



Augean PLC
Annual Report 2010



Review of the year

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Visit our website www.augeanplc.com



Augean PLC is a market-leading, UK-based specialist waste and resource management group focused on providing a broad range of services to the hazardous waste sector.

The group's comprehensive management service covers the complete solution to the final disposal of hazardous and difficult waste streams.

Our service is underpinned by quality assets and skilled people, able to respond to a broad range of customer needs.



Find out more...
turn to pages 02-05



Highlights

Financial

- Revenue including landfill tax of £34.1m (2009: £31.5m)
- Revenue excluding landfill tax of £29.0m (2009: £28.1m)
- Adjusted operating profit of £0.8m (2009: £2.3m)
- Adjusted profit before tax of £0.4m (2009: £1.3m)
- Adjusted earnings per share of 0.24p (2009: 1.8p)
- Profit attributed to equity shareholders £0.4m (2009: loss £54.6m)
- Cash flow from operations of £5.8m (2009: £4.0m)
- Net debt reduced to £3.9m (2009: £6.0m)

Operational

- Gradual market recovery allowing revenue growth
- Challenges of extreme adverse weather slowed recovery
- Well established asset, trading and infrastructure platform focused on market alignment
- Soil treatment and recycling facilities responding to customer needs
- Cannock incident under review
- Offshore waste contract showing positive signs of growth
- Further progress with strategic growth opportunities:
 - Low Level Waste (LLW) decision pending in May following attainment of Article 37 agreement
 - Thermal recovery process upgrade in 2010 delivering enhanced capacity in 2011
- Board strengthened in period
- Positive start to trading in 2011

Revenue including landfill tax

£34.1m

(2009: £31.5m)

Cash flow from operations

£5.8m

(2009: £4.0m)

Net debt

£3.9m

(2009: £6.0m)

The complete waste solution

The management and disposal of non-hazardous and hazardous waste is a highly regulated industry. Our focus on waste management aims to protect our environment and provide solutions for our customers.

AN INTEGRATED SOLUTION

4

LANDFILL

Landfill remains an appropriate disposal solution for a range of wastes and the integration of our treatment and landfill operations provides a complete solution.

Hazardous and non-hazardous landfill capacity allows disposal of soils, building rubble, asbestos, incinerator ashes and treated materials.



3

RECYCLE



In addition to treatment and transfer activities we are able to provide a diverse range of recycling and recovery options for all types of hazardous waste. These include:

Waste oil recovered from sludges and oil/water mixes; a range of materials recovered from bins and containers; solvent recycling and toll recovery; and washing of soils and aggregates.

1

TRANSPORT/TRANSFER

Through our own fleet of vehicles we are able to collect and transport your waste safely to its required destination.

Transfer activities allow us the flexibility to handle an extremely wide range of waste types and enables us to maximise our levels of service both in terms of logistical efficiency and by procuring the best available solution for the waste streams not suitable for treatment or recycling processes.



2

TREATMENT



Legislation aims to reduce our reliance on landfill and this complements our policy of sustainable waste management.

Our treatment division is able to offer specialist services for all types of hazardous waste which are not suitable for direct disposal to landfill, using treatment processes including thermal desorption, stabilisation, neutralisation, physiochemical and phase separation.

About us

Augean leads the way in providing sustainable, compliant-led waste management solutions where best practice is considered normal practice. Our network covers the UK.

3 LANDFILL SITES
12 MILLION M³ OF VOID SPACE
8 TREATMENT SITES
UK-WIDE NETWORK
ACTIVE IN 50% OF UK HAZARDOUS WASTE MARKET
210 EMPLOYEES*
OVER 500 CUSTOMER ACCOUNTS

* At December 2010.

Treatment

The treatment division is able to offer specialist services for all types of hazardous waste which are not suitable for direct disposal to landfill. Each site provides specific treatment expertise.

Bans on the landfilling of specific waste streams, the introduction of waste acceptance criteria, the banning of liquids to landfill and of co-disposal and the requirement for pre-treatment of wastes have all contributed to an increasing need for hazardous waste treatment capacity.

In addition the re-classification of wastes using the European Waste Catalogue system has resulted in more waste types being classed as hazardous.

Augean's treatment division is able to offer specialist waste management services for all types of hazardous waste which are not suitable for direct disposal to landfill. Our eight purpose built permitted facilities include treatment, transfer and recycling activities and accept wastes of all types in packaged and bulk form.



Corporate development

2004

Corporate events

- Formed acquisition vehicle
- Raised £102m in equity
- Listed on AIM

M&A

- Zero waste
- Atlantic waste

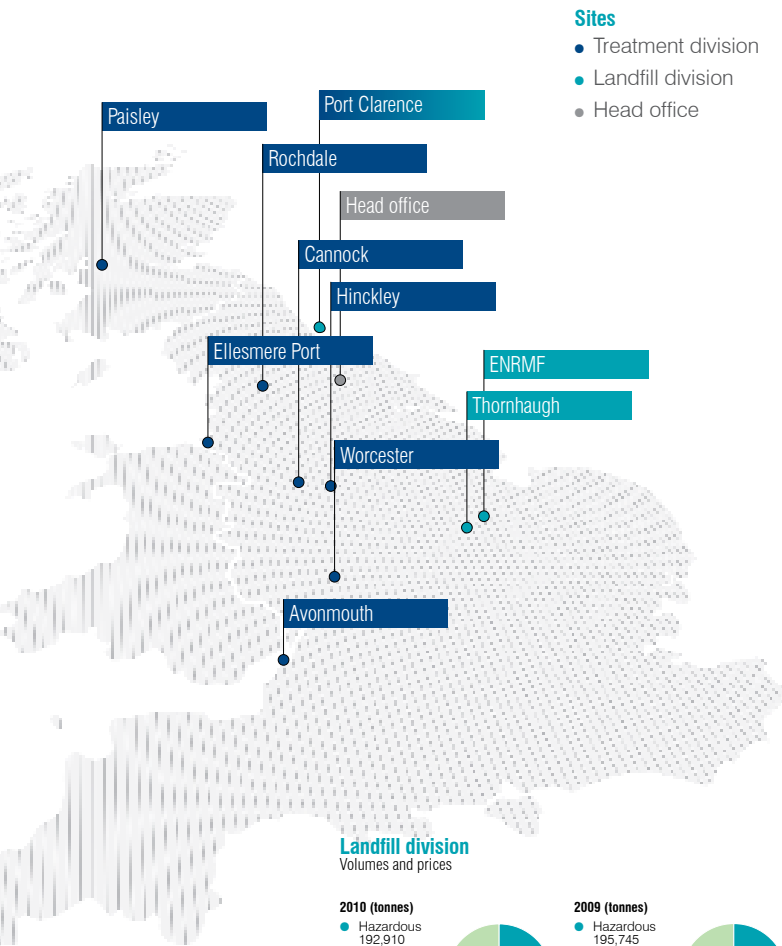
2005

Corporate events

- Port Clarence licence extension and royalty acquisition
- Grant of monocell permit at Thornhaugh
- Planning permission granted at King's Cliffe

M&A

- Proactive Waste Solutions
- Wetherby freehold purchased

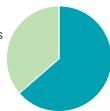


Sites

- Treatment division
- Landfill division
- Head office

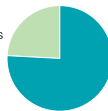
Landfill division
Volumes and prices

2010 (tonnes)
 ● Hazardous 192,910
 ● Non-hazardous 110,351



£45/tonne
Hazardous price

2009 (tonnes)
 ● Hazardous 195,745
 ● Non-hazardous 62,193



£48/tonne
Hazardous price

Landfill



The landfill division operates three modern hazardous waste landfill installations providing over 50% of the permitted hazardous waste landfill void in the UK.

Each site has been designed and engineered to the highest standards and are operated and monitored under strict Environmental Permits to ensure full compliance with all current legislation.

Our sites are strategically located with Port Clarence providing capacity in the North East of England and both King's Cliffe and Thornhaugh in the South East near Peterborough.

The sites have the capability to accept a broad range of waste for example contaminated soil, fibrous and bonded asbestos, treatment residues and filter cakes following a rigorous technical assessment and testing regime.

2006

Corporate events

- Group divisional structure established
- Laboratory services
- IMS for landfill division

M&A

- Credential Hazardous Waste

2007

Corporate events

- Soil treatment centre at Port Clarence
- IMS for treatment division

M&A

- Chemical Recoveries
- Hi-tech Equipment Ltd

2008

Corporate events

- Planning permission granted for soil treatment at King's Cliffe
- Planning permission granted for Port Clarence Recovery Park

M&A

- Astec Chemical Waste Services

2009

Corporate events

- King's Cliffe treatment centre
- Hinckley upgrade
- Cannock tank farm upgrade
- £13m fundraise and new three 3 year banking facilities

2010

Corporate events

- LLW application
- SCOMI contract
- ITD upgrade
- Renewable energy plant installed

Chairman's statement

THE RENEWED TEAM AT AUGEAN HAS WORKED HARD TO DRIVE OUR TRADING PERFORMANCE AND BEGIN TO REALISE SEVERAL OF THE STRATEGIC OPPORTUNITIES WE OUTLINED TO YOU DURING 2010.



Roger McDowell, Chairman and non-executive director

Summary of Chairman's statement

- The year under review was characterised by the achievement of stability and the development of some forward momentum for the group.
- Having developed the infrastructure we need to access the specialist waste markets, we now offer a broad range of services.
- In 2011 we look forward to a positive decision from our application to dispose of Low Level Waste at our ENRMF.

The year under review was characterised first by the achievement of stability and then the development of some forward momentum for the group following board changes, a sustained period of market challenges and a poor start to the year caused by the reduced movements of waste from producers.

The renewed team at Augean has worked hard to drive our trading performance and begin to realise several of the strategic opportunities we outlined to you during 2010. We have seen some encouraging signs in the waste markets, particularly in the second half of the year, and these improvements have contributed to the full year results.

Net revenue excluding landfill tax for the year increased to £29.0m (2009: £28.1m). Operating profit before exceptional costs was slightly ahead of our revised expectations at £0.8m (2009: £2.3m) and this allowed us to deliver profit attributable to our shareholders of £0.4m (2009: loss £54.6m). It is particularly pleasing to report the increase in cash flow from operations to £5.8m (2009: £4.0m) and an associated fall in net debt.

Over the past two years Paul Blackler and his team have developed the infrastructure we need to access the specialist waste markets. We now offer a broad range of services to our customers and have a sales force focused on delivering revenue growth. During the coming year we expect these resources will support a return to sustainable profitability.

The nature of the sector we work in does bring inherent risks for the group and its employees and we have continued to manage these risks during the year. The incident in November at our Cannock site provided renewed evidence of our need to be ever vigilant in the areas of compliance and health and safety and these remain primary areas of focus for the board.

In 2011 we look forward to a positive decision from our application to dispose of Low Level Waste from nuclear decommissioning at our East Northants Resource Management Facility (ENRMF). The board will also continue to focus on the ongoing strategic evolution of the group and expect that as we fine tune recent investments we will deliver increasing value to our shareholders.

Finally, I would like to welcome Jim Meredith and Richard Allen to the board. I am sure that Jim's wealth of experience in the waste sector with Shanks plc and Waste Recycling Group Ltd will prove a valuable asset to the business as we move forward and Richard brings new ideas and a fresh approach. I look forward to working with them.



Roger McDowell
Non-executive chairman
29 March 2011

GROWTH OPPORTUNITIES

The board's priority continues to be the creation of long term shareholder value. The group is focused on the management of specialist wastes, usually of a hazardous nature and often in niche markets, using proven technology to fully utilise the group's assets and enhance the return on capital employed.

Low level waste

Refineries

Offshore

Energy and minerals

We will continue to develop opportunities during 2011 and convert these into new markets for the group.

Business review



Paul Blackler, Chief executive



Richard Allen, Finance director

Introduction

Following the challenging economic conditions of the previous year, 2010 represented a welcome return to stability for the group's businesses, aided by a gradual recovery in the waste markets. Revenues grew by 8% from the previous year as the group's broad service offering enabled it to source, treat and dispose of a range of largely hazardous wastes from across the waste sector.

The first half of the year was impacted by severe weather conditions during January and February, which hampered trading activity. Whilst the group was able to keep the majority of its sites open and to receive waste, the challenges experienced across the UK's transport network, along with difficulties at many of our customers' facilities, limited inputs. The remainder of the first half was characterised by improving volumes from the landfill and land remediation business and stability in throughputs at treatment sites as markets began to recover.

The second half of 2010 saw improved trading conditions across the waste sector and this, coupled with ongoing tight control over costs, allowed profitability to improve, delivering positive operating profit in the six month period. A further spell of severe weather during December temporarily reduced trading activity in the final month of the year, but the group entered 2011 with a well established trading and asset platform.

Summary of Business review

- Revenues grew by 8% from the previous year as the group's broad service offering enabled it to source, treat and dispose of a range of largely hazardous wastes.
- The established revolving banking facility, and improvements to trading and strict capital expenditure control, allowed reductions of net debt.
- Strategic development in response to the emerging markets will continue through 2011 as the group continues the alignment of its key services with market needs.
- The group's key focus for 2011 will be to improve profitability and fully utilise available assets.

The established revolving banking facility provided flexibility to support operational cash flows and capital expenditure and, with improvements to trading and strict capital expenditure control, allowed reductions of net debt from those experienced in the previous year.

Our staff continued to make a significant contribution towards the success of the business throughout 2010 despite working in periods of challenging operating conditions. We were focused on retaining the majority of the group's most experienced staff and managers but headcount reductions were made where appropriate to manage operating costs, resulting in a 10% fall in employee numbers over the period, with an average of 218 employees.

Two major capital investments were made during 2010, focused on the upgrade of the Indirect Thermal Desorption (ITD) plant at our Port Clarence Waste Recovery Park and the ongoing development of the East Northants Resource Management Facility (ENRMF), particularly for the future disposal of waste contaminated with low levels of radiation, known as Low Level Waste (LLW). The board believes both of these projects will provide significant opportunities for the group in the offshore, refinery and nuclear decommissioning markets respectively which we expect to realise during 2011.

TREATMENT DIVISION

The importance of dedicated treatment and transfer facilities for the sustainable management of hazardous wastes has been significantly enhanced by the implementation of the Landfill Directive.

Progress update:

- Revenue was £18.1m, an 8% increase from 2009
- New contracts secured for treatment of fly ash
- Upgrade of ITD plant at Port Clarence
- Key 2011 driver will be fuller utilisation of available site capacity

Operational highlights:

- Sales focus on business development
 - Pipeline development
 - Broader client base
 - Direct sales
- More aggressive pricing in difficult markets
 - Competitive landscape bringing consolidation
- Costs discipline
- Division continues to deliver consistent volumes into the landfill operations
- Well placed to deliver return on investment as markets recover



Business review

Introduction continued

The board has also remained focused on the long term strategic development of the group and enhancement of return on capital employed. The strategy has continued to evolve during the year in response to emerging opportunities and is set out in the strategy section of this business review.

The following sections of this report contain a number of key performance indicators (KPIs), which are used by the board to review and manage the business. As required by company law these KPIs are intended to provide clear information around the performance of the group.

The hazardous waste market

Data published by the Environment Agency during 2010 on the production of hazardous waste shows the significant contraction in overall output from 2008 to 2009. Volumes fell in those years by up to one third when compared to those seen before the UK recession. However, we have experienced gradual increases in waste outputs in 2010 and believe that the statistics for the year to be published later in 2011 will show a slow reversal of the previous trend for waste production declines.

The market has continued to move towards more sustainable methods of managing waste and the development of treatment, recycling and recovery remains the key focus for future waste management activities. A range of technologies is now available to waste producers to achieve recycling status for their waste, rather than rely on the historic propensity towards disposal. The implementation of the Waste Framework Directive and the development of the hazardous waste National Policy Statement (NPS) are both expected to reinforce this trend.

The group continues to take a strong role in the development of regulation and policy for hazardous waste. By engaging with government departments, local authorities and the regulators, we promote the industry viewpoint and modernisation of the sector, seeking to establish a positive regulatory and policy framework for the business. Augean served on the steering group for the DEFRA Strategy for Hazardous Waste Management published in March 2010 and contributed to the Nuclear Decommissioning Authority's Strategy for LLW and the Energy NPS. We look forward to engaging with DEFRA on the forthcoming Hazardous Waste NPS.

The strategy for Hazardous Waste Management is a key policy document promoting the development of a modern hazardous waste management sector based on the waste hierarchy. The strategy has a strong emphasis on investment and development of new infrastructure for hazardous waste treatment and recovery, in particular for organic waste. It will be underpinned in 2011 by the implementation in England and Wales of the Waste Framework Directive and hazardous waste hierarchy guidance. Anticipating the direction of policy travel, the Augean business model developed over the last four years is strongly aligned with the strategy. The establishment of stabilisation, recovery by thermal desorption and soil treatment and recycling centres are supported by, and contribute significantly to, this critical policy initiative. Augean is therefore well positioned to take full advantage of the policy as the economic circumstances improve.

Whilst the market is expected to continue its evolution during 2011, further significant legislative developments are not expected in the near term.

Strategy

The board's priority continues to be the creation of long term shareholder value. The group is focused on the management of specialist wastes, usually of a hazardous nature and often in niche markets, using proven technology to fully utilise the group's assets and enhance the return on capital employed.

The group's strategy has continued to evolve during 2010 in response to new market information and emerging opportunities, building upon the four strategic growth areas identified during 2009, namely: LLW; Energy; Offshore; and Refineries. The group continues to operate two divisions, providing an invested platform and the infrastructure to deliver growth within and beyond the identified areas.

Within the landfill division each opportunity is derived from the effective utilisation of the available land bank, either through the existing landfill assets or the development of new land uses. LLW has been identified as a key opportunity for the group in this regard and in May 2009 we began a public consultation process which resulted in an application being made

for the ENRMF near King's Cliffe to receive LLW from the nuclear decommissioning markets. The Development Control Committee of Northamptonshire Council met on the 16 March 2010 and, despite the planning officer's report strongly recommending approval, the original application was refused.

We remain confident that the disposal of LLW at ENRMF represents a significant opportunity for the group as this would establish the first landfill site permitted to take both non-hazardous and hazardous wastes with low levels of radioactivity in the UK. The disposal of LLW at appropriately permitted landfill sites is, we believe, consistent with government policy for the decommissioning of redundant nuclear facilities and, importantly, poses no risk to the local community or economy. As a result we announced our intention to appeal against the planning decision in April 2010 and the appeal hearing took place in Corby over three weeks in October. The subsequent report from the planning inspector was submitted to the Secretary of State for Communities and Local Government in February 2011 and we anticipate a final decision from the minister by 24 May 2011.

LANDFILL DIVISION

Augean's landfill division operates three modern hazardous waste landfill installations through an Integrated Management System (IMS) accredited through BSI.

Progress update:

- Revenue, excluding landfill tax and inter-segment sales of £10.9m
- Total throughout for division benefited from market recovery
- Volumes increased by 18% from 2009

Operational highlights:

- Business recovery based on cyclical economic recovery
- Key markets
 - Brownfield development
 - Demolition and construction
 - Industrial outputs
- Some positive macro economic conditions driven by landfill tax exemptions timetable to 2012
- Pipeline building as projects are revisited



Business review

LAND USE OPPORTUNITIES ARE BEING UNLOCKED BY THE GROUP IN THE DEVELOPMENT OF RENEWABLE ENERGY AND ALSO THE EXTRACTION OF MINERALS AVAILABLE AT OUR SITES.

Strategy continued

Land use opportunities are also being unlocked by the group in the development of renewable energy and also the extraction of minerals available at our sites. A renewable energy plant was installed during the year at the Port Clarence Waste Recovery Park on Teesside, allowing the generation of electricity using methane gas produced from within the neighbouring landfill site. The plant began operation in February 2011 and is expected to generate royalty income through the year. Minerals exploitation is possible at our Cook's Hole site in Northamptonshire, where significant deposits of limestone and sand are available for extraction adjacent to our existing Thornhaugh landfill site. The planning process for Renewal of Minerals Permission (ROMP) was concluded during the year and final approval is expected during the first half of 2011. The board is currently exploring the most appropriate mechanism for the commercial development of the site.

The treatment division continues to hold significant strategic value for the group, providing a broad range of waste management solutions to our customers. The division has expertise and capability in the treatment and disposal of contaminated soils and building rubble, incinerator fly ash, various chemicals and oil-based wastes, supported by a national network of transfer stations. The development of the identified offshore and refinery opportunities will be driven through the Indirect Thermal

Desorption (ITD) process at the Port Clarence Waste Recovery Park, which has been designed to treat and recover waste derived from the oil and gas refinery markets. Under the terms of our exclusive contract with Scomi Oiltools (Europe) Ltd (Scomi), drill cuttings wastes from the North Sea oil and gas sector began disposal at Port Clarence from April 2010. Having reviewed the potential future market for offshore drill cuttings, UK refineries and possible trans-frontier shipment of oil-based wastes the board took the decision to upgrade the capacity of the ITD plant and this work began in August 2010. The plant upgrade has involved an expansion and reconfiguration of the facility to allow treatment of up to 28,000 tonnes of offshore and refinery waste per annum (increased from the previous 10,000 tonnes capacity). We have taken steps to strengthen our relationship with Scomi as a strategic partner in the offshore waste market and have also recruited staff with the specialist skills and knowledge to optimise the returns from our indirect thermal desorption recovery capabilities.

Strategic development and the shaping of the group's divisions in response to the emerging markets will continue through 2011 as the group continues the alignment of its key services with market needs. Where investment is required to realise strategic opportunities the group will utilise its existing loan facilities in the first instance. The group has capacity to increase its debt in response to investment needs.

Divisional review

Landfill division

Revenue excluding landfill tax and inter-segment sales was £10.9m (2009: £11.4m) from total landfill volumes of 303,261 tonnes (2009: 257,938 tonnes), representing a volume increase of 18% year on year. Hazardous volumes fell slightly from the previous year at 192,910 tonnes (2009: 195,745 tonnes) although 2009 did include approximately 10,000 tonnes in respect of the one-off Olympics project. Non-hazardous volumes increased significantly to 110,351 tonnes (2009: 62,193 tonnes).

Hazardous wastes were disposed at an average price of £45/tonne (2009: £48/tonne) reflecting the highly competitive marketplace and current availability of landfill disposal capacity in the UK. Total revenues were based on lower average prices at £36/tonne (2009: £40/tonne) following the changed mix towards non-hazardous material.

Total throughput for the division benefited from the current micro-climate created by the availability of landfill tax exemption certificates for certain customers creating an incentive to remediate brownfield sites before these exemptions expire on 1 April 2012. The increase in non-hazardous volumes particularly related to the processing of treated materials utilising the soil treatment centre at our East Northants Resource Management Facility, enhancing the group's ability to treat and recycle remediated soils and rubble prior to disposal. This has introduced flexibility in our service offering to customers providing a recycling option for their waste as opposed to the traditional disposal route.

Operating profit before exceptional items was £3.0m (2009: £4.6m) after charging central costs and overheads. The comparative performance for 2009 included £2.4m in respect of one-off items and adjustments.

Treatment division

Revenue for the division was £18.1m (2009: £16.7m), representing an increase of 8% from the previous year. A gradual recovery in markets saw revenues rise in the second half of the year (H1: £8.6m; H2: £9.5m).

The majority of the division's sites made positive contributions to profit before the allocation of central overheads, with year on year improvements to performance. The division also secured new

contracts for the treatment of incinerator fly ash, taking the treated volume up to approximately 50,000 tonnes per annum.

The decision to upgrade the ITD plant at Port Clarence led to performance below original expectations at that site with the plant not processing wastes during the period from August to December 2010. The benefits from the upgrade are expected to be seen during 2011.

The Cannock facility improved its performance in the first nine months of the year, benefiting from increased inputs of incinerator fly ash and the ability to both stabilise and neutralise ash with high value acids sourced from specialist producers. Disappointingly this progress was halted during the final quarter following a safety incident in the tank farm facility at the site on 5 November 2010. The tank farm processes acids and other caustic liquids in preparation for mixing with solid wastes, such as incinerator ash, producing a stable material suitable for disposal to landfill. The incident was caused by an explosion in one section of the tank farm causing damage to certain tanks and associated pipework. Reviews of the causes of the incident have been undertaken by the Health and Safety Executive and the company and the facility remains out of operation at the date of this report. We have engaged with our insurers to progress a claim for the reinstatement of the tank farm and are receiving ongoing financial support for the loss of profit margin from the associated business interruption. As part of this process we are also considering the most appropriate reinstatement programme for the site.

The division made an operating loss of £2.2m (2009: £2.3m) after charging central costs and overheads. The division is returning towards the revenues delivered in 2008 when local operating profit was sufficient to exceed central and support costs. The performance of each site and the division as a whole will be activity managed during 2011, with a key driver of future profitability being fuller utilisation of available capacity at sites where throughputs were lost during the UK recession.

Business review

Financial review

Trading

Net revenue excluding landfill tax for the year ended 31 December 2010 increased by 3% to £29.0m (2009: £28.1m). With the inclusion of landfill tax charged to customers, on which the group makes no margin, of £5.1m (2009: £3.4m), total group revenue rose by 8% to £34.1m (2009: £31.5m).

Operating profit and exceptional costs

Operating profit before exceptional costs decreased to £0.8m (2009: £2.3m) and profit before tax and exceptional costs to £0.4m (2009: £1.3m), slightly ahead of revised market expectations of a breakeven performance. This improvement was driven by improved trading conditions in the second half of the year.

Under IFRS, an annual impairment review must be performed for each cash-generating unit (CGU) in accordance with IAS 36 'Impairment of Assets'. The group has completed this exercise and determined that no change is required to the carrying value of the goodwill at the year end date.

Statutory operating profit benefited from the release of a provision of £0.4m relating to landfill tax liabilities, treated as an exceptional item and also included restructuring charges of £0.2m (2009: £0.2m) in exceptional items. The exceptional adjustments increased profit attributable to equity shareholders to £0.4m (2009: loss £54.6m).

Finance costs

Total finance charges benefited from the use of a single loan facility and positive cash flows, reducing to £0.4m (2009: £1.2m). This included a £0.1m (2009: £0.1m) unwinding of discounts on provisions.

Jointly controlled entity

The group's Terramundo joint venture with DEC NV continued to be on hold during 2010 while the market for its services recovered. There was no trading during the year and as a result Terramundo delivered a small loss of £0.03m (2009: £0.06m). Both joint venture parties remain committed to this strategic venture and look forward to a return to trading as markets recover.

Tax

The group has continued to benefit from the utilisation of tax losses in its landfill businesses during the year. A deferred tax asset of £0.1m, released during the year, represented the only tax charge for the group. Following the use of available tax losses the group expects that it will begin to pay increased levels of tax from 2011 onwards.

Dividend

The board does not recommend the payment of a dividend for the year ended 31 December 2010. The board will continue to review the group's financial situation in order to ensure that dividends are paid to shareholders at an appropriate point in the group's development.

Revenue
including landfill tax

£34.1m

(2009: £31.5m)

Cash flow
from operations

£5.8m

(2009: £4.0m)

Net debt

£3.9m

(2009: £6.0m)

NET DEBT FELL TO £3.9M... BASED ON POSITIVE FREE CASH FLOW...

Earnings per share

Basic earnings per share adjusted to exclude the impact of exceptional costs were 0.24p (2009: 1.80p). The number of shares in issue at 31 December 2010 was unchanged from 31 December 2009, at 99.7m. There were no dilutive outstanding share options at either year end.

Cash flow

The group delivered earnings before interest, tax, depreciation and amortisation (EBITDA) of £5.6m (2009: £5.8m) and net cash generated from operating activities of £5.4m (2009: £3.0m). Net cash used in investing activities fell to £3.4m (2009: £4.4m), with £3.2m spent on purchases of property, plant and equipment as the group continued to invest in the development of strategic opportunities. Net debt fell to £3.9m (2009: £6.0m), based on positive free cash flow of £1.8m (2009: negative £2.6m) and generating a gearing level (net debt/shareholders' equity) of 9% (2009: 13%).

Financing

The group continued to use a revolving loan facility of £10.0m, supplemented by finance leases secured on certain plant, as the sources of financing its activities. The facility is subject to covenants on the ratio of net debt to EBITDA and the ratio of net debt costs to earnings before interest and tax (EBIT). These covenants are tested at the end of each trading quarter and each test was achieved at the relevant dates throughout the year. At 31 December 2010, the undrawn loan facilities available to the group were £7.0m.

Business review

CORPORATE SOCIAL RESPONSIBILITY

The group contributes to many local initiatives through the Landfill Tax Credit Scheme and this will continue to be an important area of support for the communities in the areas in which the group operates.

Initiatives supported in 2010:

- The Salthome International Nature Reserve
- Recreational facilities and Youth Club in Kings Cliffe village
- Investment in Bedford Purlieus Site of Special Scientific Interest

Augean recognises the important role that it has within local communities and aims to maintain an open dialogue with its neighbours about its activities and plans. This is achieved through regular liaison committees, newsletters and open days. The group welcomes this interaction with the local community and is committed to listen to feedback and suggestions.

Principal risks and their mitigation

The performance of the business is linked to economic activity in the markets it serves, principally the industrial and construction sectors. Fluctuations in the economy in these sectors therefore affect group performance, as do inflationary and other pressures from the wider economy. Risks are mitigated by diversifying the customer base as far as possible and by linking gate fees, wherever possible, to prevailing commodity prices. In addition to this general economic risk there are a number of risks specific to the waste industry.

The group uses a range of resources to manage and mitigate against its risks, including the adoption of a broad range of internal controls, which are set out in the Governance section of this report on page 22.

Environmental legislation

Regulation is a key driver of the waste market. This is further complicated by the ongoing change in legislation resulting from the increased profile of environmental issues. Changes in legislation (including tax legislation with environmental goals) or its interpretation can have a significant and far reaching impact on markets. The group endeavours to mitigate this risk by employing high quality technical management to interpret the evolving legislative framework and its impact on the group's operations. In addition, the group maintains a presence on a number of industry groups to have influence in the shaping of policy.



Environmental compliance

All operating sites and activities are regulated by environmental authorities in line with the requirements set out within licences and permits. These licences and permits are required to carry on the business. Therefore the negotiation of, and compliance with, their terms is of paramount importance as withdrawal or temporary suspension could have a significant impact on the group's ability to operate. Adherence to the highest environmental standards is also important to ensure the maintenance of good relations with local communities and to satisfy customers. The group mitigates this risk through the employment of technical expertise throughout the group and through the provision of training to develop the group's staff to understand their role in ensuring compliance is maintained. Further details of how the group monitors and controls environmental compliance are given in the group's corporate social responsibility (CSR) report.

The group also relies on its principal regulator, the Environment Agency, to ensure that other operators within the industry are adhering to the standards required on a local, regional and national basis. The success of the regulator in achieving this is critical in providing a level playing field and a positive climate for investment in responsible waste management practices. The group maintains an active dialogue with the Environment Agency to promote the best interests of the industry and of the environment as a whole.

Health and safety

By its nature, the waste industry has inherent risks in the area of health and safety. The board believes that the group's employees are its most important and valuable assets and their health and safety is vital to the continued success of the business. The group continues to invest and resource the business to ensure that the highest health and safety standards are required and applied. Further details of the group's approach to health and safety can be found in the CSR report.

Price risk

The waste sector has experienced significant changes in the commercial framework for the management of hazardous waste over the past few years. Price pressure is inherent in the sector where a range of technologies and solutions are available to waste producers for the ultimate disposal of their wastes. The group reviews its pricing policies on an ongoing basis to ensure that it influences and stabilises the market, whilst responding to emerging trends and customer needs. All services are kept under review to ensure that price changes in the market do not lead to uneconomic activities being undertaken by the group.

Input prices

The group is subject to the same inflationary pressures as other businesses but we see particular risks from escalating oil and gas prices and the subsequent impact of fuel costs, which could restrict the movement of wastes from producers and subsequently impact revenue streams. This position is closely monitored by management and feeds into pricing decisions.

Transport disruption

The group relies on the delivery of wastes to its sites to secure revenues and any disruption to local or national networks, for example in severe weather conditions, can delay or possibly lose revenue for the group. Mitigation is provided as far as possible through the use of its own fleet of vehicles and the ability to accept wastes into sites in different geographical locations before onward transfer to their final treatment or disposal destinations.

Tax legislation

The use of tax legislation to drive environmental objectives, particularly the diversion of wastes away from landfill disposal and towards greater treatment and recycling, represents a long term risk. The escalation of landfill tax by £8/tonne in each year up to 2013 may encourage some customers to divert volumes away from our sites. The full rate of landfill tax will rise to £56/tonne on 1 April 2011 and reach £72/tonne on 1 April 2013. To mitigate against this risk the group has developed a range of treatment solutions for customers.

Business review

THE BOARD WILL CONTINUE TO DEVELOP THE STRATEGIC OPPORTUNITIES AVAILABLE TO THE GROUP AND REVIEW FURTHER OPTIONS FOR GROWTH.

The environment, employees and the community

The group recognises the important role it plays in the environment and communities within which it operates. The health and safety of our employees and compliance with regulation are key business priorities which we believe are complementary to strong financial performance. Augean is committed to conducting its business operations in a responsible manner and we recognise the need to continually improve our operations where practical to do so in order to reduce our impact on the environment and ensure the safety and welfare of our employees and neighbours.

The group has a commitment to mitigating any adverse effects of its operations and this is explained further in the detailed CSR report published alongside the annual report.

The environment

All operating sites and activities are strictly regulated by environmental authorities through a range of regulations. In the context of hazardous waste the principal instrument driving standards is the Integrated Pollution Prevention and Control Directive, which provides an integrated approach to pollution control to prevent emissions into air, land or water. The implementation of the standards continues to move the waste sector from a low technology base to compliance with Best Available Technique (BAT). BAT requires a review of each activity and the implementation of the highest standards to minimise emissions, be energy efficient,

reduce waste and consumption of raw materials, manage noise, vibration and heat loss and ensure accident prevention is in place.

The business continues to deliver the objectives of BAT through its operations and works closely with the regulators to ensure that Augean is a leader in compliance in the sector. The group operates through well developed environmental controls and compliance systems, involving suitably qualified people in the management of all aspects of its operations. Reported environmental data, both internally used and provided to regulators, continues to show that the group's operations do not result in a significant impact on the local environment.

Employees

The group's employees are vital to its ongoing success and over the past year they have continued to support the business, often in difficult operating conditions. The group-wide pay freeze imposed in 2008 in response to the challenging trading environment continued throughout 2010 and the board continues to appreciate the dedication and support shown by employees despite the recent challenges.

Training and development of employees is vital to the group, particularly given the highly technical nature of the waste industry and some of the processes it operates. We continue to recruit and provide training to our people with a range of technical qualifications in the fields of chemistry,

engineering, project management and general operations, in addition to commercial and support activities.

The health and safety of employees remains a high priority for the board and the group continued to conduct safety campaigns at all sites during the year.

Campaigns focused on a range of potential hazards and their mitigation.

As part of this commitment to ongoing personal development a new programme was introduced during 2010 for senior managers focused on enhancing the leadership abilities of the management teams. This will continue into 2011.

The community

Augean recognises the important role that it has within local communities and aims to maintain an open dialogue with its neighbours about its activities and plans. This is achieved through regular liaison committees, newsletters and open days. The group welcomes this interaction with the local community and is committed to listen to feedback and suggestions.

As in previous years the group contributed to many local initiatives through the Landfill Tax Credit Scheme and this will continue to be an important area of support for the communities in the areas in which the group operates. In addition, the group makes contributions to local organisations, particularly in the area neighbouring its landfill sites at King's Cliffe and Thornhaugh. Initiatives supported during 2010 included the Salthome International Nature Reserve in the Tees Valley, recreational facilities and Youth Club in King's Cliffe village and investment in Bedford Purlieu Site of Special Scientific Interest.

Outlook


The board remains cautiously optimistic over the outlook for the year ahead. Trading has been positive during the first quarter, although not significantly ahead of our plans.

The group's key focus for 2011 will be to improve profitability and fully utilise available assets. The operationally geared nature of the group should convert improved revenues from recovering waste markets into positive profit and cash flow performance.

The board will continue to develop the strategic opportunities available to the group and review further options for growth. We await a positive outcome from the appeal to dispose LLW at ENRMF and hope to activate this operation in the second half of the year.



Paul Blackler
Chief executive
29 March 2011



Richard Allen
Finance director
29 March 2011

Board of directors



01

Roger McDowell

Chairman and non-executive director, 55

Roger is a seasoned senior manager of 30 years' standing. Having developed the Oliver Ashworth Group through dramatic growth, main market listing and sale to St. Gobain, he then took a number of non-executive roles including chairmanships in both public and private equity backed businesses. Roger is currently chairman of Avingtrans Plc, a non-executive director of I S Solutions Plc and a director of several private companies. He joined the board of Augean in 2004 and became chairman on 23 March 2010.

03

Richard Allen

Finance director, 40

Richard joined Augean in September 2010 and was appointed to the board as finance director. He is a qualified management accountant with over 15 years' experience across manufacturing, supply chain, consumer goods, utilities and corporate finance. He previously held senior finance positions with Nestle UK&I Ltd and Kelda Group Ltd.

05

Andrew Bryce

Non-executive director, 63

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 regulatory defence and board level advice on environmental management, strategy 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 of the United Kingdom Environmental Law Association of which he is an honorary life member. He was appointed to the board of Augean in June 2005.

02

Paul Blackler

Chief executive, 41

Paul is a member of the Royal Society of Chemistry and has extensive experience in the leadership of businesses in the emerging waste sector. Prior to joining the group in December 2004, Paul held senior positions with Shanks Group Plc and was instrumental in developing innovative service solutions and technologies to the market whilst also taking on the challenges of delivering business growth strategies. Paul joined Augean on its formation heading up transaction, operational, development and commercial roles before becoming chief executive in December 2007.

04

Rory Macnamara

Non-executive director, 56

Rory is a chartered accountant with a wide range of corporate finance transaction experience. He was previously head of mergers and acquisitions at Deutsche Morgan Grenfell and latterly a managing director at Lehman Brothers. He currently holds a number of directorships including Izodia Plc, Raven Mount Group Plc, Carpathian Plc, Dunedin Income Growth Investment Trust Plc and Private Equity Investor Plc. He was appointed to the board of Augean in November 2006.

06

Jim Meredith

Non-executive director, 50

Jim has significant experience of the waste industry having held several senior roles within the sector. He was formerly chief executive of Waste Recycling Group (WRG), the UK's largest landfill and waste disposal business which also provides services to the decommissioning markets. He had previously worked with TerraFirma Capital Partners (TFCP) advising on and overseeing their acquisition of WRG in 2003. Prior to TFCP Jim was an executive director of Shanks Plc, a major European player in the environmental services markets. He has held numerous directorships with public and private businesses. He was appointed to the board of Augean in December 2010.

Corporate governance

Augean is committed to high standards of corporate governance in all its activities. While the company is not required under AIM rules to comply with the 2008 FRC Combined Code (the Code), the board recognises the value of the Code and has regard to its requirements as far as is practicable and appropriate for a public company of its size and nature.

The board of directors

Following the appointment of Jim Meredith to the board on 16 December 2010, the board currently comprises a non-executive chairman, three further independent non-executive directors, the chief executive and the finance director. The chairman has primary responsibility for running the board and the chief executive, supported by the finance director, is responsible for developing strategic plans and initiatives for consideration by the board and for their operational delivery.

The non-executive directors bring a variety of different experience to the board, are considered to be independent of management and ensure that rigour is applied to the board decision-making process. During the year under review, Andrew Bryce, a non-executive director and environmental lawyer, provided specialist assistance to the board in connection with matters of a legal and environmental nature. Further details are provided in the remuneration report but the board confirms that, in its opinion, the independence of this director has not been compromised as a result of this additional service.

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. All directors have access to the advice and services of the company secretary, who is also responsible for ensuring that board procedures are followed. Any director may take independent professional advice, if necessary, at the company's expense.

The board meets formally at least eight times a year but additional meetings are held to review and approve special matters if necessary. During 2010, no director was absent from more than one board meeting. Each director is provided with sufficient timely information to enable full consideration of matters in advance of meetings and proper discharge of duties. There is a formal schedule of matters reserved for the board which includes published financial statements, strategy, acquisitions, significant capital projects, budgets and borrowing facilities.

Executive directors' normal retirement age is 60 and non-executive directors' normal retirement age is 65. One third of all directors are subject to re-appointment by shareholders each year. Any director appointed to the board during the year is subject to election by shareholders at the following annual general meeting (AGM).

With effect from 1 October 2008, the Companies Act 2006 introduced a statutory duty on directors to avoid conflicts of interest. Shareholders approved new Articles of Association at the 2008 AGM giving directors authority to approve situations involving any such conflicts and to allow conflicts of interest to be dealt with by the board. All directors are required to notify the company on an ongoing basis of their other commitments and these are formally recorded in the minutes of board meetings. The company has established procedures for ensuring that the board's powers for authorising directors' conflicts of interest are operated effectively.

Board committees

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

Audit committee

The audit committee comprises the non-executive directors, is chaired by Rory Macnamara, and meets at least twice a year. The external auditor and the executive directors are regularly invited to attend the meetings but the committee also has access to the external auditor's advice without the presence of the executive directors. 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 and independence of the auditor. It also reviews, prior to publication, the interim report, the preliminary announcement, the annual financial statements and other information included in the annual report.

Remuneration committee

The remuneration committee comprises the non-executive directors and is chaired by Roger McDowell. It meets at least twice a year and reviews and advises upon the remuneration and benefits packages of the executive directors and other senior management of the group, including the Long Term Incentive Plan (LTIP). The remuneration of the chairman and non-executive directors is agreed upon by the full board. The directors' remuneration report on pages 27 to 29 contains details of directors' remuneration and interests in the company's shares.

Board committees *continued***Nomination committee**

The nomination committee comprises the non-executive directors and is chaired by Andrew Bryce. It meets as required in order to review the structure, size and composition of the board. It is responsible for the selection and recommendation of suitable candidates for appointment to the board.

Internal controls

The board has overall responsibility for the group's system of internal control and for reviewing its effectiveness, while the role of management is to implement board policies on risk management and control. The system is designed to provide reasonable but not absolute assurance against material misstatement or loss.

The group operates a series of controls to meet its needs. Key features of the control system include the following:

- an annual review of business risks affecting the group which also identifies procedures to manage and mitigate those risks;
- monthly reports to the board on key risks and their management;
- maintenance of a risk register, covering the key health and safety, regulatory and financial risks faced by the group and how these may be mitigated;
- an annual strategic planning and budgeting process;
- a clearly defined organisational structure with terms of reference for board committees and responsibilities and authorisation limits for executive management;
- monthly visits by the executive directors and group senior management to key operating locations to meet with local management and review business performance;
- a range of compliance management systems at the group's sites subject to external review, including certification to ISO 9001, ISO 14001 and OHSAS 18001; and
- reviews by senior management and the board of monthly financial and operating information, including comparisons with budgets and forecasts.

From January 2011 the group has implemented the use of balanced scorecards, containing key performance indicator targets, as a mechanism for monitoring and managing the monthly performance of key operations.

The audit committee receives reports from management and the auditor concerning the system of internal control and any control weaknesses.

The board does not believe it is currently appropriate to establish a separate, independent internal audit function given the size of the group but keeps this position under review.

Investor relations

The board has an active investor relations programme and believes in maintaining good communication with all stakeholders including institutional and private shareholders, analysts and the press. The executive directors are available to meet with institutional shareholders and analysts following the announcement of interim and final results. The group's brokers and financial PR advisers provide feedback from these meetings to the board.

The chairman is available to shareholders at any time to discuss strategy and governance matters.

All shareholders have access to the interim and annual reports and are invited to attend the AGM at which all board directors are present. The group periodically hosts presentations at its sites for the investor community and provides detailed information for shareholders and the general public on its website, www.augeanplc.com.

AGM

At the AGM on 7 June 2011, Andrew Bryce will retire by rotation in accordance with the Articles of Association and being eligible, he offers himself for re-election. Jim Meredith and Richard Allen, both having been appointed since the last AGM, will offer themselves for re-election. No director has a contract with an unexpired notice period of more than twelve months.

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2010.

Principal activity and business review

The principal activity of the group is the provision of hazardous waste management services. These services include hazardous landfill and treatment services. The group operates solely within the United Kingdom.

The chairman's statement and business review on pages 6 to 19 provide a review of the business of the group together with an indication of future prospects.

Results and dividends

The group's profit after tax for the year was £0.4m (2009: loss £54.6m) on turnover of £34.1m (2009: £31.5m).

The directors have not recommended a dividend for the year (2009: £nil).

Environmental policy

The quality of the environment is an important concern for the group, its employees, customers, suppliers and the communities in which the group operates. The group continues to adopt high standards of environmental practice and aims to minimise its impact on the environment wherever possible. Further details of the group's actions in this area can be found in the separately published CSR report.

Payment of creditors

The group's policy is to settle invoices promptly according to terms and conditions as far as is practicable. Trade creditors at the year end date represented 39 days' purchases (2009: 43 days'). The company adopts the same policy and its trade creditors at the year end date represented 37 days' purchases.

Management of risks

The group has developed procedures for the management of risks relating to price, credit, liquidity and cash flow. Further details of these are included in note 23 to the financial statements.

Employees

The group's policy is to ensure the adequate provision for the health, safety and welfare of its employees and of other people who may be affected by its activities. The success of the group depends on the skill and motivation of its workforce and it is the group's policy to ensure close consultation with employees on matters of concern to them.

In compliance with current legislation, the group encourages 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 year the group contributed £243,000 (2009: £264,000) of its landfill tax liability to Entrust registered environmental bodies as permitted by government regulations. It also made other charitable donations amounting to £7,000 (2009: £8,000).

No political donations were made during the year (2009: £nil).

Directors

The composition of the board of directors is shown on pages 20 and 21. Details of the directors' interests and remuneration are given in the directors' remuneration report on pages 28 and 29. During the year Peter Southby resigned as finance director and Richard Allen was appointed to replace him. Jim Meredith was also appointed to the board as a non-executive director.

Substantial shareholdings

The company had been notified of the following interests of more than 3% in its shares as at 28 February 2011:

Fund manager	Number of shares	%
One 51	17,610,200	17.66
Ingot Capital Management (Utilico)	14,772,163	14.82
JO Hambro Capital Management	12,276,286	12.31
Gartmore Investment Management	8,299,944	8.32
Invesco Perpetual	4,498,720	4.51
Guinness Peat Group	4,342,279	4.36
Octopus Investments	3,703,150	3.71
Henderson Global Investors	3,559,188	3.57
Aviva Investors	3,432,979	3.44

Corporate governance

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

Qualifying third party indemnity provisions (as defined in the Companies Act 2006) have been entered into by the company for the benefit of all directors, which indemnify the directors against third party claims brought against them in their capacity as directors of the company to the extent permitted by law and such provisions continue in force at the date of this report.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the business review on pages 8 to 19. Details of the group's financial position, cash flows, liquidity position and borrowing facilities are included in the financial review section of the business review. Further information on the group's financial risks and their management is given in note 23.

As highlighted in note 23 the group meets its short term working capital requirements through an overdraft and revolving loan facility which is due for renewal on 30 November 2012. The group's forecasts and projections, taking account of reasonably possible changes in trading performance and market value of the group's assets, show that the group should be able to operate within the level of its current facility, including any capital investment expenditure.

The group has previously been successful in generating cash flow from operating activities despite challenging economic conditions and the high operational gearing of the landfill division in particular provides confidence that cash generation can be expected in the future. The group also retains some discretion over the nature and timing of significant capital expenditure, allowing future liquidity to be managed, with the only exception to this being the need to engineer new landfill cells as available void space nears exhaustion. Cell engineering is aligned with cash flows through well developed capital planning processes.

The loan facility is subject to certain covenants, focused on the cover of interest costs and the ratio of net debt to available operating profit. Cash flow forecasts for the next twelve months indicate the group's ability to operate within these covenants.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. The group has a small value of net current liabilities at 31 December 2010 and the directors have therefore further considered the company's ability to continue as a going concern. On the basis of detailed forecast cash flows for the next twelve months the directors are confident that the company will be able to meet its liabilities as they fall due. As a result these financial statements have been prepared on a going concern basis.

Directors' report

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and 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 accounting estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

Insofar as each of the directors is aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company'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.

Auditor

Grant Thornton UK LLP has expressed willingness to continue in office. In accordance with Section 489(4) of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP will be proposed at the AGM.

By order of the board



Paul Blackler
Chief executive
29 March 2011

Directors' remuneration report

Remuneration committee

The remuneration committee comprises the non-executive directors and is chaired by Roger McDowell. The principal objective of the remuneration committee is to attract, retain and motivate talented people with a competitive package of incentives and awards linked to performance and the interests of shareholders.

The committee uses the services of independent external advisers as required.

Remuneration of the non-executive directors, including the chairman, is determined by the board as a whole. Subsequent to the period under review, the remuneration committee has agreed to review the long term incentives available to all directors and ensure that these are adequately aligned with the interests of shareholders.

Current remuneration package

The current remuneration package of the executive directors comprises:

(i) Basic salaries

Basic salaries for executive directors take into account the performance, experience and responsibilities of the individuals concerned, as well as the salaries of those with similar positions and responsibilities. External advice is taken as appropriate and basic salaries are reviewed annually. No increases have been applied to executive directors' salaries for the past three years.

(ii) Performance related bonus

The executive directors participate in a bonus scheme applicable to all senior management based on annual profit targets approved by the remuneration committee. The achievement of these targets would result in a bonus of 50% of basic salary. No bonus has been awarded in respect of 2010.

(iii) Pension provision and other benefits

Pension provision is made at a rate of 10% of basic salary for executive directors, which is payable directly into a nominated pension fund. Other benefits for executive directors include a car allowance, life assurance and private healthcare.

(iv) Long Term Incentive Plan

Under the Long Term Incentive Plan (LTIP) senior employees may be granted an award annually of up to 100% of basic salary. The award vests in the form of shares in the company and is subject to the attainment of pre-determined performance conditions over a three year period. For the 2009 award, participants will receive 100% of the award if the group's normalised pre-tax profit in the year ending 31 December 2011 is £11.3m. No award will vest unless the profit is at least £3.3m, at which level 30% of the award would apply. No award was made in 2010 and the LTIP scheme is currently subject to a review by the remuneration committee.

(v) Share options

Consistent with the revised policy, since December 2009, no share options were granted during 2010. The use of share options is currently subject to a review by the remuneration committee.

Service contracts

Executive directors have rolling service contracts with notice periods of not more than twelve months.

Directors' remuneration report

Directors' interests

The beneficial, family and contingent interests of the directors in the share capital of the company were as follows:

	Beneficial shares Number	Share options Number	LTIP Number	Total shares Number
At 31 December 2010				
Paul Blackler	23,000	455,695	610,057	1,088,752
Richard Allen	—	—	—	—
Roger McDowell	191,342	—	—	191,342
Andrew Bryce	11,419	—	—	11,419
Jim Meredith	—	—	—	—
Rory Macnamara	15,224	—	—	15,224
At 31 December 2009				
David Williams*	730,744	500,000	—	1,230,744
Paul Blackler	23,000	455,695	610,057	1,088,752
Peter Southby**	22,834	354,430	478,621	855,885
Roger McDowell	91,342	—	—	91,342
Andrew Bryce	11,419	—	—	11,419
Rory Macnamara	15,224	—	—	15,224

* Resigned on 23 March 2010.

** Resigned on 24 August 2010.

Directors' emoluments

The emoluments of the directors were as follows:

	2010 Basic fee/salary £'000	2010 Bonus £'000	2010 Pension contributions £'000	2010 Other emoluments £'000	2010 Total £'000	2009 Total £'000
David Williams	30	—	—	30	60	90
Paul Blackler	180	—	18	13	211	210
Peter Southby	87	—	9	7	103	165
Richard Allen	46	—	6	3	55	—
Roger McDowell	47	—	—	—	47	28
Andrew Bryce	26	—	—	37	63	40
Jim Meredith	—	—	—	—	—	—
Rory Macnamara	26	—	—	—	26	28
	471	—	33	60	565	561

Other emoluments for Paul Blackler, Peter Southby and Richard Allen include car allowance, pension contributions and other benefits such as medical insurance. For Andrew Bryce they relate to specialist assistance provided to the board in connection with certain legal matters. For David Williams they relate to compensation for loss of office.

Directors' share plans

LTIP	Award date	Earliest vesting date	Market price at award date	Number of shares 2009	Granted in year	Number of shares 2010
Paul Blackler	05.07.2007	05.07.2010	130.25p	74,403	—	74,403
	29.04.2008	29.04.2011	78.50p	193,882	—	193,882
	21.12.2009	21.12.2012	39.50p	341,772	—	341,772
Peter Southby**	05.07.2007	05.07.2010	130.25p	62,002	—	62,002
	29.04.2008	29.04.2011	78.50p	150,797	—	150,797
	21.12.2009	21.12.2012	39.50p	265,822	—	265,822
				1,088,678	—	1,088,678

Share option schemes	Award date	Earliest vesting date	Market price at award date	Number of shares 2009	Granted in year	Lapsed in year	Number of shares 2010
David Williams*	15.12.2004	15.12.2004	180.00p	500,000	—	—	500,000
Paul Blackler	14.12.2005	14.12.2008	147.50p	—	—	—	—
	21.12.2009	21.12.2012	39.50p	455,695	—	—	455,695
Peter Southby**	30.10.2006	30.10.2009	138.25p	—	—	—	—
	21.12.2009	21.12.2012	39.50p	354,430	—	—	354,430
				1,310,125	—	—	1,310,125

* Resigned on 23 March 2010.

** Resigned on 24 August 2010.

The latest date for exercise of all share options is ten years after the award date. The mid market price of the company's shares at 31 December 2010 was 26.50p. The range of the share price during the year was 23.50p to 39.75p.

On behalf of the remuneration committee



Roger McDowell

Chairman of the remuneration committee

29 March 2011

Independent auditor's report to the members of Augean PLC

We have audited the financial statements of Augean PLC for the year ended 31 December 2010 which comprise the group statement of comprehensive income, the group and parent company statement of financial position, the group and parent company statements of cash flow, the group and parent company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Andrew Wood

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Leeds

29 March 2011

Consolidated statement of comprehensive income

for the year ended 31 December 2010

	Note	Before exceptional items 2010 £'000	Exceptional items 2010 £'000	Total 2010 £'000	Before exceptional items 2009 £'000	Exceptional items 2009 £'000	Total 2009 £'000
Revenue		34,120	—	34,120	31,540	—	31,540
Operating expenses	3	(33,353)	185	(33,168)	(29,213)	(55,665)	(84,878)
Operating profit/(loss)		767	185	952	2,327	(55,665)	(53,338)
Finance charges	4	(399)	—	(399)	(995)	(189)	(1,184)
Share of loss of jointly controlled entity	8	(14)	—	(14)	(30)	—	(30)
Profit/(loss) before tax		354	185	539	1,302	(55,854)	(54,552)
Tax	6	(117)	—	(117)	—	—	—
Profit/(loss) for the year attributable to equity shareholders of the parent company	3	237	185	422	1,302	(55,854)	(54,552)
Total comprehensive income attributable to equity holders of the parent company		237	185	422	1,302	(55,854)	(54,552)
Earnings per share							
Basic and diluted	7	0.24p	0.18p	0.42p	1.8p	(76.6p)	(74.8p)

The notes on pages 36 to 64 form an integral part of these financial statements.

Statements of financial position

at 31 December 2010

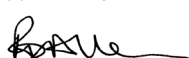
	Note	Group		Company	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
Non-current assets					
Goodwill	9	21,705	21,705	—	—
Other intangible assets	10	49	130	45	42
Investments	11	—	—	55,581	55,581
Property, plant and equipment	12	35,245	36,133	782	804
Deferred tax asset	6	4	121	—	—
Trade and other receivables	13	482	—	482	—
		57,485	58,089	56,890	56,427
Current assets					
Inventories		116	130	—	—
Trade and other receivables	13	6,918	7,538	446	608
Cash and cash equivalents		160	335	156	131
		7,194	8,003	602	739
Current liabilities					
Trade and other payables	14	(7,231)	(7,809)	(9,033)	(11,069)
Current tax liabilities		(4)	(561)	—	—
Financial liabilities	15	(436)	(450)	(4,034)	—
		(7,671)	(8,820)	(13,067)	(11,069)
Net current liabilities		(477)	(817)	(12,465)	(10,330)
Non-current liabilities					
Financial liabilities	15	(3,614)	(5,864)	(2,882)	(4,746)
Provisions	16	(7,737)	(6,191)	—	—
Share of losses of jointly controlled entity	8	(460)	(446)	—	—
		(11,811)	(12,501)	(2,882)	(4,746)
Net assets		45,197	44,771	41,543	41,351
Shareholders' equity					
Share capital	17	9,970	9,970	9,970	9,970
Share premium account		114,960	114,960	114,960	114,960
Retained losses		(79,733)	(80,159)	(83,387)	(83,579)
Total shareholders' equity		45,197	44,771	41,543	41,351

The notes on pages 36 to 64 form an integral part of these financial statements.

The financial statements were approved by the board on 29 March 2011 and signed on its behalf by:



Paul Blackler
Chief executive



Richard Allen
Finance director

Augean PLC

Registered number: 5199719

Statements of cash flows

for the year ended 31 December 2010

	Note	Group		Company	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
Operating activities					
Cash generated from/(used in) operations	20	5,816	3,990	(1,476)	2,101
Interest paid		(297)	(757)	(391)	(788)
Tax paid		(72)	(199)	—	—
Net cash generated from/(used in) operating activities		5,447	3,034	(1,867)	1,313
Investing activities					
Proceeds on disposal of property, plant and equipment		32	49	—	—
Purchases of property, plant and equipment		(3,159)	(5,131)	(47)	(36)
Purchases of intangible assets		(27)	(44)	(27)	(43)
Proceeds on disposal of subsidiary undertaking		—	735	—	—
Purchase of businesses	22	(204)	—	(204)	—
Net cash used in investing activities		(3,358)	(4,391)	(278)	(79)
Financing activities					
Proceeds on issue of shares		—	12,159	—	12,159
Repayments of borrowings	15	(1,810)	(12,286)	(1,864)	(12,254)
Drawdown of loan facilities	15	—	—	4,034	—
Drawdowns under finance leases		—	1,529	—	—
Repayments of obligations under finance leases	15	(454)	(475)	—	—
Net cash generated from/(used in) financing activities		(2,264)	927	2,170	(95)
Net (decrease)/increase in cash and cash equivalents		(175)	(430)	25	1,140
Cash and cash equivalents at beginning of period		335	765	131	(1,009)
Cash and cash equivalents at end of period		160	335	156	131

Statements of changes in shareholders' equity

for the year ended 31 December 2010

Group	Share capital £'000	Share premium account £'000	Retained losses £'000	Shareholders' equity £'000
At 1 January 2009	6,549	106,222	(25,667)	87,104
Shares issued in year	3,421	8,738	—	12,159
Transactions with owners				
Share-based payments	—	—	60	60
Retained loss for the year	—	—	(54,552)	(54,552)
At 1 January 2010	9,970	114,960	(80,159)	44,771
Shares issued in year	—	—	—	—
Transactions with owners				
Share-based payments	—	—	4	4
Retained profit and total comprehensive income for the year	—	—	422	422
At 31 December 2010	9,970	114,960	(79,733)	45,197

Company	Share capital £'000	Share premium account £'000	Retained losses £'000	Shareholders' equity £'000
At 1 January 2009	6,549	106,222	(41,729)	71,042
Shares issued in year	3,421	8,738	—	12,159
Transactions with owners				
Share-based payments	—	—	60	60
Retained loss for the year	—	—	(41,910)	(41,910)
At 1 January 2010	9,970	114,960	(83,579)	41,351
Shares issued in year	—	—	—	—
Transactions with owners				
Share-based payments	—	—	4	4
Retained profit and total comprehensive income for the year	—	—	188	188
At 31 December 2010	9,970	114,960	(83,387)	41,543

Notes to the financial statements

for the year ended 31 December 2010

1 Accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with IFRS, International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union and those parts of the Companies Act 2006 that remain applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis with the exception of certain items which are measured at fair value as disclosed in the principal accounting policies set out below. These policies have been consistently applied to all years presented unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

The company has taken advantage of Section 408 of the Companies Act 2006 and has not included a statement of comprehensive income in these financial statements. The company's result for the year is given in the statement of changes in shareholders' equity.

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Results of subsidiary undertakings acquired or sold during the year are consolidated from or to the date on which control passes. The trading results of companies acquired during the year are accounted for under the purchase method of accounting.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(ii) Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control exists where the strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties. Jointly controlled entities are accounted for using the equity method under which the carrying value of the group's investment is made up of the cost plus the group's share of post-acquisition profits and less equivalent losses as recognised in the statement of comprehensive income. Should a jointly controlled entity result in losses in excess of the group's interest they will be recognised where the group has a legal or constructive obligation to fund those losses.

Unrealised gains on transactions with jointly controlled entities are eliminated to the extent of the group's interest in the jointly controlled entity. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the asset transferred.

The group ceases to use the equity method of accounting on the date from which it no longer has joint control in the jointly controlled entity or when the interest becomes held for sale.

(iii) Business combinations

The purchase method is used to account for all acquisitions. The cost of an acquisition is measured at the fair values on the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued.

At the date of acquisition, the identifiable assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

(b) Revenue recognition

The group's responsibility for waste arises as soon as the waste is accepted into one of its facilities. Revenue is therefore recognised at the point of acceptance, except when contractual agreements provide for specific services in which case revenue is recognised at point of delivery of each separate service. Revenue shown in the statement of comprehensive income represents charges for all waste accepted, inclusive of landfill tax where appropriate, but exclusive of value added tax.

1 Accounting policies continued

(c) Exceptional items

Items that are material in size and non-recurring in nature are presented as exceptional items in the statement of comprehensive income. The directors are of the opinion that the separate recording of the exceptional items provides helpful information about the group's underlying business performance. Examples of events which may give rise to the classification of items as exceptional include restructuring of the business, compensation for loss of office, impairment of goodwill and non-recurring income or expenditure.

(d) Goodwill

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 as an intangible asset. It is tested for impairment at least annually by reference to the relevant Cash-Generating Unit (CGU) and is carried at cost less accumulated impairment losses. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date and on an annual basis going forward.

(e) Other intangible assets

Intangible assets purchased separately, such as software licences that do not form an integral part of related hardware, are capitalised at cost and amortised on a straight-line basis over their useful economic life of three years.

Intangible assets acquired through a business combination such as customer contracts are initially measured at fair value and amortised on a straight-line basis over their useful economic lives which are taken to be the length of the contract. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. After initial recognition assets acquired as part of a business combination are carried at cost less accumulated amortisation and any impairment losses.

Methods of amortisation, residual value and useful lives are reviewed, and if necessary adjusted, at each statement of financial position date.

(f) Investments

Investments are in respect of subsidiaries and a jointly controlled entity. Investments held as non-current assets are stated at historic cost less any provision for impairment.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset into use. Borrowing costs related to the purchase of property, plant and equipment are capitalised where the cost is directly attributable to the property, plant or equipment being purchased.

Subsequent costs are included in an asset's carrying value or recognised as a separate asset, when it is probable that future economic benefits associated with the additional expenditure will flow to the group and the cost of the item can be measured reliably. All other costs are charged to profit or loss when incurred.

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 profit or loss is calculated with reference to actual costs to date and expected future costs for each cell including the cost of the future cap, the total of which is spread over the useful life of the cell. Useful life is assessed by reference to the usage of the void space available and the rate at which the void space is filled.

Notes to the financial statements

for the year ended 31 December 2010

1 Accounting policies continued

(g) Property, plant and equipment continued

Freehold land which is not part of a landfill site is not depreciated. Depreciation is provided evenly on all other property, plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset over its useful life as follows:

Freehold buildings – 50 years
Plant and machinery – two to ten years

Methods of depreciation, residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

Assets held under finance leases are depreciated over the shorter of their expected useful lives or, where there is no reasonable certainty that title will be obtained at the end of the lease term, the term of the relevant lease.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item and is included in profit or loss.

Finance leases

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 and the asset is capitalised. Future instalments under such leases, net of finance charges, are recognised as a liability. Rentals payable are apportioned between the finance element, which is charged to profit or loss so as to give an approximate constant rate of charge on the outstanding obligation and the capital element which reduces the outstanding obligation for future instalments.

The asset and associated liability are recorded in the statement of financial position within property, plant and equipment and financial liabilities respectively at their fair value or, if lower, at the present value of the minimum lease payments, both determined at the inception of the lease.

Depreciation is calculated in accordance with the above depreciation policies.

Other leases are treated as operating leases, the rentals for which are charged to profit or loss on a straight-line basis over the lease term.

Restoration and after-care provisions

The anticipated total cost of restoration and post-closure monitoring and after-care is charged to profit or loss 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 are charged to the provision when incurred. The provision has been estimated using current costs and is discounted. When the effect is material, the expected future cash flows required to settle the obligation are discounted at the pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation.

(h) Impairment of non-current assets

At each statement of financial position date, the group assesses whether there is any indication that its assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the CGU to which the asset belongs is determined.

The recoverable amount is defined as the higher of fair value less costs to sell and value in use at the date the impairment review is undertaken. Value in use represents the present value of expected future cash flows discounted on a pre-tax basis, using the estimated cost of capital of the CGU. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss.

An impairment loss relating to assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

Goodwill is tested for impairment on an annual basis. An impairment loss is recognised for CGUs if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit by first reducing the carrying amount of any goodwill allocated to the CGU and then reducing the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

1 Accounting policies *continued*

(h) Impairment of non-current assets *continued*

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss. Any impairments of goodwill cannot be subsequently reversed.

(i) Inventories

Inventories are stated at the lower of cost (measured on a first-in first-out basis) and net realisable value and, where appropriate, are stated net of provisions for slow-moving and obsolete inventories.

(j) Tax

Current tax

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 statement of financial position date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes is accounted for using the statement of financial position liability method.

Using the liability method, deferred tax liabilities are recognised in full for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, if the deferred tax asset or liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit, it is not recognised.

Deferred tax on temporary differences associated with shares in subsidiaries and jointly controlled entities is not provided if reversal of these temporary differences can be controlled by the group and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realised, or the liability settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Current and deferred tax are recognised in profit or loss except when they relate to items recognised directly in equity, when they are similarly taken to equity. Tax relating to items recognised in other comprehensive income is recognised in other comprehensive income.

(k) Retirement benefits

Contributions made by the group to individual money purchase pension schemes are charged to profit or loss during the period to which they relate.

(l) Equity-settled share-based payments

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements.

IFRS 2 'Share-based Payments' requires that an expense for equity instruments granted is recognised in the financial statements based on their fair values at the date of the grant. This expense, which is in relation to employee share options and executive LTIP schemes, is recognised over the vesting period of the scheme based on the number of instruments expected to vest. The fair value of employee services is determined by reference to the fair value of the awarded grant calculated using the Black Scholes model or Binomial Lattice model, excluding the impact of any non-market vesting conditions.

At the statement of financial position date, the group revises its estimate of the number of share incentives that are expected to vest. The impact of the revisions of original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to equity, over the remaining vesting period.

Notes to the financial statements

for the year ended 31 December 2010

1 Accounting policies continued

(m) Cash and cash equivalents

Cash and cash equivalents comprise demand deposits and cash in hand together with short term highly liquid deposits with a maturity of three months or less which are subject to an insignificant risk of change in value.

(n) Financial instruments

(i) Financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less any provision for impairment. Any change in their value is recognised in profit or loss. Discounting, however, is omitted where the effect is immaterial.

Financial assets are categorised as other loans and receivables. The group's trade and other receivables fall in the 'loans and receivables' category. Financial assets are assigned to this category on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses is recognised in profit or loss or other comprehensive income.

Augean recognises all financial assets when the group becomes party to the contractual provisions of the instrument. Financial assets are recognised at fair value plus transaction costs. An annual assessment is made to ascertain whether there is objective evidence that the financial assets are impaired. All income and expense relating to financial assets are recognised in profit or loss.

Significant receivables are considered for impairment on a case-by-case basis when they are past due at the statement of financial position date or when objective evidence is received that a specific counterparty will default. Provision against trade receivables is made when there is objective evidence that the group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the impairment is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

(ii) Financial liabilities

The group's financial liabilities include trade payables, debt and finance liabilities. Trade payables are not interest bearing and are recognised at fair value and carried at amortised cost. Debt is initially recognised at fair value and carried at amortised cost. The group's policy is that no trading in financial instruments or derivatives shall be undertaken.

Financial liabilities are recognised when the group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the statement of comprehensive income under 'finance charges'.

(o) Equity

Equity comprises share capital, share premium and retained losses. Share capital represents the nominal value of equity shares. Share premium account represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue. Retained losses represent retained losses and equity-settled share-based payment employee remuneration until such share options are exercised.

(p) Significant judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. This forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may however differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based, or as a result of new information or further information. Such changes are recognised in the period in which the estimate is revised.

Certain accounting policies are particularly important to the preparation and explanation of the group's financial information. Key assumptions about the future and key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities over the next twelve months are set out on page 41.

1 Accounting policies *continued*

(p) Significant judgements and key sources of estimation uncertainty *continued*

Impairment of goodwill and fixed assets

The group has property, plant and equipment with a carrying value of £35m (note 12) and goodwill with a carrying value of £22m (note 9). These assets are reviewed annually for impairment as described on page 38 to ensure that goodwill and property, plant and equipment are not carried above their estimated recoverable amounts. To assess if any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual outcomes could vary from such estimates of discounted future cash flows. Factors such as changes in expected use of property, plant and equipment, closure of facilities, or lower than anticipated revenues could result in impairment. For further details of assumptions see note 9.

Site development and cell engineering/capping

Total anticipated site development and cell engineering/capping costs are charged to profit or loss as void usage progresses. Costs of site development and cell engineering/capping are estimated using either the work of external consultants or internal experts. Management uses its judgement and experience to provide for these estimated costs over the life of the site and cell.

After-care costs

Provision is made for after-care costs as soon as the obligation arises and is charged to profit or loss as void usage progresses. After-care costs are estimated using either the work of external consultants or internal experts. Management uses its judgement and experience to provide for these estimated costs over the life of the site.

Other provisions

Other provisions are made where management judges that a probable future outflow of resources will occur arising from a past event. Estimates are based on the work of internal experts and previous operational and commercial experience.

Income taxes

At 31 December 2010, the net liability for current income tax is £4m. A deferred tax asset of £4m has also been recognised. Estimates may be required in determining the level of current and deferred income tax assets and liabilities, which the directors believe are reasonable and adequately recognise any income tax related uncertainties. Various factors may have favourable or adverse effects on the income tax assets or liabilities. These include changes in tax legislation, tax rates and allowances, future levels of spending and the group's level of future earnings.

(q) New IFRS standards and interpretations not applied

The IASB and IFRIC have issued additional standards and interpretations which are effective for periods starting after the date of these financial statements. The following standards and interpretations have yet to be adopted by the group:

- IFRS 9 'Financial Instruments' (effective 1 January 2013);
- IAS 24 (Revised 2009) 'Related Party Disclosures' (effective 1 January 2011);
- Amendment to IAS 32 'Classification of Rights Issues' (effective 1 February 2010);
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective 1 July 2010);
- Amendments to IFRIC 14 'Prepayments of a Minimum Funding Requirement' (effective 1 January 2011);
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011);
- Amendments to IFRS 7 'Disclosures – Transfers of Financial Assets' (effective 1 July 2011);
- Amendments to IAS 12 'Deferred Tax: Recovery of Underlying Assets – Income Taxes' (effective 1 January 2012); and
- Amendments to IFRS 1 'Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – First-time Adoption of International Financial Reporting Standards' (effective 1 July 2011).

IFRS 9, Amendments to IFRS 7, Amendments to IAS 12 and Amendments to IFRS 1 are not yet adopted by the EU and therefore no disclosure is required under IAS 8.

The revised standards will be adopted in the group's consolidated financial statements, where relevant for the period beginning 1 January 2011, although are not anticipated to have a significant impact on the group.

Notes to the financial statements

for the year ended 31 December 2010

2 Segmental analysis

Management currently identifies that the group has two operating segments. These operating segments are monitored and strategic decisions are made on the basis of the segment operating results. The group's business segments provide services which are subject to risks and returns which are different from each other. The group's internal organisation and management structure and its system of internal financial reporting are based primarily on business segments. The business segments comprise the landfill division and the treatment division. Segmental revenue, expense and results include transactions between businesses. Inter-segmental transactions are eliminated on consolidation.

	2010			2009		
	Landfill division £'000	Treatment division £'000	Group £'000	Landfill division £'000	Treatment division £'000	Group £'000
Statement of comprehensive income						
Revenue						
External sales net of landfill tax	10,912	18,061	28,973	11,375	16,732	28,107
Landfill tax	5,147	—	5,147	3,433	—	3,433
External sales	16,059	18,061	34,120	14,808	16,732	31,540
Inter-segment sales	787	—	787	1,570	—	1,570
Total revenue	16,846	18,061	34,907	16,378	16,732	33,110
Result						
Operating profit/(loss) before exceptional items	2,996	(2,229)	767	4,633	(2,306)	2,327
Exceptional items	185	—	185	(38,679)	(16,986)	(55,665)
Operating profit/(loss)	3,181	(2,229)	952	(34,046)	(19,292)	(53,338)
Finance charges			(399)			(1,184)
Share of loss of jointly controlled entity			(14)			(30)
Profit/(loss) before tax			539			(54,552)
Tax			(117)			—
Profit/(loss) for the year attributable to equity shareholders			422			(54,552)
Other information						
Additions to property, plant, equipment and intangible assets	2,294	1,268	3,562	3,069	3,698	6,767
Depreciation and amortisation	(2,720)	(1,792)	(4,512)	(2,411)	(1,416)	(3,827)
Statement of financial position						
Assets						
Segment assets	37,793	26,726	64,519	39,779	25,978	65,757
Unallocated segment assets						
Cash and cash equivalents			160			335
Group total assets			64,679			66,092
Liabilities						
Segment liabilities	(9,584)	(6,556)	(16,140)	(11,061)	(5,100)	(16,161)
Unallocated segment liabilities						
Bank overdraft and loans			(2,882)			(4,714)
Share of losses in jointly controlled entity			(460)			(446)
Group total liabilities			(19,482)			(21,321)

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

2 Segmental analysis continued

Landfill division derives revenues from the disposal of hazardous and non-hazardous wastes at its three permitted landfill sites. Customers are charged gate fees based on the volumes of waste disposed.

Treatment division derives revenues from a range of waste management solutions provided to primary waste producers and other third party waste management companies.

3 Profit for the year

Profit for the year is arrived at after charging/(crediting):

	2010 £'000	2009 £'000
Fees payable to the company's auditor for the audit of the annual financial statements	52	50
Fees payable to the company's auditor for other services:		
– audit of the financial statements of the company's subsidiaries pursuant to legislation	3	3
– other services relating to tax – compliance and advice	12	25
– other services	—	3
	67	81
Amortisation of intangible assets	108	131
Depreciation of property, plant and equipment:		
– owned assets	4,087	3,405
– assets held under finance leases and hire purchase contracts	317	292
Operating leases:		
– land and buildings	147	147
– plant and machinery	324	422
Profit on disposal of shares in subsidiary undertaking	—	(702)
Profit on sale of property, plant and equipment	(13)	(15)
Exceptional items:		
– unjust enrichment provision release	(332)	—
– goodwill impairment charge	—	55,217
– restructuring charges	147	164
– costs of offer period	—	118
– costs relating to Environment Agency prosecution	—	166
– costs relating to write off of old bank facility arrangement fees	—	189

4 Finance charges

	2010 £'000	2009 £'000
Interest payable		
Interest and charges payable on bank loans, guarantees and overdrafts	400	1,029
Interest on finance leases and hire purchase contracts	55	55
Unwinding discount on provisions	94	100
	549	1,184
Interest receivable		
Bank and other interest receivable	(150)	—
	399	1,184

Notes to the financial statements

for the year ended 31 December 2010

5 Group and company employees

The average monthly number of employees analysed by function was:

	2010 Number	2009 Number
Sales	29	29
Operations	154	170
Administration	35	41
	218	240
	2010 £'000	2009 £'000
Wages and salaries	6,381	7,135
Social security costs	658	742
Other pension costs	244	199
	7,283	8,076

Details of other statutory directors' remuneration disclosures are, as required by the AIM rules, given in the directors' remuneration report on pages 27 to 29 under directors' emoluments and directors' share plans.

The directors have identified seven (2009: seven) key management personnel whose compensation was as follows:

	2010 £'000	2009 £'000
Short term employment benefits	755	829
Post employment benefits	69	71
	824	900

6 Tax

	2010 £'000	2009 £'000
Current tax		
UK corporation tax on profit for the period	—	(293)
	—	(293)
Deferred tax		
Charge in respect of the current period	117	128
Adjustments in respect of prior periods	—	165
	117	293
Tax charge on the result for the year	117	—

6 Tax continued

Tax reconciliation

	2010		2009	
	£'000	%	£'000	%
Profit/(loss) before tax	539		(54,552)	
Tax at theoretical rate	151	28%	(15,275)	(28%)
Effects of:				
– expenses not deductible for tax purposes	—	0%	15,470	28%
– research and development tax relief	(54)	(10%)	—	0%
– utilisation of tax losses previously unrecognised	(65)	(12%)	—	0%
– change in unrecognised deferred tax asset	85	16%	(502)	(1%)
– adjustments in respect of prior periods	—	0%	307	1%
Tax charge on results	117	22%	—	0%

A deferred tax asset has been recognised during the year in respect of tax losses in certain of the group's subsidiaries as the directors believe there is sufficient certainty over the extent and timing of their recovery to do so. The deferred tax asset recognised was £4,000 (2009: £121,000).

No deferred tax has been recognised during the year in respect of certain temporary differences as there is uncertainty over the extent and timing of their recovery. The potential deferred tax assets in respect of the temporary differences are analysed as follows:

	2010 £'000	2009 £'000
Depreciation in excess of capital allowances	2,302	2,311
Other temporary differences (mainly relating to specific tax rules for the timing of landfill deductions)	183	89
Unrecognised deferred tax asset	2,485	2,400

7 Earnings per share

	2010 £'000	2009 £'000
Profit/(loss) after tax for the purposes of basic and diluted earnings per share	442	(54,552)
Exceptional items	(185)	55,854
Profit after tax for the purposes of basic and diluted adjusted earnings per share	237	1,302
	Number	Number
Number of shares		
Weighted average number of shares for basic earnings per share	99,699,414	72,976,669
Effect of dilutive potential ordinary shares from share options	—	—
Weighted average number of shares for diluted earnings per share	99,699,414	72,972,669
Earnings per share		
Basic and diluted	0.42p	(74.8p)
Adjusted earnings per share		
Basic and diluted	0.24p	1.8p

Notes to the financial statements

for the year ended 31 December 2010

8 Jointly controlled entity

Terramundo Limited is a 50:50 jointly controlled entity between Augean PLC and DEC NV. Terramundo is a ground remediation facility which uses various techniques to clean contaminated soils of both organic and inorganic contaminants. No trading has taken place in the period, but the parties have agreed to maintain their interest in the entity and believe that future trading will support the net liabilities.

The cost of investment held by the company at 31 December 2010 was £100 (2009: £100).

During the period ended 31 December 2010 the jointly controlled entity generated the following revenue and costs:

	2010 £'000	2009 £'000
Revenue	—	319
Costs	(28)	(379)
Loss	(28)	(60)

At 31 December 2010 the jointly controlled entity held net liabilities of £921,000 (2009: £892,000), of which the group's 50% share was £460,500 (2009: £446,000). The net liabilities of the jointly controlled entity are analysed below:

	2010 £'000	2009 £'000
Non-current assets	24	39
Current assets	26	406
Current liabilities	(7)	(1,187)
Non-current liabilities	(964)	(150)
Net liabilities	(921)	(892)

9 Goodwill

	Total £'000
Cost	
At 1 January 2009	104,614
Revisions to fair values	(846)
At 1 January 2010	103,768
At 31 December 2010	103,768
Provision for impairment	
At 1 January 2009	(26,846)
Impairment loss for the year	(55,217)
At 1 January 2010	(82,063)
At 31 December 2010	(82,063)
Net book value	
At 31 December 2010	21,705
At 31 December 2009	21,705
At 1 January 2009	77,768

9 Goodwill continued

Goodwill is allocated to the group's CGUs which are defined as the group's operating segments and are the lowest level at which goodwill is monitored for internal management purposes. The group has two CGUs, reflecting the two operating divisions of landfill and treatment. The allocation of goodwill by CGU is as follows:

	2010 £'000	2009 £'000
Landfill division	11,563	11,563
Treatment division	10,142	10,142
Total	21,705	21,705

Goodwill is tested for impairment annually or when other events or changes in circumstance indicate that the carrying amount may not be fully recoverable. The goodwill impairment test is performed by comparing the carrying value of the CGU and associated goodwill with the aggregate recoverable amount. The recoverable amount is estimated by calculating value in use on a discounted cash flow basis.

The key assumptions used in this calculation are estimates of sales volumes, price, operating margin, asset renewal costs, available void space and compaction rates (landfill only) and discount rate.

Cash flow projections for the landfill division are based on approved budgets and plans for 2011 (which take into account historic trading) and, beyond this period, have been forecast until site closure assuming revenue streams which reflect expected volume decreases beyond 2015 and no change to average price, as the competitive nature of the landfill market leads to ongoing price pressures. Volumes have been assumed to be maintained at 2011 levels through to 2015 and to fall by 1% per annum thereafter. Forecast margin has been based upon past performance and expectations for the market development, with operating and fixed costs not expected to rise, but be controlled by appropriate management action. The available void space has increased from that used in the previous year by 300,000m³, reflecting the anticipated development of space at the Thornhaugh landfill site. The recoverable amount of goodwill exceeds the carrying amount by £6.8m.

Cash flow projections for the treatment division are based on approved budgets and plans for 2011. Revenue growth over the period to 2015 is expected to achieve 6% per annum as the existing asset base becomes more fully utilised and throughput increases at the major processing sites (particularly Paisley, Avonmouth and Port Clarence Waste Recovery Park). To achieve this level of growth gross margins are expected to decline by 0.5% each year to 2015. From 2016 onwards growth is assumed to fall to 2% per annum with no further margin changes. These growth rates are lower than those experienced over the previous 18 months and management believes they are achievable in a recovering market. Operating and fixed costs are not expected to rise, but be controlled by appropriate management action. Based on these assumptions the recoverable amount of goodwill exceeds the carrying amount by £0.6m. Sensitivity analysis has been performed on the cash flows and indicates that, were revenue growth to fall to 5% per annum to 2015, a £1.5m impairment charge would be required; if revenue growth falls to 2% per annum to 2015 an impairment charge of £7.6m would be required.

The cash flows for both CGUs have been discounted using a pre-tax discount rate of 14.5% (2009: 12.0%) which reflects the overall business risks associated with waste management activities. The increase in discount rate from 2009 reflects an assumed increase in the equity risk premium applied to the group's issued share capital. As part of the sensitivity analysis performed on the cash flows the impact of changes in discount rate has been reviewed and indicate that a 1% reduction to the discount rate would increase the landfill CGU cash flow by £3.6m and the treatment CGU cash flow by £3.6m.

Based on the assumptions above and consideration of appropriate sensitivity analysis, management is satisfied that no impairment of goodwill exists at the date of these statements and no charge has been applied to the statement of comprehensive income. The principal risks which will apply to future reviews of goodwill include the rate of recovery within the waste markets in which the group operates, significant increases to price competition beyond that experienced to date or anticipated and any inability of management to adequately control costs in the event of high levels of input price inflation.

Notes to the financial statements

for the year ended 31 December 2010

10 Other intangible assets

	Group			Company
	Customer contracts £'000	Computer software £'000	Total £'000	Computer software £'000
Cost				
At 1 January 2009	374	246	620	206
Additions	—	45	45	42
At 1 January 2010	374	291	665	248
Additions	—	27	27	27
At 31 December 2010	374	318	692	275
Amortisation				
At 1 January 2009	193	210	403	181
Charge for year	102	30	132	25
At 1 January 2010	295	240	535	206
Charge for year	79	29	108	24
At 31 December 2010	374	269	643	230
Net book value				
At 31 December 2010	—	49	49	45
At 31 December 2009	79	51	130	42
At 1 January 2009	181	36	217	25

11 Investments

	£'000
Cost	
At 1 January 2009	130,877
Revisions to fair values (note 23)	(846)
At 1 January 2010	130,031
At 31 December 2010	130,031
Provision for impairment	
At 1 January 2009	(32,599)
Impairment loss for year	(41,581)
At 1 January 2010	(74,450)
At 31 December 2010	(74,450)
Net book value	
At 31 December 2010	55,581
At 31 December 2009	55,581
At 1 January 2009	98,278

11 Investments continued

The principal trading subsidiary companies of the group are as follows:

Name of company	Country of registration or incorporation	Proportion held %	Nature of business
Augean Treatment Limited	England and Wales	100	Waste treatment
Augean North Limited	England and Wales	100	Landfill operations
Augean South Limited	England and Wales	100	Landfill operations

These companies are owned directly by Augean PLC with the exception of Augean South Limited.

In addition to the above, the company holds 50% of the issued share capital of Terramundo Limited, a jointly controlled entity with DEC NV (note 8).

The full list of subsidiaries will be shown in the next annual return.

All other subsidiaries are dormant.

12 Property, plant and equipment

Group

	Freehold land and buildings £'000	Engineered cells £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2009	32,167	4,776	8,731	45,674
Additions	1,184	2,132	3,405	6,721
Disposals	(33)	—	(173)	(206)
At 1 January 2010	33,318	6,908	11,963	52,189
Additions	1,611	451	1,473	3,535
Disposals	—	—	(63)	(63)
At 31 December 2010	34,929	7,359	13,373	55,661
Accumulated depreciation				
At 1 January 2009	5,466	4,565	2,467	12,498
Charge for year	1,144	958	1,594	3,696
Disposals	—	—	(138)	(138)
At 1 January 2010	6,610	5,523	3,923	16,056
Charge for year	1,221	1,251	1,932	4,404
Disposals	—	—	(44)	(44)
At 31 December 2010	7,831	6,774	5,811	20,416
Net book value				
At 31 December 2010	27,098	585	7,562	35,245
At 1 January 2010	26,708	1,385	8,040	36,133
At 1 January 2009	26,701	211	6,264	33,176

Additions of £1.6m to freehold land and buildings during the year include £0.8m in respect of the development of the landfill asset at the East Northants Resource Management Facility. The additions have been made on the expectation of future economic benefits from ongoing planning and permitting development which will support the future extension of the site and also the disposal of low level waste at the facility.

There were no outstanding contractual commitments for acquisitions of property, plant or equipment at 31 December 2010.

Notes to the financial statements

for the year ended 31 December 2010

12 Property, plant and equipment continued

Group continued

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

	2010 £'000	2009 £'000
Cost	2,473	2,534
Accumulated depreciation	(647)	(358)
Net book value	1,826	2,176

Company

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2009	771	268	1,039
Additions	7	28	35
At 1 January 2010	778	296	1,074
Additions	—	47	47
At 31 December 2010	778	343	1,121
Accumulated depreciation			
At 1 January 2009	45	152	197
Charge for year	13	60	73
At 1 January 2010	58	212	270
Charge for year	13	56	69
At 31 December 2010	71	268	339
Net book value			
At 31 December 2010	707	75	782
At 1 January 2010	720	84	804
At 1 January 2009	726	116	842

13 Trade and other receivables

Non-current assets

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Amounts due from jointly controlled entity	482	—	482	—
	482	—	482	—

Current assets

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade receivables	5,893	5,058	—	—
Amounts due from jointly controlled entity	—	743	—	75
Other receivables	338	1,167	90	233
Prepayments and accrued income	687	570	356	300
	6,918	7,538	446	608

With the exception of amounts due from the jointly controlled entity, all amounts are short term. The carrying amount of trade receivables is considered a reasonable approximation of fair value.

All trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision of £329,000 (2009: £275,000) has been recorded accordingly.

14 Trade and other payables

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Current				
Trade payables	2,476	2,694	229	658
Amounts due to subsidiary undertakings	—	—	8,377	9,133
Amounts due to jointly controlled entity	—	395	—	—
Other taxes and social security	1,035	1,724	185	498
Accruals and deferred revenue	3,720	2,792	242	576
Deferred consideration	—	204	—	204
	7,231	7,809	9,033	11,069

All amounts are short term. The carrying values are considered to be a reasonable approximation of fair value.

Notes to the financial statements

for the year ended 31 December 2010

15 Financial liabilities

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Current				
Bank overdraft	22	—	4,034	—
Bank loans	—	—	—	—
Obligations under finance leases and hire purchase contracts	414	450	—	—
	436	450	4,034	—
Non-current				
Bank loans	2,882	4,714	2,882	4,746
Obligations under finance leases and hire purchase contracts	732	1,150	—	—
	3,614	5,864	2,882	4,746
Analysis of total financial liabilities				
Bank overdraft	22	—	4,034	—
Bank loans	2,882	4,714	2,882	4,746
Obligations under finance leases and hire purchase contracts	1,146	1,600	—	—
	4,050	6,314	6,916	4,746
Total financial liabilities are repayable as follows:				
– on demand or within one year	436	450	4,034	—
– in the second year	336	450	—	—
– in the third to fifth years inclusive	3,278	5,414	2,882	4,746
– in more than five years	—	—	—	—
	4,050	6,314	6,916	4,746
Obligations under finance leases and hire purchase contracts are repayable as follows:				
– on demand or within one year	414	450	—	—
– in the second year	336	450	—	—
– in the third to fifth years inclusive	396	700	—	—
	1,146	1,600	—	—

The obligations under finance leases and hire purchase contracts are secured against the specific assets financed. The bank overdraft, bank loan and guarantees are secured by way of cross guarantees and indemnities across the group.

Further information on financial instruments is provided in note 23.

16 Provisions

	Group			Total £'000
	Restoration and after-care costs of landfill sites £'000	Capping provision £'000	Other provisions £'000	
At 1 January 2009	1,989	916	980	3,885
Charged to profit or loss during the year – unwinding of discount provisions	100	—	—	100
Charged to profit or loss during the year – other	79	—	14	93
Utilised during the year	(7)	—	(7)	(14)
Additional capping provision	—	2,127	—	2,127
At 1 January 2010	2,161	3,043	987	6,191
Charged to profit or loss during the year – unwinding of discount provisions	94	—	—	94
Charged to profit or loss during the year – other	94	—	987	1,081
Utilised during the year	—	—	(75)	(75)
Additional capping provision	—	446	—	446
At 31 December 2010	2,349	3,489	1,899	7,737

The provision for restoration and after-care relates to closure and post-closure costs for all landfill sites, charged over the estimated active life of the landfill sites. The expenditure is incurred partially on completion of the landfill sites and in part after the closure of the landfill sites over a considerable number of years. The provision has been estimated using current costs and is discounted using a real rate of 3%.

Other provisions include amounts for the disposal of stocks of disused tyres which will be incorporated in the engineering of new landfill cells at the East Northants Resource Management Facility during 2011; provisions for probable claims relating to rebates of landfill tax, expected during 2011 and 2012; and provisions to reflect the expected costs of capping established landfill cells during 2012.

17 Share capital

	2010 £'000	2009 £'000
Authorised – 103,000,000 (2009: 103,000,000) shares of 10p	10,300	10,300
Allotted, called up and fully paid – 99,699,414 (2009: 99,699,414) shares of 10p	9,970	9,970

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for the year ended 31 December 2010

18 Share-based payments

At 31 December 2010 outstanding awards to subscribe for ordinary shares of 10p each in the company, granted in accordance with the rules of the Augean share option schemes and the Augean LTIP, were as follows:

Exercise or vesting date	Exercise price	At 1 January 2010	Exercised	Lapsed	Granted	At 31 December 2010
Augean Share Option Schemes						
December 2004 – December 2014	180.0p	1,200,000	—	(500,000)	—	700,000
December 2012 – December 2019	39.5p	1,810,122	—	—	—	1,810,122
		3,010,122	—	(500,000)	—	2,510,122
Augean LTIP						
5 July 2010	10.0p	196,299	—	(196,299)	—	—
29 April 2011	10.0p	513,429	—	(150,797)	—	362,632
21 December 2012	10.0p	1,107,590	—	(265,822)	—	841,768
		1,817,318	—	(612,918)	—	1,204,400
		4,827,440	—	(1,112,918)	—	3,714,522
Of which exercisable						700,000

Share options

The Augean share option schemes are for the benefit of the group's directors and senior management.

The fair value of remaining share options has been calculated using the Black Scholes model. The assumptions used in the calculation of the fair value of the share options outstanding during the year were:

	Share options
Grant date	21 December 2009
Exercise period	December 2012 – December 2019
Share price at grant date	39.5p
Exercise price	39.5p
Shares under option	1,810,112
Expected volatility	43%
Expected life (years)	4.0
Risk-free rate	2.5%
Expected dividend yield	0.0%
Fair value per option	£0.14

Expected volatility was determined by reviewing the historical volatility of the company's share price since its formation by comparison to the average volatility of comparable listed companies.

The risk-free rate of return is the yield on zero coupon UK government bonds of a term equal to the expected term of the options.

The share options have a vesting period of three years but no performance criteria (with the exception of the December 2004 grant which vested immediately). Rights under the share option scheme are usually forfeited if the employee leaves the group of his or her own accord before the rights vest.

For options outstanding at 31 December 2010, the weighted average remaining contractual life was 7.86 years.

18 Share-based payments *continued*

LTIP

Under the LTIP senior employees may be granted an award annually of up to 100% of basic salary. The award vests in the form of shares in the company and is subject to the attainment of pre-determined performance conditions over a three year period. For the 2008 award which vests on 29 April 2011, participants will receive 100% of the award if the group's normalised pre-tax earnings for the year ended 31 December 2010 are greater than £7.1m. No award will vest unless the group's normalised pre-tax earnings for year ended 31 December 2010 are greater than £5.6m, at which level 30% of the award would apply. This target has not been achieved. For the 2009 award which vests on 21 December 2012, participants will receive 100% of the award if the group's normalised pre-tax earnings for the year ending 31 December 2011 are greater than £11.3m. No award will vest unless the group's normalised pre-tax earnings for year ending 31 December 2011 are greater than £3.3m, at which level 30% of the award would apply. The performance conditions for the 2008 award, due to vest on 29 April 2011, have not been met and therefore no award is expected to vest. In addition, the performance condition for the 2009 award, due to vest on 21 December 2012, is not expected to be met and therefore none of the award is expected to vest. The statement of changes in shareholders' equity and the profit or loss reflects the revised charge.

Rights under the LTIP scheme are usually forfeited if the employee leaves the group of his or her own accord before the rights vest. The fair value of rights to acquire shares has been calculated based on the value of the shares on grant adjusted for future dividend streams. During the year the group recognised total expenses of £4,000 related to equity-settled share-based payment transactions. No options under either the share option or LTIP schemes were exercised or vested during the year.

19 Operating lease commitments

The group has commitments to make minimum lease payments under non-cancellable operating leases as follows:

	2010 £'000	2009 £'000
Plant and machinery		
Leases which expire:		
– within one year	352	233
– within two to five years	640	497
	992	730
Land and buildings		
Leases which expire:		
– within one year	132	147
– within two to five years	252	274
– after five years	199	283
	583	704

Notes to the financial statements

for the year ended 31 December 2010

20 Reconciliation of operating profit to net cash generated from operating activities

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Operating profit/(loss)	952	(53,338)	587	(40,716)
Goodwill impairment	—	55,217	—	—
Investments impairment	—	—	—	41,851
Amortisation of intangible assets	108	131	24	26
Depreciation	4,404	3,697	69	75
Aftercare provisions	94	79	—	—
Earnings before interest, tax, depreciation and amortisation (EBITDA)	5,558	5,786	680	1,236
Profit on sale of property, plant and equipment	(13)	(15)	—	—
Profit on sale of disposal of subsidiary	—	(702)	—	—
Share-based payments	4	60	4	60
Decrease in inventories	14	8	—	—
Decrease/(increase) in trade and other receivables	137	634	(320)	(214)
Increase/(decrease) in net receivables from subsidiary undertakings	—	—	(755)	1,374
Decrease in trade and other payables	(796)	(1,781)	(1,085)	(355)
Increase in provisions	912	—	—	—
Cash generated from/(used in) operations	5,816	3,990	(1,476)	2,101
Interest paid	(297)	(757)	(391)	(788)
Tax paid	(72)	(199)	—	—
Net cash generated from/(used in) operating activities	5,447	3,034	(1,867)	1,313

21 Analysis of changes in net financial liabilities

	31 December 2009 £'000	Cash flow £'000	31 December 2010 £'000
Cash and cash equivalents	335	(175)	160
Overdraft	—	(22)	(22)
Bank loans due within one year	—	—	—
Bank loans due after one year	(4,714)	1,832	(2,882)
Finance leases	(1,600)	454	(1,146)
Net financial liabilities	(5,979)	2,089	(3,890)

22 Business combinations

The 2009 financial statements included an estimate for deferred consideration relating the acquisition of Astec Chemical Waste Services Limited of £204,000. The deferred consideration was based on specific targets set within the sale and purchase agreement for the year ended 31 December 2009 and these targets having been met the payment was made in January 2010.

There were no new business combinations during the year.

23 Financial instruments

The financial assets of the group and company are categorised as follows:

	Group			Company		
	Loans and receivables £'000	Non-financial assets £'000	Total £'000	Loans and receivables £'000	Non-financial assets £'000	Total £'000
As at 31 December 2010						
Goodwill	—	21,705	21,705	—	—	—
Other intangible assets	—	49	49	—	45	45
Investments	—	—	—	—	55,581	55,581
Property, plant and equipment	—	35,245	35,245	—	782	782
Deferred tax asset	—	4	4	—	—	—
Inventories	—	116	116	—	—	—
Trade and other receivables	6,713	687	7,400	482	446	928
Cash and cash equivalents	160	—	160	156	—	156
	6,873	57,806	64,679	638	56,854	57,492

	Group			Company		
	Loans and receivables £'000	Non-financial assets £'000	Total £'000	Loans and receivables £'000	Non-financial assets £'000	Total £'000
As at 31 December 2009						
Goodwill	—	21,705	21,705	—	—	—
Other intangible assets	—	130	130	—	42	42
Investments	—	—	—	—	55,581	55,581
Property, plant and equipment	—	36,133	36,133	—	804	804
Deferred tax asset	—	121	121	—	—	—
Inventories	—	130	130	—	—	—
Trade and other receivables	6,456	1,082	7,538	244	364	608
Cash and cash equivalents	335	—	335	131	—	131
	6,791	59,301	66,092	375	56,791	57,166

Notes to the financial statements

for the year ended 31 December 2010

23 Financial instruments continued

The financial liabilities of the group and company are categorised as follows:

	Group			Company		
	Financial liabilities at amortised cost £'000	Liabilities not within scope of IAS 39 £'000	Balance sheet total £'000	Financial liabilities at amortised cost £'000	Liabilities not within scope of IAS 39 £'000	Balance sheet total £'000
As at 31 December 2010						
Trade and other payables – current	5,461	1,770	7,231	8,848	185	9,033
Current tax liabilities	—	4	4	—	—	—
Financial liabilities – current	22	414	436	4,034	—	4,034
Financial liabilities – non-current	2,882	732	3,614	2,882	—	2,882
Provisions	—	7,737	7,737	—	—	—
Share of losses of jointly controlled entity	—	460	460	—	—	—
	8,365	11,117	19,482	15,764	185	15,949

	Group			Company		
	Financial liabilities at amortised cost £'000	Liabilities not within scope of IAS 39 £'000	Balance sheet total £'000	Financial liabilities at amortised cost £'000	Liabilities not within scope of IAS 39 £'000	Balance sheet total £'000
As at 31 December 2009						
Trade and other payables – current	5,951	1,858	7,809	10,619	450	11,069
Current tax liabilities	—	561	561	—	—	—
Financial liabilities – current	—	450	450	—	—	—
Financial liabilities – non-current	4,714	1,150	5,864	4,746	—	4,746
Provisions	—	6,191	6,191	—	—	—
Share of losses of jointly controlled entity	—	446	446	—	—	—
	10,665	10,656	21,321	15,365	450	15,815

23 Financial instruments continued

The group and company's financial liabilities have contractual maturities (including interest payments where applicable) which are summarised below:

Group

	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Financial liabilities £'000
As at 31 December 2010			
Trade and other payables – current	5,461	—	5,461
Financial liabilities – current	—	455	455
Financial liabilities – non-current	—	3,849	3,849
	5,461	4,304	9,765
<hr/>			
	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Financial liabilities £'000
As at 31 December 2009			
Trade and other payables – current	5,951	—	5,951
Financial liabilities – non-current	—	5,242	5,242
	5,951	5,242	11,193

Company

	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Financial liabilities £'000
As at 31 December 2010			
Trade and other payables – current	9,033	—	9,033
Financial liabilities – non-current	—	3,076	3,076
	9,033	3,076	12,109
<hr/>			
	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Financial liabilities £'000
As at 31 December 2009			
Trade and other payables – current	10,619	—	10,619
Financial liabilities – non-current	—	5,173	5,173
	10,619	5,173	15,792

Notes to the financial statements

for the year ended 31 December 2010

23 Financial instruments continued

Risk management objectives and policies

As the group's transactions take place solely in sterling there is no direct foreign currency risk. The principal risks arising from the group's financial instruments are liquidity, credit and interest rate risk.

The group's principal financial instruments during the period comprised bank loans, cash and finance leases. The main purpose of these financial instruments is to finance the group's operations. The group's other financial instruments include short term receivables and payables which arise directly from its operations. There was no material difference between the fair value of the assets and liabilities and their book value.

The group has maintained its policy that no trading in financial instruments shall be undertaken.

Liquidity risk

The group seeks to maintain a balance between continuity of funding and flexibility. The objective is to maintain sufficient resource to meet the funding needs for the foreseeable future. At 31 December 2010 the group carried relatively low levels of debt and short term flexibility is achieved by bank facilities comprising of a £10m revolving credit and overdraft facility.

The revolving credit and overdraft facility is committed until 30 November 2012.

Credit risk

The group has a customer credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The group has standard credit terms of 30 days from date of invoice. Invoices greater than 30 days old are assessed as overdue. The maximum exposure to credit risk is the carrying value of each financial asset included on the statement of financial position as summarised below:

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Cash and cash equivalents	160	335	156	131
Trade and other receivables	7,400	7,538	928	608
	7,560	7,873	1,084	739

At 31 December 2010, £3.4m (2009: £3.4m) of trade receivables were past due. A provision of £0.3m (2009: £0.3m) is held to mitigate the exposure to potential bad and doubtful debts.

23 Financial instruments continued**Risk management objectives and policies** continued**Credit risk** continued

The ageing of the group's trade receivables past their due date but not impaired is as follows:

	2010 £'000	2009 £'000
Greater than one but not more than four months old	3,213	2,790
More than four months old	224	638
Total past due trade receivables	3,437	3,428
Trade receivables not yet past due – less than one month old	2,785	1,905
Total gross trade receivables	6,222	5,333
Bad debt provision	(329)	(275)
Total net trade receivables	5,893	5,058

The group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good quality.

The company has no trade receivables.

The movement on the bad debt provision in the period is analysed below. The group provides for bad debts based on the age profile of the trade receivables held at the year end.

	£'000
Bad debt provision as at 31 December 2009	275
Amounts utilised	54
Bad debt provision as at 31 December 2010	329

Interest rate risk

The group finances its operations through a mixture of retained profits, bank borrowings and hire purchase leasing. Due to the relatively 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.

Notes to the financial statements

for the year ended 31 December 2010

23 Financial instruments continued

Risk management objectives and policies continued

Interest rate risk continued

The interest rate profile of the group and company's financial liabilities at 31 December 2010 was:

Group	Interest free £'000	Fixed rate £'000	Floating rate £'000	Total £'000
Bank loans	—	—	2,882	2,882
Finance leases	—	144	1,002	1,146
At 31 December 2010	—	144	3,884	4,028
At 31 December 2009	—	294	6,020	6,314

Company	Interest free £'000	Fixed rate £'000	Floating rate £'000	Total £'000
Bank loans	—	—	2,882	2,882
Finance leases	—	—	—	—
At 31 December 2010	—	—	2,882	2,882
At 31 December 2009	—	—	4,746	4,746

The interest rate on the floating rate borrowings is 2.5% above LIBOR. A change in interest rate by 0.5% affects the annual interest cost for both the group and company by approximately £14,000.

The hire purchase agreements of the group under a fixed rate contract have a weighted average interest rate of 6.6% (2009: 6.6%) and a weighted average duration of two years (2009: two years). The hire purchase agreements of the group under a floating rate contract have a weighted average interest rate of 3.1% and a weighted average duration of five years.

The maturity profile of the group's financial liabilities is shown in note 15.

23 Financial instruments *continued*

Capital management policies and procedures

The group's capital management objectives are:

- to ensure the group's ability to continue as a going concern; and
- to provide an adequate return to shareholders.

By pricing products and services commensurately with the level of risk.

24 Post year end events

There have been no post year end events.

25 Contingent liabilities and cross guarantees

In accordance with PPC permitting, the group has to make such financial provision as is deemed adequate by the Environment Agency to discharge its obligations under the relevant site permits for its landfill sites. Consequently guarantees have been provided in favour of the Environment Agency in respect of the group's landfill sites. Total guarantees outstanding at the year end were £6.8m (2009: £7.1m). Future site restoration costs for each landfill site have been provided as disclosed in note 16.

The group is currently engaged in a legal process with a former contractor relating to a dispute over payment for work done at the Cannock site during 2008. This may result in a liability for the group, but the quantum and timing of such is as yet unknown and in any event the group is strongly defending its position against any claim. As a result this has been treated as a contingent liability for the purpose of these statements.

The group suffered an incident at its Cannock site during the year, which resulted in an explosion in one of the on-site treatment processes. The incident is the subject of an ongoing investigation by the Health and Safety Executive. At this stage it is too early to establish the likelihood of any legal action or quantum of any fines which may or may not follow the investigation.

Notes to the financial statements

for the year ended 31 December 2010

26 Related party disclosures

IAS 24 'Related Party Transactions' requires the disclosure of the details of material transactions between reporting entities and related parties. The group has taken advantage of the exemption under IAS 24 not to disclose transactions between subsidiaries which are eliminated on consolidation.

Related party transactions of the group which are not eliminated on consolidation and related party transactions of the company are both as follows:

Group	2010 £'000	2009 £'000
Transactions with Terramundo Limited:		
– revenue	—	232
– costs	—	(36)
	2010 £'000	2009 £'000
Amounts owed to Terramundo Limited:		
– less than one year	—	395
Amounts owed by Terramundo Limited:		
– less than one year	—	668
– more than one year	482	75
	482	743

Related party transactions of the company are noted below:

Transactions and balances with jointly controlled entity

Company	2010 £'000	2009 £'000
Transactions with Terramundo Limited:		
– revenue	—	—
– costs	—	—
Amounts owed from Terramundo Limited:		
– less than one year	—	—
– more than one year	482	75
	482	75

Transactions and balances with subsidiary undertakings

Included within current trade and other payables are amounts owed to 100% subsidiary undertakings of £8.4m (2009: £9.1m).

The movement in the company's balances with its subsidiaries reflects the group's banking facilities and arrangements operating during the year.

Guidance for shareholders

We are pleased to be writing to you with details of our Annual General Meeting (AGM) which we are holding at the offices of Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB on Tuesday 7 June 2011 at 10.00am. The formal notice of Annual General Meeting is set out on pages 66 and 67 of this document.

If you would like to vote on the resolutions but cannot come to the AGM, please fill in the proxy form sent to you with this notice and return it to our registrars as soon as possible. They must receive it by 10.00am on Sunday 5 June 2011.

In addition to the routine business of the AGM, there are two items of special business to be transacted, as summarised and explained below:

Issues of share capital (Resolutions 7 and 8)

The existing general authority of the directors to allot shares and the current disapplication of the statutory pre-emption rights expire at the conclusion of the AGM.

Article 4.6 of the company's Articles of Association contains a general authority for the directors to allot shares in the company for a period (not exceeding five years) (the 'prescribed period') and up to a maximum aggregate nominal amount (the 'Section 551 amount') approved by a special or ordinary resolution of the company. Article 4.6 also empowers the directors during the prescribed period to allot shares for cash in connection with a rights issue and also to allot shares in any other circumstances up to a maximum aggregate nominal amount approved by a special resolution of the company (the 'Section 561 amount').

Resolution 7, which will be proposed as an ordinary resolution, provides for the Section 551 amount to be £3,323,313.80 (being an amount equal to one third of the issued ordinary share capital of the company at the date of this report. Resolution 8, which will be proposed as a special resolution and which will only be effective if resolution 7 is passed, provides for the Section 561 amount to be £498,497.07 representing 5% of the company's issued share capital. The prescribed period for which these powers and authorities are granted will expire at the conclusion of the AGM to be held next year (or on 6 September 2012 if earlier) when the directors intend to seek renewal of the authority.

Action to be taken by shareholders

Shareholders will find enclosed with this document a form of proxy for use at the AGM. Whether or not you intend to be present at the AGM (or any adjournment thereof) you are requested to complete, sign and return the form of proxy in accordance with the instructions printed on it so as to be received by the company's registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible but in any event not later than 10.00am on Sunday 5 June 2011. The completion and return of the form of proxy will not preclude you from attending and voting at the meeting, should you so wish.

Recommendation

The directors consider that the proposals set out above are in the best interests of the company and its shareholders as a whole. They recommend that you vote in favour of the resolutions set out in the notice of meeting as they intend to do in respect of their own beneficial holdings.

Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the AGM of the above named company will be held at offices of Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB on Tuesday 7 June 2011 at 10.00am for the purpose of considering and, if thought fit, passing the resolutions set out below. Resolution 8 will be proposed as a special resolution. All other resolutions will be proposed as ordinary resolutions.

Ordinary resolutions

1. THAT the report of the directors and the financial statements for the year ended 31 December 2010 be received.
2. THAT Richard Allen be re-elected as a director of the company, having been appointed since the last AGM.
3. THAT James Meredith be re-elected as a director of the company, having been appointed since the last AGM.
4. THAT Andrew Bryce be re-elected as a director of the company.
5. THAT Grant Thornton UK LLP be re-appointed auditors of the company, to hold office until the next meeting at which accounts are laid before the company.
6. THAT the directors be authorised to determine the auditors' remuneration.
7. THAT the authority to allot shares and grant rights to subscribe for or to convert any security into shares ('Rights') conferred on the directors by Article 4.6(a) of the Company's articles of association be granted for the period ending 6 September 2012 or at the conclusion of the AGM of the Company to be held after the date of the passing of this resolution (whichever is the earlier) and for that period the Section 551 amount is £3,323,313.80.

Special resolution

8. THAT, subject to the passing of resolution 7, the power to allot equity securities as if Section 561(1) did not apply to any such allotment conferred on the directors by Article 4.6(b) of the company's articles of association be granted for the period ending on 6 September 2012 or at the conclusion of the annual general meeting of the company to be held after the date of the passing of this resolution (whichever is the earlier) and for that period the Section 561 amount is £498,497.07.

By order of the board



Susan Fadil, FCIS
Company secretary
29 March 2011

Registered office:
4 Rudgate Court
Walton
Wetherby
West Yorkshire LS23 7BF

Notes:

- (a) Only those shareholders entered on the relevant register of members (the "Register") for certificated or uncertificated shares of the company (as the case may be) at 5.00pm on Friday 3 June 2011 (the "Specified Time") will be entitled to attend or vote at the AGM in respect of the number of shares registered in their name at the time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at the AGM. Should the AGM be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned AGM. Should the AGM be adjourned for a longer period, then to be so entitled, members must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned AGM or, if the company gives notice of the adjourned AGM, at the time specified in the notice.
- (b) Any member may appoint a proxy to attend, speak and vote on his/her behalf. A member may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares of the member, but must attend the meeting in person. A proxy need not be a member. 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.

To appoint more than one proxy you may photocopy the proxy form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

- (c) Electronic appointment of proxies: as an alternative to completing the hard-copy proxy form, you can appoint a proxy electronically by going to www.eproxyappointment.com. You will be asked to enter the Control Number, the Shareholder Reference Number and PIN all found on the front sheet your proxy form. For an electronic proxy appointment to be valid, your appointment must be received by Computershare Investor Services PLC no later than 10.00am on Sunday 5 June 2011.
- (d) Appointment of proxies through CREST: CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from <https://www.euroclear.com/site/public/EUI>). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID Reference: 3RA50) by the 10.00am on Sunday 5 June 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- (e) To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY no later than 10.00am on Sunday, 5 June 2011.
- (f) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
- (g) Website giving information regarding the meeting is available from www.augeanplc.com.
- (h) As at 28 March 2011 (being the last business day prior to the publication of this notice) the company's issued share capital consisted of 99,699,414 ordinary shares, carrying one vote each. Therefore, the total voting rights in the company as at 28 March 2011 is 99,699,414.

Advisers and company information

Secretary

Susan Fadil, FCIS

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4 Rudgate Court
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Registered number

5199719
(incorporated and registered
in England and Wales)

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Leeds LS1 4BN

Solicitors

Walker Morris
Kings Court
12 King Street
Leeds LS1 2HL

Bankers

HSBC Bank plc
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Registrars

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Contacting Augean

To find out 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.



Augean's commitment to environmental issues is reflected in this annual report, which has been printed on Satimat Green comprising 75% recycled fibre and 25% virgin fibre certified by the FSC® and produced at mills with ISO 14001 environmental management systems.

This report was printed by Pureprint Group using their environmental print technology which minimises the impact of printing on the environment. Vegetable based inks have been used and 99% of dry waste is diverted from landfill. Pureprint Group is a CarbonNeutral® company.

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