Augean PLC

the hazardous waste specialist

Interim Report 2005

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Augean plc, a market leader in the management of hazardous waste, provides advice and cost-effective solutions to UK businesses' waste problems. We work in partnership with our clients to provide long-term answers to the treatment and disposal of their waste.

Our strict operating protocols take effect the moment an enquiry is made: our team of technical advisers determines the most effective route for the waste. This could be through our treatment facility, where appropriate, or direct to one of our landfill facilities. We currently own more than 10 million cubic metres of void space.

Highlights

* Turnover of £12m
* Operating profit before amortisation of £2.1m
* Earnings per share before amortisation of 3p
* Loss per share of 1.5p
* Strong operating cash flow of £2.5m
* Atlantic Waste Holdings and Zero Waste Holdings successfully integrated as Augean
* £8m acquisition of Proactive Waste Solutions Limited

Chairman's statement

I am pleased to present our second interim report covering the six months ended 30 June 2005 for the first six months of trading of Atlantic Waste Holdings and Zero Waste Holdings, the two businesses Augean acquired in December 2004.

These show that in the period a turnover of £12m and operating profit of £2.1m was achieved. Overall we are disappointed with these figures which are in line with our revised expectations, as announced in June, but below those set at the beginning of the period. This is principally due to a lower than anticipated level of tonnage from construction-related waste and a delay in the approval of two monocells at our Thornhaugh site.

However, progress has been made in a number of important areas. The management team has established a headquarters near Wetherby, integrating the marketing, accounts and management functions of the two businesses acquired at the end of 2004. The integration has been a success with both businesses now trading as Augean.

In addition, the business has strengthened its Board and operational team with the appointments of a further Non-executive Director, an Operations Director and a Technical Director.

I believe we have a strong management and operational team to take advantage of the clear opportunities presented to us through the continuing development of European legislation in the waste sector.

Financial performance

Turnover for the period was £12.0m, generating an operating profit before amortisation of £2.1m, loss before tax of £1.0m and the loss per share of 1.5p. Net assets at the period end were £111.5m and there was a net cash inflow from operating activities of £2.5m.

Market

In 2004 and 2005, two tranches of new legislation have been introduced within the waste sector, the purpose of which is to ensure that waste streams deemed hazardous are disposed of in a more appropriate and responsible way. This has created hazardous waste as a sub-sector within the waste industry as many types of waste which previously went into general landfill sites should now only be disposed of at properly licensed hazardous landfill sites.

The hazardous waste market clearly has scope to grow. It is with this in mind that the company has secured a strong position in the UK hazardous waste market.

Driving volumes

The company has invested significant time and resource into building good relationships with both the regulatory authorities and the local residents. During the period under review, much work has also been done to integrate the two businesses and drive volumes. We have hosted six seminars in various parts of the country to educate producers of hazardous waste. These seminars have been well received.

In March, the Environment Agency ("EA") agreed to increase the annual hazardous waste tonnage inputs from 100,000 tonnes to 500,000 tonnes at the Port Clarence site. In addition, the company took the opportunity of acquiring the royalty rights payable to the former owners of the site, based on volumes. This agreement has been acquired so that going forward, no royalties are payable outside the group at any date in the future.

A significant plant replacement programme worth a total of £1.6m has also been undertaken in the period. Machinery has been replaced at all four of Augean's operational sites, reducing costs, improving efficiency and being more environmentally friendly.

Treatment

At the time of the acquisitions last year, we set out our strategy of making complementary acquisitions.

The company announced on 30 August the acquisition of the entire issued share capital of Proactive Waste Solutions Limited ("Proactive"), a leading hazardous waste treatment operator for a total consideration of £8m payable in cash from existing facilities. This acquisition is highly complementary to our hazardous waste landfill sites and we are now able to supply customers with complete hazardous waste solutions.

Proactive is based in Cannock in the West Midlands and has a licensed site covering approximately 4,500 square metres. Proactive should benefit from the regulation changes which came into effect on 16 July 2005, as these changes have not only increased the number of waste streams classified as hazardous, but also brought in a requirement to treat waste prior to disposal at a hazardous landfill facility.

In the year ahead, the site will be developed further, with a new plant being installed to expand the throughput and range of wastes that can be treated. These developments are expected to cost approximately £1m.

We will continue to look for businesses that increase our range of services and enhance the profitability of the company.

In addition, we are investigating the possibility of developing another hazardous waste treatment and pre-treatment facility at the Port Clarence site near Middlesbrough, providing North England and Scotland with an entire hazardous waste solution at a single site. Capital expenditure on this project, which will take nine months, is expected to be in the region of £5m.

Outlook

The EA have not yet given approval for the operation of the two hazardous waste monocells at Thornhaugh, which will become an important profit source for the company. As a result of the high technical standard of the construction of the cells, we remain confident that our site meets all the required specifications and that we will obtain the requisite permit, although we have still been unable to obtain a firm date as to when we will be allowed to take waste into these monocells. We see promising signs as to future volumes but larger acceptances of construction-related waste will be required to achieve our revised expectations. We believe, however, that our strong asset base and low gearing will stand us in good stead for the future.

Consolidated profit and loss account

for the six months ended 30 June 2005

	Notes	Six months ended 30 June 2005 £'000	6 Aug 2004 to 31 Dec 2004 £'000
Turnover	3	**12,020**	878
Cost of sales		**8,287**	439
Gross profit		**3,733**	439
Other operating charges		**1,639**	645
Operating profit before amortisation of goodwill		**2,094**	(206)
Amortisation of goodwill		**3,129**	202
Operating loss		**(1,035)**	(408)
Interest receivable		**203**	27
Interest payable		**(175)**	(11)
Loss on ordinary activities before taxation		**(1,007)**	(392)
Tax on loss on ordinary activities		**–**	–
Retained loss for the period		**(1,007)**	(392)
Loss per share	4	**Pence**	Pence
Basic and diluted		**1.5**	4.8

Consolidated balance sheet

as at 30 June 2005

	30 June 2005 £'000	31 Dec 2004 £'000
Fixed assets		
Intangible assets	**50,048**	51,614
Tangible assets	**59,566**	59,491
	109,614	111,105
Current assets		
Stock	**1**	1
Debtors	**6,403**	6,174
Cash	**6,775**	9,814
	13,179	15,989
Creditors: amounts falling due within one year	**9,289**	12,956
Net current assets	**3,890**	3,033
Total assets less current liabilities	**113,504**	114,138
Creditors: amounts falling due after one year	**290**	379
Provision for liabilities and charges	**1,742**	1,430
Net assets	**111,472**	112,329
Capital and reserves		
Called up share capital	**6,599**	6,599
Share premium account	**106,272**	106,122
Profit and loss account	**(1,399)**	(392)
	111,472	112,329

Consolidated cash flow statement

For the six months ended 30 June 2005

	Six months ended 30 June 2005 £'000	6 Aug 2004 to 31 Dec 2004 £'000
Net cash inflow/(outflow) from operating activities	**2,476**	(444)
Return on investments and servicing of finance		
Interest received	**203**	27
Interest paid	**(175)**	(11)
Net cash inflow from return on investments and servicing of finance	**28**	16
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(2,659)**	(154)
Acquisitions and release of retained consideration	**(3,034)**	(87,275)
Net cash outflow from capital expenditure and financial investment	**(5,693)**	(87,429)
Financing		
Issued share capital	**150**	97,671
Net cash inflow from financing	**150**	97,671
Increase/(decrease) in cash	**(3,039)**	9,814
Reconciliation of net funds		
Opening net funds	**9,814**	0
Increase/(decrease) in net cash	**(3,039)**	9,814
Closing net funds	**6,775**	9,814
Cash flow from operating activities		
Reconciliation of operating loss to net cash outflow from operating activities:		
Operating loss	**(1,035)**	(408)
Depreciation	**2,627**	197
Amortisation of goodwill on consolidation	**3,129**	202
Increase in provisions	**269**	12
(Increase)/decrease in debtors	**(149)**	154
Decrease in creditors	**(2,365)**	(601)
Net cash inflow/(outflow) from operating activities	**2,476**	(444)

Notes to the interim financial statements
For the six months ended 30 June 2005

1 Basis of preparation
These interim financial statements do not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985. Results for the six month period ended 30 June 2005 have not been audited. The results for the period 6 August 2004 to 31 December 2004 have been extracted from the unaudited interim financial statements of Augean PLC.

2 Principal accounting policies
This Interim Report has been prepared using accounting policies that are consistent with those set out in the admission document of the company dated 19 November 2004.

3 Turnover
Turnover represents invoiced sales including landfill tax but excluding value added tax.

4 Loss per share
The weighted average number of shares used was 65,488,892. The basic and diluted loss per share is identical as all potential ordinary shares are anti-dilutive as a result of the losses attributable to ordinary shareholders.

Company information

Directors
David Williams
Non-executive Chairman

John Huntington
Chief Executive Officer

Gary Downey
Finance Director

Roger McDowell
Non-executive Director

Andrew Bryce
Non-executive Director

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Gary Downey

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