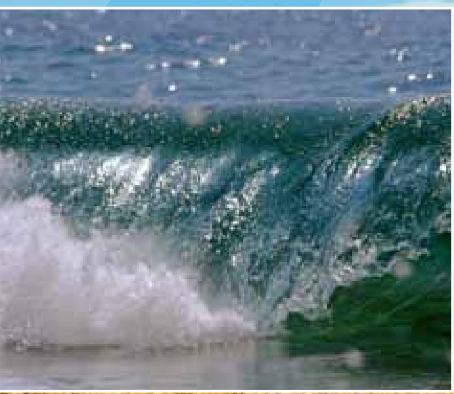
Augean PLC
specialists in waste management

Delivering our strategy for growth

Augean PLC
Interim Report 2013



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

In this report

Review of the year

Financial statements

Highlights

Financial highlights

- Revenue including landfill tax increased by 17% to £23.4m (2012: £20.0m)
- Net revenue increased to £19.6m (2012: £17.5m)
- Adjusted profit before tax increased by 18% to £1.0m (2012: £0.9m); total £0.9m (2012: £0.5m)
- Cash flow from operations increased to £3.8m (2012: £1.0m)
- Adjusted earnings per share before exceptional items increased by 1.5% to 0.66p (2012: 0.65p)
- Net debt decreased to £6.0m (H1 2012: £6.6m) after capital expenditure of £3.1m (2012: £1.6m)
- Underperformance in the Waste Network division expected to adversely impact full year forecast

Operational highlights

- Positive contributions to revenues and cash flows from the Group's key strategic divisions
  - Increasing revenues from Land Resources driven by low activity radioactive waste disposal and APCR treatment
  - Improved performance from Oil & Gas Services activities
  - Strong growth from Augean North Sea Services
- Continued investment in new waste treatment and disposal facilities
- Increased landfill volumes in Land Resources during the period
- Challenging markets for Waste Network in commodity waste transfer
- East Kent facility has experienced excessive downtime due to essential maintenance

Strategic developments

- Planning permission granted to extend the ENRMF site, both in size and operational life
- Further growth opportunities identified in offshore, APCR, radioactives and total waste management
- New Business Development department created to drive revenue growth and returns from assets
- New Chief Executive Officer, Dr Stewart Davies, joined the Group on 12 August 2013
- Intention to dispose of the Waste Network division as soon as practical

Revenue including landfill tax

£23.4m
(2012: £20.0m)

Cash flow from operations

£3.8m
(2012: £1.0m)

Net debt

£6.0m
(2012: £6.6m)

"Group performance during the first half of the year showed an improvement from the equivalent period in 2012."

In summary

The Group has now entered a period where the majority of previously identified strategic opportunities (Low Level Waste, Offshore, Minerals and Energy) have been implemented and are making positive contributions to revenues and cash flows.

The Board has confidence in the future cash generating potential of the business and has established a policy of progressively improving dividend payments.

Detailed plans are currently being prepared for the disposal of the Waste Network division, in full or in part (or closure if necessary), over the remaining three months of the year.

Strategy

Augean has delivered consistent growth in revenues and earnings per share and generated positive cash flows from operations over the past three years, whilst significant changes have been made to the Group in response to structural changes in its core waste markets. The Group has now entered a period where the majority of previously identified strategic opportunities (Low Level Waste, Offshore, Minerals and Energy) have been implemented and are making positive contributions to revenues and cash flows.

Augean is now well established as a leading provider of disposal services for Low Activity Low Level Waste (LLW) from the UK's nuclear estate and for Naturally Occurring Radioactive Material (NORM) from offshore oil and gas production. Our site at East Northants Resource Management Facility (ENRMF) has over 18 months of experience in the disposal of LLW and NORM and the pipeline of waste available for release from operators has built gradually over the past six months. In offshore oil and gas the Group has also established a strong presence for waste containment, treatment and disposal services for North Sea operators through its majority holding in Augean North Sea Services Ltd (ANSS), which has built on its early success during 2012 and is now delivering the returns expected at the time of the acquisition of the stake in the business in June 2012. Minerals extraction is well established at the Cooks Hole site in Northamptonshire and regular royalty payments are being received from the quarry operator. Developments with regards to energy activities have been limited, but the Group has increased revenues from the electricity generated from landfill gas and has increased the volume of waste oils recycled for use as fuel.

Augean PLC paid a maiden dividend to its shareholders following the Annual General Meeting on 6 June 2013. The Board has confidence in the future cash generating potential of the business and has established a policy of progressively improving dividend payments, linked to improvements in profitability, whilst acknowledging that investment will continue to be required to develop the infrastructure and asset base of the Group.

Following the appointment of Dr Stewart Davies as the new Chief Executive Officer, the Group is well placed to undertake the next phase of its strategic development. In the Annual Report 2012 the Board set out three strategic priorities for the Group, namely to enhance returns for shareholders, to deliver high standards of environmental compliance and to operate safely, whilst developing our safety culture. These priorities remain in place for 2013 and beyond and will provide a framework for the comprehensive strategic review which is currently underway within the business. The early stages of this review have identified a number of potential opportunities for the Group, which are shown opposite, and which will be developed over the remainder of the year.

Strategic opportunities:

- further growth in the markets for management, treatment and disposal of air pollution control residues (APCR) from energy from waste (EFW) operators;
- further growth in the available markets for treatment and disposal of low activity radioactive wastes from the nuclear and non-nuclear sectors;
- development of a focused service business to provide complete waste management services to North Sea oil and gas operators;
- developing industrial services capabilities that build upon Augean's position as a provider of specialist waste solutions; and
- leveraging the capabilities, expertise and business processes of the Group to provide knowledge-led services to customers.

In developing these and other strategic opportunities the Board will continue to invest capital where it can enhance returns and restructure and reshape the Group to ensure it is best positioned to grow successfully while focusing on specialist waste management services.

Disposal of the Waste Network division

In addition to the strategic opportunities identified above, a review has been conducted of the under-performing businesses within the Group. The results for the six months to 30 June 2013, set out in this report, show that the Waste Network division continues to make significant losses and consume cash, eroding the Board's confidence that the division will meet its financial targets for the full year.

The division's markets for traditional hazardous waste transfer are commoditised and increasingly competitive, offering limited opportunities for profitable growth in the medium term. In response to this, management has undertaken significant restructuring and refocused sales and marketing efforts over the past twelve months. However, following a review of the Company's strategy and operations, the Board has now reached the conclusion that the pace of performance improvement will not be sufficient to justify retaining the division and the majority of its waste transfer activities in the medium term. As a consequence, detailed plans are currently being prepared for the disposal of the division, in full or in part (or closure if necessary), over the remaining three months of the year, alongside an associated review of the Group's overall transfer and waste storage capabilities.

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Strategy continued

Disposal of the Waste Network division continued

The sites and commodity trade at Cannock, Hinckley, Worcester and Rochdale will be made available to third parties either as a single package, or as separate units, as the Board seeks to maximise their divestment value. As part of this process, management will determine how the Group will continue to support customers currently under contract for waste services and deliver value-added services as part of our solutions-based waste management offer. We will continue to support key customers using available assets across the Group, with the intent of further developing differentiated total waste management activities.

The East Kent Waste Recovery Facility, which is currently managed as part of the Waste Network division, will not be affected by this decision and will continue to be operated by the Group, but will in future be managed within the Oil & Gas Services division. The East Kent facility provides access to strategically important markets and will continue to be a key strategic asset for the business.

Development activities

Planning and permitting

The securing of planning permission and maintenance of appropriate environmental permits at the Group's sites is an essential part of the ongoing operations and future development of the business. Following the successful renewal of planning permission for the Thornhaugh landfill site during 2012, attention during the first half of 2013 focused on extending the size and operational life of the East Northants Resource Management Facility (ENRMF).

On 10 July 2013 the Secretary of State for Communities and Local Government granted a Development Consent Order (DCO) for the extension of ENRMF. This site provides treatment and disposal services for a range of remediated soils and building rubble, APCR and low activity radioactive wastes and is the principal hazardous waste landfill site in the south of England. The planning permission granted through the DCO allows the life of the site to be extended to 31 December 2026, an increase in the capacity of the existing treatment facility and construction of approximately 1 million cubic metres of new hazardous landfill void space. This permission was subject to a challenge period up to 21 August 2013, which has now passed without third party intervention, leaving the Group free to implement the relevant conditions during the remainder of the year.

ENRMF was the first hazardous landfill site in the UK to dispose of LLW from former nuclear power stations and research facilities under the control of the Nuclear Decommissioning Authority (NDA). The site will continue to treat and dispose remediated soils, APCR and low activity radioactive wastes, making a major contribution to the national infrastructure required to manage these specialist waste types (as set out in the UK's Hazardous Waste National Policy Statement, published in June 2013). It is expected to continue to be the largest contributor to the Group's revenue and operating profit, providing a solid platform for the future development of the business with positive returns from the capital employed.

Changes to regulations

The Group continues to operate within a regulatory regime underpinned by the European Union's Waste Framework Directive and Landfill Directive. Within the Landfill Directive certain exemptions (known as 'derogations') were originally allowed for the disposal of wastes to landfill with elevated levels of lead and/or chlorides. These derogations were to be progressively removed as the waste industry developed new treatment methods for the control of these substances prior to landfilling, or indeed their complete diversion from landfill disposal. As the body responsible for the implementation of the Directive in the UK, the Environment Agency has begun a consultation on the removal of the derogations for lead and chlorides disposal and we are fully engaged in this process, both directly and through the waste industry trade association, the Environmental Services Association (ESA).

Over the past two years the Group has anticipated this change to derogations and invested in new treatment facilities at the ENRMF and Port Clarence sites, allowing the Land Resources division to continue to provide a range of treatment and disposal services to customers whose wastes contain elevated levels of lead or chlorides (in particular this impacts the treatment and disposal of APCR, where elevated chloride levels are common). This investment leaves the business well placed to deal with the impact of future derogations removals with further investment under review to provide a comprehensive hazardous waste treatment service for the growing EFW market.

Business development resources

As the waste industry has changed over the past five years Augean has been at the forefront of developing innovative solutions to our customers' waste management needs. The increasing influence of the Waste Hierarchy (as set out in the Waste Framework Directive) and the move away from landfilling of certain wastes has led the Group to develop a broad range of treatment services, allowing wastes to be recycled, reused, or safely and compliantly disposed. As the Group enters its next strategic phase, a new department has been created to refocus existing internal resources and on development of new waste management solutions for customers. The concentration of knowledge in chemistry, hazardous waste regulations, physical waste management and project delivery in a single team will facilitate new, innovative solutions, further utilising the Group's assets and driving increases to revenues and operating profits.

Performance

Group performance during the first half of the year showed an improvement from the equivalent period in 2012, despite a decline in activity in certain market areas. The markets for traditional hazardous waste transfer and disposal have remained challenging and this particularly impacted the performance of the Waste Network division. Despite this, the Group was able to continue to grow sales revenues and profits, whilst generating positive cash flow from operations.

The Group operates through three divisions (Land Resources, Waste Network and Oil & Gas Services) and a subsidiary company, Augean North Sea Services. The performance of each of these is reported below.

Land Resources

In the Land Resources division volumes of waste disposed fell by 27.2% during the first six months when compared against the very strong performance during the first half of 2012. Total volumes were 139,779 tonnes (H1 2012: 192,087 tonnes). However, volumes rose by 8.9% from those disposed in the second half of 2012 (H2 2012: 128,305 tonnes) as the core soils remediation market stabilised and the division continued to compete strongly. The average price for pre-treatment and disposal services also increased, to £47.6/tonne (2012: £42.7/tonne), as the mix of waste continued to move away from traditional hazardous and non-hazardous direct disposal landfill activities towards pre-treatment solutions.

The volume of APCR handled by the division rose by 37% from the first half of 2012, to 30,847 tonnes, as new treatment facilities were commissioned at the ENRMF site. The contribution from APCR sales to the divisional revenues increased by £0.6m. Following investment the division now has the capacity to treat, recycle and dispose of approximately 70,000 tonnes of APCR each year.

Growth in the disposal of low activity radioactive wastes increased from the previous year. £0.6m of revenue was generated during the first six months, exceeding the revenues for the full year in 2012 (£0.5m). The division has continued to work within the NDA-sponsored national supply chain for disposal of VLLW and LLW from the UK's nuclear estate and has also increased its presence as a provider of disposal services to producers of NORM. Whilst the slow pace of increase of LLW volumes arising from nuclear decommissioning continues to be a source of frustration and constrains the available volumes there have been some improvements in the visibility of the pipeline of work available from this activity.

Other revenue streams, from energy generation and minerals extraction at Cooks Hole, contributed £0.2m to operating profit, performing in line with expectations.

The division continued to invest capital in assets which will provide a medium term return to the Group and during the period construction of two new hazardous landfill cells was begun at Port Clarence and ENRMF, which will provide a combined additional 340,000 cubic metres of landfill void space (capacity for approximately 475,000 tonnes of waste) for use over the next two to three years.

Waste Network

The Waste Network division delivered an increase in revenues during the period, largely driven by an increase in volumes through the high temperature incinerator at East Kent Waste Recovery Facility. The East Kent site contributed £0.7m to revenues, based on new contracts secured with pharmaceutical and clinical waste specialists. Gate fees were above those originally anticipated. However, the incinerator suffered a series of mechanical failures during the six months associated with solids handling systems, with equipment now ten to 15 years old requiring repair and/or upgrade. The resulting downtime restricted throughput at the site leading to a £0.4m operating loss. Management strongly believes that the incinerator will provide long term benefits to the Group (over the remaining nine years of its lease) but this result does represent a challenge for 2013. To ensure that the incinerator provides the future capacity to support its further development as a commercial facility for the UK's clinical and pharmaceutical hazardous wastes, a decision has been taken to conduct a comprehensive upgrade during Q3 2013, allowing legacy mechanical issues to be fully addressed and full operational capacity to be restored before the end of the year.

Over the first half of the year the division delivered a small growth in waste transfer and disposal revenues, but operating margins fell from those delivered during the first half of 2012. The market for traditional waste transfer continued to be challenging and growth was only achieved through focusing on new contracts with direct customers, where Augean can offer differentiated and value-added services. This is aligned with our ambition to provide a total waste management service to producers of hazardous wastes, requiring specialist assets, knowledge and skills.

Management took significant action to reduce the operating costs and direct overhead resources used by the division, mothballing the Worcester site and reducing the number of staff involved in sales and technical support roles. These actions mitigated the impact of East Kent losses and the lack of revenue growth, leading to an operating loss for the division in the period equivalent to the first half of 2012. Some improvement at East Kent is expected during the final quarter of the year, but with an anticipated full year operating loss of £0.5m and no profit improvement in the transfer business, the division will not meet its original targets. This underperformance is likely to lead to the Group not achieving profit expectations for the full year (further details contained in the Outlook section).

Performance continued

Oil & Gas Services

Sales revenues in the Oil & Gas Services division (O&GS) fell once adjusted for the impact of inter-company transactions within the Group between O&GS and ANSS. O&GS operates the Port Clarence Waste Recovery Park and provides treatment and disposal services to ANSS for drill cuttings received from offshore oil and gas drilling operators. This pre-existing relationship was internalised following the acquisition of ANSS by the Group in May 2012 and the services provided by O&GS continue to be a core component of the Group's ambition to develop a strong presence in North Sea waste markets.

Within the overall revenue reduction, the division did generate an underlying increase in revenues and operating profits at its Paisley and Industrial Services operations. Paisley benefited from restructuring undertaken during 2012 and a sharper focus on its key markets and customers. These improvements allowed the division to deliver a 4% improvement to gross margins, when compared against the same period in 2012, and to halve the relative operating loss. The division continues to make good progress towards being cash positive and operating profit neutral by the end of the year.

ANSS

The offshore business has built on its positive start during the second half of 2012 and continued to deliver growth in revenues, profit and EBITDA. ANSS is now well established as a provider of waste management solutions to North Sea operators, has a strong presence in the Aberdeen-based market and has continued to invest in new facilities and equipment to support its growing range of activities. The business grew revenues to £4.2m in the first six months, increasing the volumes of drill cuttings and slops (oil-contaminated water) managed on behalf of customers.

The purchase of the long term lease for the Tullos site in Aberdeen completed during the period, at a cost of £0.1m, and work to develop its facilities to provide an effective transfer station and slops treatment assets is now complete. This has allowed ANSS to provide three main services to its North Sea customers, namely: offshore waste containment and management; treatment and disposal of slops; and general hazardous waste transfer and disposal. These three activities contributed to an operating profit of £0.2m for the six months, with the pipeline of work for the second half of 2013 allowing full year expectations to be raised to £0.6m.

During the period the Board reiterated its confidence in the future potential of ANSS by authorising the purchase of a further 11% of the share capital of the business, by way of a debt to equity swap with our partners Scomi Oiltools (Europe) Ltd (Scomi). Augean cancelled debts owed by Scomi valued at £0.3m to acquire an additional £0.4m of the net assets of the company. This has increased Augean's ownership to 81%, with Scomi retaining the remaining 19%, and generated a £0.1m credit to the Group's retained earnings.

Results

The Group's revenue net of landfill tax for the six months ended 30 June 2013 increased by 12.0% to £19.6m (2012: £17.5m). With the inclusion of landfill tax charged to customers of £3.8m (2012: £2.5m), on which the Group makes no margin, total Group revenue rose by 17.0% to £23.4m (2012: £20.0m).

Within the Landfill Resources division net sales revenues (excluding landfill tax and inter-segment trading) were £7.4m, a fall of £1.7m from the same period in 2012 (2012 restated: £9.1m), reflecting the very strong landfill performance during the first quarter of that year. Before allocation of finance charges and exceptional items the division made an operating profit of £3.2m (2012 restated: £3.5m).

The results for the Waste Network division delivered net sales revenues of £3.4m (2012 restated: £2.7m) and an operating loss before exceptional items of £1.1m (2012 restated: £1.0m loss). The results were adversely impacted by the limited availability of the high temperature incinerator at EKWRF and challenging market conditions.

For the Oil & Gas Services division net revenues were £4.6m (2012 restated: £5.1m), with the operating loss before exceptional items improving to £0.6m (2012 restated: £1.1m loss). The revenue reduction reflected the internalising of revenues previously received through a contract with Scomi, following the acquisition of ANSS.

ANSS delivered net revenues of £4.2m (2012: £0.6m) and operating profit of £0.2m, of which 81% was attributable to the Group. The principal revenue drivers for the business were the management of drill cutting wastes from offshore oil and gas exploration and the treatment and disposal of slops.

The total overhead costs for the Group fell by £0.3m, when compared against the same period in 2012, reflecting reductions to headcount in sales and technical teams, particularly those allocated to the Waste Network division.

The underlying operating profit for the Group, before charges for exceptional items, increased to £1.3m (2012: £1.2m) in the period. After charges for the impact of exceptional costs of £0.1m (2012: £0.3m) the operating profit was £1.2m (2012: £0.9m) and following deductions for finance charges of £0.3m (2012: £0.3m) the profit before tax was £0.9m (2012: £0.5m). The Group's profit before tax and exceptional items was £1.0m (2012: £0.9m).

Corporation tax charges for the six months were estimated at £0.3m (2012: £0.2m). Landfill tax, at the full rate, increased by £8 per tonne to £72 per tonne on 1 April 2013.

The adjusted earnings per share before exceptional items for the six months increased by 1.5% to 0.66p (2012: 0.65p). The basic earnings per share was 0.55p (2012: 0.33p).

The Group dividend policy is to make payments annually following the Annual General Meeting and a payment of £0.2m (2012: £nil) was made during June 2013. It is not the policy of the Board to pay interim dividends.

The Group invested £3.2m during the first half of the year on new capital assets. Of this £1.6m was invested in maintenance capital, including the new landfill cells at ENRMF and Port Clarence. £1.3m was spent on development capital, including the new tank farm at Port Clarence, treatment plant at ENRMF and the Tullos site purchase by ANSS.

Results continued

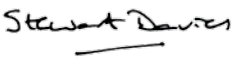
Earnings before interest, tax, depreciation and amortisation (EBITDA) before exceptional costs was £2.3m (2012: £3.3m), generating cash flow from operations of £3.7m (2012: £1.0m). The year on year improvement to operating cash flow was driven by operating profit and a significant improvement to working capital as cash collections from customers accelerated. After deducting investment expenditure, finance charges and tax, net debt at 30 June 2013 remained stable at £6.0m (H1 2012: £6.6m; H2 2012: £6.1m). The net debt value equated to a gearing level of 12% (H2 2012: 13%). The Group continued to operate comfortably within its banking covenants and has access to £10.0m of funds through its facilities with HSBC, committed until March 2015.

Outlook

The Group has achieved positive strategic momentum over the past twelve months following investments in a number of growth markets and new business streams, resulting in robust results across the majority of the Group. However, positive performance in these businesses, and year on year operating cost reductions of £0.5m, have not been sufficient to mitigate the downside impact of challenging hazardous waste transfer markets on the Waste Network division, which is expected to prevent the Group achieving the original full year expectations. The impact of downtime and reduced throughput at the East Kent facility has created additional, one off challenges.

Despite this the Board still expects revenues and profit before tax to improve compared to the previous year. The continuation of essential capital investment programmes across the retained operations is expected to impact on the level of net debt held at the end of the year.

The Board has approved the divestment of the Waste Network division and as part of this process expects to make annualised overhead savings of up to £1.0m. Disposal of the Waste Network and improved performance at East Kent is expected to deliver a material uplift to operating profit during 2014, improving returns from capital employed and continuing the Group's development as a modern specialist waste management business.



Dr Stewart Davies
Chief Executive Officer
24 September 2013

Unaudited consolidated statement of comprehensive income
for the six months ended 30 June 2013

	Note	**Unaudited Six months ended 30 June 2013 £'000**	Unaudited Six months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Continuing operations				
Revenue	4	**23,357**	19,986	42,421
Operating expenses		**(22,074)**	(18,786)	(39,163)
Operating profit before exceptional items		**1,283**	1,200	3,258
Exceptional items		**(113)**	(318)	(370)
Operating profit		**1,170**	882	2,888
Finance charges		**(259)**	(332)	(639)
Gain on bargain purchase		**—**	—	528
Share of result of jointly controlled entity		**(10)**	(10)	(16)
Profit before tax		**901**	540	2,761
Profit before tax and exceptional items		**1,014**	858	2,603
Tax	5	**(320)**	(210)	(781)
Profit for the period and total comprehensive income		**581**	330	1,980
Profit attributable to:				
Equity shareholders of Augean PLC		**547**	329	1,966
Non-controlling interest		**34**	1	14
		581	330	1,980
Earnings per share				
Basic and diluted	6	**0.55p**	0.33p	1.97p

Unaudited consolidated statement of financial position
at 30 June 2013

	Unaudited 30 June 2013 £'000	Unaudited 30 June 2012 £'000	Audited 31 December 2012 £'000
Non-current assets			
Goodwill	**21,705**	21,705	21,705
Other intangible assets	**103**	51	123
Property, plant and equipment	**41,681**	38,535	39,561
Investment in jointly controlled entity	**8**	—	8
Deferred tax asset	**1,231**	852	1,231
Trade and other receivables	**—**	497	—
	64,728	61,640	62,628
Current assets			
Inventories	**239**	211	218
Trade and other receivables	**8,865**	8,931	8,868
Cash and cash equivalents	**5**	4	5
	9,109	9,146	9,091
Assets classified as held for sale	**—**	200	—
Total assets	**73,837**	70,986	71,719
Current liabilities			
Trade and other payables	**(10,449)**	(8,066)	(8,279)
Current tax liabilities	**(126)**	(749)	(197)
Financial liabilities	**(506)**	(1,132)	(837)
	(11,081)	(9,947)	(9,313)
Net current liabilities	**(1,972)**	(601)	(222)
Non-current liabilities			
Financial liabilities	**(5,500)**	(5,459)	(5,283)
Provisions	**(7,103)**	(6,972)	(7,045)
Share of losses of jointly controlled entity	**—**	(486)	—
	(12,603)	(12,917)	(12,328)
Net assets	**50,153**	48,122	50,078
Equity			
Share capital	**9,970**	9,970	9,970
Share premium account	**—**	114,960	—
Special profit reserve	**32,076**	—	32,076
Retained losses	**7,354**	(77,688)	6,913
Equity attributable to owners of the parent	**49,400**	47,242	48,959
Non-controlling interest	**753**	880	1,119
Total equity	**50,153**	48,122	50,078

Unaudited consolidated statement of cash flows
for the six months ended 30 June 2013

	Note	**Unaudited Six months ended 30 June 2013 £'000**	Unaudited Six months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Operating activities				
Cash generated from operations	7	**4,124**	1,184	5,818
Finance charges paid		**(165)**	(165)	(479)
Tax paid		**(197)**	—	(744)
Net cash generated from operating activities		**3,762**	1,019	4,595
Investing activities				
Proceeds on disposal of property, plant and equipment		**—**	—	—
Purchases of property, plant and equipment		**(3,087)**	(1,566)	(3,585)
Purchases of intangible assets		**—**	(30)	(114)
Purchase of businesses (net of cash and cash equivalents acquired)		**—**	(2,043)	(2,043)
Payments for equity in non-controlling interest		**(312)**	—	—
Net cash used in investing activities		**(3,399)**	(3,639)	(5,742)
Financing activities				
Drawdown of borrowings		**37**	2,781	1,484
Repayments of obligations under finance leases		**(151)**	(161)	(336)
Dividends paid		**(249)**	—	—
Net cash (used in)/generated from financing activities		**(363)**	2,620	1,148
Net decrease in cash and cash equivalents		**—**	—	1
Cash and cash equivalents at beginning of period		**5**	4	4
Cash and cash equivalents at end of period		**5**	4	5

Unaudited consolidated statement of changes in equity
for the six months ended 30 June 2013

	Share capital £'000	Share premium £'000	Special profit reserve £'000	Retained earnings £'000	Total attributable to owners of Augean PLC £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2012	9,970	114,960	—	(78,067)	46,863	—	46,863
Acquisition of subsidiary	—	—	—	—	—	879	879
Total comprehensive income for the period							
Retained profit	—	—	—	329	329	1	330
Total comprehensive income for the period	—	—	—	329	329	1	330
Transactions with owners of the Company							
Share-based payments	—	—	—	50	50	—	50
Total transactions with the owners of the Company	—	—	—	50	50	—	50
At 30 June 2012	9,970	114,960	—	(77,688)	47,242	880	48,122
Acquisition of subsidiary	—	—	—	—	—	226	226
Total comprehensive income for the period							
Retained profit	—	—	—	1,637	1,637	13	1,650
Total comprehensive income for the period	—	—	—	1,637	1,637	13	1,650
Transactions with owners of the Company							
Capital reduction	—	(114,960)	32,076	82,884	—	—	—
Share-based payments	—	—	—	80	80	—	80
Total transactions with the owners of the Company	—	(114,960)	32,076	82,964	80	—	80
At 1 January 2013	9,970	—	32,076	6,913	48,959	1,119	50,078
Total comprehensive income for the period							
Retained profit	—	—	—	547	547	34	581
Total comprehensive income for the period	—	—	—	547	547	34	581
Transactions with owners of the Company							
Acquisition of non-controlling interest							
In ANSS	—	—	—	98	98	(400)	(302)
Dividends paid	—	—	—	(249)	(249)	—	(249)
Share-based payments	—	—	—	45	45	—	45
Total transactions with the owners of the Company	—	—	—	(106)	(106)	(400)	(506)
At 30 June 2013	**9,970**	**—**	**32,076**	**7,354**	**49,400**	**753**	**50,153**

Notes to the interim financial statements
for the six months ended 30 June 2013

1 Statutory information

The financial information set out on pages 11 to 20 of this interim report does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006.

The financial information relating to the year ended 31 December 2012 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 Company's registered office at 4 Rudgate Court, Walton, Wetherby, West Yorkshire LS23 7BF or 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 2012, 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.

4 Operating segments

The Group has four reportable segments, as described below, which are the Group's strategic operating divisions. These operating divisions are monitored and strategic decisions are made on the basis of each division's operating performance. The Group's operating divisions 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 divisions. For each of the operating divisions, the Group's Chief Executive Officer (CEO) (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, with further details provided in the Business Review (pages 2 to 10):

- Land Resources division: Augean operates three modern hazardous and non-hazardous landfill operating sites based at East Northants Resource Management Facility (ENRMF), Thornhaugh in Northamptonshire and Port Clarence on Teesside, providing waste remediation, treatment and disposal services to its customers. The division includes a site at Cooks Hole in Northamptonshire where minerals are extracted and also generates energy as electricity from closed landfill cells.
- Waste Network division: Augean operates waste transfer sites across the UK, transporting, recovering, recycling and disposing of hazardous wastes on behalf of its customers.
- Oil & Gas Services division: Augean operates three waste processing sites across the UK, with activities focused on the management of oil-contaminated waste. The division also provides specialist industrial cleaning services.
- Augean North Sea Services Limited: Through a 81%:19% owned subsidiary company with Scomi Oiltools (Europe) Limited Augean provides waste management and waste processing services to offshore oil and gas operators in the North Sea.

Information regarding the results of each reportable segment is included overleaf. Performance is measured based on the segment profit before tax and exceptional items, as included in the internal management reports that are reviewed by the Group's CEO. This profit measure for each operating division is used to measure performance as management believes that such information is the most relevant in evaluating the results of each of the divisions relative to other entities that operate within these sectors.

4 Operating segments continued

The segmental results for the six months ended 30 June 2013 were as follows:

	Land Resources division £'000	Waste Network division £'000	Oil & Gas division £'000	North Sea Services subsidiary £'000	Group £'000
Revenue					
Hazardous landfill activities	4,351	–	–	–	4,351
Non-hazardous landfill activities	616	–	–	–	616
Waste treatment activities	–	701	6,287	–	6,988
Energy generation	62	–	–	–	62
APCR management	2,467	–	–	–	2,468
Radioactive waste management	628	–	–	–	628
Processing of offshore waste	–	–	–	2,662	2,662
Rental of offshore equipment and personnel	–	–	–	1,345	1,345
Waste transfer activities	–	2,951	–	230	3,181
Total revenue net of landfill tax	8,124	3,652	6,287	4,237	22,300
Landfill tax	3,762	–	–	–	3,762
Total revenue including inter-segment sales	11,886	3,652	6,287	4,237	26,062
Inter-segment sales	(724)	(216)	(1,737)	(28)	(2,705)
Revenue	**11,162**	**3,436**	**4,550**	**4,209**	**23,357**

Result					
Operating profit/(loss) before exceptional costs	3,191	(1,089)	(590)	234	1,746
Exceptional items	(21)	(26)	(47)	(19)	(113)
Operating profit/(loss)	3,170	(1,115)	(637)	215	1,633
Finance charges					(259)
Central costs					(463)
Share of result of jointly controlled entity					(10)
Profit before tax					901
Tax					(320)
Profit after tax					581
Attributable to:					
Equity shareholders of Augean PLC					547
Non-controlling interest					34
					581

4 Operating segments continued

Exceptional items totalling £113k relate to the appointment of a new CEO and associated business review costs of £77k, legal expenses relating to litigation over the acquisition of Hitech Limited in 2007 of £27k (see note 9) and restructuring charges of £9k.

The restated segmental results for the six months ended 30 June 2012 were as follows:

	Land Resources division £'000	Waste Networks division £'000	Oil & Gas division £'000	North Sea Services subsidiary £'000	Group £'000
Revenue					
Hazardous landfill activities	6,995	—	—	—	6,995
Non-hazardous landfill activities	730	—	—	—	730
Waste treatment activities	—	125	5,748	—	5,425
Energy generation	74	—	—	—	74
APCR management	1,886	—	—	—	1,886
Radioactive waste management	62	—	—	—	62
Processing of offshore waste	—	—	—	362	362
Rental of offshore equipment and personnel	—	—	—	220	220
Waste transfer activities	—	2,750	—	—	2,750
Total revenue net of landfill tax	9,747	2,875	5,748	582	18,952
Landfill tax	2,508	—	—	—	2,508
Total revenue including inter-segment sales	12,255	2,875	5,748	582	21,460
Inter-segment sales	(609)	(213)	(652)	—	(1,474)
Revenue	11,646	2,662	5,096	582	19,986

Result					
Operating profit/(loss) before exceptional costs	3,452	(931)	(1,109)	6	1,418
Exceptional items	(45)	(105)	(168)	—	(318)
Operating profit/(loss)	3,407	(1,036)	(1,277)	6	1,100
Finance charges					(332)
Central costs					(218)
Share of result of jointly controlled entity					(10)
Profit before tax					540
Tax					(210)
Profit after tax					330
Attributable to:					
Equity shareholders of Augean PLC					329
Non-controlling interest					1
					330

4 Operating segments continued

As a result of change in allocation basis between years and improvement in management information inter-segment sales have been reclassified in the table on the previous page.

All activities on the previous page are continuing with the exception of the Waste Networks division and arise solely within the United Kingdom. Inter-segment trading is undertaken on normal commercial terms.

5 Tax

The charge to taxation is based on the estimated effective corporation tax rate for the year as a whole.

	Unaudited Six months ended 30 June 2013 £'000	Unaudited Six months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Current tax			
UK corporation tax on profits for the period at 3.6% (2012: 38.9%)	**(33)**	(210)	(445)
Adjustment in respect of prior period	**—**	—	42
	(33)	(210)	(403)
Deferred tax			
Charge in respect of current period	**(287)**	—	(292)
Adjustment in respect of prior period	**—**	—	(86)
	(287)	—	(378)
Total tax charge	**(320)**	(210)	(781)

The Group's consolidated effective tax rate in respect of continuing operations for the six month period ended 30 June 2013 was 3.6% (six months ended 30 June 2012: 38.9%).

All deferred tax liabilities and assets have arisen on the temporary timing differences between the tax base of the assets and their carrying value in the statement of financial position.

6 Earnings per share

	Unaudited Six months ended 30 June 2013 £'000	Unaudited Six months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Profit attributable to equity shareholders of Augean PLC			
Profit after tax for the purposes of basic and diluted earnings per share	**547**	329	1,966
Exceptional items	**113**	318	(249)
Profit after tax for the purposes of basic and diluted adjusted earnings per share	**660**	647	1,717

6 Earnings per share continued

	Unaudited Six months ended 30 June 2013 Number	Unaudited Six months ended 30 June 2012 Number	Audited Year ended 31 December 2012 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
Shares deemed to be issued for no consideration in respect of share-based payment	**32,823**	258,132	32,823
	99,732,237	99,957,546	99,732,237
Earnings per share			
Basic and diluted	**0.55p**	0.33p	1.97p
Adjusted earnings per share			
Basic and diluted	**0.66p**	0.65p	1.72p

7 Reconciliation of operating profit to cash generated from operations

	Unaudited Six months ended 30 June 2013 £'000	Unaudited Six months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Operating profit	**1,170**	882	2,888
Amortisation of intangible assets	**20**	29	40
Depreciation	**967**	2,102	3,261
After-care provisions	**8**	34	66
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**2,165**	3,047	6,255
Share-based payments	**45**	50	130
(Increase)/decrease in inventories	**(21)**	26	(1)
Increase in trade and other receivables	**(66)**	(1,851)	(565)
Increase/(decrease) in trade and other payables	**2,001**	(310)	(1)
Increase in provisions	**—**	222	—
Cash generated from operations	**4,124**	1,184	5,818

8 Analysis of changes in net financial liabilities

	Audited 31 December 2012 £'000	Cash flow £'000	**Unaudited 30 June 2013 £'000**
Cash and cash equivalents	5	—	**5**
Overdraft	(549)	231	**(318)**
Bank loans due after one year	(5,175)	(267)	**(5,442)**
Finance leases and hire purchase contracts	(397)	151	**(246)**
Net financial liabilities	(6,116)	115	**(6,001)**

9 Contingent liabilities

The Group is involved in litigation with the previous owners of HiTech Limited, a business that Augean acquired during 2008. Augean has lodged a claim of up to £2.5m against the previous owners, based on breach of warranties contained in the sale and purchase agreement for the HiTech transaction. The defendants have lodged a counterclaim relating to non-payment of an earn-out of up to £0.7m following the transfer of the business.

Based on legal advice we remain confident in the strength of Augean's claim and defence, and on this basis no provision has been made in these accounts.

10 Other information relating to the Waste Networks division

The following analysis excludes operations at East Kent:

	Unaudited Six months ended 30 June 2013 £'000	Unaudited Year ended 31 December 2012 £'000
Assets		
Goodwill	**2,103**	2,103
Fixed assets	**3,017**	3,048
Other information		
Capital expenditure	**310**	380
Depreciation	**(146)**	(245)

The Waste Network division, excluding operations at East Kent, currently employs 42 people.

The Company recognises the possible impact on goodwill this business change may cause and will conduct a full impairment review at December 2013.

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