17 July 2019

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

Interim results for the six months ended 30 June 2019

Augean, one of the UK's leading specialist waste management businesses, announces its unaudited interim results for the six months ended 30 June 2019.

Financial highlights
Adjusted metrics are from continuing operations and excluding exceptional items and share based payments

- Adjusted revenue[1] before landfill tax increased by 40% to £44.2m (2018: £31.6m)
- Adjusted profit[1] before taxation increased 100% to £9.6m (2018: £4.8m)
- Adjusted EBITDA[2] increased by 71% to £14.2m (2018: £8.3m)
- Adjusted basic earnings per share increased by 114% to 7.61 pence (2018: 3.56p)
- Proceeds of £3.35m for the sale of East Kent received
- Net cash position of £22.8m (December 2018: £8.2m)

Operational highlights

- Business optimisation programme delivered with cost savings considerably exceeding target
- Good sales growth in all sites with Treatment & Disposal up 39% and North Sea 43%
- Double digit growth from residues from Energy from Waste (EfW) and other incinerators plants despite delays in plants commissioning
- Strong further progress demonstrated in the market position for soils with overall volumes doubling on H1 2018
- Continued diversification in North Sea into industrial services, decommissioning and waste management where we have seen new customer wins

HMRC

- The Group has received landfill tax assessments for its companies Augean North and Augean South for a total of £34.7m (£37.3m including interest), and expects to receive additional assessments for other time periods until the outcome of the Tax Tribunal is known
- All assessments have been appealed, hardship awarded, no provision created, and the Lower Tier Tax Tribunal is expected in 2020
- Augean remains confident the Group has met its landfill tax obligations

Outlook

- Further growth targeted in the core markets of Energy from Waste and North Sea Decommissioning
- The Board anticipates to exceed market expectations for the full year

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

"The Group has delivered strong results in all areas of the business with cash generation especially pleasing. We remain confident in the Group's prospects for a full year result and anticipate results ahead of market expectations".

There will be a meeting for analysts at 10am today at the offices of N+1 Singer, 1 Bartholomew Lane, London EC2N 2AX

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation.

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[1] A reconciliation of these measures is included in note 10 of this announcement
[2] EBITDA means adjusted earnings before interest, tax, depreciation and amortisation from continuing operations

Strategic report

The Group's core strategic markets are Energy from Waste, treatment, nuclear decommissioning and North Sea decommissioning:

	Adjusted continuing revenues (£'m)			Adjusted operating profit before PLC costs (£'m)	
	2019	**2018**		**2019**	**2018**
Treatment and Disposal	30.5	22.0		9.6	5.1
North Sea Services	13.7	9.6		0.9	0.8
Revenues	**44.2**	**31.6**		-	-
Operating Profit pre-central costs	**-**	**-**		**10.5**	**5.9**
Central (PLC) costs				(0.6)	(0.6)
Operating profit post central costs				**9.9**	**5.3**

Adjusted revenues exclude intra segment trading, discontinued operations and landfill tax. Adjusted operating profit excludes exceptional items, share based payment charges and loss from discontinued operations. A reconciliation of these adjusted metrics is shown in note 10. 2018 comparatives have been restated where appropriate to exclude the result of the East Kent HTI.

Business performance

The Group operated through two business units during 2019 and 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 39% to £30.5m (2018: £22.0m), with an increase in disposal revenue (mainly from construction soils), new contract wins in treatment and strong Radioactive waste volumes.

The adjusted operating profit of Treatment and Disposal increased by 88% to £9.6m (2018: £5.1m) due to higher disposal volumes and delivered cost savings above target.

The Treatment and Disposal strategy is to continue to win new treatment contracts, optimise the use of our treatment plants and 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 4% to £13.7m (2018: £9.6m) on new customer wins in Industrial Services and Waste Management. This segment saw an increase in adjusted operating profit to £0.9m (2018: £0.8m) due to revenue increase, 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 opportunity remains for Augean to continue to service this growing North Sea decommissioning market, worth multi-billion pounds for many years to come. 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

East Kent Incinerator

A review of this asset was completed in 2018 and the Group decided that the facility would be mothballed. The assets associated with the facility less committed costs to prepare for sale were classified as an asset held for sale in the balance sheet as at 31 December 2018. On 25 January 2019 the Group sold the land, buildings and plant associated with East Kent High Temperature Incinerator for a total cash consideration of £3.35m.

HMRC assessment

The Group has received landfill tax assessments for its companies Augean North and Augean South for a total of £34.7m (£37.3m including interest).

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. Accordingly, it has appealed both the Augean South and Augean North assessments and the lower tier tax tribunal is expected in 2020. HMRC has agreed to the deferment of the payment of total tax assessed under Augean North and Augean South until the outcome of the tax tribunal has concluded. HMRC is considering whether penalties may be appropriate and the Group expects to receive other final assessments for other time periods for both Augean North and Augean South.

The Group currently accounts for the legal costs of the dispute with HMRC as an exceptional item but has not made a provision for this assessment based on the strength of independent legal and professional advice received.

Financial performance

Group overview

A summary of the Group's financial performance, from continuing operations and excluding exceptional items, is as follows with 2018 comparative restated where appropriate to exclude the result of the East Kent HTI:

£'m except where stated	**2019**	**2018**
Adjusted Revenue	44.2	31.6
Adjusted Operating profit	9.9	5.3
Adjusted Profit before taxation	9.6	4.8
Adjusted Profit after taxation	7.9	3.7
Net operating cash flow	14.6	7.2
Basic adjusted earnings per share	7.61	3.56
Annualised return on capital employed	44.2%	18.8%

Adjusted metrics exclude intra segment trading, discontinued operations and landfill tax. Adjusted operating profit excludes share based payments, exceptional items and loss from discontinued operations. A reconciliation between the adjusted and statutory metrics is shown in note 10 to the accounts.

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 2019 increased by 40% to £44.2m (2018: £31.6m).

Adjusted profit before tax increased by 100% to £9.6m (2018: £4.8m).

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

	2019 £'m	**2018 £'m**
Operating profit	9.9	5.3
Depreciation and amortisation	4.3	3.0
EBITDA	**14.2**	**8.3**

Exceptional items

Exceptional items in 2019 were £0.2m, being landfill tax legal appeal costs.

Finance costs

Total net finance charges were £0.3m (2018: £0.4m) largely being the non-cash unwinding of discounts on provisions.

Earnings per share

Adjusted basic earnings per share (EPS), from continuing operations and excluding exceptional items and share based payment charges, increased by 114% to 7.61 pence (2018: 3.56 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 £7.9m (2018: £3.7m), all of which was attributable to equity shareholders.

The total number of ordinary shares in issue increased during the period from 103,428,392 to 104,085,198 with the weighted average number of shares in issue increasing from 103,408,043 to 103,809,060 for the purposes of basic EPS.

Dividend

The Board has decided not to declare an interim dividend (2018 interim and final: Nil) while the Group appeals the HMRC assessments.

Cash flow and net debt

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

	2019 £'m	**2018 £'m**
EBITDA from continuing operations and before exceptional items	14.2	8.3
Net working capital movements	0.7	-
Interest and taxation payments	(0.3)	(1.1)
Net operating cash flows from continuing operations and before exceptional items	14.6	**7.2**

The cash flow of the Group is summarised as follows:

	2019 £'m	**2018 £'m**
Net operating cash flows from continuing operations (before exceptional items)	14.6	7.2
Net operating cash flows from exceptional items and discontinued operations	(0.3)	(2.3)
Total net operating cash flows	**14.3**	**4.9**
Maintenance capital expenditure	(1.7)	(1.4)
Post-maintenance free cash flow	**12.6**	**3.5**
Development capital expenditure	(0.6)	(0.4)
Free cash flow	**12.0**	**3.1**
Sale of Business and assets (discontinued operation)	3.4	5.0
Net cash generation (before financing activities)	**15.4**	**8.1**

Underlying net operating cash flow as a percentage of EBITDA was 102% in 2019 (2018: 87%).

The operating cash flow of £14.3m 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 £2.8m (2018: £1.8m), split between maintenance capital (to lengthen the productive life of existing assets) of £2.0m and expansion capital (for targeted future growth) of £0.8m. The increase in maintenance capital expenditure is due to the construction of new cells at all three of the Group's landfill sites during 2019. The development capex is substantially related to the North Sea business unit.

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 cash was at £22.8m at 30 June 2019 compared with £8.2m at 31 December 2018. Gearing is nil (31 December 2018: nil).

Financing

During 2019, the activities of the Group were substantially funded by internally generated cash. The Group also has 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 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 2019, further loan drawdowns were available to the Group of £17.0m.

Balance sheet and return on capital employed

Consolidated net assets were £67.8m on 30 June 2019 (2019: £53.7m) and net tangible assets, excluding goodwill and other intangible assets, were £48.0m (2018: £33.8m), of which all was attributable to equity shareholders of the Group in both years. Annualised return on capital employed based on the six months ending June 2019, from continuing operations and excluding exceptional items, defined as adjusted operating profit divided by closing capital employed, where capital employed is net assets excluding net cash and net debt, increased to 44.2% (annualised six months ending June 2018: 18.7%).

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 savings, we anticipate exceeding current market expectations.

Jim Meredith

Executive Chairman

16 July 2019

Unaudited consolidated statement of comprehensive income

For the six months ended 30 June 2019

	Note	**Unaudited Six months Ended 30 June 2019 £'000**	Restated Unaudited Six months Ended 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Continuing operations				
Revenue	4	**52,362**	36,238	79,749
Operating expenses		**(42,422)**	(30,984)	(67,563)
Operating profit before exceptional items		**9,940**	5,254	12,186
Share based payments		**(370)**	(67)	(523)
Exceptional items		**(238)**	1,359	(322)
Operating profit		**9,332**	6,546	11,341
Net finance charges		**(326)**	(413)	(748)
Profit before tax		**9,006**	6,133	10,593
Taxation	5	**(1,713)**	(1,165)	(2,043)
Profit from continuing operations		**7,293**	4,968	8,550
Discontinued operations				
Loss from discontinuing operations		**-**	(1,510)	1,389
Profit for the period and total comprehensive income attributable to equity shareholders		**7,293**	3,458	9,939
Earnings / (loss) per share				
Basic		**7.03p**	3.35p	9.61p
Diluted	6	**6.98p**	3.33p	9.55p

Unaudited consolidated statement of financial position
At 30 June 2019

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Non-current assets			
Goodwill	**19,757**	19,757	19,757
Other intangible assets	**45**	115	66
Property, plant and equipment	**43,829**	44,717	40,373
Deferred tax asset	**1,780**	1,243	1,781
	65,411	65,832	61,977
Current assets			
Inventories	**284**	326	277
Trade and other receivables	**20,013**	18,138	18,628
Asset held for sale	**-**	-	3,304
Cash and cash equivalents	**25,767**	5,235	11,162
	46,064	23,699	33,371
Current liabilities			
Trade and other payables	**(27,700)**	(17,615)	(21,222)
Current tax liabilities	**(3,474)**	(887)	(1,863)
Provisions	**(500)**	(200)	(500)
	(31,674)	(18,702)	(23,585)
Net current assets	**14,390**	4,997	9,786
Non-current liabilities			
Borrowings	**(2,944)**	(7,900)	(2,922)
Employee benefit liability	**(636)**	-	(351)
Provisions	**(8,449)**	(9,251)	(8,190)
	(12,029)	(17,151)	(11,463)
Net assets	**67,772**	53,678	60,300
Equity	**-**		
Share capital	**10,409**	10,343	10,379
Share premium account	**816**	757	757
Retained earnings	**56,547**	42,578	49,164
Total equity	**67,772**	53,678	60,300

Unaudited consolidated statement of cash flows

For the six months ended 30 June 2019

	Note	**Unaudited Six months ended 30 June 2019 £'000**	Unaudited Six months ended 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Operating activities				
Cash generated from operations	7	**14,246**	5,951	17,413
Finance charges paid		**(379)**	(298)	(360)
Tax paid		**-**	(719)	(1,063)
Net cash generated from operating activities		**13,867**	4,934	15,990
Investing activities				
Proceeds on disposal of property, plant and equipment		**-**	1,000	36
Purchases of property, plant, equipment and intangibles		**(2,337)**	(1,846)	(3,413)
Sale of business (net of cash)		**3,350**	3,998	6,176
Net cash used in investing activities		**1,013**	3,152	2,799
Financing activities				
Issue of equity		**89**	48	84
Payment of lease liabilities		**(364)**	-	-
(Repayment) / Drawdown of loan facilities		**-**	(9,478)	(14,290)
Net cash generated from financing activities		**(275)**	(9,430)	(14,206)
Net (decrease) / increase in cash and cash equivalents		**14,605**	(1,344)	4,583
Cash and cash equivalents at beginning of period		**11,162**	6,579	6,579
Cash and cash equivalents at end of period		**25,767**	5,235	11,162

Unaudited consolidated statement of changes in equity

For the six months ended 30 June 2019

	Share capital	Share premium account	Retained earnings	Shareholders' equity
	£'000	£'000	£'000	£'000
At 1 January 2018	**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	48	-	-	48
Share-based payments	-	-	67	67
Total transactions with the owners of the Company	48	757	67	115
At 30 June 2018	**10,343**	**757**	**42,578**	**53,678**
Total comprehensive income for the period				
Retained profit	-	-	6,481	6,481
Total comprehensive income for the period	-	-	6,481	6,481
Transactions with owners of the Company				
Issue of equity	36	-	-	36
Share-based payments	-	-	105	105
Total transactions with the owners of the Company	36	-	105	141
At 31 December 2018 previously reported	**10,379**	**757**	**49,164**	**60,300**
Adjustment on implementation of IFRS 16			5	5
At 31 December 2018	**10,379**	**757**	**49,169**	**60,305**
Total comprehensive income for the period				
Retained profit	-	-	7,293	7,293
Total comprehensive income for the period	-	-	7,293	7,293
Transactions with owners of the Company				
Issue of equity	30	59	-	89
Share-based payments	-	-	85	85
Total transactions with the owners of the Company	30	59	85	174
At 30 June 2019	**10,409**	**816**	**56,547**	**67,772**

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 as is permissible under the rules of the AIM market.

The financial information relating to the year ended 31 December 2018 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 2019 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 2018, 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.

The Group have applied the modified retrospective approach to the implementation of IFRS16. The impact of this has been to create an opening asset of £4,850,000 and an opening liability of £4,845,000. A depreciation charge of £671,000 has been recognised in respect of these right of use assets in the six-month period ending June 2019.

The result for the six months ending June 2018 has been restated to exclude the result for the East Kent incinerator asset. This was classified as discontinued in the result for the year ending December 2018 and has now been disposed of.

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 cash and the available headroom on the current banking facility.

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 provide 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.

Materially 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 2019 were as follows:

	Treatment and disposal	North Sea Services	Group
	£'000	**£'000**	**£'000**
Revenue			
Incinerator Ash	7,712	-	7,712
Other landfill activities	10,743	-	10,743
Waste treatment activities	10,415		10,415
Incineration of waste	-	-	-
Radioactive waste management	2,234	-	2,234
Services to North Sea production and exploration customers	-	13,683	13,683
Total revenue net of landfill tax	31,104	13,683	44,787
Landfill tax	8,159	-	8,159
Total revenue including inter-segment sales	39,263	13,683	52,946
Inter-segment sales	(578)	(6)	(584)
Revenue	**38,685**	**13,677**	**52,362**
Result			
Operating profit before exceptional items	9,298	855	10,153
Exceptional items	(238)	-	(238)
Operating profit	**9,060**	**855**	9,915
Finance charges			(326)
Central costs			(583)
Profit before taxation			**9,006**
Taxation			(1,713)
Profit after tax			**7,293**

Exceptional items comprise £0.2m of professional fees relating to landfill tax.

The segmental results for the six months ended 30 June 2018, restated to separately classify operations now discontinued, were as follows:

	Treatment and disposal £'000	North Sea Services £'000	Group £'000
Revenue			
Incinerator Ash	6,037	-	6,037
Other landfill activities	5,705	-	5,705
Waste treatment activities	9,392	-	9,392
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	**23,353**	**9,604**	**31,957**
Landfill tax	4,619	-	4,619
Total revenue including inter-segment sales	**26,972**	**9,604**	**36,576**
Inter-segment sales	(336)	(2)	(338)
Revenue	**26,636**	**9,602**	**36,238**
Result			
Operating profit before exceptional items	5,026	759	5,785
Exceptional items	1,359	-	1,359
Operating profit	**6,385**	**759**	7,144
Finance charges			(413)
Central costs			(598)
Profit before taxation			**6,133**
Taxation			(1,165)
Profit before tax			**4,968**
Profit from discontinued operations			(1,510)
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.

5 Taxation

The taxation charge for the six-month period ended 30 June 2019 has been based on the anticipated full year effective tax rate of 19.0% (six months ended 30 June 2018: 19%).

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 2018 has been reflected in these statements. The taxation charge for the six-month period to 30 June 2019 is all reflected within current tax, consistent with the 30 June 2018 position.

6 Earnings per share

The calculation of basic earnings per share (EPS) is as follows:

	Unaudited Six months ended 30 June 2019 £'000	Restated Unaudited Six months ended 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Earnings for the purposes of basic and diluted EPS	**7,293**	**3,458**	**9,939**
Share based payments	**370**	67	523
Exceptional items (net of associated taxation)	**238**	(1,359)	(3,155)
Earnings for the purposes of adjusted basic and diluted EPS	**7,901**	**2,166**	**7,307**
(Profit) / Loss for discontinued operations	**-**	1,510	2,026
Earnings for the purposes of adjusted basic and diluted EPS – continuing operations	**7,901**	**3,676**	**9,333**
Number of shares	Number	Number	Number
Weighted average number of shares for basic earnings per share	**103,809,060**	103,174,871	103,408,043
Effect of dilutive potential ordinary shares from share options	**744,310**	806,321	709,119
Weighted average number of shares for diluted earnings per share	**104,553,370**	103,981,192	104,117,162
Earnings per share			
Basic	**7.03p**	3.35p	9.61p
Diluted	**6.98p**	3.33p	9.55p
Adjusted earnings per share			
Basic	**7.61p**	2.10p	7.07p
Diluted	**7.56p**	2.08p	7.02p
Adjusted earnings per share – Continuing Operations			
Basic	**7.61p**	3.56p	9.03p
Diluted	**7.56p**	3.54p	8.96p

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 2019 £'000	Unaudited Six months ended 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Operating profit including discontinued operations	**9,331**	4,827	12,424
Amortisation of intangible assets	**21**	36	58
Depreciation	**4,298**	3,286	7,032
Impairment reversal	**-**	-	(2,644)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**13,650**	8,149	16,870
Share-based payments	**85**	67	523
Increase in inventories	**(7)**	115	162
Decrease/(increase) in trade and other receivables	**(1,409)**	(1,837)	(2,473)
(Decrease)/increase in trade and other payables	**1,718**	1,187	4,372
(Decrease) / increase in provisions	**209**	131	(72)
(Profit) / Loss on disposal of property, plant and equipment	**-**	(1,861)	(1,969)
Cash generated from operations	**14,246**	5,951	17,413

The above EBITDA and cash flow generated from operations both include a net cash outflow of £318,000 relating to exceptional items (H1 2018: outflow of £706,000). Operating loss from discontinued operations was £nil (H1 2018: £1,458,000 profit)

8 Analysis of changes in net cash

	Audited 31 December 2018 £'000	Cash flow £'000	Other movement £'000	**Unaudited 30 June 2019 £'000**
Cash and cash equivalents	11,162	14,605	-	**25,767**
Bank loans	(2,922)	-	(22)	**(2,944)**
Net cash	8,240	14,605	(22)	**22,823**

9 Contingent Liability

The Group has received landfill tax assessments for its companies Augean North and Augean South for a total of £34.7m (£37.3m including interest).

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. Accordingly, it has appealed both the Augean South and Augean North assessments and the tax tribunal is expected in 2020. HMRC has agreed to the deferment of the payment of total tax assessed against the relevant group entities until the outcome of the tax tribunal has concluded. HMRC is considering whether penalties may be appropriate and there may be other final assessments for other time periods for both Augean North and Augean South.

The Group currently accounts for the legal costs of the dispute with HMRC as an exceptional item but has not made a provision for this assessment based on the strength of independent legal and professional advice received.

10 Reconciliation of performance metrics

The following metrics have been used in the Operating Review.

Revenue

	Unaudited 6 months ending 30 June 2019			Unaudited 6 months ending 30 June 2018		
	Revenue £'000	**Landfill Tax £'000**	**Adjusted Revenue £'000**	Revenue **£'000**	Landfill Tax **£'000**	Adjusted Revenue **£'000**
Treatment & disposal segment	38,685	(8,159)	30,525	26,636	(4,619)	22,017
North Sea Services segment	13,677	-	13,677	9,602	-	9,602
Continued operations	52,362	(8,159)	44,202	36,238	(4,619)	31,619
Discontinued Operations	-		-	4,884	-	4,884
Total Group	52,362	(8,159)	44,202	41,122	(4,619)	36,503

EBIT

	Unaudited 6 months ending 30 June 2019			
	Statutory £'000	**Share based payments £'000**	**Exceptional items £'000**	**Adjusted £'000**
Treatment & disposal segment	9,059	370	238	9,668
North Sea Services segment	855	-	-	855
Central costs	(583)	-	-	(583)
Operating profit from continuing operations	9,331	370	238	9,940
Finance charges	(326)	-	-	(326)
Profit before tax from continuing operations	9,006	370	238	9,614
Taxation	(1,713)	-	-	(1,713)
Profit after tax from continuing operations	7,293	370	238	7,901
Discontinued Operations	-	-	-	-
Total Group Operating profit	7,293	370	238	7,901

	Unaudited 6 months ending 30 June 2018			
	Statutory	**Share based payments**	**Exceptional items**	**Adjusted**
	£'000	**£'000**	**£'000**	**£'000**
Treatment & disposal segment	6,385	67	(1,359)	**5,093**
North Sea Services segment	759	-	-	**759**
Central costs	(598)	-	-	**(598)**
Operating profit from continuing operations	**6,546**	**67**	**(1,359)**	**5,254**
Finance charges	(413)	-	-	**(413)**
Profit Before tax from continuing operations	**6,133**	**67**	**(1,359)**	**4,841**
Taxation	(1,165)	-	-	**(1,165)**
Profit after tax from continuing operations	**4,968**	**67**	**(1,359)**	**3,676**
Discontinued Operations	(1,510)	-	-	**(1,510)**
Total Group Operating profit	**3,458**	**67**	**(1,359)**	**2,166**