue increased by 12% to £21.1m in 2017 (2016: £18.8m) largely due to a full year of Colt revenues (8 months in 2016) and the business unit made a loss before exceptional items of £0.8m, compared with a £0.5m operating profit before exceptional items in 2016. All the loss was generated from a single Colt legacy contract and the lower I&I performance is attributable to higher shared business costs in 2017 over 2016 which has been addressed in the cost reduction programme. Colt lost £0.8m in 2017 (2016: £Nil). All the Colt losses were incurred on one tank cleaning contract with a major oil refiner. This contract dispute is now settled and no other losses are expected to be generated. Given the Colt loss, and the rest of the business only being break-even, the Board has carried out an impairment review and recorded an impairment of goodwill and associated intangible assets of £6.3m.

Augean Integrated Services (AIS)

AIS operates a high temperature incinerator (HTI) in East Kent and provides a total waste management (TWM) service at client sites to address their waste management and compliance needs leveraging the specialist HTI assets.

Total adjusted revenue grew by 41% to £10.7m (2016: £7.6m). This included £7.5m from total waste management (2016: £5.5m). Despite the revenue growth the division lost £0.4m (2016: £0.7m loss). The lack of profitability of this business unit was primarily caused by continuing high cost in the TWM business with brokerage margin not able to sufficiently cover the cost base expansion as new customers are won. The East Kent HTI almost broke even. The board is closely monitoring the performance of the HTI which needs to improve in the short term.

The AIS total waste management business was sold to Regen Holdings on the 16 March for an initial consideration of £3.0m with an additional £0.8m on agreement of completion accounts and further amounts expected for delivery of working capital over normalised levels. The impact of the sale is demonstrated in note 10.

Augean North Sea Services (ANSS)

The ANSS business unit operates in the North Sea Oil & Gas market. The primary revenue streams are from drilling waste management (DWM), including the rental of offshore engineers and equipment to customers, production waste management, onshore & marine industrial services, decommissioning and water treatment.

ANSS revenue increased by 41% to £18.2m (2016: £12.9m) and saw an increase in operating profit to £0.7m (2016: £0.5m).

The ANSS strategy continues to gain traction as the business moves up the supply chain, dealing directly with Oil & Gas operators and top-tier customers, so providing opportunities to widen its service scope directly with those customers. Over 89% of total ANSS revenues were directly generated from those customers during 2017, compared with 84% in 2016.

The ANSS facility at the Port of Dundee for the management of waste arising onshore from the decommissioning of offshore assets opened in June. This facility will enhance the opportunity for Augean to service the growing North Sea decommissioning market, a multi-billion pound programme decommissioning hundreds of offshore assets which is expected to be active for over 20 years.

The business has been successful in broadening scope in the decommissioning market to encompass offshore work. A top-tier operator which initially engaged ANSS to provide plug and abandonment waste management containment services has now widened the engagement to provide offshore radiation protection supervision work. ANSS secured significant long term contracts, encompassing all our segments of business, worth in excess of £10m with two major North Sea operators, servicing, integrated waste management and industrial cleaning, Offshore DWM /Plug & Abandonment / Radiological Protection Service and specialist cleaning, Decommissioning with decontamination and NORM disposals. These contract wins further underpin existing management expectations for 2018 revenues and profits from this business.

Legislative environment

Regulation underpins the demand for Augean's services and accordingly the business follows closely the development of legislation and guidance and engages proactively with policy makers and regulators. The Department for Environment, Food and Rural Affairs (DEFRA) confirmed in 2017 that there is no clear justification or environmental benefit for removal of the derogations supporting the Augean practice for safe treatment of air pollution control residues.

Planning and permitting

The key permitting work in 2017 has been development of an Oil & Gas decommissioning hub and waste transfer station at Port of Dundee.

The current planning permission time limits allow a life for the Group's ENRMF site to 2026, Thornhaugh to 2034 and over 50 years for Port Clarence.

Permit extensions will be sought for the Port Clarence landfill in 2018.

Financial performance

Group overview

A summary of the Group's financial performance, from continuing operations and excluding exceptional items, is as follows:

£'m except where stated	2017	2016
Revenue	84.7	76.0
Operating profit	6.4	7.8
Profit before taxation	5.5	7.0
Profit after taxation	4.3	4.5
Net operating cash flow	10.7	13.5
Basic earnings per share	4.23p	4.42p
Return on capital employed (defined below)	9.4%	11.8%

Exceptional items are detailed below.

On a statutory basis for continuing operations, operating loss was £2.2m (2016: £2.1m profit), loss before tax was £3.1m (2016: £1.3m profit), loss after tax was £3.5m (2016: £0.4m profit), basic loss per share was 3.4 pence (2016: 0.4 pence earning) and net operating cash flows were £9.4m (2016: £11.2m).

Trading, operating profit and EBITDA

Revenue from continuing operations for the year ended 31 December 2017 increased by 11% to £84.7m (2016: £76.0m).

Operating profit before exceptional items from continuing operations decreased by 18% to £6.4m (2016: £7.8m) and profit before tax decreased by 21% to £5.5m (2016: £7.0m), on the same basis.

Earnings before interest, taxation, depreciation and amortisation (EBITDA), from continuing operations and before exceptional items, is determined as follows:

	2017 £'m	2016 £'m
Operating profit	6.4	7.8
Depreciation and amortisation	6.4	6.3
EBITDA	**12.8**	**14.1**

Exceptional items

Exceptional items in 2017 totalled a net charge of £8.6m before taxation, of which the non-cash impairment of Colt assets is £6.3m, redundancy costs £1.0m, and legal / professional fees of the HMRC assessment and other costs £1.2m. The 2016 exceptional items related to £3.3m of the non-cash impairment of the Incinerator at East Kent, £0.8m related to the costs of acquisition of Colt, £1.2m relates to the settlement of a trade related dispute, which arose in the normal course of trade and £0.4m related to restructure and other costs.

Finance costs

Total finance charges were £0.9m (2016: £0.8m) including the interest on bank debt and other financial liabilities of £0.4m (2016: £0.4m). They also included non-cash unwinding of discounts on provisions totalling £0.1m (2016: £0.1m).

Taxation

The Group recognised an accounting tax charge of £0.4m (2016: £0.9m) including a credit of £0.8m (2016: £1.6m) in respect of exceptional items.

The accounting tax charge of £1.2m for continuing operations and excluding exceptional items (2016: £2.5m) represents 21.1% of profit before taxation on the same basis (2016: 35.3%). This compares against the headline rate of corporation tax of 19% for 2017 (2016: 20%). The increased tax charge in the previous year reflected a higher level of disallowable costs in the prior year due to acquisition and a reduction in the recognised deferred tax asset subsequent to a review of the Group's non-qualifying asset base.

The Group paid corporate tax of £0.7m during the year (2016: £0.9m). A current tax liability of £0.7m (2016: £0.7m) remains in the balance sheet at the year end.

A deferred tax asset of £1.2m (2016: £1.2m) is recognised in the balance sheet, which reflects the probability that the Board believes that the assets will be recovered in the short to medium term.

Earnings per share

Basic earnings per share (EPS), from continuing operations and excluding exceptional items, was 4.23 pence (2016: 4.42 pence) due to the lower tax charge in the year.

Statutory basic loss per share was 3.40 pence (2016 EPS: 0.40 pence).

The Group made a profit after taxation, from continuing operations and excluding exceptional items, of £4.3m (2016: £4.5m), of all of which was attributable to equity shareholders.

The total number of ordinary shares in issue increased during the year from 102,748,383 to 102,948,036 with the weighted average number of shares in issue increasing from 102,420,517 to 102,808,183 for the purposes of basic EPS.

Dividend

The Board has decided not to declare a final dividend given the HMRC situation as described in note 9 (2016: 1.0p). The dividend paid in the year was the 2016 final dividend.

Cash flow and net debt

The cash flow of the Group is summarised as follows:

	2017 £'m	2016 £'m

Net operating cash flows from continuing operations	10.7	13.5
Net operating cash flows from exceptional items	(1.3)	(2.3)
Total net operating cash flows	**9.4**	**11.2**
Maintenance capital expenditure	(4.5)	(3.9)
Post-maintenance free cash flow	**4.9**	**7.3**
Development capital expenditure	(4.3)	(4.1)
Acquisition of businesses	-	(8.9)
Purchase of East Kent freehold	-	(0.2)
Free cash flow	**0.6**	**(5.9)**
Final dividend payments	(1.0)	(0.7)
Proceeds from issuance of equity	-	0.1
Net cash generation	**(0.4)**	**(6.5)**

Post-maintenance free cash flow, as set out in the table above, represents the underlying cash generation of the Group, before any investment in future growth or the payment of dividends to shareholders.

Underlying net operating cash flows were generated from continuing trading as follows:

	2017 £'m	**2016 £'m**
EBITDA from continuing operations and before exceptional items	12.8	14.1
Net working capital movements	(1.3)	0.8
Interest and taxation payments	(1.1)	(1.7)
Other	0.3	0.3
Net operating cash flows from continuing operations and before exceptional items	**10.7**	**13.5**

Underlying net operating cash flow as a percentage of EBITDA was 84% in 2017 (2016: 96%).

Capital investment in property, plant & equipment and intangible assets made by the Group totalled £8.8m (2016: £8.3m), split between maintenance of £4.5m and expansion of £4.3m

During the year, the Group received a total of less than £0.1m (2016: £0.1m) of equity proceeds from the exercise of share options by current and former employees. As a result of the above net cash outflow, net debt, defined as total borrowings less cash and cash equivalents, was at £10.8m at 31 December 2017. This represented gearing, defined as net debt divided by net assets, of 21.6% (2016: 19.9%). The ratio of net debt to EBITDA, from continuing operations and before exceptional items, was 0.8 times (2016: 0.8 times).

Financing

During 2017, the activities of the Group were substantially funded by a bank facility, comprising a revolving credit facility and bank overdraft. That facility was renewed on 21 March 2016 with HSBC Bank plc at a level of £20m.The maturity of the facility is October 2020 and the overdraft is reviewed annually. HSBC has, at 31 December 2017 and through to end of March 2019, waived breach of the taxation clause of the bank credit facility which requires potential liabilities associated with tax disputes to be less than £0.1m. As at 31 December 2017, the net debt is £10.8m with headroom available to the Group of £9.2m.

Balance sheet and return on capital employed

Consolidated net assets were £50.1m on 31 December 2017 (2016: £54.6m) and net tangible assets, excluding goodwill and other intangible assets, were £30.0m (2016: £28.3m), of which all was attributable to equity shareholders of the Group in both years. Net assets and net tangible assets as at 31 December 2017 are both stated after the recognition of a £6.3m impairment loss, as explained further below. Return on capital employed, from continuing operations and excluding exceptional items, defined as operating profit divided by average capital employed, where capital employed is net assets excluding net debt, decreased to 9.4% in 2017 (2016: 11.8%). This outcome is not impacted by the impairment loss recognised by the Group, which is recognised as at 31 December 2017 but does not form part of the calculation of average capital employed.

Impairment reviews

In accordance with IAS36 'Impairment of Assets', an annual impairment review was carried out for each cash-generating unit (CGU) to which significant goodwill is allocated and also any other CGU where management believed there may have been an indication of potential impairment to the carrying values of assets in those CGUs.

For the continuing operations of the Group, this exercise was completed for the CGUs within the Energy & Construction and Industry & Infrastructure reportable segments, which both contain significant levels of goodwill, as well as Augean Integrated Services and ANSS as a result of performance levels.

Based on these reviews, an impairment charge of £6.3m was recorded in respect of Colt (part of the Industry and Infrastructure reportable segment). No reversal of prior year impairments was required.

The cash flows for all CGUs were discounted using a pre-tax discount rate of 9.5% (2016: 9.7%).

Employees

The Group employed an average of 469 staff (2016: 437) over the course of the year with a closing headcount of 452. The number of employees in the Group has declined during 2017 to re-position the cost base of the Group and eliminate the business unit structure.

Key performance indicators

The Augean plc Board of Directors, Group Management Board and local management teams regularly review the performance of the Group as a whole along with the performance of individual business units. This includes the use of a balanced scorecard for applicable key performance indicators (KPIs) to monitor progress towards delivery of the Group's principal targets. These KPIs are consistent with those reported in 2016.

The focus of the Group is in three priority areas.

1. Health & safety: monitored through near miss incidents and the number of accidents incurred;
2. Compliance with regulations, in particular Environment Agency and Scottish Environment Protection Agency audit results; and
3. Financial performance.

KPI	**2017 Outcome**	**2016 Outcome**

Number of accidents (1)	27	43
Number of near misses reported (2)	2,935	2,331
Compliance scores (3)	E&C: A RWS: A I&I: B/Excellent AIS: B ANSS: Excellent	E&C: A RWS: A I&I: B/Excellent AIS: B ANSS: Excellent
Underlying profit before taxation (4)	£5.5m	£7.0m
Post-maintenance free cash flow (5)	£4.9m	£7.3m
Return on capital employed (6)	9.4%	11.8%
Volumes of waste disposed to our landfill sites	458,000 t	574,000 t
APCR Volumes treated	122,000t	111,000t
Amount of North Sea Oil & Gas revenue generated directly from operators and Top-Tier customers	89% of ANSS revenue	84% of ANSS revenue

(1) The number of total reported accidents, that has resulted in injury, including those resulting in damage to plant or equipment. This is an absolute figure which has not been normalised for changes in employee numbers.

(2) The total number of incidents reported which could have resulted in an accident or injury or damage to property.

(3) The average of audit scores notified during the year by the Environment Agency (EA) in England or the Scottish Environment Protection Agency (SEPA) in Scotland. The EA notifies results on the scale A-F and SEPA notifies on the scale Excellent-Very Poor

(4) Group profit before taxation, from continuing operations and excluding exceptional items

(5) Net operating cash flows, from continuing operations and excluding exceptional items, less maintenance capital expenditure

(6) Calculated as operating profit, from continuing operations and excluding exceptional items, divided by average capital employed, where capital employed is the consolidated net assets of the Group excluding net debt

Consolidated statement of comprehensive income
for the year ended 31 December 2017

	Before exceptional items 2017 £'000	**Exceptional Items (note 3) 2017 £'000**	**Total 2017 £'000**	Before exceptional items 2016 £'000	Exceptional Items (note 3) 2016 £'000	Total 2016 £'000
Revenue	**84,691**	-	**84,691**	75,959	-	75,959
Operating expenses	**(78,329)**	(8,605)	**(86,934)**	(68,161)	(5,719)	(73,880)
Operating profit / (loss)	**6,362**	(8,605)	**(2,243)**	7,798	(5,719)	2,079
Net finance charges	**(850)**	-	**(850)**	(812)	-	(812)
Profit / (loss) before tax	**5,512**	(8,605)	**(3,093)**	6,986	(5,719)	1,267
Taxation	**(1,164)**	763	**(401)**	(2,464)	1,602	(862)
Profit / (loss)	**4,348**	(7,842)	**(3,494)**	4,522	(4,117)	405
Discontinued operations						
Profit for the year and total comprehensive income attributable to equity shareholders of Augean plc	**4,348**	(7,842)	**(3,494)**	4,522	(4,117)	405
Earnings per share						
Basic			**(3.40)p**			0.40p
Diluted			**(3.40)p**			0.39p

Group Statement of financial position
As at 31 December 2017

	2017 £'000	2016 £'000
Non-current assets		
Goodwill	**19,757**	23,997
Other intangible assets	**323**	2,265
Property, plant and equipment	**46,678**	44,475
Deferred tax asset	**1,243**	1,176
	68,001	71,913
Current assets		
Inventories	**440**	379
Trade and other receivables	**19,570**	18,461
Cash and cash equivalents	**6,579**	3,188
	26,589	22,028
Current liabilities		
Trade and other payables	**(18,287)**	(17,192)
Current tax liabilities	**(652)**	(658)
Borrowings	**-**	(171)
Provisions	**(50)**	(50)
	(18,989)	(18,071)
Net current assets / (liabilities)	**7,600**	3,957
Non-current liabilities		
Borrowings	**(17,378)**	(13,833)
Provisions	**(8,118)**	(7,470)
	(25,496)	(21,303)
Net assets	**50,105**	54,567
Shareholders' equity		
Share capital	**10,295**	10,275
Share premium account	**757**	748
Retained earnings	**39,053**	43,544
Total equity	**50,105**	54,567

Consolidated statement of cash flow
For the year ended 31 December 2017

	2017 £'000	2016 £'000
Operating activities		
Cash generated from operations	**10,530**	12,859
Finance charges paid	**(429)**	(704)

Tax paid	**(650)**	(941)
Net cash generated from operating activities	**9,451**	11,214
Investing activities		
Proceeds on disposal of property, plant and equipment	**62**	-
Purchases of property, plant and equipment	**(8,457)**	(8,335)
Purchases of intangible assets	**(373)**	(51)
Purchase of business (net of cash or overdraft acquired)	**-**	(8,901)
Net cash used in investing activities	**(8,768)**	(17,287)
Financing activities		
Dividends paid	**(1,027)**	(665)
Issue of equity	**28**	186
Drawdown of Loan facilities	**3,711**	6,208
Repayments of obligations under finance leases	**(4)**	(21)
Net cash generated from financing activities	**2,708**	5,708
Net increase / (decrease) in cash and cash equivalents	**3,391**	(365)
Cash and cash equivalents at beginning of year	**3,188**	3,553
Cash and cash equivalents at end of year	**6,579**	3,188

Statement of changes in shareholders' equity
for the year ended 31 December 2017

Group	Share capital £'000	Share premium account £'000	Retained earnings £'000	**Total equity £'000**
At 1 January 2016	**10,225**	**612**	**43,561**	**54,398**
Total comprehensive income for the year				
Retained profit	-	-	405	**405**
Total comprehensive income for the year	-	-	405	**405**
Transactions with the owners of the company				
Dividend	-	-	(665)	**(665)**
Issue of equity	50	136	-	**186**
Share-based payments	-	-	243	**243**
Total transactions with the owners of the company	50	136	(422)	**(236)**
At 1 January 2017	**10,275**	**748**	**43,544**	**54,567**
Total comprehensive income for the year				
Retained loss	-	-	(3,494)	**(3,494)**
Total comprehensive income for the year	-	-	(3,494)	**(3,494)**
Transactions with the owners of the company				
Dividend	-	-	(1,027)	**(1,027)**
Issue of equity	20	9	-	**29**
Share-based payments	-	-	194	**194**
Tax relating to transactions with owners of the company	-	-	(164)	**(164)**
Total transactions with the owners of the company	20	9	(997)	**(968)**
At 31 December 2017	**10,295**	**757**	**39,053**	**50,105**

1 Basis of preparation

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined by section 434 of the Companies Act 2006. It has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) adopted for use in the European Union, including IFRIC interpretations issued by the International Accounting Standards Board, and in accordance with the AIM rules and is not therefore in full compliance with IFRS. The principal accounting policies of the Group have remained unchanged from those set out in the Group's 2016 annual report. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are carried at fair value.

The preliminary results have been prepared on the going concern basis taking into account the Group's net debt, available headroom on bank facilities, the continuing support of the Group bankers HSBC, as well as noting the significant uncertainty around the HMRC issue. Reliance is being taken that HMRC has not required the Group to pay any of the assessments levied to date and advice received is that this will continue for 12 months.

The financial information for the period ended 31 December 2017 was approved by the Board on 19 March 2018 and has been extracted from the Group's financial statements upon which the auditor's opinion is unmodified and does not include a statement under section 498(2) or (3) of the Companies Act 2006.

The statutory accounts for the period ended 31 December 2017 will be posted to shareholders at least 21 days before the Annual General Meeting and made available on our website www.augeanplc.com. In due course, they will be delivered to the Registrar of Companies. The statutory accounts for the period ended 31 December 2016 have been delivered to the Registrar of Companies.

2 Operating segments

The Group has five reportable segments which are the Group's strategic business units. These business units are monitored and strategic decisions are made on the basis of each business unit's operating performance. The Group's business units provide different services to their customers and are managed separately as they are subject to different risks and returns. The Group's internal organisation and management structure and its system of internal financial reporting are based primarily on these operating business units. For each of the business units, the Group's Executive Directors (the chief operating decision-makers) review internal management reports on at least a monthly basis. The following summary describes the operations of each of the Group's reportable segments:

- Energy and Construction: Augean operates three modern hazardous and non-hazardous landfill operating sites based at East Northants Resource Management Facility (ENRMF), Thornhaugh in Peterborough and Port Clarence on Teesside, providing waste remediation, treatment and disposal services to its customers. The business unit includes a site at Cooks Hole in Northamptonshire where minerals are extracted and also generates energy as electricity from closed landfill cells.
- Radioactive Waste Services: Augean provides waste disposal services of low level radioactive wastes and naturally occurring radioactive material produced in the UK.
- Augean Integrated Services (AIS): Augean operates a High Temperature Incinerator at Sandwich, East Kent and a site in Cannock focused on Total Waste Management solutions.
- Augean North Sea Services: This business unit provides waste management and waste processing services to offshore oil and gas operators in the North Sea.
- Industry and Infrastructure: Augean operates three waste processing sites across the UK, with activities focused on the management of oil-contaminated waste. The business unit also provides specialist industrial cleaning services including the Colt Industrial Services business.

Information regarding the results of each reportable segment is included below. Performance is measured based on the segment operating profit, as included in the internal management reports that are reviewed by the Group's Directors. This profit measure for each business unit is used to measure performance as management believes that such information is the most relevant in evaluating the results of each of the business units relative to other entities that operate within these sectors.

Activities arise almost exclusively within the United Kingdom. Inter-segment trading is undertaken on normal commercial terms.

	2017					
	Energy and Construction	**Radioactive Waste Services**	**Augean Integrated Services**	**Industry and Infrastructure**	**Augean North Sea Services**	**Group**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue						
Hazardous landfill activities	8,108	-	-	-	-	8,108
Non-hazardous landfill activities	4,890	-	-	-	-	4,890
Waste treatment activities	-	-	3,134	22,524	-	25,658
Total waste management activities	-	-	7,687	-	-	7,687
Energy generation	52	-	-	-	-	52
APCR management	9,572	-	-	-	-	9,572
Radioactive waste management	-	3,068	-	-	-	3,068
Processing of offshore waste	-	-	-	-	6,657	6,657
Rental of offshore equipment and personnel	-	-	-	-	5,736	5,736
Waste transfer activities	-	-	-	-	5,858	5,858
Total revenue net of landfill tax	**22,622**	**3,068**	**10,821**	**22,524**	**18,251**	**77,286**
Landfill tax	10,697	-	-	-	-	10,697
Total revenue including inter-segment sales	**33,319**	**3,068**	**10,821**	**22,524**	**18,251**	**87,983**
Inter-segment sales	(1,663)	-	(156)	(1,471)	(2)	(3,292)
Revenue	**31,656**	**3,068**	**10,665**	**21,053**	**18,249**	**84,691**
Result						

Operating profit/(loss) before exceptional items	6,577	1,207	(352)	(760)	656	7,328
Exceptional items (note 3)	(1,280)	(162)	(313)	(6,682)	(168)	(8,605)
Operating profit/(loss)	**5,297**	**1,045**	**(665)**	**(7,442)**	**488**	**(1,277)**
Net finance charges						**(850)**
Central costs						**(966)**
Loss before tax						**(3,093)**
Tax (note 6)						**(401)**
Loss after tax						**(3,494)**
Other information						
Capital expenditure	4,958	62	1,273	1,355	1,130	8,778
Depreciation and amortisation	3,465	173	373	1,377	997	6,385
Impairment loss	-	-	-	6,307	-	6,307

			2016			
	Energy and Construction	**Radioactive Waste Services**	**Augean Integrated Services**	**Industry and Infrastructure**	**Augean North Sea Services**	**Group**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue						
Hazardous landfill activities	12,354	-	-	-	-	12,354
Non-hazardous landfill activities	4,505	-	-	-	-	4,505
Waste treatment activities	-	-	2,715	-	-	2,715
Total waste management activities	-	-	5,470	19,959	-	25,429
Energy generation	56	-	-	-	-	56
APCR management	9,377	-	-	-	-	9,377
Radioactive waste management	-	1,205	-	-	-	1,205
Processing of offshore waste	-	-	-	-	5,313	5,313
Rental of offshore equipment and personnel	-	-	-	-	4,013	4,013
Waste transfer activities	-	-	-	-	3,609	3,609
Total revenue net of landfill tax	**26,292**	**1,205**	**8,185**	**19,959**	**12,935**	**68,576**
Landfill tax	10,091	-	-	-	-	10,091
Total revenue including inter-segment sales	**36,383**	**1,205**	**8,185**	**19,959**	**12,935**	**78,667**
Inter-segment sales	(1,005)	(26)	(547)	(1,117)	(13)	(2,708)
Revenue	**35,378**	**1,179**	**7,638**	**18,842**	**12,922**	**75,959**
Result						
Operating profit/(loss) before exceptional items	8,349	308	(656)	457	481	8,939
Exceptional items (note 3)	(242)	(162)	(3,512)	(280)	(1,523)	(5,719)
Operating profit/(loss)	**8,107**	**146**	**(4,168)**	**177**	**(1,042)**	**3,220**
Net finance charges						**(812)**
Central costs						**(1,141)**
Profit before tax						**1,267**
Tax (note 4)						**(862)**
Profit after tax						**405**
Other information						

Capital expenditure	3,819	200	1,390	844	1,983	8,236
Depreciation and amortisation	3,648	135	655	1,044	792	6,274
Impairment loss	-	-	3,348	-	-	3,348

Central costs relate to the costs of operating as a plc and are not allocated between the business units.

3 Exceptional Items

The following pre-tax items have been charged to operating profit:

	2017 £'000	**2016 £'000**
Impairment of property, plant and equipment	**6,307**	3,348
Net settlement of trade related legal case	**-**	1,162
Restructuring charges	**1,038**	297
Acquisition and disposal related costs	**137**	820
Costs associated with Landfill tax dispute	**1,093**	-
Other	**30**	92
Exceptional charge from continuing operations	**8,605**	5,719

4 Taxation

Group	**2017 £'000 Total**	2016 £'000 Total
Current tax		
UK corporation tax on profit for the year	**737**	1,327
Adjustments in respect of prior years	**(100)**	(669)
	637	658
Deferred tax		
Charge / (credit) in respect of the current year	**(121)**	(802)
Reassessment of tax qualifying assets	**-**	379
Adjustments in respect of prior years	**(115)**	627
	(236)	204
Tax charge on the result for the year	**401**	862

Tax reconciliation for continuing operations

	2017		2016	
	£'000	**%**	**£'000**	**%**
(Loss) / profit before tax from continuing operations	**(3,092)**		1,267	
Tax at theoretical rate	**(595)**	**19.25%**	254	20%
Effects of:				
- expenses / (income) not deductible for tax purposes	**1,120**	**(36)%**	163	13%
- change in tax rate	**47**	**(2)%**	107	8%
- effect of share options	**44**	**(2)%**	67	5%
- adjustments in respect of prior years	**(215)**	**7%**	(42)	(3)%
- reassessment of tax qualifying assets	**-**	**-**	379	30%
- other	**-**	**-**	(66)	(5)%
Tax charge on results	**401**	**(13)%**	862	68%

The main rate of corporation tax in the UK was 19%.

5 Dividends

	2017 £'000	2016 £'000
Proposed final dividend for the year ended 31 December 2017 of nil pence per share (2016: 1.0	**-**	**1,027**

pence per share)		
Total	-	**1,027**

At the forthcoming Annual General Meeting, the Board will not recommend to shareholders that a dividend is paid for the year ended 31 December 2017.

6 Earnings per share

The calculation of basic earnings per share (EPS) is based on the loss attributable to ordinary shareholders of £3,494,000 (2016: profit of £405,000) and a weighted average number of ordinary shares outstanding of 102,808,863 (2016: 102,420,517), calculated as follows:

	2017 £'000	2016 £'000
Earnings for the purposes of basic and diluted EPS	**(3,494)**	405
Exceptional items (net of associated tax)	**7,842**	4,117
Earnings for the purposes of adjusted basic and diluted EPS	**4,348**	4,522

The exceptional items (note 3) have been adjusted, in the adjusted earnings per share, to better reflect the underlying performance of the business, when presenting the basic and diluted earnings per share. In 2017 the exercise of share options would decrease the loss per share and be antidilutive. They have therefore been excluded from the calculation of the weighted average number of shares for unadjusted diluted earnings per share.

	2017 £'000	2016 £'000
Number of shares		
Weighted average number of shares for basic earnings per share	**102,808,863**	102,420,517
Effect of dilutive potential ordinary shares from share options	**1,790,587**	1,775,783
Weighted average number of shares for diluted earnings per share	**104,599,450**	104,196,300
Earnings per share		
Basic	**(3.40)p**	0.40p
Diluted	**(3.40)p**	0.39p
Adjusted earnings per share		
Basic	**4.23p**	4.42p
Diluted	**4.16p**	4.34p

7 Reconciliation of operating profit to net cash generated from / (used in) operating activities

	2017 £'000	2016 £'000
Operating (loss) / profit	**(2,243)**	2,079
Amortisation of intangible assets	**447**	262
Depreciation	**5,938**	6,012
Impairment charge	**6,307**	3,348
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**10,449**	11,701
Share based payments	**194**	243
(Increase) / decrease in inventories	**(59)**	(58)
(Increase) / decrease in trade and other receivables	**(1,109)**	(4,121)
Increase / (decrease) in trade and other payables	**474**	4,715
Increase / (decrease) in provisions	**520**	359
(Profit) / Loss on disposal of property, plant and equipment	**61**	20
Cash generated from operations	**10,530**	12,859
Finance charges paid	**(429)**	(704)
Tax paid	**(650)**	(941)
Net cash generated from operating activities	**9,451**	11,214

The above EBITDA and net cash generated from operating activities includes a total net cash outflow of £1,602,000 relating to exceptional items (2016: outflow of £2,371,000).

8 Analysis of changes in net debt
The table below presents the net debt of the Group at the balance sheet date.

	1 January 2017	**Cash flow**	**Other movement**	**31 December 2017**

	£'000	£'000	£'000	£'000
Cash and cash equivalents	**3,188**	3,391	-	**6,579**
Overdraft	**(167)**	167	-	-
Bank loans	**(13,833)**	(3,711)	166	**(17,378)**
Finance leases	**(4)**	4	-	-
Net debt	**(10,816)**	**(149)**	**166**	**(10,799)**

9 Contingent liabilities

In accordance with Pollution, Prevention and Control (PPC) permitting, the Group has to make such financial provision as is deemed adequate by the Environment Agency to discharge its obligations under the relevant site permits for its landfill sites. Consequently, guarantees have been provided, by certain subsidiaries of the company, in favour of the Environment Agency in respect of the Group's landfill sites. Total guarantees outstanding at the year-end were £8.9m (2016: £7.7m).

In August 2017, the Group announced that it had received an assessment by HMRC for landfill tax for the three months ended 31 August 2013. The Group has continued to receive further assessments for Augean North and Augean South. HMRC has been discussing with the Group whether it has paid sufficient landfill tax in relation to its treatment and disposal of hazardous waste. Those discussions are ongoing. HMRC has not required the Group to make any cash payment associated with these assessments.

Based on the legal and other advice received by the Group over several years, Augean is very confident that the Group has met its obligations in respect of landfill tax, consistent with the law and official guidance at the time. We understand this has been issued in order to protect HMRC against that period falling out of time (a four year look back applies for landfill tax) whilst they undertake further enquiries and discussion with the Group. The Group believes this assessment to be without merit and an appeal is ongoing supported by advice from leading counsel and its solicitors. We will robustly challenge this landfill tax assessment and any other subsequent assessment which may be received from HMRC, through the tax tribunal system if appropriate. The Group currently intends to account for the legal costs of the dispute with HMRC as an exceptional item but not to make a provision for this assessment based on the strength of independent legal and professional advice received. The estimated cash outflow is £nil.

10 Post balance sheet events

On 16 March 2018, and as separately communicated to shareholders on that date, the Group completed the disposal of the entire issued share capital of its subsidiary engaged in total waste management activity, Augean Integrated Services Limited, to Regen Holdings Limited. This business has previously been reported by the group as part of the Augean Integrated Services segment.

The consideration (subject to working capital adjustments) is expected to be in the region of £4.1m and an exceptional gain on disposal is expected to be recorded in the FY18 half yearly report and full year financial statements.

11 Annual Report & Accounts

The Annual Report will be sent to shareholders on or around 16 May 2018 and will be available on the Company's website www.augeanplc.com from that date. The Annual General Meeting will be held at 10am on 19 June 2018 at FTI Consulting, 200 Aldersgate, London EC1A 4HD.

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