19 September 2017

Augean plc ("Augean" or "the Group")

Interim results for the six months ended 30 June 2017

Augean, one of the UK's leading specialist waste management businesses, announces its unaudited interim results for the six months ended 30 June 2017.

Financial Summary

- Revenue increased by 14.4% to £42.1m (2016: £36.8m)
- Operating profit before exceptional items decreased by 8.0% to £3.3m (2016: £3.5m)
- Adjusted[1] profit before taxation decreased by 7.2% to £2.9m (2016: £3.1m)
- EBITDA[2] decreased 16.9% to £5.6m (2016: £6.7m)
- Net operating cash flows decreased by 9.9% to £3.9m (2016: £4.3m)
- Adjusted basic earnings per share decreased by 7.4% to 2.24p (2016: 2.42p)
- Net debt increased to £12.5m, from £10.8m at December 2016 (£12.9m at June 2016) with unused banking facilities and cash of £7.3m

Operational summary

- Two significant contract awards for Radioactive Waste Services with total potential revenue of around £4m
- Increase in Total Waste Management (TWM) contracts and further long-term contract wins for Augean Integrated Services and the High Temperature Incinerator achieving break-even by the half year
- The total volume of waste disposed by the Energy & Construction business decreased by 23.7% despite strong growth, as expected, in the more profitable APCR[3] volumes of 17.6%
- Continued focus on diversification of revenue streams in Augean North Sea Services, with significant contract wins from strengthened relationships with tier-1 customers and sustained growth in profitability

Commenting on the Results, Dr Stewart Davies, Chief Executive, said:

"The Group has had a mixed first half of 2017, with improved performance from its Radioactive Waste Services and North Sea Services businesses offset by losses in its Industry & Infrastructure business primarily due to a legacy Colt contract.

The Group will continue to challenge the recent HMRC assessment. We expect to deliver full year financial results broadly in line with market expectation albeit the uncertain environment caused by this assessment is unhelpful."

There will be a meeting for analysts at 9.30am today at the offices of FTI Consulting, 9th Floor, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD. For further information please call 020 3727 1203.

For further information, please call:

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(1) Adjusted means before exceptional items
(2) EBITDA means adjusted earnings before interest, taxation, depreciation and amortisation
(3) APCR means Air Pollution Control Residues

Strategic report

Business performance

The Group operated through five business units during the period, with the performance of each set out below.

	Reported External Sales £m		Reported Operating Profit/(Loss) £m	
	2017	**2016**	**2017**	**2016**
Energy and Construction	16.9	17.5	3.7	4.3
Radioactive Waste Services	1.2	0.6	0.5	(0.1)
Integrated Services	4.9	3.7	(0.2)	(0.2)
Industry and Infrastructure	11.1	9.1	(0.5)	(0.4)
North Sea Services	8.0	6.0	0.3	(1.4)
Total	42.1	36.8	3.8	2.2
Central costs			(0.5)	(0.4)
Operating profit			3.3	1.8

Energy & Construction (E&C)

Revenues decreased by 3.4% to £16.9m (2016: £17.5m) with a 24% decrease in the total volume of waste disposed by the E&C business to 230,172 tonnes in 2017, from 301,500 tonnes in the first half of 2016. The most profitable waste stream, APCR, saw volume increase of 17.6% to 60,900 tonnes while the less profitable other wastes declined overall by 32.2% to 169,272 tonnes. Construction soils declined around the time of the General Election campaign, reflecting uncertainty in the construction market, resulting in second quarter volumes behind expectations. The operating profit of the E&C business unit fell by 14% to £3.7m (2016: £4.3m) with the overall reduction in volume partially offset by better mix of more profitable APCR and the benefit of landfill tax savings as result of the commissioning of a new soil wash facility in ENRMF.

Soils volumes in the second half of the year to date have recovered from the lower levels experienced in the first half, particularly the second quarter. APCR volumes are expected to continue to grow and there are new additional contracts which the Group expects to be awarded in the second half of the year. It is now considered that the E&C business profit will be in line with market expectations.

Radioactive Waste Services (RWS)

The total revenue from the disposal and treatment of low level radioactive waste doubled to £1.2m (2016: £0.6m) in the period, with an increase in operating profit to £0.5m (2016: loss of £0.1m). Two significant contracts with total revenue of circa £4m were awarded in the first half of 2017 with waste on the first of these two moving in the second quarter. These two contracts will take around two years to complete.

RWS is expected to meet market expectations for the year. Further medium-term opportunities are being pursued for RWS through growth in the market for treatment of naturally occurring radioactive material and the thermal treatment of low level radioactive waste.

Augean Integrated Services (AIS)

Total revenue, excluding inter-segment sales, was £4.9m, an increase of 33% compared to the same period last year (2016: £3.7m). This included £3.6m from the total waste management (TWM) business (2016: £2.4m). The first half of 2017 saw further TWM contract wins with terms of three years and above, which will positively impact the second half of 2017, with further positive impacts expected in 2018 and beyond.

The AIS business recorded an operating loss of £0.2m, in line with the loss in the same period in 2016. The improvement plan successfully implemented at the East Kent high temperature incinerator has resulted in this asset breaking even in the first half.

The further contract wins and the improved East Kent performance are expected to positively impact margins in the second half of 2017. Management believe that the full year performance of the AIS business unit will be in line with market expectations while noting that this implies a significant uplift in performance in the second half as increased revenues from contract wins in the first half come through in gross margin.

Industry & Infrastructure (I&I)

The I&I business unit generated revenue, excluding inter-segment sales, of £11.1m during the first six months of 2017, a 23% increase over the same period last year (H1 2016: £9.1m). This result includes the sales attributable to the Colt Industrial Services business for the entire period in 2017 compared with two months post-acquisition in 2016. Trading in I&I has been robust and in line with management expectations. The exception to this performance has been the performance of Colt which was loss making in the first half, predominantly as a result of a single legacy contract which was bid and won pre-acquisition by Augean but entered into in the second half of 2016. The Colt underperformance led to an I&I operating loss of £0.5m compared with an operating loss of £0.4m in the same period in the prior year.

Given the performance of the I&I business unit in 2017 to date, it is now anticipated that the I&I will be loss making for the full year. The Group believes that I&I will be profitable moving forward as geographic expansion of industrial services from Colt's traditional Humberside base, cost reductions and strategic initiatives are delivered.

Augean North Sea Services (ANSS)

Revenue increased by 33.3% to £8.0m (H1 2016: £6.0m), with an increase in operating profit from a loss of £1.4m (including exceptional items of £1.1m), in the first half of 2016 to an operating profit of £0.3m in 2017. The recovery in performance shown by NSS in the second half of 2016 has continued throughout 2017.

The ANSS business continues to execute its strategic drive to diversify away from exploration and development drilling waste services, towards production-based waste streams which are less impacted by reduced oil price. The business generated 58% of its revenue from non-drilling waste management activities in the first half of 2017, in line with 58% in the same period in 2016, and maintained incumbency on an average of 3.8 drilling rigs, compared with 3.3 in the same period in 2016. ANSS continued to maintain its direct commercial relationships with oil & gas operators and tier-1 customers in this market, and increases the potential for it to widen its service scope directly with those customers as a result. 90% of total ANSS revenues were directly generated from our commercial relationships with those customers in the first half of 2017 (H1 2016: 91%).

The on-going growth in revenue streams from term contracts relating to activities other than drilling waste services, combined with the reputation of the business in the market and its commercial pipeline, leads to an expectation of meeting market expectations for this segment.

Cost reduction

As previously announced, the Group has completed a cost reduction programme in July 2017 which will generate annual savings of around £1.3m from August 2017. The one-off cost of £0.7m will all be incurred in the second half of 2017 and is anticipated to be treated as an exceptional item.

Financial performance

Group overview

A summary of the Group's financial performance, excluding exceptional items, along with the change compared to the same period in 2016 is as follows:

£'m except where stated	2017	2016	Change
Revenue	42.1	36.8	14.4%
Operating profit	3.3	3.5	(8.0)%
Profit before taxation	2.9	3.1	(7.2)%
EBITDA (defined below)	5.6	6.7	(16.9)%
Net operating cash flow	3.9	4.3	(9.9)%
Basic earnings per share	2.24p	2.42p	(7.4)%
Return on capital employed	11.3%	11.4%	(0.1)%

Trading, operating profit and EBITDA

Net revenue for the six months ended 30 June 2017 increased by 14% to £42.1m (H1 2016: £36.8m). Operating profit before exceptional items decreased by 8% to £3.3m (H1 2016: £3.5m). Profit before tax and after exceptional items increased 111% to £2.9m (H1 2016: £1.4m).

Earnings before interest, taxation, depreciation and amortisation (EBITDA), before exceptional items, is calculated as follows:

	2017 £'m	**2016 £'m**
Operating profit	3.3	3.5
Depreciation and amortisation	2.3	3.2
EBITDA	**5.6**	**6.7**

Exceptional items

There were no exceptional charges in the period (H1 2016: £1.7m). The charge in 2016 comprises £0.5m of costs associated with the acquisition of Colt Holdings Limited, £1.1m of costs related to the settlement of a commercial dispute with a customer and £0.1m of other charges.

Earnings per share

Basic earnings per share (EPS), excluding exceptional items, decreased by 7% to 2.24 pence (H1 2016: 2.42 pence).

The Group made a profit after taxation attributable to equity shareholders, excluding exceptional items, of £2.3m (H1 2016: £2.7m).

The total number of ordinary shares in issue increased as a result of the exercise of share options by a former employee and was 102,844,072 with the weighted average number of shares in issue increasing from 102,249,083 to 102,748,383, for the purposes of basic EPS.

Dividend

The Board's policy is to pay a single annual dividend following the Annual General Meeting. A payment of £1.0m, based on a dividend of 1.00 pence per share was made to shareholders in June 2017 in respect of the year ended 31 December 2016 (2016: £0.7m, 0.65 pence per share). Accordingly, no interim dividend has been recommended.

Cash flow and net debt

The post-maintenance free cash flow of the Group, as defined above, excluding exceptional items, decreased by 43% to £1.7m (H1 2016: £3.0m) including net operating cash outflows from exceptional items of £nil (H1 2016: £0.9m).

The operating cash flow was used to fund the growth of the Group, with total organic capital investment of £4.7m, of which £2.2m was maintenance capital expenditure and £2.5m was development capital expenditure, for future growth. The main development capital was on the soil washing equipment at the ENRMF.

The cash flow of the Group is summarised as follows:

	2017 £'m	**2016 £'m**
Net operating cash flows before exceptional items	3.9	5.3
Net operating cash flows from exceptional items	-	(0.9)
Total net operating cash flows	**3.9**	**4.4**
Maintenance capital expenditure	(2.2)	(1.4)
Post-maintenance free cash flow	**1.7**	**3.0**
Development capital expenditure	(2.5)	(2.2)
Acquisition of Colt Holdings	-	(8.9)
Free cash flow	**(0.8)**	**(8.1)**
Dividend payments	(1.0)	(0.7)
Net cash (consumption) / generation	**(1.8)**	**(8.8)**

Net operating underlying cash flows were generated from continuing trading as follows:

	2017 £'m	2016 £'m
EBITDA before exceptional items	5.6	6.7
Net working capital movements	(0.8)	(0.4)
Interest and taxation payments	(0.9)	(1.0)
Net operating cash flows before exceptional items	**3.9**	**5.3**

Net operating cash flow as a percentage of EBITDA represented 70% in 2017 (H1 2016: 79%).

Capital investment in property, plant and equipment made by the Group totalled £4.7m (H1 2016: £3.6m) and is shown in the table below, split between maintenance investment, focused on constructing landfill cells and upgrading existing facilities, and development investment on new activities:

	2017 Maintenance £'m	2017 Development £'m	2017 TOTAL £'m	2016 TOTAL £'m
Energy & Construction	1.0	1.4	2.4	0.9
Radioactive Waste Services	-	-	-	-
Industry & Infrastructure	0.7	0.1	0.8	0.1
Augean Integrated Services	0.4	0.3	0.7	1.0
Augean North Sea Services	0.1	0.5	0.6	1.2
Other/corporate	-	0.2	0.2	0.4
Total	**2.2**	**2.5**	**4.7**	**3.6**

As a result of the above, net debt, defined as total borrowings less cash and cash equivalents, increased to £12.5m at 30 June 2017, from £10.8m at 31 December 2016. This represented gearing, defined as net debt divided by net assets, of 22.2% (31 December 2016: 19.8%, 30 June 2016: 23.4%). The ratio of net debt to EBITDA, before exceptional items, was 1.0 times (31 December 2016: 0.8 times, 30 June 2016: 1.0 times).

Financing

The activities of the Group are substantially funded by a bank facility, comprising a committed revolving credit facility (RCF) of £19m, a bank overdraft of £1m and an uncommitted £10m accordion facility for acquisitions. The maturity of the facility is October 2020 and the overdraft is reviewed annually. This facility, along with the underlying cash generation of the Group, subject to resolution of the HMRC issue with ongoing support of HSBC, is expected to provide the required funds to support the business over that period. As at 30 June 2017, the undrawn committed funds available to the group totalled £4.5m, further cash of £2.8m for total headroom of £7.3m. The interim results have been prepared on the going concern basis noting the material uncertainty around the HMRC issue. See note 3 for further details.

Balance sheet and return on capital employed

Consolidated net assets were £56.2m on 30 June 2017 (30 June 2016: £55.0m) and net assets, excluding goodwill and other intangible assets, were £30.1m (30 June 2016: £29.0m), all of which was attributable to equity shareholders of the Group.

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 11.3% in the twelve months ended 30 June 2017 (H1 2016: 11.4%).

HMRC assessment

On 25 August 2017 the Group announced that it had received an assessment by HMRC for landfill tax of £1.9m with interest of £0.2m for the three months ended 31 August 2013. 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. 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 believe 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 Augean. The Group believes this assessment to be without merit and an appeal is ongoing.

Should HMRC make further such assessments, for this and one other subsidiary, the total amount that could be claimed could potentially be very large. Supported by advice from leading counsel and its solicitors, the Group will robustly challenge this landfill tax assessment and any other subsequent assessment it may receive 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.

Further announcements will be made at the appropriate time.

Outlook

The Group will continue to challenge the recent HMRC assessment. We expect to deliver full year financial results broadly in line with market expectation albeit the uncertain environment caused by this assessment is unhelpful.

Dr Stewart Davies
Chief Executive
19 September 2017

Unaudited consolidated statement of comprehensive income

For the six months ended 30 June 2017

	Note	**Unaudited Six months Ended 30 June 2017 £'000**	Unaudited Six months Ended 30 June 2016 £'000	Audited Year ended 31 December 2016 £'000
Continuing operations				
Revenue	4	**42,107**	36,810	75,959
Operating expenses		**(38,848)**	(33,265)	(68,161)
Operating profit before exceptional items		**3,259**	3,545	7,798
Exceptional items		**-**	(1,722)	(5,719)
Operating profit		**3,259**	1,823	2,079
Net finance charges		**(408)**	(473)	(812)
Profit before tax		**2,851**	1,350	1,267
Taxation	5	**(550)**	(361)	(862)
Profit from continuing operations and total comprehensive income Attributable to equity shareholders		**2,301**	989	405
Earnings per share				
Basic		**2.24p**	0.97p	0.40p
Diluted	6	**2.20p**	0.94p	0.39p

Unaudited consolidated statement of financial position
At 30 June 2017

	Unaudited 30 June 2017 £'000	Unaudited 30 June 2016 £'000	Audited 31 December 2016 £'000
Non-current assets			
Goodwill	**23,997**	23,531	23,997
Other intangible assets	**2,121**	2,410	2,265
Property, plant and equipment	**47,097**	45,381	44,475
Deferred tax asset	**1,176**	1,642	1,176
	74,391	72,964	71,913
Current assets			
Inventories	**458**	388	379
Trade and other receivables	**16,053**	18,281	18,461
Cash and cash equivalents	**2,849**	2,498	3,188
	19,360	21,167	22,028
Current liabilities			
Trade and other payables	**(13,794)**	(16,456)	(17,192)
Current tax liabilities	**(808)**	(701)	(658)
Borrowings	**(3)**	(36)	(171)
Provisions	**(65)**	(25)	(50)
	(14,670)	(17,218)	(18,071)
Net current assets	**4,690**	3,949	3,957
Non-current liabilities			
Borrowings	**(15,356)**	(15,315)	(13,833)
Provisions	**(7,553)**	(6,629)	(7,470)
	(22,909)	(21,944)	(21,303)
Net assets	**56,172**	54,969	54,567
Equity			
Share capital	**10,284**	10,225	10,275
Share premium account	**795**	612	748
Retained earnings	**45,093**	44,132	43,544
Total equity	**56,172**	54,969	54,567

Unaudited consolidated statement of cash flows
For the six months ended 30 June 2017

	Note	**Unaudited Six months ended 30 June 2017 £'000**	Unaudited Six months ended 30 June 2016 £'000	Audited Year ended 31 December 2016 £'000
Operating activities				
Cash generated from operations	7	**4,794**	5,385	12,859
Finance charges paid		**(477)**	(438)	(704)
Tax paid		**(400)**	(599)	(941)
Net cash generated from operating activities		**3,917**	4,348	11,214
Investing activities				
Purchases of property, plant, equipment and intangibles		**(4,728)**	(3,563)	(8,386)
Purchase of business (net of cash acquired)		**-**	(8,901)	(8,901)
Net cash used in investing activities		**(4,728)**	(12,464)	(17,287)
Financing activities				
Issue of equity		**-**	-	186
Drawdown of loan facilities		**1,500**	7,750	6,208
Repayments of obligations under finance leases		**(1)**	(24)	(21)
Dividends paid		**(1,027)**	(665)	(665)
Net cash generated from financing activities		**472**	7,061	5,708
Net (decrease) / increase in cash and cash equivalents		**(339)**	(1,055)	(365)
Cash and cash equivalents at beginning of period		**3,188**	3,553	3,553
Cash and cash equivalents at end of period		**2,849**	2,498	3,188

Unaudited consolidated statement of changes in equity

For the six months ended 30 June 2017

	Share capital	Share premium account	Retained earnings	Shareholders' equity
	£'000	£'000	£'000	£'000
At 1 January 2016	**10,225**	**612**	**43,561**	**54,398**
Total comprehensive income for the period				
Retained profit	-	-	989	989
Total comprehensive income for the period	-	-	989	989
Transactions with owners of the Company				
Dividends paid	-	-	(665)	(665)
Share-based payments	-	-	247	247
Total transactions with the owners of the Company	-	-	(418)	(418)
At 30 June 2016	**10,225**	**612**	**44,132**	**54,969**
Total comprehensive income for the period				
Retained profit	-	-	(584)	(584)
Total comprehensive income for the period	-	-	(584)	(584)
Transactions with owners of the Company				
Issue of equity	50	136	-	186
Share-based payments	-	-	(4)	(4)
Total transactions with the owners of the Company	50	136	(4)	182
At 31 December 2016	**10,275**	**748**	**43,544**	**54,567**
Total comprehensive income for the period				
Retained profit	-	-	2,301	2,301
Total comprehensive income for the period	-	-	2,301	2,301
Transactions with owners of the Company				
Issue of equity	9	47	-	56
Dividends paid	-	-	(1,027)	(1,027)
Share-based payments	-	-	275	275
Total transactions with the owners of the Company	9	47	(752)	(696)
At 30 June 2017	**10,284**	**795**	**45,093**	**56,172**

1 Statutory information

The financial information in the interim report does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006 and has not been audited or reviewed.

The financial information relating to the year ended 31 December 2016 is an extract from the latest published financial statements on which the auditor gave an unmodified report that did not contain statements under Section 498 (2) or (3) of the Companies Act 2006 and which have been filed with the Registrar of Companies.

The interim financial statements for the six months ended 30 June 2017 are available from the Group's website at www.augeanplc.com.

2 Accounting policies

The Interim financial statements have been prepared in accordance with the AIM Rules for Companies and on a basis consistent with the accounting policies and methods of computation as published by the Group in its Annual Report for the year ended 31 December 2016, which is available on the Group's website.

3 Basis of preparation

The Group has chosen not to adopt IAS 34 'Interim Financial Statements' in preparing these interim financial statements and therefore the Interim financial information is not in full compliance with International Financial Reporting Standards.

Having considered the material uncertainty around the HMRC issue and after making further enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Financial forecasts and projections, taking account of reasonably possible changes and sensitivities in trading performance and the market value of the Group's assets, have been prepared and show that the Group is expected to be able to operate within the level of the current banking facility.

The Directors are confident that the Company will be able to meet its liabilities as they fall due over the next 12 months. As a result, the financial statements have been prepared on a going concern basis.

4 Operating segments

The Group has five reportable segments. The five segments 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 Chief Executive Officer (CEO) (the chief operating decision-maker) reviews 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 Peterborough 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: 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: Augean provides waste management and waste processing services to oil and gas operators .
- 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 Hull-based 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 CEO. 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.

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

The segmental results for the six months ended 30 June 2017 were as follows:

	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	5,036	-	-	-	-	5,036
Non-hazardous landfill activities	2,027	-	-	-	-	2,027
Waste treatment activities	-	-	1,500	12,082	-	13,582
Total Waste Management activities	-	-	3,570	-	-	3,570
Energy generation	25	-	-	-	-	25
APCR(*) management	5,551	-	-	-	-	5,551
Radioactive waste management	-	1,191	-	-	-	1,191
Processing of offshore waste	-	-	-	-	3,383	3,383
Rental of offshore equipment and personnel	-	-	-	-	2,794	2,794
Industrial Services activities	-	-	-	-	1,881	1,881
Total revenue net of landfill tax	12,639	1,191	5,070	12,082	8,058	39,040
Landfill tax	4,441	-	-	-	-	4,441
Total revenue including inter-segment sales	17,081	1,191	5,070	12,082	8,058	43,482
Inter-segment sales	(199)	-	(174)	(949)	(52)	(1,374)
Revenue	**16,882**	**1,191**	**4,896**	**11,133**	**8,006**	**42,107**
Result						
Operating profit/(loss)	**3,733**	**507**	**(188)**	**(536)**	**283**	3,799
Finance charges						(408)
Central costs						(539)
Profit before tax						**2,852**
Taxation						(550)
Profit after tax						**2,301**

* APCR means Air Pollution Control Residues

The segmental results for the six months ended 30 June 2016 were as follows:

	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	6,886	-	-	-	-	6,886
Non-hazardous landfill activities	1,730	-	-	-	-	1,730
Waste treatment activities	-	-	1,566	7,595	-	9,161
Total Waste Management activities	-	-	2,416	-	-	2,416
Energy generation	38	-	-	-	-	38
APCR(*) management	4,573	-	-	-	-	4,573
Radioactive waste management	-	571	-	-	-	571
Processing of offshore waste	-	-	-	-	2,579	2,579
Rental of offshore equipment and personnel	-	-	-	-	1,840	1,840
Industrial Services activities	-	-	-	2,008	1,578	3,586
Total revenue net of landfill tax	**13,227**	**571**	**3,982**	**9,603**	**5,997**	**33,380**
Landfill tax	4,826	-	-	-	-	4,826
Total revenue including inter-segment sales	**18,053**	**571**	**3,982**	**9,603**	**5,997**	**38,206**
Inter-segment sales	(569)	-	(287)	(538)	(2)	(1,396)
Revenue	**17,484**	**571**	**3,695**	**9,065**	**5,995**	**36,810**
Result						
Operating profit/(loss) before exceptional items	4,262	(70)	(211)	173	(242)	3,912
Exceptional items	(11)	(8)	(8)	(555)	(1,140)	(1,722)
Operating profit/(loss)	**4,251**	**(78)**	**(219)**	**(382)**	**(1,382)**	**2,190**
Finance charges						(473)
Central costs						(367)
Profit before tax						**1,350**
Taxation						(361)
Profit after tax						**989**

Exceptional items comprise £1,111,000 relating to a commercial dispute, £547,000 relating to acquisition costs and £64,000 of other costs.

5 Taxation

The taxation charge for the six month period ended 30 June 2017 has been based on the anticipated full year effective tax rate of 20.0% (six months ended 30 June 2016: 20%).

All deferred tax liabilities and assets have arisen on the temporary timing differences between the tax base of relevant assets and their carrying value in the statement of financial position. No change in deferred tax compared to the position at 31 December 2016 has been reflected in these statements. The taxation charge for the six month period to 30 June 2017 is all reflected within current tax, consistent with the 30 June 2016 position.

6 Earnings per share

The calculation of basic earnings per share (EPS) is based on the profit attributable to ordinary shareholders of £2,301,000 (six months ended 30 June 2016: £989,000, year ended 31 December 2016: £405,000) and a weighted average number of ordinary shares outstanding of 102,748,383 (six months ended 30 June 2016: 102,249,083, year ended 31 December 2016: 102,420,517), calculated as follows:

	Unaudited Six months ended 30 June 2017 £'000	Unaudited Six months ended 30 June 2016 £'000	Audited Year ended 31 December 2016 £'000
Earnings for the purposes of basic and diluted EPS	**2,301**	989	405
Exceptional items (net of associated taxation)	**-**	1,487	4,117
Earnings for the purposes of adjusted basic and diluted EPS	**2,301**	2,476	4,522

Number of shares	**Number**	Number	Number
Weighted average number of shares for basic earnings per share	**102,748,383**	102,249,083	102,420,517
Effect of dilutive potential ordinary shares from share options	**1,995,302**	2,826,458	1,775,783
Weighted average number of shares for diluted earnings per share	**104,743,685**	105,075,541	104,196,300
Earnings per share			
Basic	**2.24p**	0.97p	0.40p
Diluted	**2.20p**	0.94p	0.39p
Adjusted earnings per share			
Basic	**2.24p**	2.42p	4.42p
Diluted	**2.20p**	2.36p	4.34p

The exceptional items have been adjusted, in the adjusted EPS, to better reflect the underlying performance of the business, when presenting basic and diluted EPS.

7 Reconciliation of operating profit to cash generated from operations

	Unaudited Six months ended 30 June 2017 £'000	Unaudited Six months ended 30 June 2016 £'000	Audited Year ended 31 December 2016 £'000
Operating profit	**3,259**	1,823	2,079
Amortisation of intangible assets	**143**	85	262
Depreciation	**2,162**	3,067	6,012
Impairment charge	**-**	-	3,348
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**5,564**	4,975	11,701
Share-based payments	**275**	247	243
Increase in inventories	**(81)**	(145)	(58)
Decrease/(increase) in trade and other receivables	**2,320**	(3,099)	(4,121)
(Decrease)/increase in trade and other payables	**(3,114)**	3,677	4,715
(Decrease) / increase in provisions	**(170)**	(270)	359
Loss on disposal of property, plant and equipment	**-**	-	20
Cash generated from operations	**4,794**	5,385	12,859

The above EBITDA and cash flow generated from operations both include a net cash outflow of £nil relating to exceptional items (H1 2016: outflow of £970,000).

8 Analysis of changes in net debt

	Audited 31 December 2016 £'000	Cash flow £'000	Other movement £'000	**Unaudited 30 June 2017 £'000**
Cash and cash equivalents	3,188	(339)	-	**2,849**
Overdraft	(166)	166	-	**-**
Bank loans	(13,833)	(1,500)	(23)	**(15,356)**
Finance leases	(5)	2	-	**(3)**
Net debt	(10,816)	(1,671)	(23)	**(12,510)**

9 Contingent Liability

On 25 August 2017 the Group announced that it had received an assessment by HMRC for landfill tax of £1.9m with interest of £0.2m for the three months ended 31 August 2013. 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. 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 believe 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 Augean. The Group believes this assessment to be without merit and an appeal is ongoing.

Should HMRC make further such assessments, for this and one other subsidiary, the total amount that could be claimed could potentially be very large. Supported by advice from leading counsel and its solicitors, the Group will robustly challenge this landfill tax assessment and any other subsequent assessment it may receive 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.