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Augean PLC is a market-leading UK based specialist waste and resource management group delivering a broad range of services to the hazardous waste sector. The group offers commercial and compliance led solutions in a complex, legislation driven market.



## Financial highlights

- > 1% increase in revenue excluding landfill tax to £10.7m (2006: £10.6m)
- > 36% increase in underlying operating profit to £2.5m (2006: £1.9m)
- > 42% increase in underlying profit before tax to £2.1m (2006: £1.5m)
- > 39% increase in adjusted earnings per share to 3.1p (2006: 2.2p)
- > 33% increase in operating cash flow before provisions to £4.6m (2006: £3.4m)
- > Net debt reduced to £8.8m (2006: £13.4m)

## Operational highlights

- > IPPC permit regime implemented across all sites
- > Full IMS accreditation achieved in Landfill and phase one accreditation in Treatment
- > Opening of Terramundo, first fixed site Ground Remediation Centre in the UK
- > First phase contract for Olympic site won and long term supply contract secured for a key waste stream
- > Internal restructure completed to focus on expanding portfolio of services and long term relationships
- > Extensive consultation on Port Clarence Waste Recovery Park and public exhibition concluded

## Chief executive's review



The board's priority continues to be the creation of shareholder value through its strategic focus on providing ever more sustainable solutions to producers of hazardous waste through a combination of organic growth and targeted acquisition.

### Introduction

I am pleased to report a solid set of results for the six months to 30 June 2007, having joined the business in March 2007. These results reflect volume growth in both divisions which together delivered a 36% increase in underlying operating profit to £2.5m (2006: £1.9m) and a 33% increase in operating cash flow before provisions to £4.6m (2006: £3.4m).

### Strategy

The board's priority continues to be the creation of shareholder value through its strategic focus on providing ever more sustainable solutions to producers of hazardous waste through a combination of organic growth and targeted acquisition. Whilst landfill remains a key specialist and valuable UK resource for many hazardous waste streams, the group is proactively seeking alternative treatment, pre-treatment, recovery and recycling processes which, when integrated, can deliver a highly efficient and sustainable waste resource solution, thereby supporting a modern UK treatment infrastructure previously lacking investment. Key to our success is our extensive knowledge and understanding of the complex planning and permitting regimes and our timely investment in progressing our plans through that process.

In line with our strategy, the business has been restructured to deliver a single client facing sales entity, capable of selling our entire portfolio of expanding services to our clients, whilst being adequately resourced to integrate organic and acquisition led projects. The emphasis, centred around client service delivery, is on developing long term relationships with clients for all of their hazardous waste needs.

### The hazardous waste market

After two years of legislative upheaval, 2007 has seen a period of relative stability although interpretation of some regulation presents challenges to the industry which continues to look to the Environment Agency for guidance. Nevertheless, we believe that the current and anticipated changes in legislation create a very positive investment climate for the group as early adoption of new but proven technologies is needed to satisfy ever tightening rules on disposal methods.

We believe these stricter controls emerging through the Integrated Pollution Prevention Control (IPPC) regime will see some competitors disengage from the market as the barriers continue to increase, thus further underpinning the group's development programme and strengthening the economics for new technologies.

## Chief executive's review

Today's priority, whether from within the Environment Agency or society generally, continues to be sustainability in the management of waste, underpinned by specialised landfill void, which is becoming an ever rarer and more valuable asset.

### The hazardous waste market continued

The market for hazardous waste is reasonably well defined. Data from the Environment Agency estimates the market to be in the order of four million tonnes per annum, though this figure excludes new waste streams either brought within the definition (e.g. electrical and electronic equipment through the WEEE directive) or following guidance on the acceptable definition of treatment (which will render certain residues from treatment processes, currently being disposed of in non-hazardous landfills, hazardous).

The recently announced Waste Strategy 2007 included among its objectives and targets the need for investment in treatment infrastructure to divert, where possible, waste from landfill and to get the most environmental benefit from that investment, through increased recycling of resources and recovery of energy from residual waste using a mix of technologies. This statement clearly supports the climate of investment, which we have believed exists for some time, and is precisely in line with our development proposals at Port Clarence on Teesside.

Today's priority, whether from within the Environment Agency or society generally, continues to be sustainability in the management of waste, underpinned by specialised landfill void, which is becoming an ever rarer and more

valuable asset. Augean's strategy is firmly in line with this priority ensuring it continues to provide, within its portfolio of services, the most appropriate technique to manage waste streams from an economic, compliance and sustainability view point. This development strategy is supported by the Government's Waste Strategy 2007, thus promoting the concept of the waste hierarchy with re-use, recovery and energy recovery prior to disposal.

### Landfill division

Hazardous waste volumes continue to grow into our landfill sites and prices are remaining steady. Tonnages into landfill during the first half were 125,143 (2006: 124,480) with a noticeable shift towards construction-related waste. This type of waste generates a slightly lower average price into landfill but a significantly better compaction rate, resulting in lower void consumption and hence improved overall margins. Revenues were therefore down for the period, reflecting the mix, at £6.1m (2006: £7.5m) though operating profit was up to £1.7m (2006: £1.4m).

Restoration and remediation of the Olympic site in East London presents significant opportunities for the group. I am pleased to announce that we have secured the work to dispose of treated residue from the first phase of restoration works on the site. Further phases will be released in due course and we shall vigorously pursue these opportunities as they come online.



During the period, we achieved certification of our Integrated Management System (IMS) for our landfill operations to internationally recognised management system standards ISO 14001 (Environmental Management), ISO 9001 (Quality Management) and OHSAS 18001 (Occupational Health and Safety Management).

We keep our landfill assets under constant review to ensure that we maximise the potential of each site; by way of example, we have identified and committed to an opportunity to utilise some of our land situated outside the immediate landfill perimeter at King's Cliffe to extend our in-house laboratory facility to provide further client services and introduce new treatment facilities.

### Terramundo

The review process for landfill assets described above is in part what led to the Terramundo joint venture opportunity with Belgian-based DEC NV. We identified a compelling argument, under the developing legislation, for a soil treatment and recycling centre at the Port Clarence landfill installation.

Terramundo launched in June 2007 and is now fully operational. Although this is a start up project and the first of its kind in the UK, the plant has already secured some work though the main benefit of the interest that has been generated since launch is expected in 2008 and beyond.

Whilst it represents an economic solution to contaminated soils which fail the criteria for landfilling, it is also a sustainable solution in its own right and has generated significant levels of interest on that basis from responsible organisations with in-house sustainability targets.

### Treatment division

Treatment revenues increased significantly to £4.6m (2006: £3.1m) with operating profit following the same pattern at £0.8m (2006: £0.5m). Nevertheless, the division has taken longer to recover from the problems experienced at the tail end of 2006 and this has been particularly noticeable at our treatment site in Cannock. Significant time has been spent in re-engaging with former clients of the facility with encouraging results.

Our strategy to seek longer term relationships with our clients has begun to bear fruit. We have secured a significant contract for the treatment of a key waste stream and further discussions with other producers are ongoing.

I am pleased to announce that our site at Worcester has now received its operating permit under IPPC with the result that the entire group is now governed under and compliant with the latest monitoring regime.

## Chief executive's review

We continue to invest in waste management processes which support the direction new legislation has taken and continues to take, in particular in respect of energy conservation, resource recovery and protection of human health.

### Treatment division continued

Phase one of the extension and redevelopment of Cannock will be completed in the final quarter of 2007 with the resultant increase in capacity and working efficiency. It is anticipated that phase two will begin in early 2008; phase two is primarily the conversion of our treatment processes in readiness for the change in legislation regarding open-air treatment in 2008.

In the meantime, the pilot plant at Cannock continues to provide crucial data on the process technology being developed to ensure treated residues comply with the various criteria set down for subsequent disposal. In addition we have invested in new treatment processes at Worcester, including a container washing plant and drum crushing and shredding capacity, thereby further enhancing our in-house capability.

The IMS is being progressively implemented within Augean's treatment division. Phase one of the certification process was successfully undertaken during May 2007 with the continued objective of full certification before the end of the current year.

### Acquisitions/developments

We continue to seek and identify acquisition opportunities in the treatment sector which bring new geographical locations, new markets, strong management and sites with development potential or a combination thereof. Discussions are ongoing with several third parties and I shall be pleased to report more in due course.

In addition, we continue to invest in waste management processes which support the direction new legislation has taken and continues to take, in particular in respect of energy conservation, resource recovery and protection of human health.

In this context, we are pleased to report, following consultation including an exhibition to the public, the imminent submission of a planning application for the 'Port Clarence Waste Recovery Park', a plan to create a substantial range of treatment and recovery processes on 13 hectares of our site, using both proven and new, innovative technologies. This will provide an integrated waste management facility that will recover more waste for reuse and recycling, generate electricity from waste and reduce the amount of, and level of hazardous contamination in, waste disposed into landfill. We believe, if successful, this will become a regional and national centre of excellence for the safe, sustainable management of difficult-to-manage wastes.



## Results

Net turnover excluding landfill tax for the six months ended 30 June 2007 increased by 1% to £10.7m (2006: £10.6m). With the inclusion of landfill tax charged to customers of £1.9m (2006: £3.3m), on which the group makes no margin, total group turnover fell by 9% to £12.6m (2006: £13.9m).

The increase in operating profit of 42% to £2.2m (2006: £1.6m) was driven in part by lower costs in the landfill division following the anticipated change in sales mix towards better compacting soils. As noted in the group's International Financial Reporting Standards (IFRS) conversion announcement, the operating result is affected by a charge in respect of tax losses from acquisitions used in the period which had not previously been recognised. This charge amounted to £0.3m (2006: £0.3m) and is excluded from management's assessment of underlying performance. Adjusted operating profit of £2.5m (2006: £1.9m) represented a 36% increase and an improved operating margin of 24% (2006: 18%), reflecting the group's greater focus on higher margin hazardous waste.

Underlying profit before tax increased by 42% to £2.1m (2006: £1.5m). After the £0.3m IFRS tax adjustment and a small loss on the establishment of the Terramundo joint venture, profit before tax increased to £1.7m (2006: £1.2m).

Adjusted earnings per share before goodwill tax adjustment increased by 39% to 3.1p (2006: 2.2p). Earnings per share after goodwill tax adjustment increased by 48% to 2.6p (2006: 1.8p). The board does not recommend the payment of a dividend at the current time but will continue to review this position in 2008.

The group's strong cash flows were maintained in the period, with operating cash flow before provisions at £4.6m (2006: £3.4m). After deducting capital expenditure, interest and tax, free cash flow was £2.1m (2006: £0.2m). Net debt at 30 June 2007 was £8.8m (2006: £13.4m), equating to a gearing level of 8% (2006: 13%).

## Chief executive's review

Significant work has been ongoing in 2007 to deliver the next step change in the services the group offers to its clients; this work will deliver enhanced value as, on the one hand, our investment in planning delivers new, innovative and renewable energy focused technologies and, on the other, potential acquisitions come on stream.

### IFRS impact

The results as presented are the first to be prepared under IFRS and the comparative figures have been adjusted accordingly. A number of detailed reconciliations are included in note 7 to the interim financial statements and the impact of the principal changes in the comparative figures for the operating result and net assets at 30 June 2006 are summarised in the table below:

	30 June 2007 £'000	30 June 2006 £'000
Operating loss under UK GAAP		(3,305)
Goodwill amortisation written back		5,244
Goodwill tax adjustment		(291)
Employee benefits		(59)
Amortisation of intangible assets		(3)
<b>Operating profit under IFRS</b>	<b>2,248</b>	1,586
Net assets under UK GAAP as previously stated		101,704
FRS 20 adjustment (note 9)		(676)
Net assets under UK GAAP as restated		101,028
Goodwill amortisation written back		5,244
Goodwill tax adjustment		(291)
Employee benefits		(59)
Amortisation of intangible assets		(3)
<b>Net assets under IFRS</b>	<b>108,988</b>	105,919

### Management team/people

The group has concluded a resource review and has made significant progress in bringing professional and committed people to the business to meet the growth opportunities from both organic developments and acquisition targets.

I should like to take this opportunity to thank the management team and all our people for their hard work and dedication in maintaining Augean's position as a leader in the management of hazardous waste.

### Outlook

There is an ongoing need to provide compliant and highly technical services to the hazardous waste industry. This market has high barriers to entry, largely by virtue of a complex and costly planning and permitting regime and there remains a very clear opportunity for consolidation and technological development. As such, Augean is well placed as market leader to benefit from these trends.

Significant work has been ongoing in 2007 to deliver the next step change in the services the group offers to its clients; this work will deliver enhanced value as, on the one hand, our investment in planning delivers new, innovative and renewable energy focused technologies and, on the other, potential acquisitions come on stream.

Our strategy in developing treatment capabilities demonstrates our commitment to resource sustainability, in particular recovery and reuse, in our overall approach to waste management. This is evidenced in our plans for Port Clarence Waste Recovery Park in which, for example, power generation from waste is seen as integral to the design and ongoing operation of the overall development.

Trading since the half year has been consistent with previous months and we anticipate the trends of the first half being continued towards the year end. The relatively ungeared balance sheet provides the opportunity to pursue significant organic and acquisitive growth plans. We have identified and are pursuing many exciting opportunities for the group, which I believe will deliver value to our shareholders in the medium and long term.



**Peter Worlledge**

Chief executive

11 September 2007

## Unaudited consolidated income statement for the six months ended 30 June 2007

	Note	Six months ended 30 June 2007 £'000	Six months ended 30 June 2006* £'000	Year ended 31 December 2006* £'000
<b>Continuing operations</b>				
Revenue	3	12,571	13,868	26,561
Operating expenses		(10,023)	(11,991)	(22,630)
Goodwill tax adjustment	8e	(300)	(291)	(600)
<b>Operating profit</b>		<b>2,248</b>	1,586	3,331
<b>Operating profit before goodwill tax adjustment</b>		<b>2,548</b>	1,877	3,931
Finance charges		(490)	(424)	(1,020)
Share of loss of joint venture		(36)	—	—
<b>Profit before tax</b>		<b>1,722</b>	1,162	2,311
<b>Profit before tax, goodwill tax adjustment and share of loss of joint venture</b>		<b>2,058</b>	1,453	2,911
Tax	4	—	—	89
<b>Profit attributable to equity shareholders</b>		<b>1,722</b>	1,162	2,400
<b>Earnings per share</b>				
Basic and diluted	5	2.6p	1.8p	3.7p
<b>Adjusted earnings per share</b>	5	<b>3.1p</b>	2.2p	4.6p

\* restated under IFRS (see note 7).

There were no recognised gains or losses in the period other than the profit for the period and therefore no statement of recognised income and expenses is presented.

## Unaudited consolidated balance sheet at 30 June 2007

	30 June 2007 £'000	30 June 2006* £'000	31 December 2006* £'000
<b>Non-current assets</b>			
Goodwill	93,779	93,628	94,079
Other intangible assets	170	260	217
Property, plant and equipment	29,212	29,239	28,839
	<b>123,161</b>	123,127	123,135
<b>Current assets</b>			
Trade and other receivables	4,860	7,159	6,034
	<b>4,860</b>	7,159	6,034
<b>Current liabilities</b>			
Trade and other payables	(3,935)	(2,401)	(4,712)
Tax liabilities	(2,092)	(2,782)	(2,306)
Debt factoring	—	(1,785)	—
Obligations under finance leases and hire purchase contracts	(83)	(72)	(132)
Bank overdraft and loans	(2,675)	(3,155)	(3,636)
	<b>(8,785)</b>	(10,195)	(10,786)
<b>Net current liabilities</b>	<b>(3,925)</b>	(3,036)	(4,752)
<b>Non-current liabilities</b>			
Bank and other loans	(6,000)	(8,000)	(7,000)
Provisions	(4,139)	(5,822)	(4,084)
Obligations under finance leases and hire purchase contracts	(73)	(350)	(119)
Share of losses of joint venture	(36)	—	—
	<b>(10,248)</b>	(14,172)	(11,203)
<b>Net assets</b>	<b>108,988</b>	105,919	107,180
<b>Shareholders' equity</b>			
Share capital	6,549	6,549	6,549
Share premium account	106,222	106,222	106,222
Retained losses	(3,783)	(6,852)	(5,591)
<b>Total shareholders' equity</b>	<b>108,988</b>	105,919	107,180

\* restated under IFRS (see notes 7 and 9).

## Unaudited consolidated cash flow statement

for the six months ended 30 June 2007

	Note	Six months ended 30 June 2007 £'000	Six months ended 30 June 2006 £'000	Year ended 31 December 2006 £'000
<b>Operating activities</b>				
Cash generated from operations	6	4,454	1,674	6,269
Interest paid		(433)	(443)	(1,026)
Tax paid		—	(131)	(82)
<b>Net cash generated from operating activities</b>		<b>4,021</b>	<b>1,100</b>	<b>5,161</b>
<b>Investing activities</b>				
Proceeds on disposal of property, plant and equipment		58	—	171
Purchases of property, plant and equipment		(2,017)	(908)	(1,475)
Purchases of intangible fixed assets		(6)	(31)	(41)
Purchase of subsidiary undertakings		—	(9,815)	(11,112)
<b>Net cash used in investing activities</b>		<b>(1,965)</b>	<b>(10,754)</b>	<b>(12,457)</b>
<b>Financing activities</b>				
Repayments of borrowings		(1,000)	(661)	(3,446)
Drawdown of loan facilities		—	10,000	10,000
Repayments of obligations under finance leases and hire purchase contracts		(95)	(111)	(165)
<b>Net cash from financing activities</b>		<b>(1,095)</b>	<b>9,228</b>	<b>6,389</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>961</b>	<b>(426)</b>	<b>(907)</b>
Cash and cash equivalents at beginning of period		(1,636)	(729)	(729)
<b>Cash and cash equivalents at end of period</b>		<b>(675)</b>	<b>(1,155)</b>	<b>(1,636)</b>

## Unaudited consolidated statement of changes in shareholders' equity

for the six months ended 30 June 2007

	Six months ended 30 June 2007 £'000	Six months ended 30 June 2006* £'000	Year ended 31 December 2006* £'000
Profit attributable to equity shareholders	1,722	1,162	2,400
Share-based payments	86	36	59
<b>Net addition to shareholders' equity</b>	<b>1,808</b>	<b>1,198</b>	<b>2,459</b>
Equity attributable to equity shareholders at beginning of period	107,180	104,721	104,721
<b>Equity attributable to equity shareholders at end of period</b>	<b>108,988</b>	<b>105,919</b>	<b>107,180</b>

\* restated under IFRS (see notes 7 and 9).

# Notes to the interim financial statements for the six months ended 30 June 2007

## 1 Statutory information

These interim financial statements are unaudited and do not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985. The UK GAAP financial information relating to the year ended 31 December 2006 is an extract from the latest published financial statements on which the auditors gave an unqualified report that did not contain statements under Section 237 (2) or (3) of the Companies Act 1985 and which have been filed with the Registrar of Companies.

These are the group's first interim financial statements prepared under IFRS and therefore IFRS 1 (First-time Adoption of International Financial Reporting Standards) has been applied. An explanation of the transition to IFRS is provided in note 7.

These interim financial statements will be posted to all shareholders and are available from the registered office at 4 Rudgate Court, Walton, Wetherby, West Yorkshire, LS23 7BF or from our website at [www.augeanplc.com](http://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 IFRS conversion announcement on 5 July 2007, which is available on the group's website. These policies will also be applied when the group prepares its first set of financial statements in accordance with IFRS as adopted by the EU for the financial year ending 31 December 2007.

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 IFRS.



## Notes to the interim financial statements for the six months ended 30 June 2007

### 3 Segmental information

For management purposes the group is currently organised into two operating divisions. These business segments are the basis on which the group reports its primary segmental information. As the group's business is entirely conducted within the United Kingdom, there are no geographical business segments and as a result no secondary reporting segmental information is presented.

The segmental results for the six months ended 30 June 2007 are as follows:

	Landfill £'000	Treatment £'000	Group £'000
<b>Revenue</b>			
External sales net of landfill tax	6,070	4,582	10,652
Landfill tax	1,919	—	1,919
External sales	7,989	4,582	12,571
Inter-segment sales	672	—	672
Total revenue	8,661	4,582	13,243
<b>Result</b>			
Operating profit before goodwill tax adjustment	1,741	807	2,548
Goodwill tax adjustment	(300)	—	(300)
Operating profit	1,441	807	2,248
Share of loss of joint venture			(36)
Finance costs			(490)
Profit before tax			1,722
Tax			—
Profit attributable to equity shareholders			1,722

The segmental results for the six months ended 30 June 2006 are as follows:

	Landfill £'000	Treatment £'000	Group £'000
<b>Revenue</b>			
External sales net of landfill tax	7,546	3,051	10,597
Landfill tax	3,271	—	3,271
External sales	10,817	3,051	13,868
Inter-segment sales	891	—	891
Total revenue	11,708	3,051	14,759
<b>Result</b>			
Operating profit before goodwill tax adjustment	1,351	526	1,877
Goodwill tax adjustment	(291)	—	(291)
Operating profit	1,060	526	1,586
Finance costs			(424)
Profit before tax			1,162
Tax			—
Profit attributable to equity shareholders			1,162

## 4 Tax

No tax charge has been included for the six months ended 30 June 2007. This is consistent with current projections for the year ending 31 December 2007.

## 5 Earnings per share

Earnings per share is calculated on the profit after tax of £1.7m (2006: £1.2m) and the average number of shares in issue during the period of 65,488,892 (2006: 65,488,892).

Diluted earnings per share are calculated by taking the earnings as disclosed above and the average number of shares that would be issued on the full exercise of outstanding share options of 65,503,088 (2006: 65,499,861). In addition to the potentially dilutive share options included in this figure there are a further 3,911,873 share options outstanding but as the average share price has remained below the level at which the options would be exercised they are not included in the above figure.

Adjusted basic and diluted earnings per share are based on the same numbers of shares as above and profit after tax, as adjusted for the goodwill tax adjustment, of £2.0m (2006: £1.5m).

## 6 Reconciliation of operating profit to net cash inflow from operating activities

	Six months ended 30 June 2007 £'000	Six months ended 30 June 2006* £'000	Year ended 31 December 2006* £'000
Operating profit	2,248	1,586	3,331
Other non-cash charge – goodwill tax adjustment	300	291	600
Amortisation of intangible assets	53	31	84
Depreciation	1,649	2,899	4,513
After-care provisions	109	226	168
Earnings before interest, tax, depreciation and amortisation (EBITDA)	4,359	5,033	8,696
(Profit)/loss on sale of property, plant and equipment	(4)	—	100
Share-based payments	86	36	59
Decrease/(increase) in trade and other receivables	1,154	(288)	1,012
(Decrease)/increase in trade and other payables	(1,045)	(1,367)	475
Provisions spent	(96)	(1,740)	(4,073)
Net cash inflow from operating activities	4,454	1,674	6,269

\* restated under IFRS (note 7).

## Notes to the interim financial statements for the six months ended 30 June 2007

### 7 Explanation of the transition to IFRS

The group's financial statements for the year ending 31 December 2007 will be the first annual financial statements prepared under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 31 December 2006 and the date of transition to IFRS was therefore 1 January 2006.

#### 7.1 Reconciliation of equity and net assets as at 1 January 2006

	As reported under UK GAAP (note 9) £'000	Goodwill amortisation (note 8a) £'000	Goodwill tax adjustment (note 8e) £'000	Other (note 8c) £'000	As restated under IFRS £'000
<b>Non-current assets</b>					
Goodwill	85,812	—	—	—	85,812
Other intangible assets	—	—	—	144	144
Property, plant and equipment	29,547	—	—	(144)	29,403
	115,359	—	—	—	115,359
<b>Current assets</b>					
Trade and other receivables	6,871	—	—	—	6,871
Cash and cash equivalents	—	—	—	—	—
	6,871	—	—	—	6,871
<b>Current liabilities</b>					
Trade and other payables	(3,613)	—	—	—	(3,613)
Tax liabilities	(2,969)	—	—	—	(2,969)
Debt factoring	(2,346)	—	—	—	(2,346)
Obligations under finance leases and hire purchase contracts	(181)	—	—	—	(181)
Bank overdraft and loans	(729)	—	—	—	(729)
	(9,838)	—	—	—	(9,838)
<b>Net current liabilities</b>	(2,967)	—	—	—	(2,967)
<b>Non-current liabilities</b>					
Bank and other loans	(100)	—	—	—	(100)
Provisions	(7,336)	—	—	—	(7,336)
Obligations under finance leases and hire purchase contracts	(235)	—	—	—	(235)
	(7,671)	—	—	—	(7,671)
<b>Net assets</b>	104,721	—	—	—	104,721
<b>Shareholders' equity</b>					
Share capital	6,549	—	—	—	6,549
Share premium account	106,222	—	—	—	106,222
Retained losses	(8,050)	—	—	—	(8,050)
<b>Total shareholders' equity</b>	104,721	—	—	—	104,721

## 7 Explanation of the transition to IFRS continued

### 7.2 Reconciliation of equity and net assets as at 31 December 2006

	As reported under UK GAAP £'000	Goodwill amortisation (note 8a) £'000	Goodwill tax adjustment (note 8e) £'000	Other (notes 8b, c & d) £'000	As restated under IFRS £'000
<b>Non-current assets</b>					
Goodwill	84,390	10,405	(600)	(116)	94,079
Other intangible assets	—	—	—	217	217
Property, plant and equipment	28,963	—	—	(124)	28,839
	113,353	10,405	(600)	(23)	123,135
<b>Current assets</b>					
Trade and other receivables	6,034	—	—	—	6,034
Cash and cash equivalents	—	—	—	—	—
	6,034	—	—	—	6,034
<b>Current liabilities</b>					
Trade and other payables	(4,712)	—	—	—	(4,712)
Tax liabilities	(2,306)	—	—	—	(2,306)
Obligations under finance leases and hire purchase contracts	(132)	—	—	—	(132)
Bank overdraft and loans	(3,636)	—	—	—	(3,636)
	(10,786)	—	—	—	(10,786)
<b>Net current liabilities</b>	(4,752)	—	—	—	(4,752)
<b>Non-current liabilities</b>					
Bank loans	(7,000)	—	—	—	(7,000)
Provisions	(4,084)	—	—	—	(4,084)
Obligations under finance leases and hire purchase contracts	(119)	—	—	—	(119)
	(11,203)	—	—	—	(11,203)
<b>Net assets</b>	97,398	10,405	(600)	(23)	107,180
<b>Shareholders' equity</b>					
Share capital	6,549	—	—	—	6,549
Share premium account	106,222	—	—	—	106,222
Retained losses	(15,373)	10,405	(600)	(23)	(5,591)
<b>Total shareholders' equity</b>	97,398	10,405	(600)	(23)	107,180

## Notes to the interim financial statements for the six months ended 30 June 2007

### 7 Explanation of the transition to IFRS continued

#### 7.3 Reconciliation of equity and net assets as at 30 June 2006

	As reported under UK GAAP (note 9) £'000	Goodwill amortisation (note 8a) £'000	Goodwill tax adjustment (note 8e) £'000	Other (notes 8b, c & d) £'000	As restated under IFRS £'000
<b>Non-current assets</b>					
Goodwill	88,791	5,244	(291)	(116)	93,628
Other intangible assets	—	—	—	260	260
Property, plant and equipment	29,386	—	—	(147)	29,239
	118,177	5,244	(291)	(3)	123,127
<b>Current assets</b>					
Trade and other receivables	7,159	—	—	—	7,159
Cash and cash equivalents	—	—	—	—	—
	7,159	—	—	—	7,159
<b>Current liabilities</b>					
Trade and other payables	(2,342)	—	—	(59)	(2,401)
Tax liabilities	(2,782)	—	—	—	(2,782)
Debt factoring	(1,785)	—	—	—	(1,785)
Obligations under finance leases and hire purchase contracts	(72)	—	—	—	(72)
Bank overdraft and loans	(3,155)	—	—	—	(3,155)
	(10,136)	—	—	—	(10,195)
<b>Net current liabilities</b>	(2,977)	—	—	(59)	(3,036)
<b>Non-current liabilities</b>					
Bank and other loans	(8,000)	—	—	—	(8,000)
Provisions	(5,822)	—	—	—	(5,822)
Obligations under finance leases and hire purchase contracts	(350)	—	—	—	(350)
	(14,172)	—	—	—	(14,172)
<b>Net assets</b>	101,028	5,244	(291)	(62)	105,919
<b>Shareholders' equity</b>					
Share capital	6,549	—	—	—	6,549
Share premium account	106,222	—	—	—	106,222
Retained losses	(11,743)	5,244	(291)	(62)	(6,852)
<b>Total shareholders' equity</b>	101,028	5,244	(291)	(62)	105,919

## 7 Explanation of the transition to IFRS continued

### 7.4 Reconciliation of reported profits for the six months ended 30 June 2006

	As reported under UK GAAP £'000	Goodwill amortisation (note 8a) £'000	Goodwill tax adjustment (note 8e) £'000	Other (notes 8b & d) £'000	As restated under IFRS £'000
<b>Continuing operations</b>					
Revenue	13,868	—	—	—	13,868
Operating expenses	(17,173)	5,244	(291)	(62)	(12,282)
<b>Operating profit/(loss)</b>	<b>(3,305)</b>	<b>5,244</b>	<b>(291)</b>	<b>(62)</b>	<b>1,586</b>
Finance costs	(424)	—	—	—	(424)
<b>Profit/(loss) before tax</b>	<b>(3,729)</b>	<b>5,244</b>	<b>(291)</b>	<b>(62)</b>	<b>1,162</b>
Tax	—	—	—	—	—
<b>Profit/(loss) for the period</b>	<b>(3,729)</b>	<b>5,244</b>	<b>(291)</b>	<b>(62)</b>	<b>1,162</b>
<b>Earnings/(loss) per share</b>					
Basic	(5.7p)	8.0p	(0.4p)	(0.1p)	1.8p
Diluted	(5.7p)	8.0p	(0.4p)	(0.1p)	1.8p

### 7.5 Reconciliation of reported profits for the year ended 31 December 2006

	As reported under UK GAAP £'000	Goodwill amortisation (note 8a) £'000	Goodwill tax adjustment (note 8e) £'000	Other (note 8d) £'000	As restated under IFRS £'000
<b>Continuing operations</b>					
Revenue	26,561	—	—	—	26,561
Operating expenses	(33,012)	10,405	(600)	(23)	(23,230)
<b>Operating profit/(loss)</b>	<b>(6,451)</b>	<b>10,405</b>	<b>(600)</b>	<b>(23)</b>	<b>3,331</b>
Finance costs	(1,020)	—	—	—	(1,020)
<b>Profit/(loss) before tax</b>	<b>(7,471)</b>	<b>10,405</b>	<b>(600)</b>	<b>(23)</b>	<b>2,311</b>
Tax	89	—	—	—	89
<b>Profit/(loss) for the year</b>	<b>(7,382)</b>	<b>10,405</b>	<b>(600)</b>	<b>(23)</b>	<b>2,400</b>
<b>Earnings/(loss) per share</b>					
Basic	(11.3p)	15.9p	(0.9p)	—	3.7p
Diluted	(11.3p)	15.9p	(0.9p)	—	3.7p

## Notes to the interim financial statements for the six months ended 30 June 2007

### 8 Explanation of the reconciling items between UK GAAP and IFRS

- (a) Under IFRS 3 (Business combinations) annual amortisation of goodwill is no longer required. Instead goodwill must be allocated to each income generating unit acquired and an annual impairment review must be performed for each discrete unit in accordance with IAS 36 (Impairment of assets). The group has elected not to apply IFRS 3 (Business combinations) retrospectively and restate business combinations completed prior to the date of transition. As a result, in the opening balance sheet, goodwill arising from past business combinations of £85.8m remains as stated under UK GAAP at 1 January 2006.
- (b) IAS 19 (Employee benefits) requires employers to recognise the total cost of all short term employee benefits expected to be paid in exchange for employees' services in the accounting period. This includes holiday pay (the Augean holiday year runs from 1 January to 31 December and therefore coincides with the 31 December statutory financial year end but not with the half year) which has previously been accounted for as incurred. This results in a charge of £59,000 for the six months ended 30 June 2006 but has no effect on the year ended 31 December 2006.
- (c) Under UK GAAP, all capitalised software is included within tangible fixed assets as plant and equipment. Under IFRS, only computer software that is integral to a related item of hardware should be included as plant and equipment. All other computer software should be recorded as an intangible asset. Accordingly a reclassification of the total net book value of capitalised software has been made between property, plant and equipment and intangible assets. There is no effect on net assets.
- (d) During the six months ended 30 June 2006 the group acquired the assets and business of Credential Hazardous. IFRS 3 (Business combinations) requires that for all business combinations completed after the date of transition to IFRS, separately intangible assets should be valued and are subject to amortisation.

As a result £116,000 of amounts previously classified as goodwill under UK GAAP in relation to acquired order books and contracts have been reclassified as an intangible asset. This will be amortised over a three year period from the date of acquisition which results in a £23,000 charge to the income statement in the year ended 31 December 2006 and £3,000 in the six months ended 30 June 2006.

- (e) IAS 12 (Income taxes) requires that when deferred tax assets such as losses have not been recognised on acquisition and are subsequently utilised, both deferred tax assets and goodwill are adjusted with corresponding entries to operating expense and tax in the income statement. During the year ended 31 December 2006 the group utilised tax losses that had previously not been recognised on the acquisition of Atlantic Waste Holdings Limited and Zero Waste Holdings Limited. As the related tax credit had already been recorded in the UK GAAP accounts a charge has been recorded as an exceptional operating expense.

### 9 FRS 20 restatement under UK GAAP

FRS 20 (Share-based payments) was implemented for the first time in the results for the six months ended 30 June 2006. Following a further review of the vesting conditions attached to the share options and warrants issued as a result of the acquisitions made in December 2004, it was determined at 31 December 2006 that they were not within the scope of FRS 20. The balance sheet as at 30 June 2006 has been restated accordingly, with net assets and equity reduced by £676,000 from the figures previously published at the interim stage in 2006.



# Advisers and company information

## Directors

**David Williams**

Non-executive chairman

**Peter Worlledge**

Chief executive

**Peter Southby**

Finance director

**Paul Blackler**

Commercial director

**Roger McDowell**

Non-executive director

**Andrew Bryce**

Non-executive director

**Rory Macnamara**

Non-executive director

## Secretary

Susan Fadil FCIS

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