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

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

Financial highlights

- * Turnover of £26.1m.
- * Operating profit before amortisation of £3.7m.
- * Loss before tax of £6.7m.
- * Strong operating cash flow of £7.3m.

Operational highlights

- * Successfully integrated three separate businesses to form a more profitable unit.
- * Prices stable.
- * Granted Pollution Prevention Control permit to operate the stable non-reactive hazardous waste monocells at the Thornhaugh site.
- * Planning regularised at King's Cliffe.
- * Operating management team strengthened.

Chairman's statement

I have pleasure in presenting our first full set of results.

During the period, on turnover of £26.1m, an operating profit of £3.7m was achieved before amortisation of intangible assets. After charges for amortisation of £10.1m and interest of £0.3m, a loss before tax of £6.7m was recorded. These charges for amortisation do not have a cash impact on our company and it is worth noting that net cash in-flow from operating activities during the period under review was £7.3m. This demonstrates our company's cash generative capability. This result is slightly better than our revised expectations but well below the level we had hoped to achieve. The reasons for this were outlined in my statement accompanying the interim results as reported in September 2005.

The hazardous waste market was boosted as a result of changes in legislation both in July 2004 and in July 2005. It is rapidly establishing itself as an important sub-sector within the waste industry and we now own a meaningful share of the total UK hazardous void space. Prices for hazardous waste, having leapt 18 months ago, are stable with some chemical waste prices trending upwards.

Recognising the needs of our customers for pre-treatment services as well as the disposal facilities, we acquired Proactive Waste Solutions Limited for £8m. Proactive, a leading hazardous waste treatment operator is based in Cannock in the West Midlands and has a licensed site covering approximately 4,500 square metres. This acquisition, which has now been rebranded as Augean Treatment, is proving highly complementary to our hazardous landfill sites.

At the time of our listing on AIM we noted our intention to appoint an additional independent non-executive director alongside Roger McDowell and during the period under review we have been pleased to welcome Andrew Bryce on to our

Board in that role. Andrew is well-known and respected within the waste sector and in an ever changing regulatory environment, his input is invaluable.

In December 2005, Gary Downey, our Finance Director, left the company. We have appointed an interim Finance Director and we will be making a statement regarding a permanent appointment in due course.

Outlook

We have established a strong position within a specialised niche of the waste industry. We have very little debt and enjoy good cash flow and I can report that the new year has started encouragingly as a result of progress which has been made in a number of important areas outlined in our Chief Executive's review.



David Williams

12 April 2006

Chief Executive's review



2005 proved to be a year of progress for Augean and its employees as we have addressed a number of challenges. I am confident that the people and systems we have in place will give the company a firm base from which to strengthen our position in the growing hazardous waste sector.

Market and legislation

Augean was set up in 2004 to take advantage of the hazardous waste regulations which had recently been introduced in Europe and the UK; as with most legislation, however, this has taken time to be fully implemented and, more importantly, policed by the appropriate authorities. The Environment Agency has now increased its efforts to combat hazardous waste, particularly contaminated soils, being blatantly misdirected to non-hazardous facilities.

An independent market report indicated that a year's worth of special/hazardous construction and demolition waste was excavated and deposited in the six months leading up to the 16 July 2004 deadline of the new legislation. We believe that this abnormal quantity suppressed the volumes of this type of waste being produced from July 2004 to the middle of 2005. It is suggested in the report that quantities would recover to previous levels only towards the end of 2005, or even the second quarter of 2006.

The introduction of the Waste Acceptance Criteria, in July 2005, created many new categories of hazardous waste but some confusion among our customers and resulted in a temporary dip in the volumes of chemical-related waste. I am pleased to report that this was partly outweighed by an increase in the volumes of construction related wastes.

Landfill division

We believe that, while the treatment and recovery of hazardous wastes will gradually increase over the next few years, landfill will always be needed to deal with waste that cannot be dealt with in this way, as well as for the final repository for waste from inhouse and external treatment facilities.

As a result, our focus in the first half of 2005 was directed towards the integration of the two businesses which we acquired in December 2004. There were inevitable changes in personnel during the year, but I am pleased to report that many of the existing staff stayed with the business and, in a number of cases, took on expanded roles.



 **Augean** PLC
the hazardous waste specialist

Market leader

The UK's market leader in the management of hazardous waste, providing advice and cost-effective solutions to UK businesses' waste problems.

Chief Executive's review *continued*

“We use Augean for all our hazardous waste disposals. Their attention to detail and professionalism is of the highest order.”

Richard Pierce, Company Buyer, VHE Construction Plc

We made a number of improvements in the Landfill division, including:

- secured a stable and enthusiastic sales team;
- approval from the Environment Agency for the hazardous waste monocells at Thornhaugh which will come on stream during the second quarter of 2006;
- a new regional office facility at King's Cliffe, Peterborough;
- standardisation of weighbridge facilities to improve customer turn around times;
- a significant plant replacement programme, which reduced costs and improved efficiency;
- agreement from the Environment Agency to increase the annual hazardous waste licensed inputs at Port Clarence from 100,000 to 500,000 tonnes; and
- removal of waste from Thornhaugh to Marks Quarry, which improved the visual impact of the site and enabled us to continue to expand this important regional facility.

At the end of March 2006, Marks Quarry will close on schedule. Marks Quarry will provide Augean with a modest revenue stream going forward in the form of Landfill Gas Royalties.

Treatment division

The acquisition of Proactive Waste Solutions, which was acquired in August 2005 to enable us to move towards providing customers with an overall solution to their hazardous waste problems, has proved to be an excellent addition to the Group. It has potential for significant expansion during the coming year.

We recognise that this sector will continue to develop and, as a result, intend to expand the Treatment division during 2006. We plan to achieve this through a mixture of acquisitions, development at existing facilities, and by increasing the number of treatment options available. During the latter half of 2005, and the beginning of 2006, we have researched a number of treatment facilities in the UK and Europe, to enable us to formulate our strategy in this area.

Financial performance

Turnover for the period was £26.1m, generating an operating profit before amortisation of intangible assets of £3.7m, a loss before tax of £6.7m and a loss per share of 16.41p. Net assets at the period end were £104.7m and there was a net cash inflow from operating activities of £7.3m.

The Board will not be recommending the payment of a dividend for the period ended 31 December 2005.



Partnerships

We work in partnership with our clients to provide long-term answers to the treatment and disposal of their waste.

Chief Executive's review *continued*

“When it comes to the complete hazardous waste one-stop shop, there's only one company we would use and that's Augean.”

Michael Coleman, Contracts Manager, Vertase F.L.I.

Future developments

During 2006 we will embark on a number of exciting developments to broaden the Group's range of services and to deliver shareholder value. These include:

- increasing throughput at Augean Treatment's Cannock treatment facility through the introduction of 24-hour working;
- increasing the types of waste handled at Augean Treatment's Cannock facility by constructing a pilot plant to consolidate hazardous waste streams. This will be followed by a permanent installation towards the end of 2006;
- developing treatment and pre-treatment facilities at our Port Clarence facility in the North-East of England;
- developing an Augean treatment facility at a third-party site in the Yorkshire region;
- introducing wharfage facilities at Port Clarence to enable us to capitalise on the lack of hazardous facilities in Southern England; and
- opening of a purpose-built laboratory at our King's Cliffe site, in April 2006, for testing customers' material. This will reduce our reliance on third-party laboratory facilities and improve customer service.

Management team

During the integration of the three businesses it has acquired, the Company has strengthened its management team at all levels.

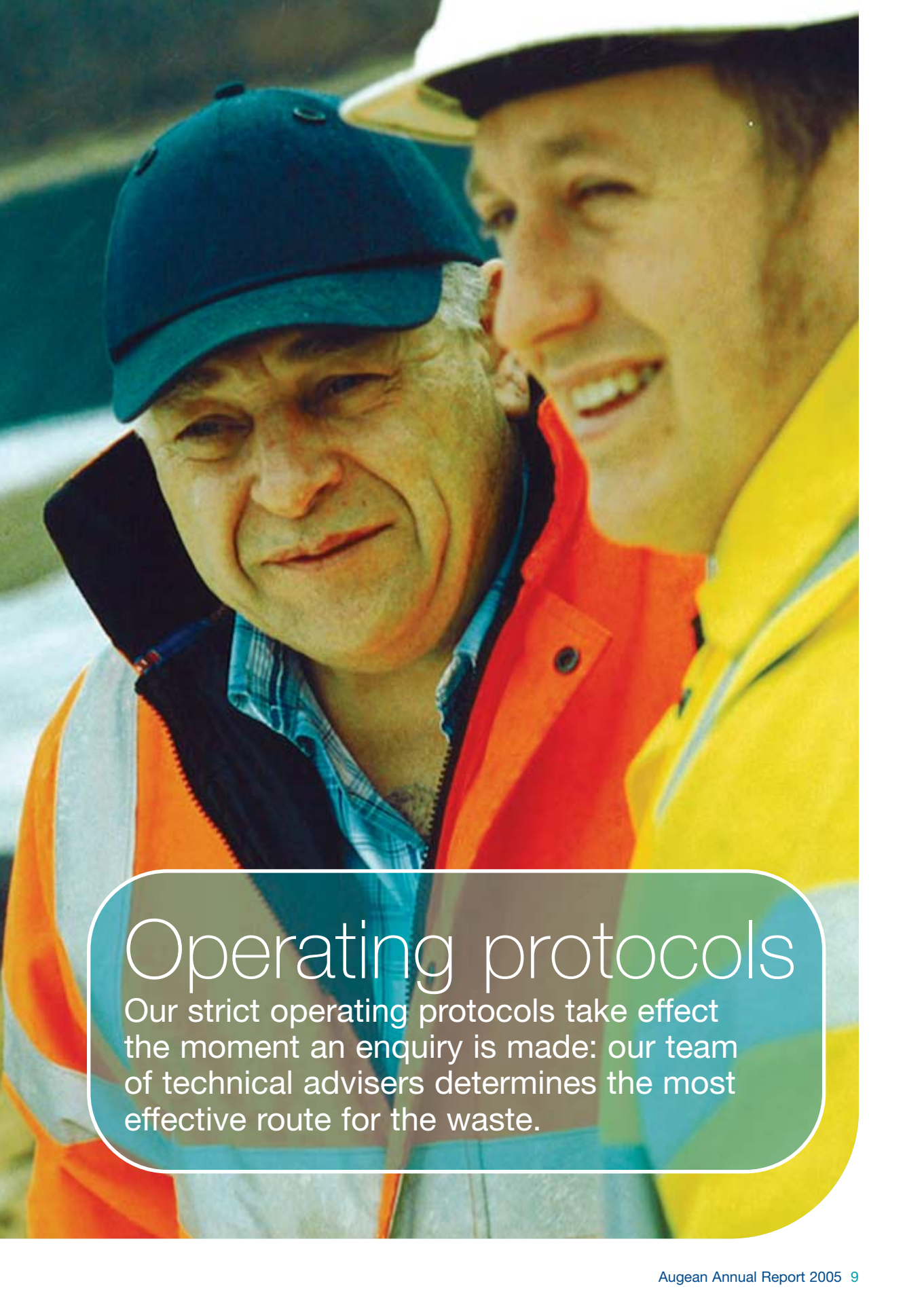
At the operating level, we have added a depth and experience of management to successfully drive volumes to our landfill and treatment businesses and to give the company capacity to make further acquisitions and move the company forward. The strengthened team includes individuals with great experience in the waste industry.

No company can survive without a dedicated management team which believes in, and supports, the ethos and strategy of its Board of Directors. I am happy to say that, at Augean, we have such a team which is supported by a strong and committed workforce and I thank everyone for their valuable contribution during 2005.



John Huntington

12 April 2006



Operating protocols

Our strict operating protocols take effect the moment an enquiry is made: our team of technical advisers determines the most effective route for the waste.

Directors and advisers

Directors

David Williams – (non-executive Chairman)

David has 35 years' experience in the investment market. He has been Chairman of public and private companies and was, for seven years, Chairman of Waste Recycling Group plc. He took it through flotation and saw its market capitalisation grow from £8m to £550m at its peak. David is currently Chairman of Marwyn Capital Limited and associated companies.

John Huntington – (Chief Executive)

John, a chartered accountant, has over 15 years' experience in the waste industry. In 1996 he led a management buy-out of Darrington Quarries Limited, a landfill and quarry business, which was bought in 1997 by Waste Recycling Group plc ("WRG"). He joined WRG as Group Operations Director, becoming Managing Director in 1999. He left WRG in 2001, having overseen acquisitions in the waste sector before joining Augean as Chief Executive in December 2004.

Roger McDowell – (non-executive director)

Roger was appointed Managing Director of Oliver Ashworth Limited, a pipeline products distributor in 1988, and the business was listed in 1996 before being sold to Saint Gobain in 1998. Since the sale of the business, Roger has held a number of non-executive roles and is currently a non-executive director of Intec Telecom Systems plc, Booth Industries plc and a director of several private companies.

Andrew Bryce – (non-executive director)

Andrew has had a long career in environmental law in the UK and currently runs his own law firm, Andrew Bryce & Co, which specialises in personal legal consultancy, and advising boards on strategic, environmental management and liability issues. He was previously an equity partner and Head of Environmental Services at City law firm Cameron Markby Hewitt (now part of CMS Cameron McKenna). He has held the Chairmanship and Vice Chairmanship of the United Kingdom Environmental Law Association and is currently Convenor of its Waste Working Party.

Secretary

Susan Fadil FCIS

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Corporate governance

The company is not required to comply with the Combined Code prepared by the Committee on Corporate Governance, appended to the Listing Rules of the FSA, however the company has regard to the requirements of the Code and its activities in these areas are described below.

The Board of Directors

The Board currently comprises the Chairman, the Chief Executive and two non-executive directors. The directors have split the roles of Chairman and Chief Executive, but due to the size of the company, the directors do not believe that additional non-executive directors would be beneficial. The directors will however review the position on a regular basis.

The composition of the Board is reviewed regularly. Appropriate training, briefings, and induction are available to all directors on appointment and subsequently as necessary, taking into account existing qualifications and experience.

Executive directors' normal retirement age is 60 and non-executive directors' normal retirement age is 65. One-third of all directors are subject to annual reappointment by shareholders.

The Board meets approximately ten times a year but additional meetings are held to review and approve special matters if necessary. Each director is provided with sufficient information to enable them to consider matters in good time for meetings and enable them to discharge their duties properly. There is a formal schedule of matters reserved for the Board's decision.

All directors have access to the advice and services of the Company Secretary, who is also responsible for ensuring that Board procedures are followed. There is also a procedure in place for any director to take independent professional advice if necessary, at the company's expense.

Board committees

The company has established a number of committees, details of which are set out below.

Audit committee

The Audit committee members comprise non-executive directors and the Chairman of the company, and meets at least twice a year. The executive directors, if necessary, and the company's external Auditors attend the meetings. The Audit committee considers the adequacy and effectiveness of the risk management and control systems of the group. It reviews the scope and results of the external audit, its cost effectiveness and the objectivity of the Auditors. It also reviews, prior to publication, the Interim Report, the preliminary announcement, the annual financial statements and the other information included in the full Annual Report.

Remuneration committee

The Remuneration committee consists of the Chairman and the non-executive directors. It meets at least twice a year and reviews and advises upon the remuneration and benefits packages of the executive directors. The remuneration of the Chairman and non-executive directors is decided upon by the full Board.

Corporate governance **continued**

Internal controls

The directors are responsible for the group's system of internal control and for reviewing its effectiveness whilst the role of management is to implement Board policies on risk management and control. It should be recognised that the group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the group's business objectives and can only provide reasonable, and not absolute, assurance against material mis-statement or loss.

The group operates a series of controls to meet its needs. These controls include, but are not limited to, the annual strategic planning and budgeting process, a clearly defined organisational structure with authorisation limits and reviews by senior management of monthly financial and operating information including comparisons with budgets.

The Audit committee receives reports from management and the Auditors concerning the system of internal control and any material control weaknesses. Significant risk issues are referred to the Board for consideration.

The Board does not believe it is currently appropriate to establish a separate, independent internal audit function given the size of the group.

Directors' remuneration

The Remuneration committee's principal function is to set remuneration of the group's executive directors to ensure they are fairly compensated for their contribution to the company's performance.

Basic salaries are set to ensure high quality executive directors are attracted and retained by the company. They reflect the knowledge, skill and experience of each individual director.

Executive directors have rolling service contracts with notice periods of not more than 12 months in writing. Pension provision is made at a rate of 10% of basic salary for executive directors, which is payable directly into a nominated pension fund.

The Remuneration committee is also responsible for ensuring the group's option schemes are operated properly. Details of directors' share options in the period ending 31 December 2005 are disclosed in the report of the directors.

Going concern

The directors have a reasonable expectation that the group as a whole has adequate resources to continue in operational existence for the foreseeable future. In light of the net current liabilities as at 31 December 2005 the directors have further considered the company's ability to continue as a going concern on the basis of detailed forecast cash flows for the next 12 months. On the basis of these cash flows, the directors are confident that the company will be able to meet its liabilities as they fall due. Consequently these financial statements have been prepared on a going concern basis.

Annual General Meeting

At the Annual General Meeting on 31 May 2006, all of the directors will retire pursuant to Article 95 of the Articles of Association of the Company and, being eligible, offer themselves for re-election. At that date no director has a contract with an unexpired notice period of more than 12 months.

Report of the directors

The directors present their report and the audited financial statements for the period from incorporation of 6 August 2004 to 31 December 2005.

Principal activities and business review

Augean was incorporated on 6 August 2004 and was admitted to AIM on 10 September 2004. It was formed to acquire and manage businesses in the UK waste management sector (having initially also considered the water supply sector too). The company's buy and build strategy is to supply customers with complete hazardous waste solutions. Central to this strategy was the belief of the directors that this sector was likely to see a period of consolidation and changes in ownership as a result of, amongst other things:

- regulatory and legislative change;
- public awareness and concern over environmental issues;
- the need for increased efficiency; and
- the rising cost of debt.

The group's financial risk management policies, its use of financial instruments and its exposure to financial risks are described in note 24.

Acquisitions since incorporation

The company has now identified and acquired three companies operating in the UK waste management sector: Atlantic Waste Holdings Limited ("Atlantic"), Zero Waste Holdings Limited ("Zero") and Proactive Waste Solutions Limited ("Proactive"). Key features of these acquisitions are:

- the business of each are established;
- the companies are specialist operators;
- Atlantic and Zero manage landfill operations with a licence to accept a wide range of hazardous waste;
- the combined hazardous waste landfill capacity acquired places Augean in a strong position in a key market segment and provides a basis for further expansion and consolidation; and
- Proactive supplies customers with hazardous waste solutions in the form of treatment and transfer.

The business of Atlantic consists of two operating landfill sites. King's Cliffe is a wide range permitted hazardous waste site. Thornhaugh is an operating non-hazardous waste site which now includes monocells for stable non-reactive hazardous waste.

The business of Zero consists of two landfill sites in the North-East of England. Port Clarence is a wide range permitted hazardous waste site. Marks Quarry is a non-hazardous waste site reaching the end of its life.

The business of Proactive is that of a leading hazardous waste treatment operator. This acquisition is highly complementary to Augean's hazardous waste landfill sites and is in line with our strategy to supply customers with complete hazardous waste solutions. Proactive is based in Cannock in the West Midlands.

Report of the directors **continued**

Atlantic acquisition

Under the terms of the Atlantic acquisition agreement, the entire issued share capital of Atlantic was acquired for an aggregate consideration of £66.5m, including costs, together with the assumption of indebtedness. The consideration payable was satisfied by the payment of cash (including £2m recovered from a warranty claim) and the issue of ordinary shares to the value of £15m. The Atlantic acquisition agreement contained warranties in respect of general matters, taxation and environmental issues.

Zero acquisition

Under the terms of the Zero acquisition agreements, all of the issued share capital of Zero was acquired for an aggregate consideration of £5.5m, including costs, together with the assumption of indebtedness. The Zero acquisition agreements contain warranties only as to title of the vendors to the shares.

Proactive acquisition

Under the terms of the Proactive acquisition agreement, the entire issued share capital of Proactive was purchased for £8.2m, including costs. The Proactive acquisition agreement contained warranties in respect of general matters, taxation and environmental issues.

Results and dividends

The group's loss after taxation for the period was £8m on turnover of £26.1m.

The directors have not recommended an ordinary dividend for the period.

Payment of creditors

The group agrees terms of payment in advance, ensuring that suppliers are aware of these terms, and abides by them. Trade creditors at the balance sheet date represented 41 days' purchases.

Employees

The group operated a policy of devolved management for the operating divisions. We believe in close consultation with employees on matters of concern to them.

In compliance with current legislation, it is the group's policy to encourage the employment of disabled persons wherever this is practicable. Every endeavour is made to ensure that disabled employees, and those who become disabled whilst in the group's employment, benefit from training and career development programmes in common with all employees.

Charitable and political donations

During the period the group made one charitable donation, amounting to £5,000, to an educational charity concerning environmental issues which is local to one of the landfill sites. It also contributed £367,167 of its landfill tax liability to Entrust registered environmental bodies as permitted by government regulations.

No political donations were made during the period.

Directors' remuneration

Name	Salaries/fees £'000	Compensation for loss of office £'000	Taxable benefits £'000	Pension contributions £'000	Total £'000
Andrew Bryce	15	–	–	–	15
Gary Downey	145	167	2	15	329
Stephen Gutteridge	10	–	–	–	10
John Huntington	175	–	2	17	194
Roger McDowell	25	–	–	–	25
Keith Tozzi	15	–	1	1	17
David Williams	90	–	–	–	90
	475	167	5	33	680

Prior to their appointment John Huntington and Gary Downey received £220,000 and £180,000 respectively, following termination of their consultancy agreements, in respect of their introductions to the company of the Atlantic Waste Holdings Limited and Zero Waste Holdings Limited acquisitions. In addition John Huntington and Gary Downey also received £37,442 and £39,365 respectively in respect of the consultancy agreements prior to becoming directors.

Marwyn Capital Limited (of whom David Williams is Chairman) was paid £570,000 for professional advice and £50,000 for temporary office accommodation during the period.

Directors

Those directors serving at the end of the year had interests in the share capital of the company at 31 December 2005 as stated below. There has been no change since 31 December 2005 to the date of this report.

Name of director	Ordinary shares	
	31 December 2005	On appointment
David Williams (appointed 6 August 2004)	480,000	–
John Huntington (appointed 15 December 2004)	60,000	50,000
Roger McDowell (appointed 15 December 2004)	20,000	20,000
Andrew Bryce (appointed 1 June 2005)	–	–
Keith Tozzi (appointed 6 August 2004 and resigned 31 March 2005)	–	1
Stephen Gutteridge (appointed 6 August 2004 and resigned 31 March 2005)	–	1
Gary Downey (appointed 15 December 2004 and resigned 18 December 2005)	–	32,000

Report of the directors *continued*

Details of share options held by the current directors:

Name of director	Date of grant	Number of options	Exercise price	Exercise period
David Williams	15 December 2004	500,000	180p	Ten years from issue
John Huntington	15 December 2004	500,000	180p	Ten years from issue

The share options were awarded on 15 December 2004, being the date of the acquisitions of Atlantic Holdings Limited and Zero Waste Holdings Limited and the appointment of John Huntington. There were no share options in existence prior to that date. These share options have no performance criteria. During the accounting period and since the award of the share options, the share price reached a peak of 270p and a low of 112p, and closed at 146p on 31 December 2005.

In addition to the share options listed above, Marwyn Capital Limited (of whom David Williams is Chairman) has warrants over the share capital as described further in note 17.

Substantial shareholdings

The company was aware of the following interests of more than 3% in its shares as at 1 March 2006 (the latest practicable date for this report):

	Number of shares	%
Goldman Sachs Asset Management	8,450,832	12.9
Cycladic Capital Management	7,615,660	11.6
North Atlantic Value LLP	5,381,000	8.2
Adrian Kirby	5,160,103	7.9
Jupiter Asset Management	3,824,591	5.8
Henderson Global Investors	3,527,375	5.4
Invesco	3,124,099	4.8
MPC Investors	2,997,800	4.6
Killik stockbrokers	2,844,740	4.3
UBS Global Asset Management	2,750,638	4.2
Lehman Brothers	2,638,792	4.0
MLIM	2,357,336	3.6
Slater Investments	2,297,500	3.5

Corporate governance

A statement by the directors on Corporate governance immediately precedes this report.

Statement of directors' responsibilities for the financial statements

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable United Kingdom accounting standards have been followed.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Auditors

The Auditors, RSM Robson Rhodes LLP, are willing to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

Signed by order of the Board

A handwritten signature in blue ink, appearing to read 'John Huntington', with a large, sweeping flourish underneath.

John Huntington

Chief Executive

12 April 2006

Auditors' report to the shareholders of Augean PLC

We have audited the financial statements comprising the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and the related notes 1 to 27 to the financial statements.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of directors' responsibilities in the report of the directors.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the report of the directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the report of the directors, the Chairman and Chief Executive's statement and the statement on Corporate governance. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2005, and of the group's loss for the period from 6 August 2004 to 31 December 2005 and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP

London

12 April 2006

Consolidated profit and loss account

for the period from 6 August 2004 to 31 December 2005

	Note	2005 £'000
Turnover	2	26,113
Cost of sales		<u>(18,025)</u>
Gross profit		8,088
Administrative expenses excluding amortisation of intangibles		(4,400)
Amortisation of goodwill		(10,052)
Amortisation of other intangible assets		<u>(28)</u>
Total administrative expenses		<u>(14,480)</u>
Operating profit before amortisation of intangible assets	2	3,688
Operating loss	3	(6,392)
Interest payable and similar charges	4	(565)
Interest receivable and similar income	4	<u>287</u>
Loss on ordinary activities before taxation		(6,670)
Tax on loss on ordinary activities	7	<u>(1,380)</u>
Loss on ordinary activities after taxation		(8,050)
Retained loss for the financial period	18	(8,050)
		2005 pence
Basic and diluted loss per share	8	<u>(16.41)</u>

All transactions in the period derived from acquired operations

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

The notes on pages 24 to 46 form an integral part of these financial statements.

Consolidated balance sheet

at 31 December 2005

	Note	2005 £'000
Fixed assets		
Intangible fixed assets	9	85,812
Tangible fixed assets	11	29,547
		<u>115,359</u>
Current assets		
Stocks		1
Debtors	12	6,870
		<u>6,871</u>
Creditors: amounts falling due within one year	13	<u>(9,838)</u>
Net current liabilities		<u>(2,967)</u>
Total assets less current liabilities		112,392
Creditors: amounts falling due after more than one year	14	(335)
Provisions for liabilities and charges	15	<u>(7,336)</u>
Net assets		<u>104,721</u>
Capital and reserves		
Called up share capital	17	6,549
Share premium	18	106,222
Profit and loss account	18	<u>(8,050)</u>
Equity shareholders' funds	18	<u>104,721</u>

The notes on pages 24 to 46 form an integral part of these financial statements.

Company balance sheet

at 31 December 2005

	Note	2005 £'000
Fixed assets		
Tangible fixed assets	11	1,000
Fixed asset investments	10	<u>116,404</u>
		<u>117,404</u>
Current assets		
Debtors	12	388
Creditors: amounts falling due within one year	13	<u>(5,683)</u>
Net current liabilities		<u>(5,295)</u>
Total assets less current liabilities		112,109
Creditors: amounts falling due after more than one year	14	<u>(8)</u>
Net assets		<u>112,101</u>
Capital and reserves		
Called up share capital	17	6,549
Share premium	18	106,222
Profit and loss account	18	<u>(670)</u>
Equity shareholders' funds	18	<u>112,101</u>

The financial statements were approved by the Board on 12 April 2006 and signed on its behalf by:



John Huntington

Chief Executive

The notes on pages 24 to 46 form an integral part of these financial statements.

Consolidated cash flow statement

for the period from 6 August 2004 to 31 December 2005

	Note	2005 £'000
Net cash inflow from operating activities	20	7,316
Returns on investments and servicing of finance	21	(278)
Taxation		–
Capital expenditure and financial investment	21	(4,589)
Acquisitions and disposals	21	<u>(64,674)</u>
Cash outflow before financing		(62,225)
Financing	21	<u>61,496</u>
Decrease in cash in the period		<u>(729)</u>
	Note	2005 £'000
Reconciliation of net cash flow to movement in net debt		
Decrease in cash in the period		(729)
Cash outflow from decrease in debt and lease financing		<u>703</u>
Change in net debt arising from cash flows		(26)
New finance leases and hire purchase agreements		(63)
Debt acquired with subsidiary		<u>(3,502)</u>
Movement in net debt in the period		(3,591)
Net funds at 6 August 2004		<u>–</u>
Net debt at 31 December 2005	22	<u>(3,591)</u>

Notes to the financial statements

for the period from 6 August 2004 to 31 December 2005

1 Accounting policies

Basis of accounting

The group financial statements have been prepared under the historical cost convention.

The company has taken advantage of Section 230 of the Companies Act 1985 and has not included a profit and loss account in these financial statements. The company's loss for the period is given in note 18.

Basis of consolidation

The group financial statements incorporate the financial statements of the company and its subsidiary undertakings only. Acquisitions are accounted for under the acquisition method. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period, inclusive of landfill tax but exclusive of value added tax, relating to the principal activities of the group.

Intangible assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight-line basis over its useful economic life, with specific account taken of the period of site licences (which currently expire between seven to ten years). Provision is made for any impairment.

Royalty agreements which are related to specific landfill sites are capitalised and amortised over the life of the related site licence (which currently expires in ten years).

Investments

Investments held as fixed assets are valued at historic cost less any provision for impairment.

Tangible fixed assets and depreciation

The acquisition, commissioning and site infrastructure costs for each landfill site are capitalised when incurred. These costs are then depreciated over the useful life of the site, which is assessed with reference to the usage of the void space available.

Cell engineering costs are capitalised when incurred. The depreciation charged to the profit and loss account is calculated with reference to actual costs to date and expected future costs for each cell, the total of which is spread over the useful life of the cell. Useful life is again assessed by the usage of the void space available.

Other tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided evenly on all other tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over their useful lives as follows:

Freehold buildings	fifty years
Plant and machinery	two to ten years

1 Accounting policies continued

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets. The capital element of future payments is treated as a liability and the interest is charged to the profit and loss account on a straight-line basis.

Leased assets

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight-line basis, and the capital element which reduces the outstanding obligation for future instalments.

Rentals under operating leases are charged on a straight-line basis over the lease term.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

Deferred tax is measured on an undiscounted basis using average rates of tax that have been enacted or substantively enacted by the balance sheet date.

Restoration and after-care provisions

The anticipated total cost of restoration and post-closure monitoring and after-care is charged to the profit and loss account over the expected useful life of the sites in proportion to the amount of void consumed at the sites during the period. The costs of restoration and post-closure monitoring will be charged to the provision when incurred. The provision has been estimated using current costs and is discounted.

Retirement benefits

Contributions made by the group to individual pension schemes are charged to the profit and loss account as they fall due.

Debt and finance costs

Debt is initially stated at the amount of the net proceeds of the debt after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period. Finance costs are recognised in the profit and loss account over the term of such instruments.

Notes to the financial statements *continued*

for the period from 6 August 2004 to 31 December 2005

2 Segmental analysis

		2005		
	Turnover	Adjusted	Operating	Net
	£'000	operating	(loss)/profit	assets
		profit*	£'000	£'000
		£'000	£'000	£'000
Landfill division	24,184	3,327	(6,568)	96,474
Treatment division	1,929	361	176	8,247
	26,113	3,688	(6,392)	104,721

All activities arise solely within the United Kingdom.

* Operating profit before the amortisation of goodwill and other intangible assets.

3 Operating loss

Operating loss is arrived at after charging.

	2005
	£'000
Auditors' remuneration for audit services *	62
Amortisation of intangible fixed assets	10,080
Depreciation of tangible assets	
– owned assets	4,867
– assets held under finance leases and hire purchase contracts	119
Operating leases	
– plant and machinery	225

* Total fees payable to the Auditors during the period were £230,215, of which £168,215 related to non-audit services. The audit fee for the company was £16,000.

4 Interest payable and receivable

	2005
	£'000
Interest payable	
Interest payable on bank loans and overdrafts	157
Finance leases and hire purchase contracts	41
Interest and charges on debt factoring	276
Unwinding discount on provisions	91
	565
Interest receivable	
Interest received from bank and treasury accounts	287
	287

5 Employees

Average monthly number of employees, including directors, analysed by function was:

	<u>2005 Number</u>
Selling	10
Operational	48
Administration	<u>20</u>
	<u>78</u>

Staff costs, including directors:

	<u>2005 £'000</u>
Wages and salaries	3,019
Social security costs	290
Other pension costs	<u>67</u>
	<u>3,376</u>

6 Directors' emoluments

Directors' remuneration

	<u>2005 £'000</u>
Emoluments to executive directors	517
Emoluments to non-executive directors	130
Company pension contributions to money purchase schemes	<u>33</u>
	<u>680</u>

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	<u>2005 £'000</u>
Emoluments – salary and benefits	314
Company contributions to money purchase schemes	<u>15</u>
	<u>329</u>

Full disclosure of all remuneration, including pension contributions, and share options for directors is made within the report of the directors.

Notes to the financial statements *continued*

for the period from 6 August 2004 to 31 December 2005

7 Taxation

	2005 £'000
i) Tax on loss on ordinary activities	
Current tax:	
UK corporation tax on loss for the period	1,380
Adjustments in respect of prior periods	—
Tax charge on loss on ordinary activities	1,380
	2005 £'000
ii) Current tax reconciliation	
Loss on ordinary activities before tax	6,670
Theoretical tax at UK corporation tax rate 30%	(2,001)
Effects of:	
Expenses not deductible for tax purposes	105
Capital allowances for period in excess of depreciation	456
Goodwill amortised	3,024
Utilisation of acquired tax losses	(190)
Other short-term timing differences	(14)
Actual current tax charge for period	1,380

No deferred tax asset has been recognised during the period in respect of timing differences as there is uncertainty over the extent and timing of its recovery.

8 Loss per share

	2005
	pence
Basic and diluted loss per share	16.41

For the period ended 31 December 2005, the calculation of the basic loss per ordinary share was based on the weighted average of 49,065,022 ordinary shares in issue during the period and loss after taxation of £8,050,000.

No diluted loss per share arises due to the loss in the year, resulting in no dilutive share options.

9 Intangible fixed assets

	Royalty agreement £'000	Goodwill arising on consolidation £'000	Total £'000
Group			
Cost:			
At 6 August 2004	–	–	–
Acquired with subsidiary Acquisitions	669	–	669
	–	95,223	95,223
At 31 December 2005	669	95,223	95,892
Amortisation:			
At 6 August 2004	–	–	–
Charge for the period	28	10,052	10,080
At 31 December 2005	28	10,052	10,080
Net book value:			
At 6 August 2004	–	–	–
At 31 December 2005	641	85,171	85,812

The royalty agreement was the sole asset of Broomco (3611) Limited, which was acquired in the period for £669,000.

Notes to the financial statements *continued*

for the period from 6 August 2004 to 31 December 2005

10 Fixed asset investments

	<u>2005</u> <u>£'000</u>
Company	
Cost:	
Additions	<u>116,404</u>
At 31 December 2005	<u>116,404</u>

Details of the subsidiary companies are as follows:

<u>Name of company</u>	<u>Country of registration or incorporation</u>	<u>Proportion held %</u>	<u>Nature of business</u>
*Augean Waste Limited	England and Wales	100	Dormant
Atlantic Waste Limited	England and Wales	100	Dormant
Atlantic Waste Services Limited	England and Wales	100	Dormant
Atlantic Freeholds Limited	England and Wales	100	Dormant
Atlantic Freeholds (No. 2) Limited	England and Wales	100	Dormant
Wastego Services Limited	England and Wales	100	Dormant
Wastego Recycle Limited	England and Wales	100	Skip hire
Atlantic Waste (Thornhaugh) Limited	England and Wales	100	Landfill site
Atlantic Waste (Thornhaugh) (No. 2) Limited	England and Wales	100	Dormant
GCN Limited	England and Wales	77	Aggregate and minerals
Wastego Limited	England and Wales	100	Waste management
*Proactive Waste Solutions Limited	England and Wales	100	Waste treatment
Zero Waste Limited	England and Wales	100	Dormant
Wastego Quarries Limited	England and Wales	100	Dormant
*Augean North Limited	England and Wales	100	Landfill site
*Atlantic Waste Holdings Limited	England and Wales	100	Waste management
Augean South Limited	England and Wales	100	Landfill site
*Zero Waste Holdings Limited	England and Wales	100	Dormant
*Broomco (3611) Limited	England and Wales	100	Receipt of royalties

* identifies those companies owned directly by the company.

11 Tangible fixed assets

	Freehold land and buildings £'000	Engineered cells £'000	Plant and machinery £'000	Total £'000
Group				
Cost:				
At 6 August 2004	–	–	–	–
Acquisitions	26,473	2,320	1,088	29,881
Additions	922	3,147	583	4,652
At 31 December 2005	<u>27,395</u>	<u>5,467</u>	<u>1,671</u>	<u>34,533</u>
Depreciation				
At 6 August 2004	–	–	–	–
Charged in the period	2,521	2,210	255	4,986
At 31 December 2005	<u>2,521</u>	<u>2,210</u>	<u>255</u>	<u>4,986</u>
Net book value				
At 6 August 2004	–	–	–	–
At 31 December 2005	<u>24,874</u>	<u>3,257</u>	<u>1,416</u>	<u>29,547</u>

Plant and machinery includes the following amounts in respect of assets held under finance leases and hire purchase contracts.

	2005 £'000
Cost	609
Accumulated depreciation	186
Net book value	<u>423</u>

For the purpose of establishing their fair values on acquisition, the King's Cliffe, Thornhaugh, Port Clarence and Marks Quarry sites were valued as at 14 December 2004 by Savills Chartered Surveyors, acting in the capacity of external valuers. The sites were valued on the basis of existing use value and reflected their planned and permitted consents at that date. The valuations were carried out in accordance with the RICS Appraisal and Valuation Standards. Savills' valuation report was dated 24 March 2006. Provisional fair values for the properties acquired were recorded in the published interim accounts at higher amounts than those identified above.

Notes to the financial statements *continued*

for the period from 6 August 2004 to 31 December 2005

11 Tangible fixed assets *continued*

For the purpose of establishing their fair values on acquisition, the cost of cells engineered has been provisionally estimated by external engineers as at 14 December 2004 with reference to their design specification and condition on a depreciated replacement cost basis.

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Company			
Cost			
At 6 August 2004	–	–	–
Additions	769	262	1,031
	<u>769</u>	<u>262</u>	<u>1,031</u>
At 31 December 2005	<u>769</u>	<u>262</u>	<u>1,031</u>
Depreciation			
At 6 August 2004	–	–	–
Charged in the period	5	26	31
	<u>5</u>	<u>26</u>	<u>31</u>
At 31 December 2005	<u>5</u>	<u>26</u>	<u>31</u>
Net book value			
At 6 August 2004	–	–	–
At 31 December 2005	<u>764</u>	<u>236</u>	<u>1,000</u>

Plant and machinery includes the following amounts in respect of assets held under finance leases and hire purchase contracts.

	2005 £'000
Cost	22
Accumulated depreciation	4
Net book value	<u>18</u>

12 Debtors

	2005 £'000
Group	
Trade debtors	5,735
Other debtors	339
Prepayments and accrued income	796
	<u>6,870</u>

	2005 £'000
Company	
Other debtors	191
Prepayments	197
	<u>388</u>

13 Creditors: amounts falling due within one year

	2005 £'000
Group	
Bank overdraft (see note 16)	729
Obligations under hire purchase contracts and finance leases	181
Debt factoring (see note 16)	2,346
Trade creditors	2,235
Corporation tax	1,530
Other taxation and social security	1,608
Accruals	1,209
	<u>9,838</u>

Company	
Bank overdraft	180
Amounts due to subsidiary undertakings	5,496
Obligations under finance leases and hire purchase contracts	7
	<u>5,683</u>

Notes to the financial statements *continued*

for the period from 6 August 2004 to 31 December 2005

14 Creditors: amounts falling due after more than one year

	2005 £'000
Group	
Loan (see note 16)	100
Obligations under finance leases and hire purchase contracts	235
	<u>335</u>
Company	
Obligations under finance leases and hire purchase contracts	8
	<u>8</u>

15 Provisions for liabilities and charges

	2005		
	Restoration and after-care costs of landfill sites £'000	Other provisions £'000	Total £'000
Opening provision	–	–	–
Provision at acquisition date	1,017	5,985	7,002
Charge during the period	334	–	334
Closing provision	<u>1,351</u>	<u>5,985</u>	<u>7,336</u>

The provision for restoration and after-care relates to closure and post-closure costs for all landfill sites for the estimated life of the landfill sites. It is expected that the expenditure will be incurred partially on completion of the landfill sites and in part after the closure of the landfill sites, which will be over a very considerable period of years. The provision has been estimated using current costs and is discounted, using a real rate of 3%. No costs were expended during the period.

Other provisions relate to the cost of capping cells engineered and the cost for remediation of more waste on a landfill site acquired from Atlantic Holdings Limited than allowed for under planning consents. All costs expended during the period were recovered in a cash recovery from the vendors under a warranty claim, as referred to in the report of the directors.

16 Analysis of debt

	<u>2005</u> <u>£'000</u>
Group	
Bank overdraft	729
Obligations under hire purchase contracts and finance leases	416
Loan	100
Debt factoring	<u>2,346</u>
	<u>3,591</u>
Maturity of debt	
In one year or less, or on demand	3,256
In more than one year, but not more than two years	214
In more than two years, but not more than five years	<u>121</u>
	<u>3,591</u>

Obligations under finance leases and hire purchase contracts are repayable as follows:

	<u>2005</u> <u>£'000</u>
Due within one year	181
Due between one to two years	114
Due between two to five years	<u>121</u>
	<u>416</u>

The group's debt factoring is secured upon the debtors of Atlantic Waste Services Limited, of Atlantic Waste (Thornhaugh) Limited and of Augean South Limited. The obligations under hire purchase contracts and finance leases are secured against the specific assets financed. The bank overdraft and guarantees are secured by way of cross guarantees and indemnities across the group.

For further information on financial instruments see note 24.

Notes to the financial statements *continued*

for the period from 6 August 2004 to 31 December 2005

17 Share capital

	2005 £'000
Authorised – 100,500,000 shares of 10p	10,050
Allotted, called up and fully paid – 65,488,892 shares of 10p	6,549

The changes in authorised share capital during the period were:

On incorporation £10,000,000 comprising 100,000,000 ordinary shares of 10p each were authorised and then on 10 August 2004 there was an increase to include 50,000 redeemable preference shares of £1 each. Finally on 31 October 2004 the preference shares were converted into 500,000 ordinary shares of 10p each.

The changes in issued share capital during the period were:

On incorporation two subscriber shares of 10p each were issued at par followed by 50,000 redeemable preference shares of £1 each paid up one quarter on 10 August 2004 and 1,600,000 ordinary shares of 10p each at a value of £1.25 on 7 September 2004. On 31 October 2004 the 50,000 redeemable preference shares were redeemed at par and finally on 14 December 2004 63,888,890 ordinary shares of 10p each were issued at a value of £1.80.

In addition to the ordinary shares issued, there are ordinary shares under option and warrants which are described below:

There are share options outstanding of 2,294,234 which have been awarded to existing directors (1,000,000 shares), previous directors (850,000 shares) and employees (444,234 shares).

There are warrants to convert in to new ordinary shares of 1,309,776 which have been issued to both Marwyn Capital Limited (of whom David Williams is Chairman) and Numis Securities Limited on the following terms. Each warrant will be over 1% of the issued share capital and is exercisable from 15 March 2005 until 14 December 2009, being the fifth anniversary of the date of admission of the ordinary shares. The exercise price for the warrants will be 180p per share. The warrants will lapse six weeks after a takeover if they have not then been exercised. In the event of any variation in the share capital of the company, the company shall, if requested by the warrant holder, instruct the Auditors of the company to determine what adjustment (if any) should be made to the number and nominal value of the shares subject to the warrants and/or the exercise price. The warrants granted to Marwyn and Numis are transferable by Marwyn and Numis to their respective shareholders, directors, officers and employees.

In summary the total potential number of ordinary shares that might be issued should all existing share options and warrants be exercised is as follows:

Ordinary shares in issue	65,488,892
Share options	2,294,234
Warrants	1,309,776
Total potential issued share capital	<u>69,092,902</u>

18 Combined reconciliation of movements in shareholders' funds and movement in reserves

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Shareholders' funds £'000
Group				
At 6 August 2004	–	–	–	–
Placing	6,549	110,451	–	117,000
Issue costs	–	(4,229)	–	(4,229)
Retained loss	–	–	(8,050)	(8,050)
At 31 December 2005	6,549	106,222	(8,050)	104,721
Company				
At 6 August 2004	–	–	–	–
Placing	6,549	110,451	–	117,000
Issue costs	–	(4,229)	–	(4,229)
Retained loss	–	–	(670)	(670)
At 31 December 2005	6,549	106,222	(670)	112,101

19 Operating lease commitments

The group has annual commitments under non-cancellable operating leases as follows:

	2005 Other £'000
Leases which expire	
– Within one year	61
– Within two to five years	373
	434

20 Reconciliation of operating loss to net cash inflow from operating activities

	2005 £'000
Operating loss	(6,392)
Amortisation of intangible fixed assets	10,080
Depreciation	4,986
Decrease in debtors	2,244
Decrease in creditors	(3,602)
Net cash inflow from operating activities	7,316

Notes to the financial statements *continued*

for the period from 6 August 2004 to 31 December 2005

21 Gross cash flows

	2005 £'000
Returns on investment and servicing of finance	
Interest paid and similar charges	565
Interest received	<u>(287)</u>
	278
Capital expenditure and financial investment	
Payments to acquire tangible fixed assets	<u>4,589</u>
	4,589
Acquisition of subsidiaries	
Payments to acquire subsidiary undertakings	65,832
Cash acquired with subsidiary undertakings	<u>(1,158)</u>
	64,674
Financing	
Net proceeds of share issue	97,821
Capital element of finance lease payments	(358)
Debt factor advances	(345)
Repayment of loans	(35,572)
Redemption of preference shares	<u>(50)</u>
	61,496

22 Analysis of changes in net debt

	6 August 2004 £'000	Cash flow £'000	Acquisitions £'000	Other changes £'000	31 December 2005 £'000
Cash at bank and in hand	-	-	-	-	-
Overdraft	-	<u>(729)</u>	-	-	<u>(729)</u>
	-	(729)	-	-	(729)
Debt due within one year	-	345	(2,691)	-	(2,346)
Debt due after one year	-	-	(100)	-	(100)
Finance leases/HP	-	358	(711)	(63)	(416)
	-	<u>703</u>	<u>(3,502)</u>	<u>(63)</u>	<u>(2,862)</u>
Net debt	-	<u>(26)</u>	<u>(3,502)</u>	<u>(63)</u>	<u>(3,591)</u>

23 Acquisition of subsidiary undertakings

During the period the group acquired three operating companies, being Atlantic Waste Holdings Limited and Zero Waste Holdings Limited (“the Landfill division”) and Proactive Waste Solutions Limited. These acquisitions are described in detail in the report of the directors. All the assets and liabilities of those acquired companies have been recorded at their fair values reflecting their condition at the relevant acquisition date. However the assessment of these fair values in relation to the Landfill division is complex and has resulted in significant revisions throughout the period as the review, which is still ongoing, has progressed. As such, provisional fair values have been included within the reported results, which may result in further changes to the carrying value of these net assets during the next financial year. The fair value adjustments in relation to Proactive Waste Solutions have been finalised in this period.

1) Acquisition of Atlantic Waste Holdings Limited

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Intangible fixed assets	63	(63)	-
Tangible fixed assets	52,469	(35,035)	17,434
Debtors	6,526	(608)	5,918
Cash at bank and in hand	76	-	76
Creditors falling due within one year	(22,691)	(2,828)	(25,519)
Provisions for liabilities and charges	(482)	(3,091)	(3,573)
Net separable assets/(liabilities)	<u>35,961</u>	<u>(41,625)</u>	<u>(5,664)</u>
Goodwill			<u>72,126</u>
Satisfied by:			
Consideration			<u>66,462</u>
Consideration comprises:			
Cash paid			50,000
Shares issued			15,000
Acquisition expenses			<u>1,462</u>
			<u>66,462</u>

The provisional fair value adjustments consist of reduced values for the freehold properties (of £32,002,000) based upon valuations by Savills and the cells engineered (of £3,033,000) based upon the engineering estimates for depreciated replacement cost, provisions for capping cells that were full but not capped at the acquisition date (£1,386,000) and provisions for the appropriate proportion of capping cells that were in use then (£357,000).

In addition, provision was made to the carrying value of debtors (of £608,000) and write off of purchased goodwill (of £63,000). Further provisions (of £4,176,000) were charged in respect of the remediation of more waste on site than allowed for under planning consents.

Notes to the financial statements *continued*

for the period from 6 August 2004 to 31 December 2005

23 Acquisition of subsidiary undertakings *continued*

The results of the Atlantic Waste Holdings group for its last financial period prior to acquisition and for the period up to the date of acquisition were:

	Period 1 January 2004 to 31 March 2004 £'000	Period 1 April 2004 to 14 December 2004 £'000
Turnover	4,066	14,133
Cost of sales	(3,557)	(5,214)
Administrative expenses	(1,764)	(10,592)
Operating loss	(1,255)	(1,673)
Interest payable	(207)	(810)
Minority interests	(1)	–
Loss on ordinary activities before taxation	(1,463)	(2,483)
Tax on loss on ordinary activities	–	–
Loss on ordinary activities after taxation	(1,463)	(2,483)

There were no recognised gains or losses other than the losses shown above.

Net cash outflows in respect of the acquisition comprised:

	£'000
Cash consideration paid to the vendors	50,000
Cash at bank and in hand acquired	(76)
Acquisition expenses	1,462
	51,386
Cash paid to settle indebtedness	14,354
	65,740

23 Acquisition of subsidiary undertakings continued

2) Acquisition of Zero Waste Limited

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Tangible fixed assets	12,338	(179)	12,159
Stocks	1	–	1
Debtors	2,147	(4)	2,143
Cash at bank and in hand	679	–	679
Creditors falling due within one year	(23,053)	(1,196)	(24,249)
Provisions for liabilities and charges	(937)	404	(533)
Net separable assets/(liabilities)	(8,825)	(975)	(9,800)
Goodwill			15,315
Satisfied by:			
Consideration			5,515
Consideration comprises:			
Cash paid			5,032
Acquisition expenses			483
			5,515

The provisional fair value adjustments consist of increased values for the freehold properties (of £1,375,000) and reduced values for the cells engineered, based on depreciated replacement cost (of £1,554,000), provisions for capping cells that were full but not capped at the acquisition date (£1,152,000). In addition, adjustments were made to the carrying value of debtors (of £4,000), creditors (of £44,000) and provisions for restoration and after-care (of £404,000).

Notes to the financial statements *continued*

for the period from 6 August 2004 to 31 December 2005

23 Acquisition of subsidiary undertakings *continued*

The results of the Zero Waste Holdings group for its last full financial year prior to acquisition and for the period up to the date of acquisition were:

	Year ended 30 September 2004 £'000	Period 1 October 2004 to 14 December 2004 £'000
Turnover	5,623	1,156
Cost of sales	(4,578)	(509)
Administrative expenses	(654)	(206)
Operating profit	391	441
Other operating income	166	10
Interest payable	(2,074)	(476)
Loss on ordinary activities before taxation	(1,517)	(25)
Tax on loss on ordinary activities	-	-
Retained loss for the period	(1,517)	(25)
Other finance costs of non-equity shares	(849)	(194)
Retained loss for the period	(2,366)	(219)

The financial information above for the year ended 30 September 2004 has been extracted from the audited financial statements for the year then ended after making such adjustments as were considered necessary for the purposes of the acquisition document dated 19 November 2004.

There were no recognised gains or losses other than the losses shown above.

Net cash outflows in respect of the acquisition comprised:

	£'000
Cash consideration paid to the vendors	5,032
Cash at bank and in hand acquired	(679)
Acquisition expenses	483
	4,836
Cash paid to settle indebtedness	21,218
	26,054

23 Acquisition of subsidiary undertakings continued

3) Acquisition of Proactive Waste Solutions Limited

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Tangible fixed assets	288	–	288
Debtors	1,106	(53)	1,053
Cash at bank and in hand	403	–	403
Creditors falling due within one year	(1,314)	(26)	(1,340)
Net separable (liabilities)/assets	483	(79)	404
Goodwill			7,782
Satisfied by:			
Consideration			8,186
Consideration comprises:			
Cash paid			8,000
Acquisition expenses			186
			8,186

The fair value adjustments comprise an increase in provisions for bad debts (£53,000) and an increase in accruals for waste material on hand requiring treatment (£26,000).

Notes to the financial statements *continued*

for the period from 6 August 2004 to 31 December 2005

23 Acquisition of subsidiary undertakings *continued*

The results for Proactive Waste Solutions for its last full financial year prior to acquisition and for the period up to the date of acquisition were:

	Year ended 31 December 2004 £'000	Period 1 January 2005 to 26 August 2005 £'000
Turnover	4,020	3,516
Cost of sales	(2,005)	(1,609)
Administrative expenses	(1,432)	(1,319)
Operating profit	583	588
Interest payable	(38)	(12)
Profit on ordinary activities before taxation	545	576
Tax on loss on ordinary activities	(185)	(184)
Profit on ordinary activities after taxation	360	392

There were no recognised gains or losses other than the losses shown above.

Net cash outflows in respect of the acquisition comprised:

	£'000
Cash consideration	8,000
Cash at hand and in hand acquired	(403)
Acquisition expenses	186
	7,783

24 Financial instruments

The group's principal financial instruments during the period comprised bank loans, cash on short-term deposit, debt factoring, hire purchase and an interest-free loan. The main purpose of these financial instruments is to finance the group's operations and to manage the interest rate risk arising from its sources of finance. The group has various other financial instruments such as short-term debtors and creditors which arise directly from its operations. As permitted under FRS 13, these short-term instruments have been excluded from the following disclosures in this note. There was no material difference between the fair value of the assets and liabilities and their book value.

It is, and has been, throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

All the group's transactions take place in sterling and so there is no foreign currency risk. The main risks arising from the group's financial instruments are interest rate risk and liquidity risk.

Liquidity risk

The group carries low levels of debt and short-term flexibility is achieved by overdraft facilities of up to £20m including the guarantees mentioned in note 26. These facilities are on demand.

Interest rate risk

The group finances its operations through a mixture of retained profits and bank borrowings and hire purchase. Due to the low level of the group's borrowings no interest rate swaps or other forms of risk management have been undertaken. The group regularly reviews its exposure to interest rate risk and will take future action if required to minimise the impact on the business of movements in interest rates.

The interest rate profile of the group's financial liabilities at 31 December 2005 was:

	<u>Interest free</u> £'000	<u>Fixed rate</u> £'000	<u>Floating rate</u> £'000	<u>Total</u> £'000
- bank overdraft	-	-	729	729
- debt factor advances	-	-	2,346	2,346
- loan	100	-	-	100
- hire purchase	-	416	-	416
	<u>100</u>	<u>416</u>	<u>3,075</u>	<u>3,591</u>

The interest rate on the floating rate borrowings is based on a percentage over the relevant bank rate. The hire purchase agreements have a weighted average interest rate of 7% and a weighted average duration of two years.

The maturity profile of the group's financial liabilities has been covered in note 16.

Notes to the financial statements *continued*

for the period from 6 August 2004 to 31 December 2005

25 Post-balance-sheet events

There have been no post-balance-sheet events.

26 Contingent liabilities and cross guarantees

In accordance with Part II of the Environment Protection Act 1990, the group has to make such financial provision as is deemed adequate by the Environment Agency to discharge its obligations under the relevant waste management licence at its landfill sites. Consequently bank guaranteed bonds have been provided in favour of the Environment Agency in respect of the King's Cliffe, Thornhaugh, Port Clarence and Marks Quarry landfill sites. Total bank guarantees outstanding at the year end were £6,696,000, although the bond for the King's Cliffe site (expected to be £3,508,000) had not then been issued. Future site restoration costs for each landfill site have been provided in note 15.

27 Related party disclosures

There were no transactions or contracts of significance with related parties, other than those disclosed in the section on Corporate governance and note 17. FRS 8 "Related party Transactions" requires the disclosure of the details of material transactions between reporting entities and related parties. The group has taken advantage of exemptions under FRS 8 not to disclose transactions between subsidiary 90% or more of whose voting rights are controlled within the group.

Unaudited pro forma results for 2005

This pro forma does not form part of the group's statutory accounts. The purpose of the pro forma is solely to represent the performance of the group as though it had commenced trading on 1 January 2005 and it comprised those activities and operations that existed then.

Consolidated profit and loss account: pro forma

for the period from 1 January 2005 to 31 December 2005

	2005 £'000
Turnover	25,235
Cost of sales	<u>(17,586)</u>
Gross profit	7,649
Administrative expenses	(3,755)
Amortisation of goodwill	(9,657)
Amortisation of other intangible assets	<u>(28)</u>
Total administrative expenses	<u>13,440</u>
Operating profit before amortisation of intangible assets	3,894
Operating loss	(5,791)
Interest payable and similar charges	(554)
Interest receivable and similar income	<u>260</u>
Loss on ordinary activities before taxation	<u>(6,085)</u>

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Augean PLC will be held at Mayer Brown Row & Maw, 11 Pilgrim Street, London EC4V 6RW at 11.00 am on 31 May 2006 for the following business, resolutions 1 to 7 being proposed as ordinary resolutions and resolution 8 as a special resolution:

Ordinary business

- 1 To receive and adopt the report of the directors and the financial statements of the company for the period ended 31 December 2005.
- 2 To re-appoint RSM Robson Rhodes LLP as Auditors and to authorise the directors to fix their remuneration.
- 3 To re-elect David Williams as a director.
- 4 To re-elect John Huntington as a director.
- 5 To re-elect Roger McDowell as a director.
- 6 To re-elect Andrew Bryce as a director.
- 7 In substitution for all existing authorities (save to the extent already utilised), the directors of the company be and they are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the company to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £327,445 provided that this authority (unless previously renewed, varied or revoked by the company in general meeting) shall expire at the end of the next Annual General Meeting of the company to be held after the date of the passing of this resolution or, 15 months from the date of the passing of this resolution, whichever is the earlier and that the directors shall be entitled under the authority conferred by Section 80(7) of the Act and this resolution to make at any time prior to the expiry of such authority any offer or agreement which would or might require securities of the company to be allotted after the expiry of such authority and the directors may allot relevant securities in pursuance of that offer or agreement as if the authority hereby conferred had not expired.

Special business

- 8 In substitution for all existing authorities (save to the extent already utilised), subject to the passing of resolution 7 above, the directors of the company be and they are hereby generally empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of the Act and/or where such an allotment constitutes an allotment of equity securities by virtue of Section 94(3A) of the Act) for cash pursuant to the authority conferred on them by resolution 7 above as if section 89(1) of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:

- 8.1 the allotment of equity securities in connection with an issue or offering by way of rights in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the record date of such allotment subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or any territory; and
- 8.2 the allotment (otherwise than pursuant to paragraph 8.1 above) of equity securities for cash up to an aggregate nominal value not exceeding £327,445.

and this power (unless previously renewed, varied or revoked) shall expire at the end of the next Annual General Meeting of the company to be held after the date of the passing of this resolution or 15 months from the date of the passing of this resolution, whichever is the earlier but the company may make any offer or agreement which would or might require equity securities to be allotted after the expiry of this authority and the directors may allot equity securities in pursuance of that offer or agreement as if the authority hereby conferred had not expired.

By order of the Board



John Huntington

Chief Executive

12 April 2006

4 Rudgate Court
Walton
Wetherby
West Yorkshire LS23 7BF

Notes:

- 1 Only those members registered in the register of members of the company as at 11.00 am on 29 May 2006 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time.
- 2 Any member entitled to attend and vote at the meeting may appoint one or more other persons as a proxy or proxies to attend and, in the event of a poll, to vote instead of him or her. A proxy need not be a member of the company. Shareholders will receive a Proxy Form with this document. Proxy Forms should be lodged with the company's Registrar or submitted not later than 48 hours before the time for which the AGM is convened. Completion of the appropriate Proxy Form does not prevent a member from attending and voting in person if he/she is entitled to do so and so wishes.
- 3 The register of directors' interests in shares in the company will be available for inspection at the registered office of the company during business hours only on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this notice until the conclusion of the Annual General Meeting and will be available on the day of AGM, at the place of the AGM, from at least 15 minutes prior to the AGM until its conclusion.

Augean PLC

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Wetherby LS23 7BF

www.augeanplc.com

Contacting Augean

To find out more about how Augean can help your business call us on 01937 844980, fax us on 01937 844241 or email us at contact@augeanplc.com to arrange for a sales adviser to call you.

