



Augean PLC
Interim Report 2011



Review of the period

Highlights	01
Chief executive's review	02

Financial statements

Unaudited consolidated statement of comprehensive income	05
Unaudited consolidated statement of financial position	06
Unaudited consolidated cash flow statement	07
Unaudited consolidated statements of changes in shareholders' equity	08
Notes to the interim financial statements	09
Advisers and company information	12



Visit our website www.augeanplc.com



Augean PLC is a market-leading, UK-based specialist waste and resource management group focused on providing a broad range of services to the hazardous waste sector.

The group's comprehensive management service covers the complete solution to the final disposal of hazardous and difficult waste streams. Our focus on waste management aims to protect the environment and provide solutions for our customers.

Our service is underpinned by quality assets and skilled people, able to respond to a broad range of customer needs.

Highlights

Financial highlights

- Revenue including landfill tax: increase of 19% to £19.4m (2010: £16.3m)
- Revenue excluding landfill tax: increase of 16% to £16.0m (2010: £13.8m)
- EBITDA increased to £3.5m (2010: £2.2m)
- Adjusted operating profit of £0.2m (2010: breakeven); total £0.4m (2010: loss of £0.2m)
- Adjusted profit after tax: loss of £0.1m (2010: loss of £0.3m); total £0.1m (2010: loss of £0.4m)
- Cash flow from operations of £2.0m (2010: £2.6m)
- Net debt reduced to £3.5m (2010: £4.9m)

Operational highlights

- Increased sales volumes and revenues in both operating divisions
- Continued to secure work from large scale remediation projects
- Project to relocate processing assets from Cannock to Port Clarence Waste Recovery Park underway
- Increased utilisation of thermal recovery technology
- Closure of Ellesmere Port facility and redeployment of industrial services assets
- Capital expenditure focused on landfill cell engineering and asset development

Strategic developments

- Good progress on strategic opportunities:
 - Secretary of State upheld appeal against rejection of planning for disposal of Low Level Waste (LLW)
 - Prepared to receive LLW in Q4 2011 subject to challenge hearing on 2 November 2011
 - Planning permission granted for mineral extraction at Cook's Hole
 - Energy from waste plant operational during the period
 - Actively pursuing further offshore opportunities and delivering contract volumes
- Group restructuring underway to reflect increasing opportunities across all waste markets

Revenue including landfill tax

£19.4m

(2010: £16.3m)

Cash flow from operations

£2.0m

(2010: £2.6m)

Net debt

£3.5m

(2010: £4.9m)

Chief executive's review

THE GROUP RESTRUCTURE WILL TAKE PLACE ALONGSIDE A REORGANISATION OF THE OPERATING DIVISIONS.



Paul Blackler, Chief executive

Performance

The results for the first half of the year reflect an improvement of the waste markets from H1 2010. The trading environment has remained competitive since the turn of the year and there was a sharp dip in activity during the April holiday period. However, the group has continued to demonstrate its ability to win work through the sales and business development teams and this has been reflected in increasing sales volumes and revenues in both operating divisions.

In the Landfill division there has been an increasing trend towards pre-treatment of waste, utilising the facilities at our Remediation Pads at East Northants Waste Management Facility (ENRMF) and Port Clarence, which have handled 58% of all landfill volumes in the period. Price competition for traditional landfill activities has been particularly marked in the North of England around our Port Clarence site. Despite this we have continued to secure work from large scale remediation projects, many of which have benefited from the continuing landfill tax exemption certificates. The investment in our remediation facilities is now developing new services to the contaminated land markets to ensure that as the landfill tax regime changes in 2012 we can offer a competitive solution to our customers.

Following the incident at our Cannock site in November 2010 all Air Pollution Control

Residues (ash) are now processed at ENRMF where the necessary processing plant was installed during the first quarter of the year. The incident remains subject to an ongoing insurance claim and has allowed the board to make the strategic decision to relocate the processing assets from Cannock to the Port Clarence Waste Recovery Park (PCWRP). This will be another step towards delivering the integrated multi-discipline waste park in line with the PCWRP attained consents.

The Treatment division delivered a 2% increase in sales when compared with H1 2010, but this excludes ash volumes which were previously processed at the Cannock site. Once restated for the impact of this change divisional sales showed a 9% increase, reflecting the continuing investment in the business development team who are focused on building the group's market share, growing revenues and helping to increase asset utilisation and return on capital employed. Sales volumes at the PCWRP increased by 20% over H1 2010, to £1.2m, following the successful commissioning of the Indirect Thermal Desorption Plant and the development of other capabilities. Focus on further improving utilisation and recovery of materials is underway and results in H2 are encouraging.

We have continued to review and reduce operating costs where appropriate, including downsizing operations at the Cannock site, closing the industrial services facility at Ellesmere Port and restructuring operations at certain other sites. The benefits from these changes are expected to be seen during the second half of the year and beyond.

Strategy

The board's priority continues to be the creation of long term shareholder value. The group is focused on the management of specialist wastes, usually of a hazardous nature and often in niche markets, using proven technology to fully utilise the group's assets and deliver longer term returns above its cost of capital.

In our annual report for 2010 we indicated that we would continue to develop the strategic opportunities available to the group during 2011 and we have built upon previous progress during the period. The board has set out a clear roadmap to 2013, which contains intentions for the group, its core businesses and areas for development. This includes the opportunities outlined during 2010 (Low Level Waste (LLW), Offshore, Energy and Minerals) and these remain key to delivering the strategy.

Low Level Waste (LLW)

On 24 May 2011 the Secretary of State for Communities and Rural Affairs upheld Augean's appeal against the rejection of its planning permission to dispose of LLW at ENRMF. This decision paved the way for the business to begin receiving LLW and Very Low Level Waste (VLLW) during the final quarter of 2011. A challenge was subsequently lodged in the High Court by a member of the public against the Secretary of State's decision and, following expedition of the proceedings, the challenge will be heard on 2 November 2011. We remain confident that the decision of the Secretary of State will be upheld and have continued to prepare the site at ENRMF to receive LLW and VLLW. Commercial discussions are well advanced with a number of interested parties and contracts have been drafted.

Offshore

We have continued to explore opportunities to increase our access to and presence in the markets for management of offshore wastes and continue to regard this as a potential growth area for the business. The contract with Scomi Oiltools (Europe) Ltd continues to provide consistent volumes and we believe will allow further access to wastes from the offshore markets.

Energy

The energy from waste plant installed at PCWRP became operational during Q2 2011, generating electricity from landfill gases and

providing royalty income to the group. During H1 we also began discussions with a potential partner to explore the installation of wind turbines at certain sites following positive results from a review of potential electricity generation capabilities.

Minerals

During H1 2011 planning permission was secured to renew the mineral extraction permission at Cook's Hole, adjacent to our Thornhaugh landfill site. The permission enables the extraction of an estimated 3m tonnes of minerals from the site for sale in the aggregates market. Work has begun to prepare invitations to tender for interested parties who wish to secure the rights to extract the minerals in return for royalty payments to Augean over a period up to 20 years.

In addition to external market opportunities we have also begun the process of restructuring the group to ensure it is fully aligned with the waste markets it serves and there are no restrictions on our ability to provide returns to shareholders. During 2011 and H1 2012 we will strike off a number of the dormant companies in the group, reshape the ownership structure and prepare a proposal to undergo a capital restructuring to create distributable reserves within Augean PLC. We expect to put a resolution before shareholders to seek approval for these changes at the annual general meeting in June 2012.

The group restructure will take place alongside a reorganisation of the operating divisions during Q4 2011, realigning from the current two (Landfill and Treatment) to three new divisions (Waste Network, Land Resources and Oil & Gas Services) by January 2012. This change will allow us to more effectively target key markets, developing the skills, knowledge and assets to service both current and new business opportunities. The new Land Resources division will focus on developing current landfill operations and also new activities which can exploit the large 'land bank' held by the company. Waste Network division will develop new routes

Net revenue
excluding landfill tax

£16.0m

(2010: £13.8m)

EBITDA

£3.5m

(2010: £2.2m)

Operating profit
before exceptional items

£0.2m

(2010: breakeven)

Chief executive's review

Strategy continued

Minerals continued

to market and secure new customers, channelling waste into transfer stations and onward to processing sites. Oil & Gas Services division will focus on services to customers producing oil-based wastes but also use existing processing capacity at Avonmouth, Paisley and PCWRP to treat a broad range of waste types.

Results

Net revenue excluding landfill tax for the six months ended 30 June 2011 increased by 16% to £16.0m (2010: £13.8m). With the inclusion of landfill tax charged to customers of £3.4m (2010: £2.4m), on which the group makes no margin, total group revenue was £19.4m (2010: £16.3m). Landfill tax increased by £8 to £56/tonne on 1 April 2011.

The underlying operating result before exceptional costs was a profit of £0.2m (2010: breakeven).

Within the Landfill division hazardous volumes were 123,371 tonnes (2010 H1: 95,053 tonnes; 2010 H2: 97,857 tonnes) which included 21,980 tonnes of Air Pollution Control Residues (ash) previously recorded within the treatment division. The average hazardous gate fees showed an improvement in the period at £49 per tonne (2010 H1: £43 per tonne; 2010 H2: £45 per tonne) reflecting the increasing volume of activity through the Remediation Pads at ENRMF and Port Clarence. Before exceptional items of £0.4m the division made an operating profit of £1.3m (2010: £1.0m).

Performance in the Treatment division was similar to H1 2010 following the transfer of ash volumes into the landfill division. Revenues grew by 2% to £8.8m (2010: £8.6m) resulting in an operating loss before exceptional items of £1.1m (2010: £1.0m). Profitability was impacted by rising waste disposal costs, interruption to operations at the Cannock site and losses at the Ellesmere Port site. Adjusted revenues following restatement for ash transfers were £9.4m and operating losses were £0.9m, a small improvement on H1 2010.

After the positive impact of exceptional items of £0.2m (2010: costs of £0.2m) relating to restructuring charges offset by the release of an unused provision, the operating result was a profit of £0.4m (2010: loss of £0.2m). Following deductions for finance charges of £0.3m (2010: £0.3m) the profit before tax was £0.1m (2010: loss of £0.4m).

The adjusted loss per share before exceptional items was 0.1p (2010: loss of 0.3p). The basic earnings per share was 0.1p (2010: loss of 0.4p). The board does not recommend the payment of a dividend.

The group generated cash flow from operations of £2.0m (2010: £2.6m) and free cash flow of £0.2m* (2010: £1.0m). This included an increased level of capital expenditure of £1.4m (2010: £1.0m) driven by investment in landfill cell engineering at all three of the group's landfill sites. Total investment in capital projects in the year is expected to be £4m.

After deducting capital expenditure, finance charges and tax, net debt at 30 June 2010 fell to £3.5m (H1 2010: £4.9m; H2 2010: £3.9m), a reduction of £0.4m from the previous year end. The net debt equated to a gearing level of 8% (2010: 11%). The group continues to operate comfortably within its banking covenants, with facilities committed until November 2012.

Outlook

We continue to operate in a competitive marketplace, where the available data shows limited growth in total market volumes. Despite a softening of the recovery seen in H2 2010 we have continued to win project work and add new customers through the sales and business development teams. We are cautious over the outlook for the full year but with the actions taken to manage underperforming business units coupled with their continued development we still expect profit before tax to be in line with expectations.

The board has continued to focus on the strategic development of the group and achieved progress on LLW and other opportunities. The restructuring of our operating divisions to align more closely with the markets is expected to support improvements in overall group profitability and cash generation into 2012 and beyond.



Paul Blackler
Chief executive
27 September 2011

* Free cash flow defined as net operating cash flow less capital expenditure and finance lease payments.

Unaudited consolidated statement of comprehensive income

for the six months ended 30 June 2011

	Note	Unaudited Six months ended 30 June 2011 £'000	Unaudited Six months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Continuing operations				
Revenue	3	19,412	16,257	34,120
Operating expenses		(19,218)	(16,237)	(33,353)
Operating profit before exceptional items		194	20	787
Exceptional items		230	(179)	185
Operating profit/(loss)		424	(159)	952
Finance charges		(300)	(266)	(399)
Share of result of jointly controlled entity		(8)	(6)	(14)
Profit/(loss) before tax		116	(431)	539
(Loss)/profit before tax and exceptional items		(114)	(252)	354
Tax	4	—	—	(117)
Profit/(loss) attributable to equity shareholders		116	(431)	422
Total comprehensive income attributable to equity holders of the parent company		116	(431)	422
Earnings/(loss) per share				
Basic and diluted	5	0.12p	(0.43p)	0.42p

Unaudited consolidated statement of financial position

at 30 June 2011

	Unaudited 30 June 2011 £'000	Unaudited 30 June 2010 £'000	Audited 31 December 2010 £'000
Non-current assets			
Goodwill	21,705	21,705	21,705
Other intangible assets	40	79	49
Property, plant and equipment	34,058	35,192	35,245
Deferred tax asset	4	121	4
Trade and other receivables	487	—	482
	56,294	57,097	57,485
Current assets			
Inventories	84	147	116
Trade and other receivables	9,270	7,623	6,918
Cash and cash equivalents	33	160	160
	9,387	7,930	7,194
Current liabilities			
Trade and other payables	(8,656)	(8,076)	(7,231)
Current tax liabilities	(4)	(495)	(4)
Financial liabilities	(1,025)	(452)	(436)
	(9,685)	(9,023)	(7,671)
Net current liabilities	(298)	(1,093)	(477)
Non-current liabilities			
Financial liabilities	(2,473)	(4,644)	(3,614)
Provisions	(7,742)	(6,502)	(7,737)
Share of losses of jointly controlled entity	(468)	(452)	(460)
	(10,683)	(11,598)	(11,811)
Net assets	45,313	44,406	45,197
Shareholders' equity			
Share capital	9,970	9,970	9,970
Share premium account	114,960	114,960	114,960
Retained losses	(79,617)	(80,524)	(79,733)
Total shareholders' equity	45,313	44,406	45,197

Unaudited consolidated cash flow statement

for the six months ended 30 June 2011

	Note	Unaudited Six months ended 30 June 2011 £'000	Unaudited Six months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Operating activities				
Cash generated from operations	6	1,978	2,607	5,816
Finance charges paid		(151)	(292)	(297)
Tax paid		—	(66)	(72)
Net cash generated from operating activities		1,827	2,249	5,447
Investing activities				
Proceeds on disposal of property, plant and equipment		—	—	32
Purchases of property, plant and equipment		(1,398)	(988)	(3,159)
Purchases of intangible assets		(4)	(14)	(27)
Purchase of businesses		—	(204)	(204)
Net cash used in investing activities		(1,402)	(1,206)	(3,358)
Financing activities				
Repayments of borrowings		(333)	(996)	(1,810)
Repayments of obligations under finance leases		(219)	(222)	(454)
Net cash used in financing activities		(552)	(1,218)	(2,264)
Net decrease in cash and cash equivalents		(127)	(175)	(175)
Cash and cash equivalents at beginning of period		160	335	335
Cash and cash equivalents at end of period		33	160	160

Unaudited consolidated statement of changes in shareholders' equity

for the six months ended 30 June 2011

	Share capital £'000	Share premium £'000	Retained earnings £'000	Shareholders' equity £'000
At 1 January 2010	9,970	114,960	(80,159)	44,771
Share-based payments	—	—	66	66
Retained loss and total comprehensive income for the period	—	—	(431)	(431)
At 30 June 2010	9,970	114,960	(80,524)	44,406
Share-based payments	—	—	(62)	(62)
Retained profit and total comprehensive income for the period	—	—	853	853
At 1 January 2011	9,970	114,960	(79,733)	45,197
Share-based payments	—	—	—	—
Retained profit and total comprehensive income for the period	—	—	116	116
At 30 June 2011	9,970	114,960	(79,617)	45,313

Notes to the interim financial statements

for the six months ended 30 June 2011

1 Statutory information

The financial information for the period ended 30 June 2011 set out in this interim report does not constitute statutory accounts as defined by Section 240 of the Companies Act 2006. The financial information relating to the year ended 31 December 2010 is an extract from the latest published financial statements on which the auditor gave an unqualified 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.

These interim financial statements are available from the registered office at 4 Rudgegate Court, Walton, Wetherby, West Yorkshire LS23 7BF or from our 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 2010, which is available on the group's website.

No new accounting standards have been adopted by the group since preparing its last annual report.

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.

3 Segmental information

Management currently identifies that the group has two operating segments. These segments are monitored and strategic decisions are made on the basis of the segment operating results. The group's internal organisation and management structure and its system of internal financial reporting are based primarily on business segments. The business segments comprise the landfill division and the treatment division. Segmental revenue, expense and results include transactions between businesses. Inter-segmental transactions are eliminated on consolidation.

The segmental results for the six months ended 30 June 2011 were as follows:

	Landfill division £'000	Treatment division £'000	Group £'000
Revenue			
External sales net of landfill tax	7,276	8,759	16,035
Landfill tax	3,377	—	3,377
External sales	10,653	8,759	19,412
Inter-segment sales	158	—	158
Total revenue	10,811	8,759	19,570
Result			
Operating profit/(loss) before exceptional costs	1,340	(1,146)	194
Exceptional items	400	(170)	230
Operating profit/(loss)	1,740	(1,316)	424
Share of result of jointly controlled entity			(8)
Finance charges			(300)
Profit before tax			116
Tax			—
Profit attributable to equity shareholders			116

Exceptional items totalling £230k relate to the release of a provision in respect of landfill tax liabilities of £400k, less restructuring charges of £170k.

External sales for Landfill division included £0.8m generated from the processing of ash at the East Northants Resource Management Facility (ENRMF). In the comparable period during 2010 no ash was processed at ENRMF. Processing facilities were established during quarter 1 of 2011, increasing the waste treatment capabilities of the site and avoiding the need to undertake processing activities at the Treatment division's Cannock site.

Notes to the interim financial statements

for the six months ended 30 June 2011

3 Segmental information continued

The segmental results for the six months ended 30 June 2010 were as follows:

	Landfill division £'000	Treatment division £'000	Group £'000
Revenue			
External sales net of landfill tax	5,248	8,582	13,830
Landfill tax	2,427	—	2,427
External sales	7,675	8,582	16,257
Inter-segment sales	435	—	435
Total revenue	8,110	8,582	16,692
Result			
Operating profit/(loss) before exceptional costs	998	(978)	20
Exceptional items	(50)	(129)	(179)
Operating profit/(loss)	948	(1,107)	(159)
Share of result of jointly controlled entity			(6)
Finance charges			(266)
Loss before tax			(431)
Tax			—
Loss attributable to equity shareholders			(431)

Exceptional costs totalling £179k were incurred in respect of restructuring charges.

4 Tax

No tax charge has been included for the six months ended 30 June 2011.

5 Earnings/(loss) per share

	Unaudited Six months ended 30 June 2011 £'000	Unaudited Six months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Profit/(loss) after tax for the purposes of basic and diluted earnings per share	116	(431)	422
Exceptional items	(230)	179	(185)
(Loss)/profit after tax for the purposes of basic and diluted adjusted earnings per share	(114)	(252)	237
	Number	Number	Number
Number of shares			
Weighted average number of shares for basic and diluted earnings per share	99,699,414	99,699,414	99,699,414
Earnings/(loss) per share			
Basic and diluted	0.12p	(0.43p)	0.42p
Adjusted (loss)/earnings per share			
Basic and diluted	(0.11p)	(0.25p)	0.24p

6 Reconciliation of operating profit to cash generated from operations

	Unaudited Six months ended 30 June 2011 £'000	Unaudited Six months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Operating profit/(loss)	424	(159)	952
Amortisation of intangible assets	13	65	108
Depreciation	2,910	2,232	4,404
After-care provisions	141	62	94
Earnings before interest, tax, depreciation and amortisation (EBITDA)	3,488	2,200	5,558
(Profit) on sale of property, plant and equipment	—	—	(13)
Share-based payments	—	66	4
Decrease/(increase) in inventories	32	(17)	14
(Increase)/decrease in trade and other receivables	(2,455)	(205)	137
Increase/(decrease) in trade and other payables	1,412	660	(796)
(Decrease)/increase in provisions	(499)	(97)	912
Cash generated from operations	1,978	2,607	5,816

7 Analysis of changes in net financial liabilities

	Audit 31 December 2010 £'000	Cash flow £'000	Unaudited 30 June 2011 £'000
Cash and cash equivalents	160	(127)	33
Overdraft	(22)	(636)	(658)
Bank loans due after one year	(2,882)	969	(1,913)
Finance leases and hire purchase contracts	(1,146)	219	(927)
Net financial liabilities	(3,890)	425	(3,465)

Advisers and company information

Secretary

Richard Allen, ACMA

Registered office

4 Rudgate Court
Walton
Wetherby
West Yorkshire LS23 7BF

Registered number

5199719
(incorporated and registered
in England and Wales)

Website

www.augeanplc.com

Broker and nominated adviser

Singer Capital Markets
One Hanover Street
London W1S 1YZ

Auditor

Grant Thornton UK LLP
No 1 Whitehall Riverside
Whitehall Road
Leeds LS1 4BN

Solicitors

Walker Morris
Kings Court
12 King Street
Leeds LS1 2HL

Bankers

HSBC Bank plc
City Point
29 King Street
Leeds LS1 2HL

Registrars

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS13 8AE



designed and produced by
the design portfolio
marketing services.
www.design-portfolio.co.uk

Augean PLC

4 Rudgate Court
Walton
Wetherby LS23 7BF

Tel: 01937 844980
Fax: 01937 844241
www.augeanplc.com
contact@augeanplc.com

Contacting Augean

To find out about how Augean can help your business call us on 01937 844980, fax us on 01937 844241 or email us at contact@augeanplc.com to arrange for a sales adviser to call you.



Augean's commitment to environmental issues is reflected in this interim report, which has been printed on Core Silk comprising of paper from responsible sources certified by the FSC® and produced at mills with ISO 14001 environmental management systems.

Printed digitally by Pureprint Group without the use of film separations, plates and associated processing chemicals. 99% of all dry waste associated with this production has been recycled. Pureprint Group is certificated to ISO 14001 environmental management system, is registered to EMAS the Eco Management Audit Scheme, is a CarbonNeutral® Company and has been awarded The Queen's Award for Enterprise: Sustainable Development.