21 September 2020

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

Interim results for the six months ended 30 June 2020

Augean, one of the UK's leading specialist waste management businesses, announces its unaudited interim results for the six months ended 30 June 2020.

The Group has remained fully operational at all sites throughout the year to date. However, Covid-19 has impacted all the Group's segments negatively with the exception of the residential EfW ash segment. The most heavily impacted segments include radioactive, biomass EfW and construction which were all placed on hold due to lockdown restrictions. The North Sea service business has been heavily impacted both by the Covid-19 effect on activity levels as well as an unprecedented significant decline in the oil price as a result of Covid-19. The first quarter generated more than two thirds of the half year profits with the second quarter heavily impacted by Covid-19. Trading in the third quarter has picked up significantly over the second quarter.

Financial summary

Adjusted metrics are excluding exceptional items and share based payments

- Adjusted revenue[1] before landfill tax decreased by 6% to £41.4m (2019: £44.2m)
- Adjusted profit[1] before taxation decreased 11% to £8.5m (2019: £9.6m)
- Adjusted EBITDA[2] decreased by 6% to £13.3m (2019: £14.2m)
- Adjusted basic earnings per share decreased by 12% to 6.70 pence (2019: 7.61p)
- Robust cash generation of £10.5m with net debt of £3.3m (December 2019: £13.2m) excluding lease liabilities
- Return on capital of 42.0% compared with 37.8% at December 2019[3]

Operational summary

- All sites have remained fully operational year to date with safe working measures in place to mitigate impact of Covid-19
- Sales growth of 14% in North Sea due to successful completion of Curlew decommissioning contract
- Treatment & Disposal sales reduced by 16% due to the impact of Covid-19
- Strong growth of 25% in residues from Energy from Waste (EfW) and other incinerator plants as a result of contract wins of existing EfW plants from competitors for the first time
- Trialling several recycling options for EfW ash to obtain R code for customers
- Business optimisation programme continues with additional cost saving of £0.7m
- Acquisition of the assets of the Haliburton EcoCentre in Peterhead in August 2020

HMRC

- As announced on 10th December 2019, the Group paid £40.4m to HMRC to clear all outstanding landfill tax assessments. No new assessments have been received since that date and the first hearing of our appeal against the assessments at a Tax Tribunal will take place at the end of September 2020
- The Group filed claims for repayment of overpaid landfill tax in relation to engineering material used in the Group's landfill of £11.1m in May

Outlook

- Further growth targeted in the core markets of Energy from Waste and construction soils
- Tough market for North Sea Services with no new significant decommissioning project expected in 2020
- Full year profit expected to be second half weighted with reducing impact of Covid-19 and lower oil price
- The Board expects to broadly meet market expectations for the full year maintaining our growth profile assuming no further Covid-19 lockdowns in the second half

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

"The Group has delivered a robust performance across all areas of the business despite significant headwinds in quarter two. We are working hard to recoup the impact of the lower oil price and Covid-19 over the second half and, assuming no further Covid-19 lockdowns, we anticipate that full year results will be broadly in line with market expectations. The Group's performance in difficult circumstances (Covid-19 and oil price reduction) demonstrated the resilience of our current portfolio of activities and so maintaining our growth profile".

There will be a call for analysts at 8.30am today.

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

For further information, please call:
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[1] A reconciliation of these measures is included in note 10 of this announcement
[2] EBITDA means adjusted earnings before interest, tax, depreciation and amortisation from continuing operations
[3] Return on Capital twelve months to June 2020 compared with twelve months to December 2019. Return on capital employed excludes exceptional items, defined as adjusted operating profit divided by closing capital employed, where capital employed is net assets excluding net cash and non-current debt.

Strategic report

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

	Adjusted continuing revenues (£'m)			Adjusted operating profit before PLC costs (£'m)	
	2020	**2019**		**2020**	**2019**
Treatment and Disposal	25.7	30.5		8.2	9.6
North Sea Services	15.6	13.7		1.7	0.9
Revenues	**41.4**	**44.2**		-	-
Operating Profit pre-central costs	**-**	**-**		**9.9**	**10.5**
Central (PLC) costs	**-**	**-**		(0.6)	(0.6)
Operating profit post central costs	**-**	**-**		**9.3**	**9.9**

Adjusted revenues exclude intra segment trading and landfill tax. Adjusted operating profit excludes exceptional items and share based payment charges. A reconciliation of these adjusted metrics is shown in note 10.

Business performance

The Group operated through two business units during 2020 and 2019.

Market Conditions

The market for EfW continues to look very positive with several new EfW facilities being commissioned in the first half and more expected in the second. The Group has won and now contracts with a large share of these new facilities. Covid-19 has had a broadly positive impact on residential EfW as more home working has resulted in diversion of waste from office to home. However, the biomass EfW market was negatively impacted in Q2 as a result of Covid-19 as waste wood from construction sites significantly reduced and domestic recycling centres were closed during lockdown. Many biomass EfW sites were shut for periods of Q2. All of our customer facilities are now open.

The soil and construction market has been adversely impacted by Covid-19 from the end of March. Volumes which had been pleasing in Q1 almost halved in Q2, with a greater impact being suffered in the South than the North. Volumes in the North have fully recovered in Q3 although volumes in the South are taking longer to recover.

Industrial waste volumes have held up well through the half with around 90% of customer facilities remaining open in Q2. Volumes are expected to be broadly flat year on year.

Nuclear decommissioning, a long-term growth market, saw a near complete cessation of activity during lockdown, with almost all sites shut. Sites are opening very slowly and tentatively at present resulting in an unexpected decline in volumes for the full year.

The decline in the oil price from over $60 per barrel at the start of the year to less than $20, combined with Covid-19, saw almost all rigs cease production, with consequent falls in almost all oil service related activities in the North Sea. Activity has more than halved during the period and the major oil producers are seeking significant cost reductions from suppliers. Consequently the growth previously expected from decommissioning is likely to stall until the oil price starts to recover.

Treatment and Disposal

The principal activity of this business unit is the treatment and disposal of waste from Energy from Waste (EfW) incinerators, construction and industrial sites. The largest waste stream by revenue and profit is the disposal of ash from EfW sites which comprises bottom ash and ash from the burning of biomass and municipal waste to generate energy. The largest waste stream by tonnage is asbestos and other contaminated waste materials and soils, mainly from construction sectors. A key growth market in Treatment and Disposal is low level radioactive waste decommissioning.

Adjusted revenues, excluding landfill tax, decreased by 16% to £25.7m (2019: £30.5m), with an increase in disposal revenue from residential EfW offset by a decline in biomass EfW, construction soils and radioactive waste volumes as a result of lockdown.

The adjusted operating profit of Treatment and Disposal decreased by 15% to £8.2m (2019: £9.6m), primarily due to a impact from Covid-19.

The Treatment and Disposal strategy is to continue to win new treatment contracts, optimise the use of our treatment plants and maximise the market opportunity from growth in EfW ash waste volumes, nuclear decommissioning and construction sector wastes.

North Sea Services (NSS)

The NSS business unit operates in the North Sea Oil & Gas market. The primary revenue streams are from drilling waste management (DWM), including the rental of offshore engineers and equipment to customers, production waste management, onshore & marine industrial services, decommissioning and water treatment.

NSS revenue increased by 14% to £15.6m (2019: £13.7m). Adjusted operating profit increased to £1.7m (2019: £0.9m) due to revenue increase, better mix and the impact of decommissioning in the North Sea. Following completion of the Curlew decommissioning contract in the second quarter, and with significantly reduced volumes as a result of the decline of oil service related activities, NSS is expected to be only marginally profitable in the second half. In response to this decline in profitability, headcount has been reduced by approximately one third, with pay reductions as well as a shorter working week having been instigated.

In August, the assets of the Haliburton Ecocentre in Peterhead, Aberdeenshire were acquired at a significant discount for £1.4m with £0.3m consideration deferred until August 2021. The site specialises in the recycling and re-use of waste streams derived from oil wells, from rig to final disposal, enabling optimised waste treatment processes for offshore drill cuttings and slop waters through a variety of new novel technology processes. The assets are expected to reduce the cost base of the North Sea business immediately and will enable NSS to gain new customers seeking recycling of drill wastes. The site will also improve NSS' ability to manage wastes arising from decommissioning of wells (plug and abandonment activities) when market conditions improve. The purchase of the site at a significant discount is expected to immediately enhance earnings.

The NSS strategy continues to gain traction as the business moves up the supply chain, dealing directly with Oil & Gas operators and top-tier customers, so providing opportunities to widen its service scope more directly with those customers. The opportunity remains for Augean to continue to service this growing North Sea decommissioning market, worth multi-billion pounds for many years to come (albeit with a temporary cessation until the oil market starts to recover). NSS actively markets these facilities alongside other operators at the port, which in turn cements its international position as a decommissioning facility for the North Sea.

HMRC assessment

The Group paid all landfill tax assessments for its companies Augean North and Augean South for a total of £40.4m (£37.3m excluding interest) in December 2019.

The first hearing of the Group's appeal to the Lower Tier Tax Tribunal is expected at the end of September 2020. The date of the outcome is not yet known.

As announced on 18 May 2020, the Group lodged a claim with HMRC for repayment of £11.1m of Landfill Tax, including interest overpaid, in relation to engineering materials used as part of its landfills cell construction (colloquially referred to as the 'Fluff layer').

This protected the Group's position in light of legal challenges brought by other waste site operators that have successfully argued before the Upper Tax Tribunal that they can reclaim LFT accounted for on the 'Fluff layer'. HMRC has challenged the Upper Tribunal decision and it is expected that the matter will be heard in the Court of Appeal at a date to be determined. The claim has been accounted for as a contingent asset. Of the claim for £11.1m, around £10m relates to the £40.4m of assessments that have been paid.

The Group continues to account for the legal costs of the dispute with HMRC as an exceptional item, with £0.1m expensed in the half year.
The payment made to HMRC in December 2019 has been accounted for in line with IAS37, resulting in an asset being held on the balance sheet (categorised in 'other receivables') of £14.2m. The application of IAS37 involves the application

of probabilistic modelling to tribunal outcomes, which are impacted by a number of different factors. The Group considers that the accounting outcome of meeting the obligations of IAS37 is not representative of its expectation of any potential tribunal result as the application of probabilities to events with binary outcomes does not result in accurate real-life possible outcomes. The Group has not changed its view on probabilistic outcomes from the claim and as such the provision remains unchanged.

Financial performance

Group overview

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

£'m except where stated	**2020**	**2019**
Adjusted Revenue	41.4	44.2
Adjusted Operating profit	9.3	9.9
Adjusted Profit before taxation	8.5	9.6
Adjusted Profit after taxation	7.0	7.9
Net operating cash flow	12.9	14.6
Basic adjusted earnings per share	6.70	7.61
Annualised return on capital employed	42.0%	37.8%

Adjusted metrics exclude intra segment trading and landfill tax. Adjusted operating profit excludes share based payments and exceptional items. A reconciliation between the adjusted and statutory metrics is shown in note 10 to this announcement.

Exceptional items are detailed below.

Trading, adjusted operating profit and EBITDA

Adjusted revenue, excluding landfill tax, for the six months ended 30 June 2020 decreased by 6% to £41.4m (2019: £44.2m).

Adjusted profit before tax decreased by 11% to £8.5m (2019: £9.6m).

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

	2020 £'m	**2019 £'m**
Operating profit before exceptional costs	9.3	9.9
Depreciation and amortisation	3.9	4.3
EBITDA	**13.3**	**14.2**

Exceptional items

Exceptional items in 2020 were £0.4m, being legal and professional fees related to the landfill tax legal appeal and other matters and restructure costs within North Sea Services.

Finance costs

Total net finance charges were £0.8m (2019: £0.3m). The main element of this increased charge relates to the service cost on the bank facility due to settlement of Landfill Tax assessment in H2 2019.

Earnings per share

Adjusted basic earnings per share (EPS) excluding exceptional items and share based payment charges, decreased by 12% to 6.70 pence (2019: 7.61 pence) due to the lower revenue as a result of Covid-19 and reduced oil prices.

The Group made an adjusted profit after taxation, excluding exceptional items, of £7.0m (2019: £7.9m), all of which was attributable to equity shareholders.

The total number of ordinary shares in issue increased during the period from 104,085,198 to 104,505,742 with the weighted average number of shares in issue increasing from 103,809,060 to 104,182,783 for the purposes of calculating basic EPS.

Dividend

The Board has decided not to declare an interim dividend (2019 interim and final: Nil) while the Group appeals the HMRC assessments.

Cash flow and net debt

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

	2020 £'m	2019 £'m
EBITDA before exceptional items	13.3	14.2
Net working capital movements	0.4	0.7
Interest and taxation payments	(0.8)	(0.3)
Net operating cash flows from operations and before exceptional items	**12.9**	**14.6**

The cash flow of the Group is summarised as follows:

	2020 £'m	2019 £'m
Net operating cash flows from operations (before exceptional items)	12.9	14.6
Net operating cash flows from exceptional items	(0.4)	(0.3)
Total net operating cash flows	**12.5**	**14.3**
Maintenance capital expenditure	(1.2)	(1.7)
Post-maintenance free cash flow	**11.3**	**12.6**
Development capital expenditure	(0.8)	(0.6)
Free cash flow	**10.5**	**12.0**
Sale of Business and assets (discontinued operation)	-	3.4
Net cash generation (before financing activities)	**10.5**	**15.4**

Underlying net operating cash flow as a percentage of EBITDA was 97% in 2020 (2019: 102%).

The operating cash flow of £12.5m was used to pay down debt with capital investment in property, plant & equipment and intangible assets made by the Group totalling £2.0m (2019: £2.3m), split between maintenance capital (to lengthen the productive life of existing assets) of £1.2m and expansion capital (for targeted future growth) of £0.8m. The decrease in maintenance capital expenditure is due to timing in cell construction at all three of the Group's landfill sites being more heavily weighted to the second half of 2020. The development capex is substantially for the planning application to support the expansion of the ENRMF landfill site.

Post-maintenance free cash flow, as set out in the table above, represents the underlying cash generation of the Group, before any investment in future growth or the payment of dividends to shareholders.

As a result of the above net cash inflow, net debt excluding lease liabilities was at £3.3m at 30 June 2020 compared with £13.2m at 31 December 2019. Lease liabilities were £3.9m at 30 June 2020 compared with £4.5m at 31 December 2019.

Financing / Going Concern

The Group has a bank facility, comprising a revolving credit facility and bank overdraft. That facility was renewed on 27 November 2019 with HSBC Bank plc at a level of £40m. The facility comprises of a £20m term loan and a £20m revolving facility. At 30 June 2020 headroom was £33.4m.

The Directors are therefore confident that the Group has sufficient funds, and is forecast to be in compliance with debt covenants at all measurement dates,

Balance sheet and return on capital employed

Consolidated net assets were £54.3m on 30 June 2020 (2019: £67.8m) and net tangible assets, excluding goodwill and other intangible assets, were £34.5m (2019: £48.0m), of which all was attributable to equity shareholders of the Group in both years. Annualised return on capital employed based on the six months ending June 2020 excluding exceptional items, defined as adjusted operating profit divided by closing capital employed, where capital employed is net assets excluding net cash and net non- current debt, increased to 42.0% in the 12 months to June 2020 (12 month to December 2019: 37.8%).

Outlook

The Group is targeting further growth in the core market of Energy from Waste and expects a second half pick up in construction soils. We expect a tough market for North Sea Services with no new significant decommissioning project expected in 2020. Full year 2020 profit is expected to be more weighted to the second half than would be typical. The Board expects results broadly in line with market expectations for the full year maintaining our profit growth profile, assuming no impact of any further Covid-19 lockdown in the second half of the year.

Jim Meredith

Executive Chairman

21 September 2020

Unaudited consolidated statement of comprehensive income

For the six months ended 30 June 2020

	Note	**Unaudited Six months Ended 30 June 2020 £'000**	Unaudited Six months Ended 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
Revenue	4	**48,209**	52,362	107,137
Operating expenses		**(38,876)**	(42,422)	(87,228)
Operating profit before exceptional items		**9,333**	9,940	19,909
Share based payments		**-**	(370)	(7,693)
Settlement of Landfill Tax assessments		**-**	-	(26,179)
Exceptional items		**(388)**	(238)	(664)
Operating profit / (loss)		**8,945**	9,332	(14,627)
Net finance charges		**(812)**	(326)	(697)
Profit / (loss) before tax		**8,133**	9,006	(15,324)
Taxation (charge) / credit	5	**(1,545)**	(1,713)	2,568
Profit / (loss) for the period and total comprehensive income attributable to equity shareholders		**6,588**	7,293	(12,756)
Earnings / (loss) per share				
Basic		**6.32p**	7.03p	(12.26)p
Diluted	6	**6.30p**	6.98p	(12.26)p

Unaudited consolidated statement of financial position
At 30 June 2020

	Unaudited 30 June 2020 £'000	Restated Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Non-current assets			
Goodwill	**19,757**	19,757	19,757
Other intangible assets	**53**	45	45
Property, plant and equipment	**37,262**	43,829	38,309
Right of use assets	**3,741**	4,624	4,516
Deferred tax asset	**4,350**	1,780	4,350
	65,163	70,035	66,977
Current assets			
Inventories	**327**	284	302
Trade and other receivables	**29,362**	20,013	40,200
Cash and cash equivalents	**18,335**	25,767	21,588
	48,024	46,064	62,090
Current liabilities			
Trade and other payables	**(21,857)**	(27,700)	(32,205)
Current tax liabilities	**(2,690)**	(3,474)	(1,145)
Borrowings	**(11,667)**	-	(6,667)
Lease Liabilities	**(1,340)**	(1,472)	(1,445)
Provisions	**(500)**	(500)	(500)
	(38,054)	(33,146)	(41,962)
Net current assets	**9,970**	12,918	20,128
Non-current liabilities			
Borrowings	**(10,000)**	(2,944)	(28,123)
Lease liabilities	**(2,514)**	(3,196)	(3,104)
Employee benefit liability	**-**	(636)	-
Provisions	**(8,353)**	(8,449)	(8,242)
	(20,867)	(15,225)	(39,469)
Net assets	**54,266**	67,728	47,636
Equity			
Share capital	**10,451**	10,409	10,409
Share premium account	**816**	816	816
Retained earnings	**42,999**	56,503	36,411
Total equity	**54,266**	67,728	47,636

Unaudited consolidated statement of cash flows
For the six months ended 30 June 2020

	Note	**Unaudited Six months ended 30 June 2020 £'000**	Unaudited Six months ended 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
Operating activities				
Cash generated from / (used in) operations	7	**13,276**	14,246	(16,215)
Finance charges paid		**(742)**	(379)	(597)
Tax paid		**-**	-	(820)
Net cash generated from / (used in) operating activities		**12,534**	13,867	(17,632)
Investing activities				
Proceeds on disposal of assets held for sale		**-**	3,350	3,350
Proceeds on disposal of property, plant and equipment		**-**	-	-
Purchases of property, plant, equipment and intangibles		**(2,012)**	(2,337)	(5,841)
Net cash used in investing activities		**(2,012)**	1,013	(2,491)
Financing activities				
Issue of equity		**42**	89	89
Payment of lease liabilities		**(691)**	(364)	(1,540)
(Repayment) / Drawdown of loan facilities		**(13,126)**	-	32,000
Net cash (used in) / generated from financing activities		**(13,775)**	(275)	30,549
Net (decrease) / increase in cash and cash equivalents		**(3,253)**	14,605	10,426
Cash and cash equivalents at beginning of period		**21,588**	11,162	11,162
Cash and cash equivalents at end of period		**18,335**	25,767	21,588

Unaudited consolidated statement of changes in equity
For the six months ended 30 June 2020

	Share capital	Share premium account	Retained earnings	Shareholders' equity
	£'000	£'000	£'000	£'000
At 1 January 2019 (restated)	**10,379**	**757**	**49,125**	**60,261**
Total comprehensive income for the period				
Retained profit	-	-	7,293	7,293
Total comprehensive income for the period	-	-	7,293	7,293
Transactions with owners of the Company				
Issue of equity	30	59	-	89
Share-based payments	-	-	85	85
Total transactions with the owners of the Company	30	59	85	174
At 30 June 2019	**10,409**	**816**	**56,503**	**67,728**
Total comprehensive income for the period				
Retained profit / (loss)	-	-	(20,049)	(20,049)
Total comprehensive income for the period	-	-	(20,049)	(20,049)
Transactions with owners of the Company				
Issue of equity	-	-	-	-
Share-based payments	-	-	(43)	(43)
Total transactions with the owners of the Company	-	-	(43)	(43)
At 31 December 2019	**10,409**	**816**	**36,411**	**47,636**
Total comprehensive income for the period				
Retained profit	-	-	6,588	6,588
Total comprehensive income for the period	-	-	6,588	6,588
Transactions with owners of the Company				
Issue of equity	42	-	-	42
Share-based payments	-	-	-	-
Total transactions with the owners of the Company	42	-	-	42
At 30 June 2020	**10,451**	**816**	**42,999**	**54,266**

1 Statutory information

The financial information in the interim report does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006 and has not been audited or reviewed as is permissible under the rules of the AIM market.

The financial information relating to the year ended 31 December 2019 is an extract from the latest published financial statements on which the auditor gave an unmodified report that did not contain statements under Section 498 (2) or (3) of the Companies Act 2006 and which have been filed with the Registrar of Companies.

The interim financial statements for the six months ended 30 June 2019 are available from the Group's website at www.augeanplc.com.

2 Accounting policies

The interim financial statements have been prepared in accordance with the AIM Rules for Companies and on a basis consistent with the accounting policies and methods of computation as published by the Group in its Annual Report for the year ended 31 December 2019, 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.

Having considered current trading performance, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Financial forecasts and projections, taking account of reasonably possible changes and sensitivities in future trading performance and the market value of the Group's assets, have been prepared and show that the Group is expected to be able to operate within the level of cash and the available headroom on the current banking facility.

The Directors are confident that the Company will be able to meet its liabilities as they fall due over the next 12 months. As a result, the financial information have been prepared on a going concern basis.

4 Operating segments

The Group has two reportable segments. The two segments are the Group's strategic business units. These business units are monitored and strategic decisions are made on the basis of each business unit's operating performance. The Group's business units provide different services to their customers and are managed separately as they are subject to different risks and returns. The Group's internal organisation and management structure and its system of internal financial reporting are based primarily on these operating business units. For each of the business units, the Group's Executive Chairman (the chief operating decision-maker) reviews internal management reports on at least a monthly basis. The following summary describes the operations of each of the Group's reportable segments:

- Treatment and disposal: Augean provide waste remediation, management, treatment and disposal services through its six sites across the UK.
- North Sea Services: Augean provides waste management and waste processing services to oil and gas operators.

Information regarding the results of each reportable segment is included below. Performance is measured based on the segment operating profit, as included in the internal management reports that are reviewed by the Group's Executive Chairman. This profit measure for each business unit is used to measure performance as management believes that such information is the most relevant in evaluating the results of each of the business units relative to other entities that operate within these sectors.

Materially all activities arise almost exclusively within the United Kingdom. Inter-segment trading is undertaken on normal commercial terms.

The segmental results for the six months ended 30 June 2020 were as follows:

	Treatment and disposal	North Sea Services	Group
	£'000	**£'000**	**£'000**
Revenue			
Incinerator Ash	9,624	-	9,624
Other landfill activities	7,687	-	7,687
Waste treatment activities	7,431		7,431
Radioactive waste management	1,144	-	1,144
Services to North Sea production and exploration customers	-	15,672	15,672
Total revenue net of landfill tax	25,886	15,672	41,558
Landfill tax	6,846	-	6,846
Total revenue including inter-segment sales	32,732	15,672	48,404
Inter-segment sales	(162)	(33)	(195)
Revenue	**32,570**	**15,639**	**48,209**
Result			
Operating profit before exceptional items	8,195	1,692	9,887
Exceptional items	(360)	(28)	(388)
Operating profit	**7,835**	**1,664**	9,499
Finance charges			(812)
Central costs			(554)
Profit before taxation			**8,133**
Taxation			(1,545)
Profit after tax			**6,588**

Exceptional items in 2020 were £0.4m, being legal and professional fees related to the landfill tax legal appeal and other matters including restructure costs within North Sea Services.

The segmental results for the six months ended 30 June 2019, restated to separately classify operations now discontinued, were as follows:

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

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

5 Taxation

The taxation charge for the six-month period ended 30 June 2020 has been based on the anticipated full year effective tax rate of 19.0% (six months ended 30 June 2019: 19%).

No change in deferred tax compared to the position at 31 December 2019 has been reflected in these statements. The taxation charge for the six-month period to 30 June 2020 is all reflected within current tax, consistent with the 30 June 2019 position.

6 Earnings per share

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

	Unaudited Six months ended 30 June 2020 £'000	Restated Unaudited Six months ended 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
Earnings for the purposes of basic and diluted EPS	**6,588**	**7,293**	**(12,756)**
Non Underlying items (net of tax)			22,467
Share based payments	**-**	370	6,231
Exceptional items (net of associated taxation)	**388**	238	-
Earnings for the purposes of adjusted basic and diluted EPS	**6,976**	**7,901**	**15,942**

The non-underlying items have been adjusted, in the adjusted earnings per share, to better reflect the underlying performance of the business, when presenting the basic and diluted earnings per share. Share based payments are considered to be adjusting item in the current year due the vesting of the scheme in full after 2 years compared to the expected life of five years.

	Unaudited Six months ended 30 June 2020 £'000	Unaudited Six months ended 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
Number of shares	Number	Number	Number
Weighted average number of shares for basic earnings per share	**104,182,783**	**103,809,060**	104,006,779
Effect of dilutive potential ordinary shares from share options	**410,681**	**744,310**	802,208
Weighted average number of shares for diluted earnings per share	**104,593,464**	104,553,370	104,808,987

Earnings / (loss) per share			
Basic	**6.32p**	7.03p	(12.26)p
Diluted	**6.30p**	6.98p	(12.26)p
Adjusted earnings per share			
Basic	**6.70p**	7.61p	15.33p
Diluted	**6.67p**	7.56p	15.21p

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 2020 £'000	Unaudited Six months ended 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
Operating profit / (loss)	**8,945**	9,331	(14,627)
Depreciation of right-of-use-assets	**750**	-	1,417
Amortisation of intangible assets	**20**	21	39
Depreciation	**3,160**	4,298	7,471
Earnings / (loss) before interest, tax, depreciation and amortisation (EBITDA)	**12,875**	13,650	(5,700)
Share-based payments	**-**	85	42
Increase in inventories	**(25)**	(7)	(28)
Decrease/(increase) in trade and other receivables	**10,875**	(1,409)	(21,737)
(Decrease)/increase in trade and other payables	**(10,510)**	1,718	10,885
Increase in provisions	**61**	209	323
Cash generated from / (used in) operations	**13,276**	14,246	(16,215)

The above EBITDA and cash flow generated from operations both include a net cash outflow of £388,000 relating to exceptional items (H1 2019: outflow of £318,000).

8 Analysis of changes in net debt

	Audited 31 December 2019 £'000	Cash flow £'000	(Drawdown) / Repayment of loans £'000	**Unaudited 30 June 2020 £'000**
Cash and cash equivalents	21,588	(3,253)	-	**18,335**
Lease Liabilities	(4,549)	695	-	**(3,854)**
Bank loans within one year	(6,667)	-	(5,000)	**(11,667)**
Bank loans	(28,123)	-	18,123	**(10,000)**
Net debt	(17,751)	(2,558)	13,123	**(7,186)**

9 Contingent Asset

The Group's claim for repayment of Landfill Tax was submitted to HMRC on 18th May 2020. The claim totalling £11.1m seeks to recover Landfill Tax paid in relation to engineering materials used in cell construction. This has been treated as a contingent asset based on legal advice and the probability of a successful outcome from the claim.

10 Reconciliation of performance metrics

The following metrics have been used in the Operating Review.

Revenue

	Unaudited 6 months ending 30 June 2020			Unaudited 6 months ending 30 June 2019		
	Revenue £'000	**Landfill Tax £'000**	**Adjusted Revenue £'000**	Revenue **£'000**	Landfill Tax **£'000**	Adjusted Revenue **£'000**
Treatment & disposal segment	32,570	(6,846)	25,724	38,685	(8,160)	30,525
North Sea Services segment	15,639	-	15,639	13,677	-	13,677
Total Group	48,209	(6,846)	41,363	52,362	(8,160)	44,202

EBIT

	Unaudited 6 months ending 30 June 2020			
	Statutory £'000	**Share based payments £'000**	**Exceptional items £'000**	**Adjusted £'000**
Treatment & disposal segment	7,834	-	360	8,194
North Sea Services segment	1,665	-	28	1,693
Central costs	(554)	-	-	(554)
Operating profit from operations	8,945	-	388	9,333
Finance charges	(812)	-	-	(812)
Profit before tax	8,133	-	388	8,521
Taxation	(1,545)	-	-	(1,545)
Total Group Operating profit	6,588	-	388	6,976

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