





Augean PLC
the hazardous waste specialist

Contents

- 2 Highlights
- 3 Chief Executive's review
- 6 Consolidated profit and loss account
- 7 Consolidated balance sheet
- 8 Consolidated cash flow statement
- 9 Notes to the interim financial statements
- 12 Company information



Augean plc, a market leader in the management of hazardous waste, provides advice and cost-effective solutions to UK businesses' waste problems. We work in partnership with our clients to provide long-term answers to the treatment and disposal of their waste.

Our strict operating protocols take effect the moment an enquiry is made: our team of technical advisers determines the most effective route for the waste. This could be through our treatment or transfer facilities, where appropriate, or direct to one of our landfill sites. We currently own approximately 10m cubic metres of void space.

Highlights

Financial highlights

- * Turnover of £13.9m.
- * Operating profit before amortisation of £1.9m.
- * Earnings per share before amortisation of 2.31p.
- * Loss per share of 5.69p after charging £5.2m of amortisation costs.
- * Strong operating cash flow of £1.7m.

Operational highlights

- * Acquisition of the Credential Environmental hazardous waste facilities.
- * Treatment site at Cannock fully integrated – introduction of 24-hour working.
- * Augean Treatment division established.
- * Terramundo joint venture formed at Port Clarence with Belgium-based DEC NV.
- * Port Clarence wharfage agreement in place enabling movement of waste by ship.
- * Laboratory facilities at King's Cliffe opened improving customer service and reducing costs.
- * Appointment of Peter Southby as Group Finance Director.
- * Clearer visibility on inputs to our facilities in H2 2006 and beyond.

Chief Executive's review

The first half of 2006 has seen another period of expansion for the group with the acquisition of the Credential Environmental hazardous waste facilities in Hinckley and Worcester, together with the announcement of the Terramundo joint venture at Port Clarence. This has now established Augean as the UK's market leader in the management of hazardous waste.

Market and legislation

Further legislation in July 2006 has meant more wastes have to be pre-treated before final disposal. We believe that this presents a tremendous opportunity for Augean's newly-formed Treatment division and underpins our strategy of making further acquisitions in the hazardous waste treatment sector.

The Environment Agency ("EA") has strengthened its hazardous waste team and recently appointed two senior managers, one who will be responsible for hazardous landfills and a second with responsibility for hazardous waste treatment facilities, both on a national basis. This should reduce the amount of waste being misdirected to non-hazardous facilities and increase the overall hazardous waste market. Augean continue to work closely with the EA to ensure that legislation is enforced and the group's position is protected.

Landfill division

Our sales team at Augean has continued to grow the volumes of hazardous waste into our landfill sites, increasing the amount of both chemical and construction-related wastes, whilst prices have remained stable.

Particular emphasis has been placed on increasing volumes of contaminated soils into Port Clarence and I am pleased to report that this has been very successful. We expect further increases in volumes towards the latter part of the year on the back of the recent wharfage agreement which enables material to be transported directly to site by ship. This will also have the benefit of reducing the amount of material transported by road and consequently CO₂ emissions.

Terramundo is a joint venture company with Belgium-based DEC NV, set up to develop and operate a soil treatment centre at Port Clarence. This facility is due to come on stream in December 2006 and will be primarily for soils which cannot be sent directly to landfill.

Chief Executive's review **continued**

The laboratory facilities at King's Cliffe opened in April and have enabled us to improve our service to customers whilst having the added benefit of reducing our overall costs. Further plans to reduce testing costs even further are expected to come to fruition later this year.

Treatment division

Following the acquisition of the Credential hazardous facilities, all the treatment and transfer centres now operate as Augean Treatment and in the future will be run as a separate division reporting to the newly-created role of Managing Director Treatment. As a result of this restructuring, the role of Group Operations Director has become redundant.

The site at Cannock is now fully integrated and has continued to develop with the creation of new office facilities, the introduction of 24-hour working and the installation of the pilot plant.

The Credential acquisition has both increased our geographical coverage and customer base and early signs are very encouraging.

Financial performance

Turnover for the period was £13.9m, generating an operating profit before amortisation of intangible assets of £1.9m, loss before tax of £3.7m and loss per share of 5.69p. Net assets at the period end were £101.7m and there was a net cash inflow from operating activities of £1.7m.

The Board will not be recommending the payment of a dividend for the period ended 30 June 2006.

Management team

We have made a number of changes to the management team during 2006 to strengthen our position within the UK hazardous waste market, and I would like to personally thank the entire management team and workforce for their continued efforts.

We are pleased to confirm the appointment of Peter Southby to the Board as Group Finance Director. Clive Gilham will continue as Interim Finance Director until Peter joins the company later in the year.

Outlook

In my statement accompanying the 2005 Annual Report I listed a number of developments which were to take place during 2006. The majority of these are now in place and will deliver growth in the second half of 2006 and beyond. This is underpinned by a clearer visibility on inputs to our facilities during this period.

The management team continue to evaluate hazardous waste technologies throughout the world with the intention of developing these, at both our Port Clarence site and our treatment facilities, as and when they become economically viable.

A handwritten signature in blue ink, appearing to read 'John Huntington', with a large, sweeping underline.

John Huntington

20 September 2006

Consolidated profit and loss account

for the six months to 30 June 2006

	1 Jan 2006 to 30 June 2006 £'000	6 Aug 2004 to 30 June 2005 £'000	6 Aug 2004 to 31 Dec 2005 £'000
Turnover from continuing operations	13,357	12,898	26,113
Turnover from acquisitions in the current period	511	–	–
Turnover	13,868	12,898	26,113
Cost of sales	(9,368)	(8,726)	(18,025)
Gross profit	4,500	4,172	8,088
Administrative expenses excluding amortisation of intangibles	(2,561)	(2,284)	(4,400)
Amortisation of goodwill	(5,184)	(3,367)	(10,122)
Amortisation of other intangible assets	(60)	–	(28)
Total administrative expenses	(7,805)	(5,651)	(14,550)
Operating profit before amortisation of intangible assets	1,939	1,888	3,688
Operating loss	(3,305)	(1,479)	(6,462)
Interest payable and similar charges	(424)	(186)	(565)
Interest receivable and similar income	–	230	287
Loss on ordinary activities before taxation	(3,729)	(1,435)	(6,740)
Tax on loss on ordinary activities	–	–	(1,380)
Loss on ordinary activities after taxation	(3,729)	(1,435)	(8,120)
Basic and diluted loss per share (p)	(5.69)	(3.60)	(16.55)

Consolidated balance sheet

at 30 June 2006

	30 June 2006 £'000	31 Dec 2005 £'000
Fixed assets		
Intangible assets	89,467	86,488
Tangible assets	29,386	29,547
	118,853	116,035
Current assets		
Stock	1	1
Debtors	7,158	6,870
	7,159	6,871
Creditors: amounts falling due within one year	(10,136)	(9,838)
Net current liabilities	(2,977)	(2,967)
Total assets less current liabilities	115,876	113,068
Creditors: amounts falling due after more than one year	(8,350)	(335)
Provision for liabilities and charges	(5,822)	(7,336)
Net assets	101,704	105,397
Capital and reserves		
Called up share capital	6,549	6,549
Share premium	104,429	104,429
FRS 20 reserves	2,575	2,539
Profit and loss account	(11,849)	(8,120)
Equity shareholders' funds	101,704	105,397

Consolidated cash flow statement

for the six months to 30 June 2006

	1 Jan 2006 to 30 June 2006 £'000	6 Aug 2004 to 30 June 2005 £'000	6 Aug 2004 to 31 Dec 2005 £'000
Net cash inflow from operating activities	1,674	2,032	7,316
Returns on investments and servicing of finance	(443)	44	(278)
Taxation	(131)	–	–
Capital expenditure and financial investment	(2,239)	(2,813)	(4,589)
Acquisitions and disposals	(8,515)	(54,737)	(64,674)
Cash outflow before financing	(9,654)	(55,474)	(62,225)
Financing	10,000	62,865	61,496
Increase/(decrease) in cash in the period	346	7,391	(729)
Movement in financing	(10,000)	–	703
Change in net debt arising from cash flows	(9,654)	7,391	(26)
New finance leases and hire purchase agreements	–	–	(63)
Debt acquired with subsidiary	(117)	(3,502)	(3,502)
Movement in net debt in the period	(9,771)	3,889	(3,591)
Net funds/(debt) brought forward	(3,591)	–	–
Net funds/(debt) carried forward	(13,362)	3,889	(3,591)
Analysis of net funds/(debt)			
Cash	–	6,775	–
Term loan	(10,000)	–	–
Bank overdraft	(1,155)	–	(729)
Debt factor advances	(1,785)	(2,476)	(2,346)
Other loan	–	–	(100)
Hire purchase	(422)	(410)	(416)
	(13,362)	3,889	(3,591)

Notes to the interim financial statements

for the six months ended 30 June 2006

1 Fair values of acquisitions

During the previous financial period to 31 December 2005 the group acquired three companies, being Atlantic Waste Holdings Limited and Zero Waste Holdings Limited (“the Landfill division”) and Proactive Waste Solutions Limited (“Proactive”). During the current period to 30 June 2006 the Group acquired the business and assets (“Credential Hazardous”) of the hazardous waste business from Credential Waste Holdings Limited. All the assets and liabilities of those acquired companies and Credential Hazardous have been recorded at their fair values reflecting their condition at the relevant acquisition date. However the assessment of these fair values in relation to the Landfill division is complex and resulted in significant revisions throughout the previous period and minor revisions during the current period as the review, which is still ongoing, has progressed. As such, provisional fair values have been included within the reported results, which may result in further changes to the carrying value of these net assets during the remainder of the current financial year. The fair value adjustments in relation to Proactive were finalised in the previous period and for Credential Hazardous will be finalised by 31 December 2006.

2 Financial Reporting Standard 20 (“FRS 20”)

FRS 20 has been implemented for the first time. The impact upon the six months to 30 June 2006 was to charge profits in respect of those share options that have vesting conditions with an amount of £36,000 and to credit this to reserves.

Separately those share options and warrants that were issued in connection with the acquisition of the Landfill division in December 2004 and related equity fundraising have been charged to those transactions as there were no vesting conditions. Consequently £746,000 has been charged as a cost of investment, capitalised as an intangible asset and amortised since the acquisition date and £1,793,000 has been charged to the share premium account. This has resulted in an increased amortisation of intangible assets in the six months to 30 June 2006 of £34,000 with a corresponding amount charged to the comparative period. The balance sheet as at 31 December 2005 has been adjusted accordingly.

The calculation of the fair values of the share options and warrants issued by the company have been based upon the binomial lattice model together with a number of subjective assumptions, the most significant of which is that the expected volatility of the company’s shares will be 40%. All assumptions will be refined for the financial statements for the full year to 31 December 2006 when more relevant evidence will be available.

Notes to the interim financial statements continued

for the six months ended 30 June 2006

3 Segmental analysis

	1 Jan 2006 to 30 June £'000	6 Aug 2004 to 30 June 2005 £'000	6 Aug 2004 to 31 Dec 2005 £'000
Landfill division	10,817	12,898	24,184
Treatment division	3,051	–	1,929
Turnover	13,898	12,898	26,113
Landfill division	1,397	1,888	3,327
Treatment division	542	–	361
Adjusted operating profit*	1,939	1,888	3,688

* This is operating profit before the amortisation of goodwill and other intangible assets.

4 Loss per share

For the six months ended 30 June 2006 the calculation of the basic loss per ordinary share was based on the weighted average of 65,488,892 ordinary shares in issue and loss after taxation of £3,729,000.

For the period ended 30 June 2005 the calculation of the basic loss per ordinary share was based on the weighted average of 39,879,637 ordinary shares in issue and loss after taxation of £1,435,000.

For the period ended 31 December 2005 the calculation of the basic loss per ordinary share was based on the weighted average of 49,065,022 ordinary shares in issue and loss after taxation of £8,120,000.

No diluted loss per share arises due to the loss in the year, resulting in no dilutive share options.

5 Reconciliation of operating loss to net cash inflow from operating activities

	1 Jan 2006 to 30 June 2006 £'000	6 Aug 2004 to 30 June 2005 £'000	6 Aug 2004 to 31 Dec 2005 £'000
Operating loss	(3,305)	(1,479)	(6,462)
Amortisation of intangible fixed assets	5,244	3,367	10,150
Depreciation	2,927	2,824	4,986
Aftercare provisions	226	281	235
FRS 20 expenses	36	–	–
	5,128	4,993	8,909
Movement in debtors	(288)	5	2,244
Movement in creditors	(1,426)	(2,966)	(3,602)
	3,414	2,032	7,551
Provisions spent	(1,740)	–	(235)
Net cash inflow from operating activities	1,674	2,032	7,316

6 Statutory information

These interim financial statements do not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985. The results for the six months to 30 June 2006 have not been audited. Comparative information has been extracted from the two interim statements to 31 December 2004 and to 30 June 2005 and from the audited financial statements for the period from 6 August 2004 to 31 December 2005. These latter statements, on which the Auditors gave an unqualified opinion, have been filed with the Registrar of Companies.

These interim financial statements will be posted to all shareholders and are available from the registered office of the company, 4 Rudgate Court, Walton, Wetherby LS23 7BF or from our website at www.augeanplc.com.

Company information

Directors

David Williams
Non-executive Chairman

John Huntington
Chief Executive

Roger McDowell
Non-executive Director

Andrew Bryce
Non-executive Director

Secretary

Susan Fadil FCIS

Registered office

4 Rudgate Court
Walton
Wetherby LS23 7BF

Registered number

5199719
(incorporated and registered in England
and Wales)

Nominated adviser

Bridgewell Securities Limited
Old Change House
128 Queen Victoria Street
London EC4U 4BJ

Auditors

RSM Robson Rhodes LLP
St George House
40 Great George Street
Leeds LS1 3DQ

Solicitors

Mayer, Brown, Rowe & Maw LLP
11 Pilgrim Street
London EC4V 6RW

Walker Morris
Kings Court
12 Kings Street
Leeds LS1 2HL

Bankers

Bank of Scotland
155 Bishopsgate
London EC2M 3YB

HSBC Bank Plc
70 Pall Mall
London SW1Y 5EZ

Registrars

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgewater Road
Bristol BS99 7NH

Website

www.augeanplc.com



Designed and produced by 85four. Photography by Ric Gemmill. Printed in England by Cousin ISO 14001. This report is printed in vegetable-based inks on paper which is made from 50% chlorine-free pulp from plantation forests, and from 50% recycled and de-inked fibres. It can be recycled and is bio-degradable.

Augean PLC

4 Rudgate Court, Walton
Wetherby LS23 7BF

www.augeanplc.com

Contacting Augean

To find out more 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.

