18 September 2018

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

Interim results for the six months ended 30 June 2018

Augean, one of the UK's leading specialist waste management businesses, announces its unaudited interim results for the six months ended 30 June 2018.

Financial highlights
From continuing operations and excluding exceptional items

- Adjusted revenue before landfill tax increased by 6% to £32.9m (2017: £30.9m[1])
- Adjusted profit before taxation[2] increased 36% to £4.5m (2017: £3.3m)
- Adjusted EBITDA[3] increased by 43% to £8.0m (2017: £5.8m)
- Net cash flows[4] increased to an inflow of £8.1m from £0.8m outflow in H1 2017
- Net debt improved to £2.7m (at 31 December 2017: £10.8m). Net debt as at 13 September is £0.4m. The rate of cash generation will slow in H2 as the capital spend to maintain landfill capacity will increase
- Basic adjusted earnings per share[5] increased by 21% to 3.18 pence (2017: 2.62p)

Operational highlights

- Good progress on business optimisation programme including cost savings, coherent incentivisation of sales, operations and staff to enhance shareholder value
- Double digit growth from residues from Energy from Waste (EfW) plants despite customers having a disproportionate amount of "downtime"
- Strong growth in framework radioactive waste with revenues up around one third
- Recovery in the market position for soils with the appointment of a reinstated focused team toward the end of H1 - however volumes down by around a third in H1
- Further investment in soil wash plant to extend soil market opportunity
- Increased overall profit at all treatment sites except East Kent
- Continued further diversification in North Sea into industrial services and waste management with reduced drilling volumes has resulted in profit more than doubling
- Strong pipeline of new EfW residue contracts which are expected to enter operation in 2019

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

"We have made excellent progress in the first half of 2018 having grown sales in all our key strategic markets, reduced the cost base of the Group, driven cash generation and co-operatively engaged with HMRC. We expect to make progress with HMRC in the second half of 2018 and will update the market accordingly. The team at Augean have responded well to the changes in the business, for which I would like to thank them all. With growth in our key strategic markets we expect to deliver full year financial results that exceed current market expectation".

There will be a meeting for analysts at 9.30am today at the offices of N+1 Singer, 1 Bartholomew Lane, London EC2N 2AX

For further information, please call:

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Jim Meredith Executive Chairman
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[1] on a like-for-like basis from continued operations (excluding AIS and Colt)
[2] Adjusted means before exceptional items
[3] EBITDA means adjusted earnings before interest, tax, depreciation and amortisation from continuing operations
[4] Including investing activities and before dividends
[5] From continuing operations and before exceptional items

Strategic report

The Group's core strategic markets are Energy from Waste, treatment, nuclear decommissioning and North Sea decommissioning. As previously announced, in order to facilitate cost savings and to focus on profitable cash generative growth in these core markets the Group has amended its business unit infrastructure for 2018 as follows:

	Adjusted continuing revenues (£'m)		Adjusted operating profit before interest, tax and PLC costs (£'m)	
	2018	**2017**	**2018**	**2017**
Treatment and Disposal	23.3	22.9	4.7	4.0
North Sea Services	9.6	8.0	0.8	0.3
Revenues	**32.9**	**30.9**	**-**	**-**
Operating Profit pre-PLC costs	**-**	**-**	**5.5**	**4.3**
PLC costs			(0.6)	(0.5)
Operating profit post PLC costs			**4.9**	**3.8**

Adjusted revenues exclude intra segment trading, discontinued operations and landfill tax, adjusted operating profit excludes exceptional items and loss from discontinued operations.

Business performance

The Group operated through two business units during 2018.

Treatment and Disposal

The principal activity of this business unit is the treatment and disposal of waste from Energy from Waste (EfW) incinerators, construction and industrial sites. The largest waste stream by revenue and profit is the disposal of ash from EfW sites which comprises bottom ash and ash from the burning of biomass and municipal waste to generate energy. The largest waste stream by tonnage is asbestos and other contaminated waste materials and soils, mainly from construction sectors. A key growth market in Treatment and Disposal is low level radioactive waste decommissioning.

Adjusted revenues, excluding landfill tax, increased by 2% to £23.3m (2017: £22.9m), with a small reduction in disposal revenue (mainly from construction soils) offset by increased revenue from new contract wins in treatment. Radioactive waste volumes were in line with the first half of 2017 albeit that half was very strong.

The adjusted operating profit of Treatment and Disposal increased by 19% to £4.8m (2017: £4.0m) due to previously announced cost savings with an annualised value of £4m and increased sales.

The Treatment and Disposal strategy is to continue to win new treatment contracts, optimise the use of our treatment plants, maximise the market opportunity from growth in EfW ash waste volumes, nuclear decommissioning and construction sector wastes.

North Sea Services (NSS)

The NSS 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.

NSS revenue increased by 20% to £9.6m (2017: £8.0m) on new customer wins in Industrial Services and Waste Management. This segment saw an increase in adjusted operating profit to £0.8m (2017: £0.3m) due to revenue increase, cost savings, better mix and the impact of increased decommissioning in the North Sea.

The NSS 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 more directly with those customers. The NSS facility at the Port of Dundee for the management of waste arising onshore from the decommissioning of offshore assets is now fully operational. This enhances 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. NSS actively markets these facilities alongside other operators at the port, which in turn cements its international position as a decommissioning facility for the North Sea.

Discontinued operations

Augean Integrated Services (AIS) and Colt Industrial Services

AIS was sold on 16th March 2018 to Regen Holdings for total consideration of £4.0m. The fixed assets of the Colt business were sold to Future Industrial on 22nd June 2018 for £1.0m. The total consideration of £5.0m has been used to reduce net debt.

HMRC assessment

Having taken legal advice confirming its position, Augean continues to believe that the Landfill Tax (LFT) Assessments received to date are to protect HMRC's four-year lookback. Protective assessments have continued to be issued although not on a consistent basis with currently 9 in total at a value of £14.8m. There has been no further update on the pre-assessment notifications previously announced in April. Augean is maintaining positive discussions with HMRC in an effort to resolve the matter. The Group will robustly challenge the LFT Assessments that it has or may receive from HMRC, through the tax tribunal system if appropriate. Augean continues to work with stakeholders in the waste and other affected industry sectors about the broader adverse implications for the continued and necessary proper treatment of hazardous waste.

The Group intends to account for the legal costs of the dispute with HMRC as an exceptional item but not to make a provision for assessments received to date based on the strength of independent legal and professional advice received. Further announcements will be made at the appropriate time.

Financial performance

Group overview
A summary of the Group's financial performance, from continuing operations and excluding exceptional items, is as follows. The 2017 comparative has been re stated where appropriate to exclude operations discontinued in 2018.

£'m except where stated	**2018**	**2017**
Adjusted Revenue*	32.9	30.9
Adjusted Operating profit*	4.9	3.8
Adjusted Profit before taxation	4.5	3.3
Adjusted Profit after taxation	3.8	2.7
Net operating cash flow	6.2	4.2
Basic adjusted earnings per share	3.18	2.62
Return on capital employed	14.4%	12.3%

* excluding intra segment trading, discontinued operations and landfill tax, adjusted operating profit excludes exceptional items and loss from discontinued operations.

Exceptional items are detailed below.

Trading, adjusted operating profit and EBITDA
Adjusted revenue from continuing operations, excluding landfill tax, for the six months ended 30 June 2018 increased by 7% to £32.9m (2017: £30.9m).

Adjusted operating profit before exceptional items from continuing operations increased by 29% to £4.9m (2017: £3.8m) and adjusted profit before tax increased by 36% to £4.5m (2017: £3.3m), on the same basis.

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

	2018 £'m	**2017 £'m**
Operating profit	4.9	3.8
Depreciation and amortisation	3.1	2.0
EBITDA	**8.0**	**5.8**

Exceptional items

Exceptional items in 2018 totalled a net profit of £1.4m before taxation being the profit on the sale of AIS of £1.2m, profit on disposal of Colt assets of £0.2m offset by £0.1m of net landfill tax legal costs / other costs.

Finance costs

Total finance charges were £0.4m (2017: £0.4m) including the interest on bank debt and other financial liabilities and also included non-cash unwinding of discounts on provisions.

Earnings per share

Adjusted basic earnings per share (EPS), from continuing operations and excluding exceptional items, increased by 21% to 3.18 pence (2017: 2.62 pence) due to the increased sales and lower costs.

The Group made an adjusted profit after taxation, from continuing operations and excluding exceptional items, of £3.3m (2017: £2.7m), all of which was attributable to equity shareholders.

The total number of ordinary shares in issue increased during the period from 103,048,167 to 103,428,392 with the weighted average number of shares in issue decreasing from 104,743,685 to 103,981,192 for the purposes of basic EPS due to the expiration of share options.

Dividend

The Board has decided not to declare an interim dividend given the HMRC situation as described (2017 interim and final: Nil).

Cash flow and net debt

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

	2018 £'m	**2017 £'m**
EBITDA from continuing operations and before exceptional items	8.0	5.8
Net working capital movements	-	(0.8)
Interest and taxation payments	(1.1)	(0.9)
Other	-	0.1
Net operating cash flows from continuing operations and before exceptional items	**6.9**	**4.2**

The cash flow of the Group is summarised as follows:

	2018 £'m	**2017 £'m**
Net operating cash flows from continuing operations	6.9	4.2
Net operating cash flows from discontinued operations	(2.0)	(0.3)
Total net operating cash flows	**4.9**	**3.9**
Maintenance capital expenditure	(1.4)	(2.2)
Post-maintenance free cash flow	**3.5**	**1.7**
Development capital expenditure	(0.4)	(2.5)
Free cash flow	**3.1**	**(0.8)**
Sale of Business and assets	5.0	-
Net cash generation before dividends	8.1	(0.8)
Dividend payments	-	(1.0)
Net cash generation	**8.1**	**(1.8)**

Underlying net operating cash flow as a percentage of EBITDA was 86% in 2018 (2017: 72%).

The operating cash flow of the Group of £4.9m was used to pay down debt and fund the future growth of the Group, with Capital investment in property, plant & equipment and intangible assets made by the Group totalling £1.8m (2017: £4.7m), split between maintenance capital (to lengthen the productive life of existing assets) of £1.4m and expansion capital (for targeted future growth) of £0.4m.

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.

As a result of the above net cash inflow, net debt, defined as total borrowings less cash and cash equivalents, was at £2.7m at 30th June 2018 compared with £10.8m at 31 December 2017. This represented gearing, defined as net debt divided by net assets, of 5% (31 December 2017: 22%). The ratio of net debt to EBITDA, from continuing operations and before exceptional items, was 0.3 times (2017: 0.8 times).

Financing

During 2018, 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 30 June 2018, the net debt is £2.7m with headroom available to the Group of £17.3m. The Group expects to be debt free at year-end 2018.

Balance sheet and return on capital employed

Consolidated net assets were £53.7m on 30 June 2018 (2017: £56.2m) and net tangible assets, excluding goodwill and other intangible assets, were £33.8m (2017: £30.1m), of which all was attributable to equity shareholders of the Group in both years. Return on capital employed, from continuing operations and excluding exceptional items, defined as adjusted operating profit divided by average capital employed, where capital employed is net assets excluding net debt, increased to 14.4% in 2018 (2017: 12.3%).

Outlook

Given continuing growth in our key strategic markets of Energy from Waste plants, Treatment, Nuclear and North Sea decommissioning combined with the full year benefit of cost saving, we expect to deliver full year financial results that exceed current market expectation. We plan to be debt free by year-end, subject to no change in the current HMRC position.

Jim Meredith

Executive Chairman

18 September 2018

Unaudited consolidated statement of comprehensive income
For the six months ended 30 June 2018

	Note	**Unaudited Six months Ended 30 June 2018 £'000**	Represented Unaudited Six months Ended 30 June 2017 £'000	Represented Audited Year ended 31 December 2017 £'000
Continuing operations				
Revenue	4	**37,524**	35,316	70,229
Operating expenses		**(32,598)**	(31,568)	(62,864)
Operating profit before exceptional items		**4,926**	3,748	7,365
Exceptional items		**1,359**	-	(8,605)
Operating profit / (loss)		**6,285**	3,748	(1,240)
Net finance charges		**(413)**	(408)	(850)
Profit / (loss) before tax		**5,872**	3,340	(2,090)
Taxation	5	**(1,233)**	(645)	(597)
Profit / (loss) from continuing operations		**4,639**	2,695	(2,687)
Discontinued operations				
Loss from discontinuing operations		**(1,181)**	(394)	(807)
Profit for the period and total comprehensive income attributable to equity shareholders		**3,458**	2,301	(3,494)
Earnings / (loss) per share				
Basic		**3.35p**	2.24p	(3.40)p
Diluted	6	**3.33p**	2.20p	(3.34)p

Unaudited consolidated statement of financial position

At 30 June 2018

	Unaudited 30 June 2018 £'000	Unaudited 30 June 2017 £'000	Audited 31 December 2017 £'000
Non-current assets			
Goodwill	**19,757**	23,997	19,757
Other intangible assets	**115**	2,121	323
Property, plant and equipment	**44,717**	47,097	46,678
Deferred tax asset	**1,243**	1,176	1,243
	65,832	74,391	68,001
Current assets			
Inventories	**326**	458	440
Trade and other receivables	**18,138**	16,053	19,570
Cash and cash equivalents	**5,235**	2,849	6,579
	23,699	19,360	26,589
Current liabilities			
Trade and other payables	**(17,615)**	(13,794)	(18,287)
Current tax liabilities	**(887)**	(808)	(652)
Borrowings	**-**	(3)	-
Provisions	**(200)**	(65)	(50)
	(18,702)	(14,670)	(18,989)
Net current assets	**4,997**	4,690	7,600
Non-current liabilities			
Borrowings	**(7,900)**	(15,356)	(17,378)
Provisions	**(9,251)**	(7,553)	(8,118)
	(17,151)	(22,909)	(25,496)
Net assets	**53,678**	56,172	50,105
Equity			
Share capital	**10,300**	10,284	10,295
Share premium account	**800**	795	757
Retained earnings	**42,578**	45,093	39,053
Total equity	**53,678**	56,172	50,105

Unaudited consolidated statement of cash flows
For the six months ended 30 June 2018

	Note	**Unaudited Six months ended 30 June 2018 £'000**	Unaudited Six months ended 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
Operating activities				
Cash generated from operations	7	**5,951**	4,794	10,530
Finance charges paid		**(298)**	(477)	(429)
Tax paid		**(719)**	(400)	(650)
Net cash generated from operating activities		**4,934**	3,917	9,451
Investing activities				
Proceeds on disposal of property, plant and equipment		**1,000**	-	62
Purchases of property, plant, equipment and intangibles		**(1,846)**	(4,728)	(8,830)
Sale of business (net of cash)		**3,998**	-	-
Net cash used in investing activities		**3,152**	(4,728)	(8,768)
Financing activities				
Issue of equity		**48**	-	28
(Repayment) / Drawdown of loan facilities		**(9,478)**	1,500	3,711
Repayments of obligations under finance leases		**-**	(1)	(4)
Dividends paid		**-**	(1,027)	(1,027)
Net cash generated from financing activities		**(9,430)**	472	2,708
Net (decrease) / increase in cash and cash equivalents		**(1,344)**	(339)	3,391
Cash and cash equivalents at beginning of period		**6,579**	3,188	3,188
Cash and cash equivalents at end of period		**5,235**	2,849	6,579

Unaudited consolidated statement of changes in equity

For the six months ended 30 June 2018

	Share capital	Share premium account	Retained earnings	Shareholders' equity
	£'000	£'000	£'000	£'000
At 1 January 2017	**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**
Total comprehensive income for the period				
Retained profit	-	-	(5,795)	(5,795)
Total comprehensive income for the period	-	-	(5,795)	(5,795)
Transactions with owners of the Company				
Issue of equity	11	(38)	-	(27)
Share-based payments	-	-	(81)	(81)
Tax relating to transactions with owners of the Company	-	-	(164)	(164)
Total transactions with the owners of the Company	11	(38)	(245)	(272)
At 31 December 2017	**10,295**	**757**	**39,053**	**50,105**
Total comprehensive income for the period				
Retained profit	-	-	3,458	3,458
Total comprehensive income for the period	-	-	3,458	3,458
Transactions with owners of the Company				
Issue of equity	5	43	-	48
Share-based payments	-	-	67	67
Total transactions with the owners of the Company	5	43	67	115
At 30 June 2018	**10,300**	**800**	**42,578**	**53,678**

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 2017 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 2018 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 2017, 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 Group have considered the impact of changes in IRFS 9 and IFRS 15 on the interim results. This is not expected to impact the full year results which will be prepared in compliance with these standards.

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 two reportable segments. The two 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 Executive Chairman (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:

- Treatment and disposal: Augean provides waste remediation, incineration, management, treatment and disposal services through its seven sites across the UK.
- Augean North Sea Services: Augean provides waste management and waste processing services to oil and gas operators.

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 Executive Chairman. 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 2018 were as follows:

	Treatment and disposal	North Sea Services	Group
	£'000	£'000	£'000
Revenue			
Incinerator Ash	6,037	-	6,037
Other landfill activities	5,705	-	5,705
Waste treatment activities	9,392	-	9,392
Incineration of waste	1,408	-	1,408
Radioactive waste management	1,219	-	1,219
Services to North Sea production and exploration customers	-	9,604	9,604
Total revenue net of landfill tax	**23,761**	**9,604**	**33,365**
Landfill tax	4,619	-	4,619
Total revenue including inter-segment sales	**28,380**	**9,604**	**37,984**
Inter-segment sales	(458)	(2)	(460)
Revenue	**27,922**	**9,602**	**37,524**
Result			
Operating profit before exceptional items	4,765	759	5,524
Exceptional items	1,359	-	1,359
Operating profit	**6,124**	**759**	6,883
Finance charges			(413)
Central costs			(598)
Profit before taxation			**5,872**
Taxation			(1,233)
Profit before tax			**4,639**
Profit from discontinued operations			(1,181)
Profit after Tax			**3,458**

Exceptional items comprise £1.2m profit on disposal relating to the AIS business and £0.2m relating to the sale of Colt assets offset by professional fees relating to landfill tax and other costs.

The segmental results for the six months ended 30 June 2017, represented to separately classify discontinued operations, were as follows:

	Treatment and disposal	North Sea Services	Group
	£'000	**£'000**	**£'000**
Revenue			
Incinerator Ash	5,753	-	5,753
Other landfill activities	7,047	-	7,047
Waste treatment activities	8,272	-	8,272
Incineration of waste	1,286	-	1,286
Radioactive waste management	1,191	-	1,191
Services to Oil production and exploration customers	-	8,058	8,058
Total revenue net of landfill tax	**23,549**	**8,058**	**31,607**
Landfill tax	4,441	-	4,441
Total revenue including inter-segment sales	**27,990**	**8,058**	**36,048**
Inter-segment sales	(680)	(52)	(732)
Revenue	**27,310**	**8,006**	**35,316**
Result			
Operating profit before exceptional items	**4,004**	**283**	4,287
Exceptional items	-	-	-
Operating profit	**4,004**	**283**	4,287
Finance charges			(408)
Central costs			(539)
Profit before taxation			3,340
Taxation			(645)
Profit before tax for continuing operations			2,695
Profit from discontinued operations			(394)
Profit Before Tax			**2,301**

5 Taxation

The taxation charge for the six month period ended 30 June 2018 has been based on the anticipated full year effective tax rate of 19.0% (six months ended 30 June 2017: 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 2017 has been reflected in these statements. The taxation charge for the six month period to 30 June 2018 is all reflected within current tax, consistent with the 30 June 2017 position.

6 Earnings per share

The calculation of basic earnings per share (EPS) is based on the profit attributable to ordinary shareholders of £3,458,000 (six months ended 30 June 2017: £2,301,000, year ended 31 December 2017: £3,494,000 loss) and a weighted average number of ordinary shares outstanding of 103,174,871 (six months ended 30 June 2017: 104,743,685, year ended 31 December 2017: 104,599,450), calculated as follows:

	Unaudited	Represented Unaudited	Represented Audited
	Six months	Six months	Year
	ended	ended	ended
	30 June	30 June	31 December
	2018	2017	2017
	£'000	£'000	£'000
Earnings for the purposes of basic and diluted EPS	**3,458**	2,301	(3,494)
Exceptional items (net of associated taxation)	**(1,359)**	-	7,842
Earnings for the purposes of adjusted basic and diluted EPS	**2,099**	2,301	4,348
(Profit) / Loss for discontinued operations	**1,181**	394	807
Earnings for the purposes of adjusted basic and diluted EPS – continuing operations	**3,280**	2,695	5,155
Number of shares	Number	Number	Number
Weighted average number of shares for basic earnings per share	103,174,871	102,748,383	102,808,863
Effect of dilutive potential ordinary shares from share options	806,321	1,995,302	1,790,587
Weighted average number of shares for diluted earnings per share	103,981,192	104,743,685	104,599,450

Earnings per share			
Basic	**3.35p**	2.24p	(3.40)p
Diluted	**3.33p**	2.20p	(3.34)p
Adjusted earnings per share			
Basic	**2.03p**	2.24p	4.23p
Diluted	**2.02p**	2.20p	4.16p
Adjusted earnings per share – Continuing Operations			
Basic	**3.18p**	2.62p	5.01p
Diluted	**3.15p**	2.57p	4.93p

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 2018 £'000	Unaudited Six months ended 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
Operating profit	**4,827**	3,259	(2,243)
Amortisation of intangible assets	**36**	143	447
Depreciation	**3,286**	2,162	5,938
Impairment charge	**-**	-	6,307
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**8,149**	5,564	10,449
Share-based payments	**67**	275	194
Increase in inventories	**115**	(81)	(59)
Decrease/(increase) in trade and other receivables	**(1,837)**	2,320	(1,109)
(Decrease)/increase in trade and other payables	**1,187**	(3,114)	474
(Decrease) / increase in provisions	**131**	(170)	520
(Profit) / Loss on disposal of property, plant and equipment	**(1,861)**	-	61
Cash generated from operations	**5,951**	4,794	10,530

The above EBITDA and cash flow generated from operations both include a net cash outflow of £706,000 relating to exceptional items (H1 2017: outflow of £970,000). Operating loss from discontinued operations was £1,458,000 (H1 2017: £489,000)

8 Analysis of changes in net debt

	Audited 31 December 2017 £'000	Cash flow £'000	Other movement £'000	**Unaudited 30 June 2018 £'000**
Cash and cash equivalents	6,579	(1,344)	-	**5,235**
Bank loans	(17,378)	9,395	83	**(7,900)**
Net debt	(10,799)	8,051	83	**(2,665)**

9 Contingent Liability

As previously announced, the Group has continued to receive further landfill tax 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 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.