



September 2011

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Interim Results

for the six months to 30 June 2011



Agenda

- Highlights
- Market update
- Financial review
- Operational review
- Strategic update
- Outlook





Highlights

for the six months to 30 June 2011





Financial highlights H1 2011

- Revenue
 - Including landfill tax; increase of 19% to £19.4m (2010: £16.3m)
 - Excluding landfill tax; increase of 16% to £16.0m (2010: £13.8m)
- EBITDA
 - Increased to £3.5m (2010: £2.2m)
- Operating profit
 - Adjusted £0.2m (2010: breakeven); Total £0.4m (2010: loss £(0.2)m)
- Profit after tax
 - Adjusted loss £(0.1)m (2010: loss £(0.3)m); Total £0.1m (2010: loss £(0.4)m)
- Cash flow
 - From operations £2.0m (2010: £2.6m); free cash flow £0.2m (2010: £1.0m)
- Net debt
 - Reduced to £3.5m (2010: £4.9m); maintained covenant compliance



Operational highlights H1 2011

- Increasing sales volumes & revenues in both operating divisions
- Closure of Ellesmere Port facility
- Restructuring of processing and services assets
- Increasing utilisation of thermal recovery technology

- Good progress on various strategic opportunities
 - Secretary of State upheld appeal against rejection of planning for disposal of Low Level Waste
 - Prepared to receive LLW in Q4 2011; appeal hearing on 2nd November 2011
 - Planning permission granted for mineral extraction at Cook's Hole
 - Energy from waste plant operational became operational during the period
 - Continue to pursue offshore opportunities

- Group restructuring underway to reflect increasing opportunities across all waste markets





Market update

for the six months to 30 June 2011





Market update

- Volumes of waste arising are flat
 - Contraction of 2008/09 slowed but continued into 2010
 - 8% reduction in total hazardous landfill tonnage from 2009 to 2010*
 - Overall market trends show limited growth in the medium term
 - Macro-climate from landfill exemption certificates continues
 - Increased exportation of waste into Europe
- Price pressures continue
 - Gradual reduction of market price for larger contracts
- Waste hierarchy development
 - Growth in recycling & recovery*
 - Trend towards waste as a resource
- New technologies
 - Consistent development of small-scale recovery innovations



Financial review

for the six months to 30 June 2011





Group statement of comprehensive income

	H1 2011 £'000	H1 2010 £'000	FY 2010 £'000	
Continuing operations				
Revenue	19,412	16,257	34,120	•Revenue growth net £2.2m
Operating expenses	(19,218)	(16,237)	(33,353)	
Operating profit before exceptional items	194	20	787	
Exceptional items	230	(179)	185	•Includes £170k restructuring
Operating profit/(loss)	424	(159)	952	
Finance charges	(300)	(266)	(399)	•EA Provision increases
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	-	-	(117)	
Profit/(loss) attributable to equity shareholders	116	(431)	422	
Earnings/(loss) per share				
Basic and diluted	0.12p	(0.43p)	0.42p	



Statement of financial position

	H1 2011 £'000	H12010 £'000	FY 2010 £'000	
Non-current assets				
Goodwill	21,705	21,705	21,705	
Property, plant and equipment	34,058	35,192	35,245	•Includes LLW investment
Others	531	200	535	
	56,294	57,097	57,485	
Current assets	9,387	7,930	7,194	•Includes insurance claim debtor
Current liabilities	(9,685)	(9,023)	(7,671)	•Reclassification of debt
Net current liabilities	(298)	(1,093)	(477)	
Non-current liabilities	(10,683)	(11,598)	(11,811)	•Reduction in debt; LF tax provision
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	•Opportunity for capital reduction to create distributable reserves
Retained losses	(79,617)	(80,524)	(79,733)	
Total shareholders' equity	45,313	44,406	45,197	



Statement of cash flows

	H1 2011	H1 2010	FY 2010	
	£'000	£'000	£'000	
EBITDA	3,488	2,200	5,558	•Depreciation of £2.9m
Working capital mvts	(1,510)	407	258	•Includes insurance debtor
Cash generated from operations	1,978	2,607	5,816	
Interest paid	(151)	(292)	(297)	•Reduction in bank debt
Tax paid	-	(66)	(72)	
Net cash from operating activities	1,827	2,249	5,447	
Net cash used in investing activities	(1,402)	(1,206)	(3,358)	•Landfill cell capex
Net cash from/(used in) financing activities	(552)	(1,218)	(2,264)	•Debt & lease repayments
Net (decrease) / increase 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	



Financial ratios

Financial ratios	H1 2011	H1 2010	FY 2010	
	£'000	£'000	£'000	
Net Debt	(3,465)	(4,936)	(3,890)	▼
Cash interest	(151)	(292)	(297)	▼
EBITDA	3,488	2,200	5,558	▲
Net operating cash flow	1,827	2,249	5,447	▼
Capital investment	(1,398)	(988)	(3,159)	
Equity	45,313	44,406	45,197	
Free cash flow	210	1,039	1,834	▼
Net debt / Equity (%)	7.6%	11.1%	8.6%	▼
Rolling 12 month covenants				
Net debt / EBITDA (Covenant target <2.5x)	0.5x	1.0x	0.7x	▲
EBIT / cash interest (Covenant target >2.0x)	4.9x	2.9x	4.1x	▲

Notes: Arrows indicate change from 2010

FCF = net operating cashflow less capital investment and finance lease payments



Operational review

for the six months to 30 June 2011





Divisional performance

- Landfill performance supported by large projects, use of Remediation pads and transfer of ash processing
- Treatment revenues reflect flat market, Cannock business interruption and transfer of ash to landfill (Rev: £0.8m; Profit: £0.2m)

	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



Divisional performance: Landfill

- Sales revenues growing year on year
 - Volume growth from remediation projects and ash
 - Use of Remediation pads to provide recycling solutions for customers
 - Achieving higher prices through recycling
- Rising operating costs
 - Remediation pads activities require greater resources and time

	H1 2011	H1 2010	% change
Volume (tonnes)			
Hazardous*	123,371	95,053	+30
Non-hazardous	56,581	55,433	+2
Total	179,952	150,486	+20
Prices (£/tonne)			
Hazardous	49.1	47.2	+4
Non-hazardous	17.4	15.1	+15
Total	39.1	36.4	+7

* Includes ash of 21,000 tonnes



Customer routes into Landfill

	Customers				
Pre-testing	Yes	Yes	Yes	Yes	No
Classification	Non-hazardous	Hazardous	Non-hazardous	Hazardous	APCR Ash
Example	Building rubble	Asbestos	Contaminated soils	Contaminated soils	n/a
Solution	Direct to landfill	Direct to landfill	On to Rem. pad	On to Rem. pad	On to Rem. pad
Treated at	n/a	n/a	Kings Cliffe pad	Kings Cliffe pad Port Clarence pad	Kings Cliffe pad
Disposal at	Port Clarence landfill Thornhaugh landfill	Port Clarence landfill Kings Cliffe landfill	Kings Cliffe landfill Thornhaugh landfill	Kings Cliffe landfill Port Clarence landfill	Kings Cliffe landfill
% of total tonnage	13.1%	28.6%	18.3%	27.8%	12.1%





Divisional performance: Treatment

- Sales revenues +2% year on year
 - Competitive market with limited growth
 - New customers being sought and established
 - Consistent offshore volumes
 - Ash contracts transferred to landfill
- Site profitability flat year on year
 - Market disposal costs increasing
 - Impacted by Cannock interruption and restructuring – transfer station operational
 - Ellesmere Port no longer competitive – now closed and assets redeployed
 - Changes to treatment processes at Avonmouth – upgrades complete
- Port Clarence Waste Recovery Park moved into profit (£0.1m)
- Joint management of transfer station operations to leverage network capabilities
- Cannock incident update
 - Insurance process nearing completion
 - HSE investigation ongoing
 - Relocation of assets to PC WaRP



Strategic update





Strategy: Low Level Waste (LLW)

- Secretary of State upheld our appeal against rejection of planning permission
- Readiness plan now in place
- Contracts drafted and partners available
- Waste can be disposed at ENRMF

- High Court appeal hearing on 2nd November
- Expect to receive waste from November 2011
- Court of Appeal
- New application through IPC to be submitted by end of year for site extension and time extension to 2026



Strategy: Share price appreciation and dividends

NOW

- Quality customer service
- ITD delivery
- **LLW** delivery
- **Offshore** capabilities
- Realign assets and people with markets

2012

- Improve asset utilisation
- Develop WRP
- Add treatment capabilities
- **Minerals** delivery
- Capital reduction

2013

- **Energy** delivery
- Develop new capabilities



Strategy: Aligning Divisions with future markets



- Evolve from 2 to 3 operating divisions
- Split current Treatment division between processing and network activities
- Focus on key markets through aligned assets and resources
- Reduce director spans of control
- Develop skills and knowledge in specific sectors



New Divisions: activity, asset and market focus

DIVISION	WASTE TYPE	MARKETS	ASSETS
Land Resources	<ul style="list-style-type: none"> • Soils • Asbestos • Ash • VLLW & LLW • Minerals 	<ul style="list-style-type: none"> • Remediation companies • Construction companies • Incinerators • Site Licence Companies (SLC's) 	<ul style="list-style-type: none"> • East Northants Resource Management Facility • Thornhaugh • Port Clarence • Laboratory Services • Cooks Hole
Waste Network	<ul style="list-style-type: none"> • Chemicals • All wastes 	<ul style="list-style-type: none"> • SME's • Waste companies 	<ul style="list-style-type: none"> • Worcester • Hinckley • Rochdale • Cannock • Group Transport
Oil & Gas	<ul style="list-style-type: none"> • Drill cuttings • Rig wastes • Oils slops (Marpol) • Oil/Water mixes • Oil sludge • Filters • Rags 	<ul style="list-style-type: none"> • Offshore service companies • Decommissioning companies • Refineries • Garages • Oil treatment • Waste network 	<ul style="list-style-type: none"> • Waste Recovery Park • Avonmouth • Paisley • Industrial Services • Aberdeen *

* SCOMI contract



Outlook





Outlook

- Competitive market
- Continue to win land remediation project work
- Business development team targeting new direct customers
- Capital investment up to £4m (new landfill cells and asset investment)
- Actively pursuing strategic opportunities
- Implementing new divisional structure
- Cautious outlook



