22 September 2015

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

Interim results for the six months ended 30 June 2015

Augean, one of the UK's leading specialist waste management businesses, announces its Interim Results for the six months ended 30 June 2015.

Group financial highlights

From continuing operations and excluding exceptional items

- Revenue increased by 27% to £31.3m (2014: £24.7m)
- Profit before tax increased by 29% to £3.1m (2014: £2.4m)
- Net operating cash flows increased by 185% to £6.6m (2014: £2.3m)
- Return on capital employed [(1)] increased to 11.7%, from 10.1% in 2014
- EBITDA[(2)] increased by 24% to £5.8m (2014: £4.7m)
- Basic earnings per share increased by 22% to 2.30p (2014: 1.89p)
- Net debt decreased to £3.0m, from £5.7m at December 2014 (£8.9m at June 2014)

Operational highlights and strategic developments

- Strong performance within Energy & Construction driven by significant increase in volumes of contaminated soils
- Radioactive Waste Services performed in line with expectations
- Work underway to optimise Industry & Infrastructure performance after a disappointing first half
- Augean Integrated Services secured significant new high value contracts with continued focus on delivering Total Waste Management service
  - Permit variation granted for East Kent HTI[(3)] to receive Low Level Waste as part of Waste Treatment Services
- A number of new medium and long term contract wins for Augean North Sea Services (ANSS) with tier-1 customers building on very positive first half performance
  - Purchase of the remaining 19% of ANSS not previously owned
- Post period end, appointment of John Grant to the Board as a non-executive director

Outlook

- Strong overall performance from the Group in the first half
- Full year performance for 2015 anticipated to be in line with management expectations
- Group remains well-placed to take advantage of organic and non-organic growth opportunities and to deliver double-digit organic annual profit growth in 2015

Commenting on the Results, Dr Stewart Davies, Chief Executive Officer, said:

"I am pleased with the Group's performance in the first half of the year, where we delivered double digit growth in Group revenue and pre-tax profit, along with continued improvement in ROCE. We have seen the benefit of the Group's portfolio approach of maintaining five businesses in diverse markets, enabling us to optimise the performance in certain areas while continuing to deliver strong growth at a Group level. The Group enjoyed strong cash flow generation and remains well placed to take advantage of medium term investment opportunities that accelerate the strategy and are value enhancing for shareholders.

With increased numbers of tier-1, long term and Total Waste Management contracts, the Board remains confident in the Group delivering its expectations for 2015 while continuing to deliver sustainable market positions and grow shareholder value."

There will be a meeting for analysts at 9.30am today at the offices of FTI Consulting, 9th Floor, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD. For further information please call 020 3727 1203.

For further information, please call:

Augean plc Dr Stewart Davies, Chief Executive Richard Laker, Group Finance Director	01937 844 980
N+1 Singer Shaun Dobson Richard Lindley Jen Boorer	020 7496 3000
FTI Consulting Oliver Winters Adam Cubbage	020 3727 1000

(1) Return on capital employed is defined as operating profit divided by average capital employed, where capital employed is net assets excluding net debt
(2) EBITDA means earnings before interest, taxation, depreciation and amortisation
(3) HTI means high temperature incinerator

Strategic report

Operating review

Introduction

In the first six months of 2015, the Group continued the momentum seen in 2014 enabling it to deliver a strong financial performance, as had been seen in the 2014 financial year.

The results of the Group, from continuing operations and excluding exceptional items, show that, compared to the same period in 2014:

- Total revenue increased by 27% to £31.3m;
- Profit before taxation increased by 29% to £3.1m;
- Net operating cash flows increased by 185% to £6.6m;
- Basic earnings per share increased by 22% to 2.30 pence; and
- Return on capital employed(1) increased from 10.1% to 11.7%.

The operating cash flow of the Group was used to fund the growth of the Group, with total capital expenditure investment of £2.3m, of which £1.3m was incurred to lengthen the productive life of existing assets (maintenance capital expenditure) and £1.0m was for other future growth (development capital expenditure).

The Group remains committed to growth through both organic and acquisitive means. Aside from its strong operating cash flows, the Group had total available banking facilities of £13.75m at 30 June 2015, compared to net debt of £3.0m. The net debt was equivalent to 0.3 times rolling 12 months EBITDA, from continuing operations and before exceptional items, leaving the Group well placed to take advantage of medium term investment opportunities that accelerate the strategy and are value enhancing for shareholders.

The Group employed an average of 343 staff (2014: 279) over the first six months of the year. The Group has continued to invest in high-quality employees who are key to the future growth plans and continuing execution of the strategy of the Group.

Business performance

The Group operated through five business units during the period with the performance of each set out below. All revenues are stated net of landfill tax and intra-group trading.

Energy & Construction (E&C)

The principal activity of this business unit is the disposal of air pollution control residues (APCR), furnace bottom ash, asbestos and other contaminated waste materials and soils, mainly from energy-from-waste facilities and the construction industry. This is primarily achieved through treatment and ultimate landfill in permitted hazardous and non-hazardous sites at Port Clarence, East Northants Resource Management Facility (ENRMF) and a permitted non-hazardous site at Thornhaugh, near Peterborough.

Revenues, excluding landfill tax and intra-group trading, increased by 49% to £10.5m (2014: £7.1m) driven by a marked uplift in the total volume of waste disposed by the E&C business to 208,100 tonnes in 2015, from 151,100 tonnes in the first half of 2014, an increase of 38%. This was mainly due to a significant increase in the volume of construction soils, with increased activity in the construction sector seen. APCR volumes increased by 1,100 tonnes to 37,300 tonnes (3% increase compared to H1 2014) and other waste streams increased by 55,900 tonnes to 170,800 tonnes (49% increase compared to H1 2014).

The higher volumes of lower margin contaminated soils received by the business unit caused the operating profit and EBITDA of the division to grow at a lower rate than revenue, with operating profit before exceptional items improving by 3% to £3.0m (2014: £2.9m) and EBITDA increasing by 13% to £4.4m (2014: £3.9m) on the same basis.

Average gate fees on APCR streams increased by 6% to £87 per tonne for an overall increase in APCR revenue of 10% compared to the first half of 2014. APCR volumes for the rest of 2015 are expected to remain at similar levels to those seen in the first half as the business continues bidding activity in this area.

Average gate fees on soils and other waste increased by 13% to £39 per tonne, with an overall increase in revenue of 68%.

Non-waste revenue streams, from mineral extraction royalties and energy generation from landfill gas, totalled £0.7m (2014: £0.2m) in the period.

Total capital investment in the E&C business was £0.9m in the period, of which £0.5m was in respect of lengthening the productive life of existing assets (maintenance capital expenditure) and £0.4m was investment in the future growth of the business (development capital expenditure). The total capital spend was higher than the same period in 2014, with maintenance capital expenditure incurred in the first half of 2015 including £0.5m in respect of the construction of a new landfill cell at the Thornhaugh site, which has been completed in the second half of 2015.

The high level of activity in the first half was attributed to a 'catch-up' in the preparation of construction sites and volumes of construction soils are not expected to be as high in the second half of 2015. APCR volumes are expected to remain at the current level. Given the strength of the first half performance of the business, it is now considered that the E&C business profit will exceed previous management expectations for the 2015 financial year.

Radioactive Waste Services (RWS)

The principal activity of this business unit is the treatment and disposal of low level radioactive waste generated from the UK nuclear estate. The disposal of the waste is facilitated by the Nuclear Decommissioning Authority as the waste is generated primarily from the decommissioning of redundant power plants and research facilities, with the RWS business bidding to dispose of the waste through frameworks with Low Level Waste Repository Limited (LLWR). The ultimate primary customer is a Government agency and the volume of waste dealt with is seasonal, with significantly higher volumes ordinarily seen in the period from January to March each year, such that the majority of revenue and profits from this business are generally expected to occur in the first half of the Group's financial year.

The total revenue from the disposal and treatment of low level radioactive waste, excluding intra-group trading, increased by 17% to £1.2m (2014: £1.0m) in the period, with an increase in operating profit of 10% to £0.8m (2014: £0.7m) and an increase in EBITDA of 9% to £0.8m (2014: £0.7m). This was generated from a total volume of 1,747 tonnes, a decrease of 29% compared to 2,453 tonnes in 2014.

During 2014, the business was successful in obtaining a place on an additional LLWR framework for Waste Treatment Services, which opened up the potential for additional waste streams and associated revenues in future years. During the first half of 2015 we have continued to prepare the East Kent HTI facility to allow for safe and secure treatment of such waste streams. We were successful in varying our permit for the facility with the Environment Agency which was granted in February 2015, with waste expected to flow from 2016 onwards.

The UK Government spending in relation to nuclear decommissioning has been under review since the General Election in May 2015. There has been additional change in the market with the merger of Research Sites Restoration Limited (RSRL) and Magnox into a single site licence company, responsible for 12 nuclear sites. With these developments, there is a potentially increased risk that certain customer expenditure is deferred into later years, such that the timing of treatment of these waste streams is less certain in the short term. As a consequence of these market changes, it is currently expected that the RWS business will fall marginally short of management expectations for the 2015 financial year.

Industry & Infrastructure (I&I)

The principal activity of this business unit is the recovery and recycling of oil and solvents, as well as the provision of specialist industrial cleaning and other waste management services to a range of markets, including chemical processing & manufacturing, port & shipping operations, water treatment & supply and onshore demolition & clean up. This includes the treatment of drill cuttings from the North Sea Oil & Gas market, which are supplied through the Augean North Sea Services business, with oil and gas operators the end customer of the Group. The business primarily operates from sites in Avonmouth and Paisley, as well as operating the Port Clarence Waste Recovery Park (PCWRP) on Teesside and providing industrial services solutions on client sites.

The business generated revenue of £5.9m during the first six months of 2015, which was broadly in line with the same period last year (H1 2014: £5.9m).

The business made an operating loss of £0.5m, in line with the same period in 2014 (H1 2014: £0.5m loss). The business generated a negative EBITDA of £0.1m, compared to a positive EBITDA of £0.1m for the same period last year. The business was adversely impacted by fluctuations in the oil price at its Avonmouth site, which accounted for £0.2m of the operating loss.

Measures have been taken at the site to ensure appropriate levels of pricing agility in this market and a review to optimise the site's performance is underway. In view of the time for this to take effect and the separate and significant impact of reduced drilling activity in the North Sea on the processing of drill cuttings at PCWRP it is anticipated that the 2015 second half trading performance will be below management expectations.

Augean Integrated Services (AIS)

This business unit operates from a site in Cannock and a high temperature incinerator (HTI) in Sandwich, East Kent. It offers a total waste management (TWM) service, through a team of highly knowledgeable experts, who work with customers on a consultative basis to address their waste management and compliance needs, as well as leveraging the niche HTI asset in East Kent, which is designed to incinerate high-value low volume goods, such as pharmaceutical or other specialist waste, in a secure fashion.

Total revenue, excluding inter-segment sales, was £2.7m for the first half of 2015, an increase of 45% compared to the same period last year (2014: £1.8m). This included £1.0m from contracted TWM business (2014: £0.4m).

Despite the increase in revenue, the business recorded an operating loss of £0.4m, broadly in line with the same period in 2014, as well as a negative EBITDA of £0.3m (2014: negative £0.4m).

The below-expectation bottom line financial performance of this business unit was primarily due to the performance at the East Kent HTI which realised an operating loss of £0.3m (2014: loss of £0.5m). The disappointing performance of the HTI resulted from unplanned operational downtime during the period, leading to higher operating costs and a temporary reduction in processing capacity. Further equipment replacement has been undertaken in the second half of 2015 and an improved schedule of planned, preventative maintenance is now in place to allow the HTI to deal with the increased commercial pipeline arising from new contract wins.

The AIS business has built a commercial team with sector-specific expertise, which has enabled the wider AIS business to secure further TWM contracts with high-value customers in 2015, the full year impact of which is expected to occur in 2016 and beyond. The AIS business excluding East Kent made an operating loss of £0.1m (2014: £nil) as it continues to invest for growth.

The Group purchased the East Kent HTI in 2014, for a total of £1.9m. The purchase price included a deferred element of £0.4m, of which £0.2m was paid in early 2015 and the remaining £0.2m will be paid in 2016.

Other than this deferred consideration payment, a total of £0.3m of maintenance capital expenditure was undertaken in the AIS business in the first half of 2015, most of which related to the East Kent site to address the plant reliability issues referred to above.

The operational issues experienced at the HTI mean that the business unit will fall short of management expectations for the 2015 full financial year. However, the number of contract wins, and the increased quality of revenue associated with them, combined with the reliability improvements expected from the further key equipment replacement in the second half of 2015, give the Board increased confidence regarding the performance of the business exiting the current financial year and beyond.

Augean North Sea Services (ANSS)

This business unit operates in the North Sea Oil & Gas market, primarily from four sites in Aberdeen but also from a site at Lerwick, in the Shetland Islands. The primary revenue streams are from drilling waste management, which includes drill cuttings management and the rental of offshore engineers and equipment to customers, as well as onshore & marine industrial services and water treatment. Throughout 2014 and early 2015, the Augean Group owned 81% of the shares in ANSS. As previously announced, the Group purchased the remaining 19% of shares in March 2015 such that ANSS became a wholly-owned subsidiary of the Group from that date.

In H1 2015, the business saw significant revenue growth, of 39% to £8.1m (H1 2014: £5.8m), with an increase in operating profit of 246% to £1.0m (H1 2014: £0.3m) and an increase in EBITDA of 154% to £1.4m (H1 2014: £0.5m), reflecting both the improved performance of the business as well as more favourable weather conditions than in H1 2014. This performance was despite the worsening market conditions in the oil & gas sector seen since late 2014 and significantly exceeded management expectations. During H1 2015, the business maintained incumbency on an average of 5.0 drilling rigs, compared to 3.3 in the same period in 2014.

Key to this successful performance has been the continued strategic traction of the business in moving up the supply chain and dealing directly with oil & gas operators and tier-1 customers in this market, which increases the potential for the business to widen its service scope directly with those customers. 89% of total ANSS revenues were directly generated from those customers in the first half of 2015 (H1 2014: 85%).

ANSS is a support service business, with 2015 operating expenses comprising 73% variable costs, 5% depreciation and 22% other fixed costs. The proportion of other fixed costs is 2% higher than in the same period in 2014 and is primarily due to investment in the ANSS employee base to support the growth of the business.

In June and July 2015, ANSS was successful in winning three new contracts, with terms of between three and five years, all of which are with operators and tier-1 customers. These contracts include production platform waste management, onshore waste management and decommissioning work, the latter of which will be delivered in conjunction with the Radioactive Waste Services business.

ANSS operates in the oil and gas market which has been impacted by macroeconomic conditions since the latter part of 2014. As expected, these conditions are now impacting on drilling waste management activities in the second half of the financial year. Given the ongoing turbulence in the oil and gas sector, management continues to monitor events closely and ensure that costs are tightly controlled, whilst sufficient investment is made to allow the business to pursue its growth strategy and take advantage of the opportunities that are emerging in the current environment.

Whilst acknowledging the inherent market uncertainty, given the performance of the business in the first half of 2015 and the latest view of commercial pipeline and recent contract wins, it is now considered that previous management expectations for ANSS will be exceeded for the 2015 financial year.

Long term contracts

The Group aims to increase the proportion of its customer base which is served through a formalised agreement, consisting of either a contract or framework agreement. In H1 2015, the top-20 customers of the Group made up 45% of total Group revenue (H1 2014: 54%), of which 87% was through a formalised agreement (H1 2014: 90%).

The absolute value of revenue through contracts or other agreements, excluding inter segment trading, increased by 2% in 2015, compared to the same period in 2014, thereby representing a modest improvement in the absolute quality of the Group's revenue streams.

Transactions

On 10 March 2015, the Group purchased the 19% of shares in Augean North Sea Services Limited not already held by the Group, thereby making the company a wholly-owned subsidiary of the Group at that date. The consideration paid for the shares was £1,050,000, excluding applicable stamp duty and fees, which was paid in cash on the same date.

On 2 July 2015, the Group purchased the entire issued share capital of ASB Environmental Limited (ASB) for a total consideration of £40,000, which was paid in cash on the same date. The acquisition of ASB is not expected to have a material impact on the results of the Group for the financial year.

Legislative environment

Regulation underpins the demand for Augean's services and accordingly the business follows closely the development of legislation and guidance and engages proactively with policy makers and regulators. Of particular interest to the business in 2015 have been changes to the landfill tax regime, the revised classification of waste, WM3, and developments on the derogations for landfill acceptance criteria. The Finance Act 2015 introduced requirements for determining the landfill tax rate of screened wastes. From 1 June 2015, Augean smoothly implemented the transition to using the Global Harmonised System for classification of chemicals and the Environment Agency guidance WM3 which requires a change in the way we classify waste. DEFRA has recently circulated a discussion paper regarding the removal of derogations from the landfill acceptance criteria. A decision will be made later this year but the removal is unlikely until late 2017.

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 operation and future development of the business.

During 2015, planning and permit applications for the extension of the landfill sites at Thornhaugh and Port Clarence were granted.

The Thornhaugh approval enables Augean to re-engineer part of the landfill site, creating new void and prolonging the life of the site to 2034.

Planning permission was also granted for Augean to continue operating the Port Clarence site until it is full, which is currently estimated to be in the latter part of the twenty-first century.

In May 2014, the business acquired the East Kent HTI, with additional contiguous land at Bloody Point. Planning permission has now been obtained from Kent County Council to develop the additional land for waste use. In parallel, we have varied the Environmental Permits for the incinerator so that our hazardous and radioactive waste storage activities can be extended to Bloody Point.

On 10 July 2013, the Secretary of State for Communities and Local Government granted a Development Consent Order (DCO) for the extension of the landfill site at 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. To fully exploit the DCO it is necessary to vary the permits for LLW and hazardous wastes. Extensive technical work has been undertaken including environmental impact and risk assessments to ensure that the on-going development will not cause harm to human health or pollution of the environment. It is anticipated that the revised permits will be issued by the end of 2015.

Financial performance

Group overview

A summary of the Group's financial performance, from continuing operations and excluding exceptional items, is as follows:

£'m except where stated	2015	2014
Revenue	31.3	24.7
Operating profit	3.5	2.7
Profit before taxation	3.1	2.4
Profit after taxation	2.4	1.9
EBITDA (defined below)	5.8	4.7
Net operating cash flow	6.6	2.3
Basic earnings per share	2.30p	1.89p
Return on capital employed	11.7%	10.1%

Exceptional items are detailed below.

On a statutory basis for continuing operations, operating profit was £3.3m (H1 2014: £2.5m), profit before tax was £2.9m (H1 2014: £2.2m), profit after tax was £2.3m (H1 2014: £1.7m), basic earnings per share were 2.21 pence (H1 2014: 1.49 pence) and net operating cash flows were £6.5m (H1 2014: £1.9m).

Trading, operating profit and EBITDA

Net revenue from continuing operations for the six months ended 30 June 2015 increased by 27% to £31.3m (H1 2014: £24.7m).

Operating profit before exceptional items and from continuing operations increased by 26% to £3.5m (H1 2014: £2.7m) and profit before tax increased by 29% to £3.1m (H1 2014: £2.4m), on the same basis.

Discontinued operations in 2014 relate to the former Waste Network business, which was substantially closed by the end of 2013, with residual assets sold in 2014. Discontinued operations recorded a result of £nil (H1 2014: £0.2m loss).

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

	2015 £'m	**2014 £'m**
Operating profit	3.5	2.7
Depreciation and amortisation	2.3	2.0
EBITDA	**5.8**	**4.7**

Exceptional items

Exceptional charges totalled £0.1m before taxation (H1 2014: £0.4m), of which a charge of £0.2m in 2014 related to the closure of the Waste Network business and was accordingly classified as discontinued.

Exceptional items from continuing operations totalled a charge of £0.1m (H1 2014: £0.2m), which substantially relate to restructuring.

Finance costs

Finance charges primarily reflected the payment of interest on bank debt and other financial liabilities, totalling £0.4m (H1 2014: £0.4m).

Taxation

The Group recognised an accounting tax charge of £0.6m (H1 2014: £0.4m) for its continuing operations, which has been provided at the expected full year rate of 21.5% of profit before taxation (H1 2014: 21.0%).

The Group paid corporate tax of £0.4m during the period (H1 2014: £0.3m), all of which was in respect of 2014 liabilities. A current tax liability of £0.8m (H1 2014: £0.4m) remains in the balance sheet at the period end.

No adjustment has been made to the deferred tax asset from 31 December 2014, which remains at £1.7m and continues to reflect the extent to which the Board believes that the assets will be recovered in the short to medium term.

Earnings per share

Basic earnings per share (EPS), from continuing operations and excluding exceptional items, increased by 22% to 2.30 pence (H1 2014: 1.89 pence).

Statutory basic EPS, from continuing and discontinued operations was 2.21 pence (H1 2014: 1.49 pence).

The Group made a profit after taxation, from continuing operations and excluding exceptional items, of £2.4m (H1 2014: £1.9m), of which £2.3m (H1 2014: £1.9m) was attributable to equity shareholders.

The total number of ordinary shares in issue increased during the period from 101,991,380 to 102,249,083 with the weighted average number of shares in issue increasing from 99,699,414 to 102,029,822, for the purposes of basic EPS.

Dividend

The Board's current policy is to pay a single annual dividend following the Annual General Meeting. A payment of £0.5m was paid to shareholders in June 2015 in respect of the year ended 31 December 2014 (2014: £0.3m). Accordingly, no interim dividend has been recommended.

Cash flow and net debt

The cash flow of the Group is summarised as follows:

	2015 £'m	**2014 £'m**
Net operating cash flows from continuing operations and before exceptional items	6.6	2.3
Net operating cash flows from exceptional items and discontinued operations	(0.1)	(0.4)
Total net operating cash flows	**6.5**	**1.9**
Maintenance capital expenditure	(1.1)	(0.6)
Post-maintenance free cash flow	**5.4**	**1.3**
Development capital expenditure	(1.0)	(1.1)
Purchase of remaining shares in ANSS	(1.1)	-
Purchase of East Kent freehold	(0.2)	(1.5)
Proceeds from sale of assets of discontinued operation	-	1.2
Free cash flow	**3.1**	**(0.1)**
Dividend payments	(0.5)	(0.3)
Proceeds from issuance of equity	0.1	-
Net cash generation	**2.7**	**(0.4)**

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.

The post-maintenance free cash flow of the Group, from continuing operations and excluding exceptional items, increased by 221% to £5.5m (H1 2014: £1.7m), after excluding net operating cash outflows from exceptional items and discontinued operations of £0.1m (H1 2014: £0.4m).

Net operating underlying cash flows were generated from continuing trading as follows:

	2015 £'m	**2014 £'m**
EBITDA from continuing operations and before exceptional items	5.8	4.7
Net working capital movements	1.1	(1.9)
Interest and taxation payments	(0.9)	(0.7)
Other	0.6	0.2
Net operating cash flows from continuing operations and before exceptional items	**6.6**	**2.3**

Net operating cash flow as a percentage of EBITDA improved to 113% in 2015 (H1 2014: 49%).

The Group announced in March 2015 that it had purchased the remaining 19% of shares in Augean North Sea Services, not already held by the Group, for a total consideration of £1.05m.

The Group announced the purchase of the assets and site at the East Kent Waste Recovery Facility during 2014 for a total consideration of £1.9m, with £1.5m paid in 2014, £0.2m paid in 2015 and £0.2m payable in January 2016.

In the first half of 2014, the Group sold certain residual assets from the closure of the Waste Network business, for net proceeds of £1.2m.

Excluding the ANSS shares purchase and East Kent deferred consideration transactions, capital investment in property, plant and equipment made by the Group totalled £2.1m (H1 2014: £1.7m) and is shown in the table below. This is split between maintenance investment, focused on upgrading existing facilities, and development investment on new activities, with planning investment to secure permissions to operate split between maintenance and development, dependent upon the specific nature of that capital expenditure:

	Maintenance £'000	Development £'000	TOTAL £'000
Energy & Construction	553	395	948
Radioactive Waste Services	-	-	-
Industry & Infrastructure	21	108	129
Augean Integrated Services	176	94	270
Augean North Sea Services	161	248	409
Other/corporate	163	184	347
Total	**1,074**	**1,029**	**2,103**

During the period, the Group received a total of £0.1m (2014: £nil) of equity proceeds from the exercise of share options by a current employee.

As a result of the above net cash generation, net debt, defined as total financial liabilities less cash and cash equivalents, fell to £3.0m at 30 June 2015, from £5.7m at 31 December 2014. This represented gearing, defined as net debt divided by net assets, of 5.5% (31 December 2014: 10.6%, 30 June 2014: 18.2%). The ratio of net debt to EBITDA, from continuing operations and before exceptional items, was 0.3 times (31 December 2014: 0.6 times, 30 June 2014: 1.0 times).

Financing

The activities of the Group are substantially funded by a bank facility, comprising an amortising term loan, revolving credit facility and bank overdraft. That facility was renewed in March 2014 with HSBC Bank plc, at an initial total level of £15m, which had amortised, in the ordinary course of business, to £13.75m by 30 June 2015. The maturity of the term loan and credit facility is July 2017 and the overdraft is reviewed annually. This facility, along with the underlying cash generation of the Group, is expected to provide the required funds to support further growth of the business over that period. As at 30 June 2015, the undrawn funds available to the group totalled £9.5m, excluding cash of £1.3m.

Balance sheet and return on capital employed

Consolidated net assets were £54.9m on 30 June 2015 (30 June 2014: £49.2m) and net tangible assets, excluding goodwill and other intangible assets, were £35.0m (30 June 2014: £29.5m), of which £nil (30 June 2014: £0.9m) was not attributable to equity shareholders of the Group.

Return on capital employed, from continuing operations and excluding exceptional items, defined as operating profit divided by average capital employed, where capital employed is net assets excluding net debt, increased to 11.7% in the twelve months ended 30 June 2015 (H1 2014: 10.1%).

Board appointment

John Grant joined the Board as a non-executive director on 24 August 2015, bringing significant operational and financial expertise to the Board with over two decades' experience in board director roles. He is currently a non-executive director of Melrose Industries plc, Pace plc and MHP SA. His experience further strengthens the Board and will contribute to executing our growth strategy.

Managing risk

The performance of the business is linked to economic activity in the waste markets it serves, including the manufacturing, construction, nuclear decommissioning, energy-from-waste and oil & gas sectors. Fluctuations in the UK economy in general and these sectors in particular affect Group performance, along with Governmental regulatory and fiscal policies. Inflationary and other cost pressures also impact the Group. Risks are mitigated by diversifying the customer base as far as possible and by linking gate fees and other customer charges, wherever possible, to prevailing operating costs and commodity prices, including the costs of waste disposal outside of the Group. In addition to this general economic risk, there are a number of risks specific to the markets served by the Group which may have a material impact on activities and results. Those risks are set out on pages 38 to 41 of the Augean plc 2014 Annual Report and Accounts and remain materially unchanged.

The Group uses a range of resources to manage and mitigate its risks, including the adoption of a broad range of internal controls, the use of risk registers and regular reporting, monitoring and feedback of risks through the business.

Outlook

The Group has performed well in the first half of 2015, with particularly strong performances from ANSS and Energy & Construction. The Board notes the prevailing conditions in the North Sea Oil & Gas market, as highlighted earlier in the year. As expected, these conditions are now impacting our drilling waste management activities in the second half. However, there has been encouraging progress on the diversification of the ANSS business, as demonstrated by the award of its first contracts in Total Waste Management and Decommissioning and the Board remains confident of its continued strong growth in the medium term.

There have been a number of commercial and operational challenges seen in some areas of the Group in the first half of 2015 but the Board believes that the Group's customer focused, service-led approach, including the portfolio effect of maintaining five businesses in diverse markets, leaves the Group well-placed to take advantage of organic and non-organic growth opportunities and to deliver double-digit organic annual profit growth. Accordingly, the Board remains confident of delivering full year financial results in line with expectations.

Dr Stewart Davies

Chief Executive

21 September 2015

Unaudited consolidated statement of comprehensive income

For the six months ended 30 June 2015

	Note	**Unaudited Six months Ended 30 June 2015 £'000**	Unaudited Six months Ended 30 June 2014 £'000	Audited Year ended 31 December 2014 £'000
Continuing operations				
Revenue	4	**31,311**	24,729	54,993
Operating expenses		**(27,856)**	(21,987)	(48,847)
Operating profit before exceptional items		**3,455**	2,742	6,146
Exceptional items		**(113)**	(201)	543
Operating profit		**3,342**	2,541	6,689
Net finance charges		**(402)**	(374)	(759)
Share of loss of jointly controlled entity		**-**	(7)	(5)
Profit before tax		**2,940**	2,160	5,925
Taxation	5	**(632)**	(421)	(1,125)
Profit from continuing operations		**2,308**	1,739	4,800
Discontinued operations				
(Loss)/profit from discontinued operations		**-**	(193)	280
Profit for the period and total comprehensive income		**2,308**	1,546	5,080
Profit attributable to:				
Equity shareholders of Augean PLC		**2,256**	1,489	4,921
Non-controlling interest		**52**	57	159
Earnings per share - continuing and discontinued operations				
Basic		**2.21p**	1.49p	4.92p
Diluted	6	**2.15p**	1.48p	4.78p
Earnings per share – continuing operations				
Basic		**2.21p**	1.59p	4.64p
Diluted	6	**2.15p**	1.57p	4.51p

Unaudited consolidated statement of financial position

At 30 June 2015

	Unaudited 30 June 2015 £'000	Unaudited 30 June 2014 £'000	Audited 31 December 2014 £'000
Non-current assets			
Goodwill	**19,602**	19,602	19,602
Other intangible assets	**271**	152	296
Property, plant and equipment	**43,248**	42,091	43,317
Investment in jointly controlled entity	**-**	4	-
Deferred tax asset	**1,688**	1,143	1,688
	64,809	62,992	64,903
Current assets			
Inventories	**347**	345	410
Trade and other receivables	**14,070**	11,883	12,785
Cash and cash equivalents	**1,271**	2	1,502
	15,688	12,230	14,697
Current liabilities			
Trade and other payables	**(13,468)**	(9,921)	(11,213)
Current tax liabilities	**(768)**	(405)	(579)
Financial liabilities	**(1,045)**	(633)	(1,045)
	(15,281)	(10,959)	(12,837)
Net current assets	**407**	1,271	1,860
Non-current liabilities			
Financial liabilities	**(3,250)**	(8,318)	(6,169)
Provisions	**(7,080)**	(6,704)	(6,839)
	(10,330)	(15,022)	(13,008)
Net assets	**54,886**	49,241	53,755
Equity			
Share capital	**10,225**	9,970	10,199
Share premium account	**612**	-	542
Special profit reserve	**-**	36,450	-
Retained earnings	**44,049**	1,968	42,059
Equity attributable to owners of Augean PLC	**54,886**	48,388	52,800
Non-controlling interest	**-**	853	955
Total equity	**54,886**	49,241	53,755

Unaudited consolidated statement of cash flows

For the six months ended 30 June 2015

	Note	**Unaudited Six months ended 30 June 2015 £'000**	Unaudited Six months ended 30 June 2014 £'000	Audited Year ended 31 December 2014 £'000
Operating activities				
Cash generated from operations	7	**7,352**	2,584	9,416
Finance charges paid		**(441)**	(352)	(516)
Tax paid		**(443)**	(337)	(801)
Net cash generated from operating activities		**6,468**	1,895	8,099
Investing activities				
Proceeds from disposal of property, plant and equipment		**-**	-	30
Proceeds from disposal of discontinued operation		**-**	1,163	1,161
Purchases of property, plant and equipment		**(2,303)**	(3,160)	(6,741)
Purchases of intangible assets		**(12)**	(7)	(192)
Payment for equity in non-controlling interest		**(1,050)**	-	-
Net cash used in investing activities		**(3,365)**	(2,004)	(5,742)
Financing activities				
Issue of equity		**96**	-	771
Repayment of loan facilities		**(2,874)**	(71)	(1,785)
Repayments of obligations under finance leases		**(45)**	(11)	(34)
Dividends paid		**(511)**	(349)	(349)
Net cash used in financing activities		**(3,334)**	(431)	(1,397)
Net (decrease) / increase in cash and cash equivalents		**(231)**	(540)	960
Cash and cash equivalents at beginning of period		**1,502**	542	542
Cash and cash equivalents at end of period		**1,271**	2	1,502

Unaudited consolidated statement of changes in equity

For the six months ended 30 June 2015

	Share capital	Share premium account	Special profit reserve	Retained earnings	Shareholders' equity	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2014	9,970	-	36,450	738	47,158	796	47,954
Total comprehensive income for the period							
Retained profit	-	-	-	1,489	1,489	57	1,546
Total comprehensive income for the period	-	-	-	1,489	1,489	57	1,546
Transactions with owners of the Company							
Dividends paid	-	-	-	(349)	(349)	-	(349)
Share-based payments	-	-	-	90	90	-	90
Total transactions with the owners of the Company	-	-	-	(259)	(259)	-	(259)
At 30 June 2014	**9,970**	**-**	**36,450**	**1,968**	**48,388**	**853**	**49,241**
Total comprehensive income for the period							
Retained profit	-	-	-	3,432	3,432	102	3,534
Total comprehensive income for the period	-	-	-	3,432	3,432	102	3,534
Transactions with owners of the Company							
Issue of equity	229	542	(771)	771	771	-	771
Reserve transfer	-	-	(35,679)	35,679	-	-	-
Tax on items charged to equity	-	-	-	13	13	-	13
Share-based payments	-	-	-	196	196	-	196
Total transactions with the owners of the Company	229	542	(36,450)	36,659	980	-	980
At 31 December 2014	**10,199**	**542**	**-**	**42,059**	**52,800**	**955**	**53,755**
Total comprehensive income for the period							
Retained profit	-	-	-	2,256	2,256	52	2,308
Total comprehensive income for the period	-	-	-	2,256	2,256	52	2,308
Transactions with owners of the Company							
Issue of equity	26	70	-	-	96	-	96
Acquisition of non-controlling interest	-	-	-	(43)	(43)	(1,007)	(1,050)
Dividends paid	-	-	-	(511)	(511)	-	(511)
Share-based payments	-	-	-	288	288	-	288
Total transactions with the owners of the Company	26	70	-	(314)	(218)	(959)	(1,177)
At 30 June 2015	**10,225**	**612**	**-**	**44,049**	**54,886**	**-**	**54,886**

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.

The financial information relating to the year ended 31 December 2014 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 2015 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 2014, 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 five reportable segments. The five 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 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:

- Energy and Construction: 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 business unit includes a site at Cooks Hole in Northamptonshire where minerals are extracted and also generates energy as electricity from closed landfill cells.
- Radioactive Waste Services: Augean provides waste disposal services of low level radioactive wastes and naturally occurring radioactive material produced in the UK.
- Augean Integrated Services: Augean operates a High Temperature Incinerator at Sandwich, East Kent and a site in Cannock focused on Total Waste Management solutions.
- Augean North Sea Services: This business unit provides waste management and waste processing services to offshore oil and gas operators in the North Sea. This was an 81% owned subsidiary company until March 2015, at which point it became wholly-owned by Augean plc.
- Industry and Infrastructure: Augean operates three waste processing sites across the UK, with activities focused on the management of oil-contaminated waste. The business unit also provides specialist industrial cleaning services.

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 CEO. 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.

All activities arise solely within the United Kingdom. Inter-segment trading is undertaken on normal commercial terms.

The segmental results for the six months ended 30 June 2015 were as follows:

	Energy and Construction	Radioactive Waste Services	Augean Integrated Services	Industry and Infrastructure	Augean North Sea Services	Group
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue						
Hazardous landfill activities	6,572	-	-	-	-	6,572
Non-hazardous landfill activities	1,323	-	-	-	-	1,323
Waste treatment activities	-	-	1,163	7,367	-	8,530
Total Waste Management activities	-	-	1,773	-	-	1,773
Energy generation	28	-	-	-	-	28
APCR(*) management	3,235	-	-	-	-	3,235
Radioactive waste management	-	1,205	-	-	-	1,205
Processing of offshore waste	-	-	-	-	5,001	5,001
Rental of offshore equipment and personnel	-	-	-	-	2,403	2,403
Waste transfer activities	-	-	-	-	703	703
Total revenue net of landfill tax	**11,158**	**1,205**	**2,936**	**7,367**	**8,107**	**30,773**
Landfill tax	2,948	-	-	-	-	2,948
Total revenue including inter-segment sales	**14,106**	**1,205**	**2,936**	**7,367**	**8,107**	**33,721**
Inter-segment sales	(619)	-	(260)	(1,494)	(37)	(2,410)
Revenue	**13,487**	**1,205**	**2,676**	**5,873**	**8,070**	**31,311**
Result						
Operating profit/(loss) before exceptional items	3,005	772	(447)	(509)	1,045	3,866
Exceptional items	(23)	(23)	(22)	(23)	(22)	(113)
Operating profit/(loss)	**2,982**	**749**	**(469)**	**(532)**	**1,023**	**3,753**
Finance charges						(402)
Central costs						(411)
Profit before tax						**2,940**
Taxation						(632)
Profit after tax						**2,308**
Attributable to:						
Equity shareholders of Augean PLC						2,256
Non-controlling interest						52

Exceptional items totalling £113,000 substantially relate to restructuring.
(*)APCR stands for Air Pollution Control Residues

The segmental results for the six months ended 30 June 2014, for continuing operations, were as follows:

	Energy and Construction	Radioactive Waste Services	Augean Integrated Services	Industry and Infrastructure	Augean North Sea Services	Group
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue						
Hazardous landfill activities	4,585	-	-	-	-	4,585
Non-hazardous landfill activities	210	-	-	-	-	210
Waste treatment activities	-	-	1,060	6,944	-	8,004
Energy generation	53	-	-	-	-	53
APCR(*) management	2,948	-	-	-	-	2,948
Radioactive waste management	-	1,033	-	-	-	1,033
Processing of offshore waste	-	-	-	-	2,185	2,185
Rental of offshore equipment and personnel	-	-	-	-	3,366	3,366
Waste management & transfer activities	-	-	958	-	309	1,267
Total revenue net of landfill tax	**7,796**	**1,033**	**2,018**	**6,944**	**5,860**	**23,651**
Landfill tax	2,942	112	-	-	-	3,054
Total revenue including inter-segment sales	**10,738**	**1,145**	**2,018**	**6,944**	**5,860**	**26,705**
Inter-segment sales	(722)	-	(172)	(1,015)	(67)	(1,976)
Revenue	**10,016**	**1,145**	**1,846**	**5,929**	**5,793**	**24,729**
Result						
Operating profit/(loss) before exceptional items	2,924	703	(466)	(515)	302	2,948
Exceptional items	(25)	(25)	(32)	(94)	(25)	(201)
Operating profit/(loss)	**2,899**	**678**	**(498)**	**(609)**	**277**	**2,747**
Finance charges						(374)
Central costs						(205)
Share of loss of jointly controlled entity						(7)
Profit before tax						**2,160**
Tax						(421)
Profit after tax						**1,739**
Loss from discontinued operations						(193)
Profit for the period and total comprehensive income						1,546
Attributable to:						
Equity shareholders of Augean plc						1,489
Non-controlling interest						57

Note that the APCR Management revenue has been restated to £2,948,000 (£3,107,000 as previously stated) and Hazardous landfill activities revenue has been restated to £4,585,000 (£4,426,000 as previously stated). This reflects the removal of incinerator bottom ash from the APCR management category, in line with the 2014 annual report.

5 Taxation

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 2015 £'000	Unaudited Six months ended 30 June 2014 £'000	Audited Year ended 31 December 2014 £'000
Current tax			
UK corporation tax on profits for the period at 21.5% (2014: 21.0%)	**(632)**	(397)	(873)
Adjustment in respect of prior periods	**-**	-	(162)
	(632)	(397)	(1,035)
Deferred tax			
Charge in respect of current period	-	-	(132)
Adjustment in respect of prior periods	-	-	664
	-	-	532
Total tax charge	**(632)**	**(397)**	**(503)**
Element of total tax charge relating to:			
Continuing operations	(632)	(421)	(1,125)
Discontinued operations	-	24	622
Total tax charge	**(632)**	**(397)**	**(503)**

The taxation charge for the six month period ended 30 June 2015 has been based on the anticipated full year effective tax rate of 21.5% (six months ended 30 June 2014: 21.0%).

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 2014 has been reflected in these statements, with the taxation charge for the six month period to 30 June 2015 all reflected within current tax, consistent with the 30 June 2014 position.

6 Earnings per share

The calculation of basic earnings per share (EPS) is based on the profit attributable to ordinary shareholders of £2,256,000 (six months ended 30 June 2014: £1,489,000, year ended 31 December 2014: £4,921,000) and a weighted average number of ordinary shares outstanding of 102,029,822 (six months ended 30 June 2014: 99,699,414, year ended 31 December 2014: 100,053,156), calculated as follows:

	Unaudited Six months ended 30 June 2015 £'000	Unaudited Six months ended 30 June 2014 £'000	Audited Year ended 31 December 2014 £'000
Earnings for the purposes of basic and diluted EPS	**2,256**	1,489	4,921
Exceptional items (net of associated taxation)	**90**	301	(884)
Earnings for the purposes of adjusted basic and diluted EPS	**2,346**	1,790	4,037
Discontinued operations (net of associated taxation)	**-**	93	94
Earnings for the purposes of adjusted basic and diluted EPS for continuing operations only	**2,346**	1,883	4,131

Number of shares	**Number**	Number	Number
Weighted average number of shares for basic earnings per share	**102,029,822**	99,699,414	100,053,156
Effect of dilutive potential ordinary shares from share options	**3,000,779**	851,221	2,894,941
Weighted average number of shares for diluted earnings per share	**105,030,601**	100,550,635	102,948,097

Earnings per share			
Basic	**2.21p**	**1.49p**	4.92p
Diluted	**2.15p**	**1.48p**	4.78p
Adjusted earnings per share			
Basic	**2.30p**	**1.80p**	4.03p
Diluted	**2.23p**	**1.78p**	3.92p
Earnings per share – Continuing operations			
Basic	**2.21p**	**1.59p**	4.64p
Diluted	**2.15p**	**1.57p**	4.51p
Adjusted earnings per share - Continuing operations			
Basic	**2.30p**	**1.89p**	4.13p
Diluted	**2.23p**	**1.87p**	4.01p
Earnings per share - Discontinued operations			
Basic	**-**	**(0.09)p**	(0.09)p
Diluted	**-**	**(0.09)p**	(0.09)p

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 2015 £'000	Unaudited Six months ended 30 June 2014 £'000	Audited Year ended 31 December 2014 £'000
Operating profit	**3,342**	2,541	6,689
Loss from discontinued operations	**-**	(217)	(342)
Amortisation of intangible assets	**36**	52	95
Depreciation	**2,326**	1,904	3,787
Impairment charge	**-**	-	5
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**5,704**	4,280	10,234
Share-based payments	**288**	90	286
Decrease/(Increase) in inventories	**62**	(49)	(114)
Increase in trade and other receivables	**(1,034)**	(2,047)	(2,940)
Increase in trade and other payables	**2,090**	227	1,959
Increase/(decrease) in provisions	**242**	83	(15)
Loss on disposal of property, plant and equipment	**-**	-	6
Cash generated from operations	**7,352**	**2,584**	**9,416**

The above EBITDA and cash flow generated from operations both include a net cash outflow of £113,000 relating to exceptional items and discontinued operations (H1 2014: outflow of £418,000).

8 Analysis of changes in net debt

	Audited 31 December 2014 £'000	Cash flow £'000	**Unaudited 30 June 2015 £'000**
Cash and cash equivalents	1,502	(231)	**1,271**
Bank loans	(7,124)	2,874	**(4,250)**
Finance leases	(90)	45	**(45)**
Net debt	**(5,712)**	**2,688**	**(3,024)**