



September 2012

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Interim Results

for the six months to 30 June 2012



Agenda

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





Highlights





Financial highlights H1 2012

- Revenue
 - Including landfill tax; increase of 3% to £20.0m (2011: £19.4m)
 - Excluding landfill tax; increase of 9% to £17.5m (2011: £16.0m)
- EBITDA
 - Fell to £3.0m following exceptional project costs (2011: £3.5m)
- Operating profit
 - Adjusted £1.2m (2011: £0.2m); Total £0.9m (2011: £0.4m)
- Profit before tax
 - Adjusted £0.9m (2011: loss £(0.1)m); Total £0.5m (2011: £0.1m)
- Cash flow
 - From operations £1.0m (2011: £1.8m) following capital payments
- Net debt
 - Increased to £6.6m (2011: £3.5m) following investments
 - Maintained covenant compliance



Operations and strategic highlights H1 2012

- Increasing sales volumes from remediation activity
- Challenging markets for waste transfer and treatment
- Price and disposal cost control improving operating margins
- Investment continues in waste treatment capabilities

- LLW disposal successfully commenced at ENRMF
- Minerals extraction commenced at Cooks Hole
- 10 year agreement signed to operate a high temperature incinerator, with energy recovery
- Augean North Sea Services acquired and operating in North Sea waste markets

- Reduction of capital approved by the High Court
- *(Approval of planning permission to extend ENRMF site life to December 2016)*





Market update

for activities during 2012





The UK hazardous waste markets

- Volumes of waste arising are flat
 - Landfill tax and economy impacting total hazardous outputs
 - Limited growth expected in the medium term
 - New LLW market emerging gradually
- Price pressures continue
 - Landfill exemption certificates expired on 1 April 2012
 - Gradual reduction of market price for larger contracts and volume activities
 - Opportunities to reduce disposal prices
- Waste hierarchy development continues
 - Recycling & recovery solutions attractive to customers
- No significant new technologies emerging
 - Proven technology available in Europe and USA



Financial review

for the six months to 30 June 2012





Group statement of comprehensive income

	H1 2012 £'000	H1 2011 £'000	FY 2011 £'000
Continuing operations			
Revenue	19,986	19,412	37,459
Operating expenses	(18,786)	(19,218)	(35,814)
Operating profit before exceptional items	1,200	194	1,645
Exceptional items	(318)	230	331
Operating profit	882	424	1,976
Finance charges	(332)	(300)	(571)
Share of result of jointly controlled entity	(10)	(8)	(16)
Profit before tax	540	116	1,389
Profit/(loss) before tax and exceptional items	858	(114)	1,058
Tax	(210)	-	193
Profit for the period and total comprehensive income	330	116	1,582
Earnings per share			
Basic and diluted	0.33p	0.12p	1.59p



Group statement of financial position

	<i>Adjusted H1 2012 £'000</i>	H1 2012 £'000	H1 2011 £'000	FY 2011 £'000
Non-current assets				
Goodwill		21,705	21,705	21,705
Property, plant and equipment		38,535	34,058	35,415
Deferred tax asset		852	4	854
Others		548	527	541
		61,640	56,294	58,515
Current assets		9,146	9,387	7,881
Current liabilities		(9,947)	(9,685)	(9,949)
Net current liabilities		(601)	(298)	(1,868)
Non-current liabilities		(12,917)	(10,683)	(9,784)
Net assets	<i>48,122</i>	48,122	45,313	46,863
Equity				
Share capital	<i>9,970</i>	9,970	9,970	9,970
Share premium account	<i>0</i>	114,960	114,960	114,960
Retained losses	<i>0</i>	(77,688)	(79,617)	(78,067)
<i>Special profit reserve</i>	<i>37,272</i>	0	<i>0</i>	<i>0</i>
Equity attributable to owners of the parent	<i>47,242</i>	47,242	45,313	46,863
Non-controlling interest	<i>880</i>	880	-	-
Total equity	<i>48,122</i>	48,122	45,313	46,863



Group statement of cash flows

	H1 2012	H1 2011	FY 2011
	£'000	£'000	£'000
Operating activities			
Cash generated from operations	1,184	1,978	4,713
Finance charges paid	(165)	(151)	(469)
Tax paid	-	-	(123)
Net cash generated from operating activities	1,019	1,827	4,121
Investing activities			
Purchases of property, plant and equipment	(1,566)	(1,398)	(4,186)
Purchase of businesses (net of cash and cash equivalents acquired)	(2,043)	-	-
Others	(30)	(4)	(13)
Net cash used in investing activities	(3,639)	(1,402)	(4,199)
Net cash used in financing activities	2,620	(552)	(78)
Net change in cash and cash equivalents	-	(127)	(156)



Financial ratios

Financial Ratios

	H1 2012 £'000	H1 2011 £'000	FY 2011 £'000
Net Debt	(6,588)	(3,465)	(3,968)
Cash interest	(165)	(151)	(469)
EBITDA	3,047	3,488	6,479
Net operating cash flow	1,019	1,827	4,121
Capital investment	(1,566)	(1,398)	(4,186)
Equity	48,122	45,313	46,863
Free cash flow	(738)	210	(479)
Net debt / Equity (%)	13.7%	7.6%	8.5%
Rolling 12 month covenants			
Net debt / EBITDA (Covenant target <2.5x)	1.0x	0.5x	0.6x
EBIT / cash interest (Covenant target >2.0x)	12.2x	4.9x	8.7x

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



Operational review

for the six months to 30 June 2012





Group structure and sources of revenue





Divisional performance: operating segments

	Land Resources division £'000	Waste Network division £'000	Oil and Gas division £'000	North Sea Services subsidiary £'000	Group £'000
Revenue					
Hazardous landfill activities	6,630	-	-	-	6,630
Non-hazardous landfill activities	730	-	-	-	730
Waste treatment activities		125	5,300	-	5,425
Energy generation	74	-	-	-	74
APCR management	1,886	-	-	-	1,886
Low Level Waste management	62	-	-	-	62
Processing of offshore waste	-	-	-	362	362
Rental of offshore equipment and personnel	-	-	-	220	220
Waste transfer activities	-	2,537	-	-	2,537
Total revenue net of landfill tax	9,382	2,662	5,300	582	17,926



Divisional performance

Land Resources

- Sales revenues growing year on year
- Increasing contribution from Remediation Centres (43% volume increase)
- Price competition offset by treatment solutions
- LLW disposal underway
- Investment in stabilisation plant and bio-remediation facilities

Waste Network

- Sales revenues impacted by transfer of ash activities to LR Division
- Sales growth limited in current economic conditions
- Focus on disposal costs improved gross margin by 5%
- East Kent facility operational and incurring set up costs
- Sales overhead maintained to drive sales growth



Divisional performance

Oil & Gas Services

- Activities re-focused onto profitable revenue streams
- Improvement to gross margins (4%-8%)
- Gradual improvement to ITD throughput
- New Industrial Services activities; margin enhancing
- Developing working relationships with ANSS
- Sales overhead maintained to drive sales growth

Augean North Sea Services

- First month of trading included in H1 results
- Revenue derived from offshore waste management and onshore waste treatment activities
- Borrower within the Group banking facilities



Strategic update





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
North Sea Services	<ul style="list-style-type: none"> • Drill cuttings • Drilling muds • Slops • Hazardous wastes • NORM 	<ul style="list-style-type: none"> • Northern & Southern North Sea • Aberdeen • Shetland • Yarmouth • (Norwegian & Dutch territories) 	<ul style="list-style-type: none"> • Aberdeen • Woodside Road • Pocrá Quay • Lerwick



Strategy: Low Level Waste (LLW)

- Legal process
 - Appeals heard and rejected by the High Court and Court of Appeal
 - Planning permission has been confirmed as lawful, allowing operations
- Operational readiness
 - All environmental requirements satisfied
 - Specific EL and PL insurance in place
 - Full training of staff at site
 - First consignments received successfully (VLLW)
- Commercial pipeline
 - LLWR framework in place for NDA estate
 - Agency agreement for non-nuclear sites
 - Prices range £150 - £850/te (VLLW – LLW)
 - Expecting H2 2012 volumes up to 2,000 tonnes, delivering £1m PBT



Strategy: Minerals extraction

- Planning permission secured at Cook's Hole
- Limestone (3m tonnes) and sand (1m tonnes) available
- Tender process completed & partner selected
- Certain rent of £175k p.a.
- Royalties based on volume extracted
- Site expected to support 10-20 years of activity, depending on rate of extraction



Strategy: Offshore waste management

- Formation of Augean North Sea Services Ltd
 - 70% / 30% joint venture
 - £2.05m investment, plus £1.0m debt
 - Using established assets & resources
- Management of wastes on drilling rigs
- Drill cuttings treatment at Port Clarence
- Slops (water) treatment in Aberdeen
- Other waste streams available (e.g. NORM)
- Future medium-term decommissioning opportunities
- Revenues expected at £6.0m p.a. from 2013
- EBITDA £0.7m and EBIT £0.4m p.a.



Strategy: Incineration

- Lease of former Pfizer assets at Sandwich Kent
- Includes high temperature incinerator
- 10,000 tonne per annum capacity

- One of only 3 commercial facilities in the UK
- Energy recovery (as steam) provides USP
- Additional land assets available for development

- Prices range from £50/tn to £1000/tn
- Expected EBITDA ranging from £0.3m to £0.5m p.a.



Strategy: Energy

- Two sites now deliver gas-fired electricity (£0.2m p.a.)
- Smaller scale gas options still remain
- Wind energy on hold pending PCWRP review
- Small scale energy from waste plants under investigation
- Oil recovery and conversion to fuel under development at PCWRP



Outlook for 2012





Outlook for 2012

- Competitive market with little or no growth
- Land remediation projects slowed over summer period
- New divisions fully operational and targeting new direct customers
- Material contribution expected from LLW contracts during Q4
- Integration of incineration, offshore and minerals activities
- Capital investment £3.5m
- Profit before tax forecast: £2.7m

