Augean PLC
specialists in waste management

Delivering our strategy for growth

Augean PLC
Annual Report 2012

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.

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Group highlights

We have evolved

A joint venture agreement with Scomi Oiltools has given us a controlling stake in a new division: Augean North Sea Services. **Read about our operating divisions on page 21**

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Financial highlights

- Revenue including Landfill Tax: increase of 13% to £42.4m (2011: £37.5m)
- Revenue excluding Landfill Tax: increase of 18% to £36.8m (2011: £31.3m)
- Adjusted EBITDA[2] increased to £6.6m (2011: £6.1m)
- Adjusted profit before tax £2.6m (2011: £1.1m)
- Profit before tax £2.8m (2011: £1.4m)
- Earnings per share 1.97p (2011: 1.59p)
- Free cash flow £0.6m (2011: £(0.5)m) after £3.6m of capital expenditure
- Net debt increase to £6.1m following acquisitions (2011: £4.0m)
- Recommendation of payment of a maiden dividend of 0.25p per share

Operational highlights

- Group increases sales revenues across all divisions compared to previous year
- Improved operating margins on key activities
- Initial disposal of multiple waste streams from radioactive decommissioning
  - 2,107 tonnes disposed in 2012, at an average price of £271/tonne
  - Slower than expected release of Low Level Waste (LLW) from the nuclear estate
  - Entry into the emerging markets of naturally occurring radioactive material (NORM)
- Planning extensions secured at ENRMF and Thornhaugh sites
- ANSS operated successfully in the North Sea market throughout the second half of 2012
- New high temperature incinerator (HTI) integrated within Waste Network division
- New industrial cleaning services provided through Oil & Gas Services division
- Several medium term contracts secured with large customers across all divisions

Strategic developments

- Move into delivery phase across key strategic markets
- Continued focus on radioactive decommissioning markets to drive profit growth
- Planning permission sought to extend the size and life of the ENRMF site to 2026
- Offshore waste management offering growing through Augean North Sea Services
- Minerals extraction underway at Cooks Hole, providing royalty stream
- Energy production available as electricity, heating steam and fuel oils
- Appointment of Dr Stewart Davies as new CEO from August 2013

Revenue[1]

£42.4m

+13% (2011: £37.5m)

Adjusted EBITDA[2]

£6.6m

+8% (2011: £6.1m)

Earnings per share

1.97p

+24% (2011: 1.59p)

Profit before tax

£2.8m

+100% (2011: £1.4m)

Net debt

£6.1m

+53% (2011: £4.0m)

[1] Including Landfill Tax.
[2] Excluding exceptional items.

Focusing on difficult to handle, specialist waste streams, using a nationwide network.

Our integrated waste management system helps to protect our environment and provides the best solutions for our customers.

Logistics and transfer

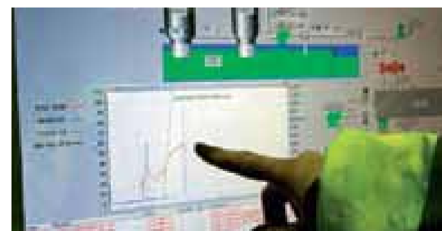
Through our own fleet of vehicles and waste containers we are able to collect and transport waste safely to its required destination.

Transfer activities allow us the flexibility to handle an extremely wide range of waste types and enable 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 our own treatment or recycling processes.

Waste treatment

Many hazardous wastes require treatment prior to final disposal. This may be through physical, biological, chemical or thermal methods. In some cases wastes can be reused, recycled or recovered for generation of energy.

Augean provides a broad range of waste treatment solutions to our customers, allowing the majority of waste we handle to be dealt with through our own facilities.



We have a dedicated network of permitted hazardous waste sites across the UK, providing customers with access to a range of waste management services.

Permitted hazardous waste sites

Secure disposal

High temperature incineration is an effective route for the complete destruction of dangerous chemicals and by-products.

Landfill remains an appropriate disposal solution for a range of hazardous and non-hazardous wastes, either before or after treatment has occurred.

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

We're committed to being a responsible company.

We value a positive relationship with local communities and recognise the importance of corporate responsibility.

Learn more in our CSR section on pages 28–31

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Delivering environmentally sound management of hazardous waste.

We align our activities with the legislative environment, supporting the waste hierarchy.

The waste hierarchy sets out six steps for dealing with waste, in descending order of environmental preference. As a leading hazardous waste specialist, Augean is uniquely placed to provide its clients with a broad range of disposal services that are sustainable and conform to all relevant legislation. This supports policy objectives to deliver environmentally sound management of hazardous waste.

Established in 2011

Waste type

- Landfill gas
- Soils/rubble
- Asbestos
- Radioactives
- APCR (ash)

Hierarchy activity

Markets

- Remediation companies
- Construction companies
- Incinerators
- Site licence companies (SLCs)

Locations

- ENRMF
- Thornhaugh
- Port Clarence
- Laboratory services
- Cooks Hole

Established in 2011

Waste type

- Chemical by-products from industrials
- Clinicals and pharmaceuticals

Hierarchy activity

Markets

- General industrial
- Waste companies
- Clinical and pharmaceutical

Locations

- Worcester
- Hinckley
- Rochdale
- Cannock
- Group transport
- East Kent HTI

Landfill disposal to engineered facilities remains the best overall environmental outcome for a range of hazardous wastes, particularly following treatment and/or volume reduction.

Established in 2011

Waste type

- Oil-contaminated liquids and solids
- Effluents
- Chemicals

Hierarchy activity

Markets

Decommissioning

Refineries

Specialist industrial

Oil treatment

Locations

Port Clarence Waste Recovery Park

Avonmouth

Paisley

Industrial services

Acquired in 2012

Waste type

- Drill cuttings
- Slops
- NORM
- Chemicals

Hierarchy activity

Markets

Northern and southern North Sea

Norwegian and Dutch territories

Locations

Aberdeen

Lerwick

Market overview

We operate within a competitive market. Our strategy and business model take into consideration the need to respond actively to trends and fluctuations in the markets and legislation.

Market trends and opportunities

Limited growth in the hazardous waste market

Land remediation suffering from construction downturn

Emergence of new radioactive decommissioning markets

Development of new energy from waste plants provides APCR treatment market

Growth in the North Sea oil and gas markets

How we're responding

Developing our national network and capabilities

Diversifying our business through targeted investments

Providing appropriate facilities at ENRMF

Investing in new treatment solutions

Investing in new ventures such as ANSS

Our priority continues to be the creation of long term shareholder value.

The core strategy of the Group remains unchanged, with focus 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.

Our strategic priorities

The Group has three core priorities: to enhance returns for shareholders by enhancing the return on capital employed; to set and deliver high standards of environmental compliance; and to ensure all activities promote high standards of safety.

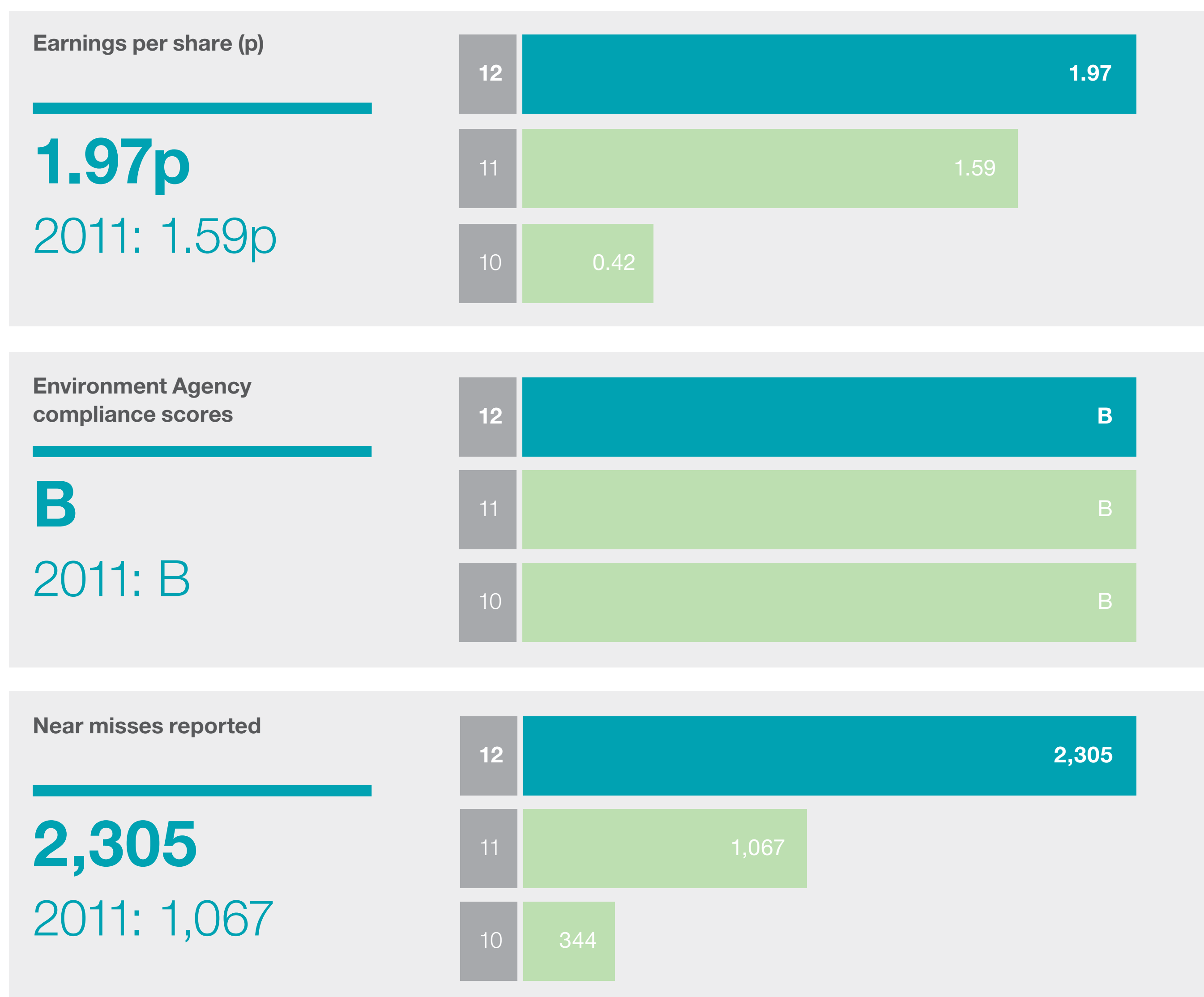
1 Enhance return for shareholders

2 Deliver high standards of environmental compliance

3 Operate safely and develop our safety culture

Key performance indicators

These priorities can be expressed through three core KPIs which are regularly reviewed by the Board and management.



Chairman's statement

"I am pleased to report another year of solid progress."

Jim Meredith
Non-executive Chairman

In summary

We have had a year of steady development, during which, despite market challenges, we achieved good positive forward momentum.

Net revenue excluding Landfill Tax for the year increased to £36.8m (2011: £31.3m).

Operating cash flows of £5.8m (2011: £4.7m) supported continued capital investment and the acquisition of a majority stake in Augean North Sea Services.

In my first statement as Chairman of Augean PLC I am pleased to report another year of solid progress for the Group despite the challenges we face in the UK economy. Since joining the Group in 2010 I have focused my attention on the returns available to our shareholders from the established hazardous waste management infrastructure of the business as well as the strategic developments which will allow us to deliver future growth. The action taken over the past year has developed both of these areas, improving year on year performance and providing a platform for more success during 2013.

I took the chair at Augean after our Annual General Meeting (AGM) in June and as such for half of the year the Group continued to be ably chaired by Roger McDowell. Roger remains a key member of our PLC Board and I would like to place on record my thanks to him and the other members of the Board for their insight, experience and guidance, which has been invaluable over the past nine months.

In 2012 the Group delivered growth, increased earnings per share and improved the return on capital employed. I believe that we took a large step forward during the year towards our goal of a business which provides sustainable long term returns for our shareholders.

Net revenue excluding Landfill Tax for the year increased to £36.8m (2011: £31.3m). Operating profit before exceptional costs was broadly in line with our expectations at £3.3m (2011: £1.6m) and the total profit attributable to our shareholders was £2.0m (2011: £1.6m). Operating cash flows of £5.8m (2011: £4.7m) supported continued capital investment and the acquisition of a majority stake in Augean North Sea Services, which I believe will be a vehicle for future growth.

We have worked hard during the year to position the Group as a key supplier of disposal services within the decommissioning supply chain and we expect this to deliver improved results from now on. However, the nuclear decommissioning sector is understandably cautious about the pace of change and the Board recognises the need to encourage an increased pace of material release for appropriate disposal, which to date has been frustratingly slow.

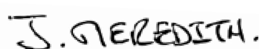
I am pleased to report improvements in health and safety and compliance performance during the year. The Board remains very vigilant in these priority areas and we have recently resolved to further increase the level of scrutiny of Health and Safety (H&S) through the establishment of a new H&S committee, chaired by a Non-executive Director and reporting directly to the Board. This committee will provide an independent challenge to Directors and suggest areas for improvement.

In 2012 the Group delivered growth, increased earnings per share and improved the return on capital employed.

Throughout 2012 the Board and I have been mindful of both the need for strong corporate governance and also the need to manage and mitigate risks. The economic environment in the UK is challenging, although not without opportunities for businesses like Augean, and recognising this fact the Audit Committee reviewed the risk management framework of the Group at its meetings in March and November. These reviews led to recommendations for certain additions to the framework. In addition, to ensure that governance was entirely appropriate for an AIM listed group, the Board has maintained regular dialogue with investors and sought input from our Nomad on specific matters.

Each of the Board's standing committees (Audit, Remuneration, Nominations) were very active during the year, particularly following the resignation of the Chief Executive and the search for his replacement. Paul Blackler will leave the Group at the end of March 2013 and I would like to thank him for his contribution over the past five years. We have now appointed Dr Stewart Davies as Chief Executive Officer (CEO) and I look forward to working with him when he joins the Group over the summer. In the meantime I will provide close support to our Finance Director, Richard Allen, as he assumes the role of Interim CEO. In all other respects it is very much 'business as usual' as we focus our teams on delivering enhanced targets in 2013.

The Board remains focused on delivering the improvements to performance which will lead to enhanced returns for all our shareholders and the payment of the Group's maiden dividend during this year will be another step on this journey. In 2013 we expect further improvements to revenues and earnings and also a reduction to net debt as the Group continues to generate positive cash flows.



Jim Meredith
Non-executive Chairman
26 March 2013

"The Group delivered improvements to revenues and earnings during 2012."

In summary

Through its three divisions and the North Sea Services subsidiary the Group is now more clearly focused on its key markets and better positioned to provide appropriate waste management solutions.

The Group was able to generate free cash flow during the year, which was subsequently reinvested into new business opportunities.

The strategic developments first identified during 2010 were largely implemented during the year and this has created a business with the capability to sustain improvements to shareholder returns into the medium term.

Introduction

The Group delivered improvements to revenues and earnings during 2012, building upon the divisional reorganisation implemented at the start of the year. Through its three divisions and the North Sea Services subsidiary the Group is now more clearly focused on its key markets and better positioned to provide appropriate waste management solutions to a broad range of customers in sectors including land remediation, construction, manufacturing, decommissioning, pharmaceuticals, oil and gas and energy generation. Earnings per share in 2012 increased to 1.97p, a 24% growth over 2011, and this has paved the way for payment of a maiden dividend during 2013, enabled as a result of the capital reduction approved by the High Court on 4 July 2012.

The Land Resources division delivered revenue growth from its core remediation markets and improvements to operating margins, which were enhanced by the returns available from the newly developed markets in Low Level Waste (LLW), Very Low Level Waste (VLLW) and naturally occurring radioactive materials (NORM). The trend of previous years continued with greater use of the remediation centres at Port Clarence and East Northants Resource Management Facility (ENRMF) and the volume of incinerator ash treated and disposed grew 24% from the previous year.

The Oil & Gas Services division delivered growth in like for like revenues over 2011, following a review of activities at each of its sites and a focus on margin-enhancing work. Following the divisional restructuring this division operates the majority of the Group's treatment assets and therefore carries a significant depreciation charge. However, improvements in performance over the year delivered a positive EBITDA result and positive cash generation.

The Waste Network division consolidated its position within the hazardous waste transfer market and expanded its operations with the addition of a high temperature incinerator at a new site in East Kent. This new asset allowed the existing network to be leveraged in bidding for new direct contracts with a broader range of customers and the division as a whole delivered revenue growth of 2%.

The Group invested £3.05m during the year to purchase 70% of the equity in the newly formed Augean North Sea Services. This entity provides a vehicle for the Group to provide a range of waste management solutions to customers in the North Sea oil and gas sector. Early results have been encouraging, with positive EBITDA and breakeven profit before tax delivered in the first six months of trading.

Capital investment

Maintenance	36%
Planning	23%
Development	41%

Despite the relatively high capital needs of the business, particularly at landfill sites, the Group was able to generate free cash flow during the year, which was subsequently reinvested into new business opportunities. To support working capital and investment needs the £10m banking facility with HSBC remained in place throughout the year and still has a further two years before maturity.

The Group continues to benefit from the valuable contribution made by its employees, all of whom contributed to the improvements in performance during the year. To ensure that the Group had sufficient resources to deliver its key targets there was an increase to the number of staff employed by the core businesses, with an average of 215 staff (2011: 206) over the period. The number of staff in the extended group increased by a further 52 with the acquisition of Augean North Sea Services and this rose to 59 by the end of the year.

During 2012 the Board has remained focused on delivering improvements to profitability and returns on capital employed. The strategic developments first identified during 2010 were largely implemented during the year and this has created a business with the capability to sustain improvements to shareholder returns into the medium term.

The hazardous waste market

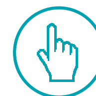
The hazardous waste markets remain highly segmented with numerous opportunities for specialist niche operators.

Data published by the Environment Agency during 2012 on the production of hazardous waste indicated the total volumes disposed to hazardous landfill remained stable during 2011 (the most recent data available) (source: Environment Agency; www.environmentagency.gov.uk). Augean's Land Resources division continued to enjoy a strong position within this market, with an estimated market share of 40% in 2011 and further volume growth during 2012.

The market's legislative environment is underpinned by the implementation of the Waste Framework Directive and the development of the UK's Hazardous Waste National Policy Statement (NPS), both of which are expected to reinforce the trend towards more sustainable methods of managing waste and the development of treatment, recycling and recovery facilities as the key focus of future waste management activities. The waste hierarchy provides a framework for waste management and there is a clear drive from the major companies in the sector, including Augean, to support this trend and move the UK's waste management infrastructure towards more sustainable solutions.

Find more online

Access our website and find additional content:
www.augeanplc.com



As part of our commitment to implement the elements of the waste hierarchy relevant to the hazardous sector the Group continues to take a strong role in the development of regulation and policy for hazardous waste.

The hazardous waste market continued

As part of our commitment to implement the elements of the waste hierarchy relevant to the hazardous sector 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 and modernisation of the sector, seeking to establish a positive regulatory and policy framework for the business. In previous years representatives from the Group took a high profile role in the development of the NPS, directly engaging with government departments and giving evidence at the Parliamentary Select Committee inquiry. During 2012 we continued to monitor the progress of this important policy statement, promoting the development of UK infrastructure.

The Group's business model, developed over the last five years, is strongly aligned with the NPS and the associated guidance. We have already developed several technologies which promote the waste hierarchy, including the establishment of ash stabilisation facilities, oil recovery by thermal desorption, energy from waste incineration and soil treatment and recycling centres (remediation centres). Augean is currently working with the Environmental Services Association (ESA), Department for Environment, Food and Rural Affairs (DEFRA) and the Environment Agency (EA) to ensure ongoing application of the waste hierarchy and the raising of standards to support sustainable investments. The final publication of the NPS in 2013 is anticipated to demonstrate the continuing need for the portfolio of facilities and services developed by Augean and the Group is therefore well positioned to take full advantage of the policy as the market responds to the new requirements.

As set out above, in the medium term the hazardous waste market is expected to continue to evolve as new treatment technologies are developed. The publication of the NPS has set the legislative direction of travel in the UK and future significant legislative developments are not expected in the near term. In our view the economic case for substantial development expenditure in the current economic environment may not be sufficiently compelling to justify significant technological developments across the market in the medium term and this may provide a barrier to new market entrants. However, a stable macro-environment for the development of appropriate hazardous waste management solutions does exist in the UK, especially if backed by appropriate enforcement of the legislation, and the Group will continue to explore how these solutions can best be delivered in ways that enhance shareholder returns.

“The Group has continued to deliver the strategy through the completion of major projects.”

Strategy

The core strategy of the Group remains unchanged, with focus 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. Investment in new waste management infrastructure and assets is based on strict criteria around the expected returns on capital invested, whilst recognising that ongoing capital investment is required to maintain existing facilities at the required capacities and standards.

In last year’s Annual Report we set out the key opportunities for 2012, many of which were entering the delivery phase, and over the course of the year the Group has continued to deliver the strategy through the completion of major projects. We expect that each of these opportunities will promote full utilisation of the Group’s assets and deliver longer term returns above its cost of capital.

Low Level Waste (LLW)

We reported in the Interim Report 2012 that the planning permission required to allow the Group to accept LLW at East Northants Resource Management Facility (ENRMF) had been secured. On 23 July 2012 the Group received notification that the application for permission to appeal to the Supreme Court against the decision by the Secretary of State to allow disposal of LLW had been refused. This concluded the legal process and confirmed that the original planning permission to dispose of LLW was lawful.

The planning permission at ENRMF allows the Group to dispose LLW and VLLW. Whereas LLW has radioactivity levels of up to 200 bq/g, activity of VLLW is typically less than 20 bq/g. The lower activity levels mean that VLLW attracts a lower price on disposal, in the same way that certain hazardous waste streams are also priced below more difficult to handle items.

During the first half of the year the Group secured two contracts for the disposal of LLW and VLLW, through the national framework managed by Low Level Waste Repository Limited (LLWR). Consignments were received from one of these contracts, with Research Site Restoration Limited (RSRL) from their Harwell facility through the second half of the year. The Group also completed numerous bids through the framework for VLLW and LLW from a number of site licensed companies (SLCs) which operate under the guidance of the UK’s Nuclear Decommissioning Authority (NDA). The bidding process is designed to comply with EU procurement law and each bid is subject to a technical and price assessment by LLWR. The majority of these bids are expected to be awarded during 2013 and will form the core of the Group’s LLW forecast for the year.

"The Board believes ANSS represents an excellent growth opportunity for the Group."

The Board remains confident that disposal of irradiated waste streams has enhanced the value of the Group.

Strategy continued

Low Level Waste (LLW) continued

While the national framework and bidding process is now active, the pace at which waste volumes were released during 2012 was slower than originally anticipated. There has also been a change in the mix of waste disposed by the Group at ENRMF, with the lower value VLLW dominating early consignments. As a result the average price of all irradiated waste disposed of during 2012 was £271/tonne.

The change in the waste mix, and also the lack of volumes from one of the two original contracts, led to 2,107 tonnes of waste being disposed in the year, generating £0.6m of sales revenues.

As previously reported numerous enquiries have also been received from new customers for smaller volumes of LLW, VLLW and also for disposal of NORM. Augean has entered a partnership agreement with Scotoil Limited in Aberdeen, to provide treatment and disposal solutions for customers wishing to dispose of NORM generated from North Sea oil and gas activities. Early signs are that this partnership will deliver revenues up to £0.5m per annum as the volume of NORM released increases.

Despite the delays and mix challenges experienced during 2012 the Board remains confident that the infrastructure investment made to allow disposal of irradiated waste streams has enhanced the value of the Group. With the scaling up of decommissioning activities, the value of this activity is expected to be material to the Group and underpin profitability, cash flows and return on invested capital.

Offshore

During the year the Group completed another stage of its strategic development with the addition of a new business to provide waste management services to North Sea oil and gas operators. As previously reported, on 29 May 2012 we announced the creation of a new company, Augean North Sea Services Limited (ANSS). Augean purchased 70% of the equity in the newly formed company from Scomi Oiltools (Europe) Limited (Scomi) on 30 May 2012 two days after it commenced trading, paying £2.05m for the shareholding and also providing a loan of £1.0m to ANSS, which allowed Scomi to repay existing debt. The loan is secured against the property assets owned by the venture in Aberdeen and is repayable over an eight year period.

The newly formed company built upon the existing relationship between Augean and Scomi for the treatment of drill cuttings from offshore oil and gas exploration, using Augean's thermal treatment and disposal facilities at Port Clarence, Middlesbrough, and Scomi's offshore waste management resources, based in Aberdeen. By combining these activities through ANSS, the business has the capability to source, contain, treat, recycle and ultimately dispose of offshore wastes for its customers through an integrated waste management supply chain.

ANSS has the capability to source, contain, treat, recycle and ultimately dispose of offshore wastes.

The new business operated successfully in the North Sea market throughout the second half of 2012, providing services to previous Scomi customers and new customers won over the past six months. Drilling waste management on the offshore platforms, supported by onshore treatment of drill cuttings at Port Clarence, continues to be a key activity for the Group and during the last quarter of 2012 new contracts were secured for drilling wastes. The business also increased its services to platform supply vessels docking at Pocra Quay, Aberdeen, utilising specialist industrial cleaning equipment to remove contaminated slops from their storage tanks and treat these in the tank farm facility located at the quayside. In addition, local sales teams have begun to bid for and secure onshore hazardous waste management contracts, supported by Augean's facilities at Paisley and Port Clarence. This is another important element of the growth plan for the business.

To support its expanding activities ANSS purchased an additional site at Tullos in Aberdeen, with this transaction completing during January 2013. The site, at Greenbank Industrial Estate, will be operated on a long term lease from Aberdeen City Council, using assets purchased from Veolia Environmental Services Limited. The total costs of the transaction were £0.2m, paid for from existing working capital. During 2013 this site will be fully integrated into the local activities and wider Group, providing the flexibility to offer an expanded range of services to local customers.

The Board believes ANSS represents an excellent growth opportunity for the Group. In 2013 we expect EBITDA of at least £0.7m, with the business well placed to take advantage of current oil and gas market activities and also make preparations to participate in the emerging offshore decommissioning market.

Energy

2012 saw further progress in the Group's efforts to develop its capabilities in the production of energy and fuels. During the year electricity continued to be generated from our two landfill gas generation plants at Mark's Quarry and Port Clarence. At the new East Kent facility the incinerator produced steam which was exported to the surrounding Discovery Park site for use in heating (this activity also ensures that the wastes incinerated at East Kent are being treated in a recycling process). Within the Oil & Gas Services division work continues to recover oil for use as fuel, with the indirect thermal desorption plant at Port Clarence Waste Recovery Park delivering quality recovered oil from North Sea drilling wastes.

Minerals

Mineral extraction, in the form of limestone and sand, began in June at the Group's site at Cooks Hole, Northamptonshire. The permitted extraction of these minerals is being carried out though a third party, providing a royalty income for the Group of at least £0.2m per annum. This value may increase as extraction volumes rise.

"During the first quarter of 2013 management has taken steps to improve utilisation of its sites."

To support the drive for a change in the customer profile of the division, the opportunity to include high temperature incineration in the division's portfolio of services was significant.

Development activities

Waste Network division developments

The formation of the Waste Network division in early 2012 focused the Group's sales and transfer capabilities into an entity expected to drive sales growth and address the profitability challenges in this area of the business. The strategy for the Waste Network includes progressively moving sales activity and revenues towards larger customers, with whom longer term contracts can be signed, creating greater levels of certainty around waste volumes, site utilisation and gross margins.

To support the drive for a change in the customer profile of the division, the opportunity to include high temperature incineration in the division's portfolio of services was significant. We were therefore delighted to sign agreements on 16 April 2012 with Pfizer Limited to manage and operate a commercial high temperature incinerator (HTI) at the Discovery Park in Sandwich, Kent. These agreements have since been novated to Discovery Park Limited and the site is operating under the name of East Kent Waste Recovery Facility (EKWRF).

EKWRF was integrated into the Group over the second half of the year, operating under a separate environmental permit issued by the Environment Agency. The HTI has the capacity to process up to 10,000 tonnes per annum of waste and also benefits from its ability to recover energy in the form of steam, making the facility the only commercial HTI in the UK with this capability. Integration into the Waste Network division, aligning the assets with the Group's existing national network of waste transfer stations and providing the sales and support infrastructure to market the new services, has supported recent revenue growth, leveraging our position in key strategic markets, namely pharmaceutical, clinical and secure destruction. Contracts for waste management including the secure destruction of certain materials are now being offered to develop the customer base of the site and the wider division.

With the HTI now fully operational EKWRF is expected to deliver an EBITDA contribution of £0.3m during 2013, rising to £0.5m thereafter.

EKWRF is a key part of the strategy for the Waste Network division, but other changes were also made during the latter part of the year to address profitability challenges. The sales and support infrastructure of the division was refocused and the central customer services facility at Cannock was closed. Key roles were transferred to those operating sites requiring commercial support, providing local expertise and short lines for decision-making. As part of this process a smaller bid management team was established, to focus on winning the larger contracts which are essential to the division's future success.

During the first quarter of 2013 management has also taken steps to reduce the operating costs of the division and improve utilisation of its sites. As a result we announced the closure of the Worcester site in January, with existing customers being transferred to the larger site at Cannock. Cannock is the largest transfer

During 2012 planning and permitting activities focused on securing extensions to the operational life of two landfill sites at ENRMF and Thornhaugh and also an extension to the size and life of ENRMF.

station facility within the Group and has the capacity to absorb the Worcester volumes. This change resulted in a small number of redundancies. The Worcester site has been retained by the Group and discussions are ongoing with interested third parties who may lease the site during 2013. There are no current plans to sell the site. The reduction of costs at Worcester is expected to contribute an additional £0.4m to the division's operating profit during 2013.

Planning and permitting

The securing of planning permission and maintenance of appropriate environmental permits at the Group's sites is an essential part of the ongoing operations and future development of the Group. During 2012 planning and permitting activities focused on securing extensions to the operational life of two landfill sites at ENRMF and Thornhaugh and also an extension to the size and life of ENRMF.

Planning permission for the disposal of non-hazardous waste at the Thornhaugh landfill site was scheduled to expire in December 2013. An application was submitted to Peterborough City Council during the year to request an extension to the operational life of the site until December 2029. The application was supported by the local planning officers and during the hearing Augean received positive support for its plans. The application was heard on 6 November 2012 and received the unanimous support of the Council's planning committee, confirming extension of the site's operating life to 31 December 2029.

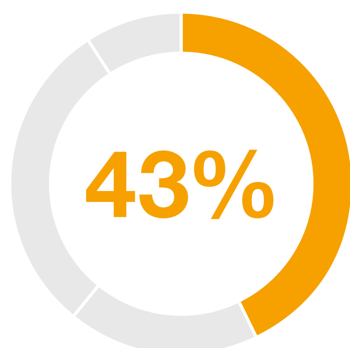
At ENRMF two applications were submitted to extend the life of the site beyond the previous expiry in August 2013. A local application was made to Northamptonshire County Council (NCC) to provide a time extension for the site to remain operational until December 2016, allowing the existing void capacity to be filled and the currently active areas to then be fully restored. This application was approved by the Development Control Committee of NCC on 18 September 2012.

A second application was also submitted during 2012 to the Planning Inspectorate to propose an extension of the capacity and operating life of ENRMF, through the development of land to the west of the existing landfill within the boundary of the entire site. The application anticipates that this development would extend operations at the site to December 2026, including hazardous and low level waste, allowing the Group to increase the capacity of the site by up to 1.2m cubic metres of landfill void and extend the land remediation activities at the remediation centre. The Planning Inspectorate acts on behalf of the Secretary of State for Communities, examining planning applications for projects of national significance. The examination process includes public meetings, evidence from interested parties and site visits. The inspector concluded these stages by January 2013 and must submit his report to the Secretary of State by 22 April 2013, followed by a decision from the Secretary of State within three months. No significant new challenges emerged during the examination and we remain confident of a positive outcome.

Augean Land Resources

Divisional review

Revenue share



Revenue*

£15.7m

Total landfill volumes of waste disposed decreased by 5.9% during the year to 320,392 tonnes (2011: 340,383 tonnes). The trend towards greater pre-treatment of waste before disposal, utilising the treatment facilities at our remediation centres at ENRMF and Port Clarence, led to remediation volumes growing by 5.4% when compared with 2011. The volumes of traditional hazardous waste disposed directly to landfill decreased 12.1% year on year at 98,787 tonnes (2011: 112,355 tonnes) with prices of £46.40 per tonne (2011: £40.50 per tonne).

Despite disposing of lower volumes to landfill, overall profit for Land Resources was £6.7m compared to £4.9m for 2011. This was driven by improvements in margin as a result of lower operating costs.

As explained in the LLW section on page 13, volumes of LLW received during the year were slightly ahead of the forecast at 2,107 tonnes, but the mix of wastes was skewed towards the lower value VLLW, leading to revenues of £0.6m, rather than the anticipated £1.0m. This result has not undermined our belief in the value of this activity, but the experience has made forecasting LLW revenues more challenging than originally expected.

Mineral extraction at Cooks Hole and energy generation from landfill gas contributed a further £0.2m to operating profit.

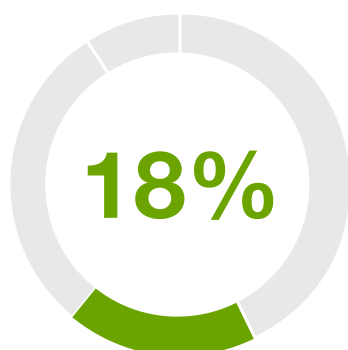
To ensure that the Land Resources division can continue to deliver environmentally sound recycling and disposal solutions for its customers the division broadened its range of waste treatment options during the year with the commissioning of a stabilisation plant at the Port Clarence site and the construction of a bio-remediation facility at ENRMF. Further developments are underway at Port Clarence with a tank farm for liquid wastes scheduled for completion in May 2013 and at ENRMF through upgrades to the processing plant at the Remediation Centre.

* Net of Landfill Tax and inter-segment sales.

Augean Waste Network

Divisional review

Revenue share



Revenue*

£6.6m

* Net of Landfill Tax and inter-segment sales.

The Waste Network division saw a £0.2m increase in sales revenues from the equivalent period in 2011. This growth was reduced by the transfer of ash treatment activity out of the division's sites and into the Land Resources division (representing an annual impact of £0.4m). However, underlying sales revenues grew by 10% and the division delivered total revenues in 2012 of £6.6m despite operating in a flat and highly competitive market.

As a result of the introduction of East Kent and a focus on minimising disposal costs of waste to external parties, the division was able to deliver year on year improvements to gross margins. In this regard the focus on contracted waste streams began to deliver some benefits. Over the year gross margins improved by 4% to 41% when compared against 2011 (37%).

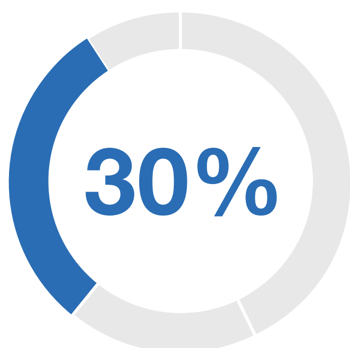
Despite the above improvements, there is still progress to be made before the division reaches the critical sales threshold to allow operating and overhead costs to be covered. The plans for further growth are outlined in the Development activities section of this report on page 16. This resulted in an operating loss of £2.0m. This includes absorbing £0.1m of costs for the set up and initial operation of the new EKWRF and further investment in the transfer stations. The equivalent result for 2011 was a loss of £1.1m.

Given the developments described elsewhere in this report the Board expects a material improvement to Waste Network performance during 2013.

Augean Oil & Gas Services

Divisional review

Revenue share



Revenue*

£11.1m

Sales revenues in the Oil & Gas Services division increased by 8% to £11.1m. As reported in the Interim Report 2012 activities at the Avonmouth site focused on the utilisation of available assets to generate higher gross margins, which led to delivery of a 7% improvement to margins when compared to 2011. The changes were supported by an external review of activities and the development of a site plan to improve waste treatment performance.

At the Port Clarence Waste Recovery Park (PCWRP) a number of investment projects took place to improve the throughput and oil recovery capabilities of the Indirect Thermal Desorption (ITD) plant. The unique status of this plant as the only one of its kind operating in the UK forms an essential part of the Group's development of offshore waste services, supporting ANSS by focusing its activities largely on the treatment of drill cuttings from North Sea oil and gas exploration. Sales revenues at the site are derived largely from North Sea activities, with revenue increasing by £0.5m from the previous year to £3.0m.

This integration between ANSS and the Oil & Gas Services division is also evident at the Paisley site, which began to support ANSS by providing waste treatment and transfer capability during the second half of the year. In its other activities the site underwent a similar customer and margin review to that at Avonmouth and this led to a significant improvement in year on year gross margins to 54%.

The division leveraged its expertise in oil-contaminated wastes and hazardous chemicals to develop its new industrial cleaning services capability during the year, winning a significant contract at a former aluminium production facility.

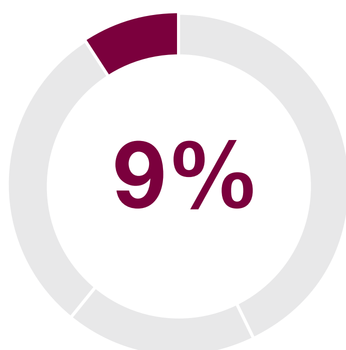
The division delivered an operating loss in the year of (before exceptional costs) of £1.2m, but this masked an improvement in performance which delivered positive cash generation of £0.2m, after taking account of capital investments.

* Net of Landfill Tax and inter-segment sales.

Augean North Sea Services

Divisional review

Revenue share



Revenue*

£3.4m

Augean North Sea Services is the newest business division in Augean PLC. It was formed in May 2012, when Augean acquired the controlling stake in Augean North Sea Services Limited (ANSS), purchasing 70% of its share capital from Scomi Oiltools (Europe) Limited. ANSS provides a comprehensive waste disposal route for all North Sea oil and gas industry operators, specialising in management of drill cuttings and associated waste streams. It will complement Augean's core waste disposal business and develop the utilisation of the Group's asset base.

During the seven month period ending 31 December 2012, ANSS contributed revenue of £3.4m to the Group's results. The business is working with the Oil & Gas Services division to offer an integrated treatment and transfer service for North Sea waste streams, delivering £47,000 of operating profit in its initial seven months of operation to 31 December 2012.

Since the financial year end, the business has purchased an additional site at Tullos in Aberdeen to support its expansion. This will be operated on a long term lease. During 2013, this site will be fully integrated into the Group, allowing the business to offer an increased range of services to our customers.

Further details are provided in the Strategy section of this business review.

* Net of Landfill Tax and inter-segment sales.

"Operating profit before exceptional items increased to £3.3m (2011: £1.6m) and profit before tax and exceptional items to £2.6m (2011: £1.1m)."

The results for the year show growth in revenues, retained profit, earnings per share and adjusted EBITDA.

Performance

The results for the year show growth in revenues, retained profit, earnings per share and adjusted EBITDA (excluding the impact of exceptional items). This performance was driven largely by growth in the Land Resources division, improvements within the Oil & Gas Services division and stable performance from the Waste Network division. ANSS contributed £3.4m to revenues and £0.3m to EBITDA, delivering a breakeven profit before tax.

Key Performance Indicators (KPIs)

The Board and local management teams regularly review the performance of the Group as a whole and the individual divisions. Management uses a balanced scorecard of KPIs to monitor progress towards delivery of the Group's principal targets. Certain KPIs are set out in the table below, relating to the priority areas of profit generation (through revenue delivery and asset utilisation), compliance with regulations (specifically Environment Agency audit results) and health and safety (monitored through near miss incidents and the number of accidents incurred).

For ANSS local management has adopted a similar balanced scorecard approach, which includes KPIs of particular relevance to the oil and gas industry. These KPIs include FPAL scores, which are based on customer feedback and used to rate performance in service delivery. In 2012 ANSS received 14 scores, at an average of 8.7 (maximum of 10.0). Health and safety performance was also very positive throughout the period, with zero accidents and zero lost time incidents.

KPI	Land Resources division	Oil & Gas Services division	Waste Network division
Net revenues[1]	£15.7m	£11.1m	£6.6m
Volumes to landfill	320,392	n/a	n/a
Utilisation of site capacity[2]	n/a	52%	51%
EA compliance scores[3]	C	B	B
Near misses reported[4]	815	874	359

(1) Revenues net of Landfill Tax and inter-segment sales.

(2) Defined as the total actual throughput of waste at the site in the year compared with the theoretical maximum throughput.

(3) Defined as the average of Environment Agency audit scores notified during the year on a scale from A to E.

(4) Shows the total number of incidents recorded which could have resulted in an accident or injury or damage to property.

Revenue[1]

£42.4m

+13% (2011: £37.5m)

Adjusted EBITDA[2]

£6.6m

+8% (2011: £6.1m)

Profit before tax

£2.8m

+100% (2011: £1.4m)

[1] Including Landfill Tax.
[2] Excluding exceptional items.

Financial review

Trading

Net revenue excluding Landfill Tax for the year ended 31 December 2012 increased by 18% to £36.8m (2011: £31.3m). With the inclusion of Landfill Tax charged to customers, on which the Group makes no margin, of £5.7m (2011: £6.2m), total Group revenue rose by 13% to £42.4m (2011: £37.5m).

Operating profit and exceptional items

Operating profit before exceptional items increased to £3.3m (2011: £1.6m) and profit before tax and exceptional items to £2.6m (2011: £1.1m), slightly behind the Board's expectation of £2.7m. This improvement reflected consistent trading performance across the year.

Total exceptional items increased profit before tax by £0.2m (2011: £0.3m). Exceptional items included a gain on bargain purchase associated with the deferred tax assets arising from the Augean North Sea Services acquisition of £0.5m (2011: £nil), restructuring charges of £0.1m (2011: £0.3m) and legal and professional fees relating to the acquisition of Augean North Sea Services of £0.2m (2011: £nil). The net benefit of £0.2m (2011: £0.3m) derived from the exceptional items increased profit before tax to £2.8m (2011: £1.4m).

Finance costs

Total finance charges reflected the payment of interest on bank debt and finance leases, totalling £0.6m (2011: £0.6m). This also included a £0.1m (2011: £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 2012. There was no trading during the year and as a result Terramundo delivered a small loss of £0.03m (2011: £0.03m), relating to loan interest and depreciation charges. Both joint venture parties remain committed to this strategic venture and expect a return to trading as markets evolve and the demand for its services become re-established.

"The total profit attributable to equity shareholders increased by £0.4m from the previous year to £2.0m (2011: £1.6m), benefiting from improved year on year trading."

The Board has recommended a maiden dividend of 0.25p per share.

Financial review continued

Corporation tax

The Group paid tax of £0.7m during the year, £0.5m in respect of 2011 liabilities and £0.2m in respect of 2012 liabilities. A deferred tax asset of £1.2m (2011: £0.9m) was recognised in the statement of financial position, the Board believing that future profits are probable and future tax liabilities will be incurred, as was a current tax liability of £0.2m (2011: £0.5m). There was a corporation tax charge of £0.8m in the income statement (2011: credit of £0.2m).

Profit for the year

The total profit attributable to equity shareholders increased by £0.4m from the previous year to £2.0m (2011: £1.6m), benefiting from improved year on year trading.

Dividend

At the AGM on 8 June 2012 shareholders approved the capital reduction of Augean PLC (the Company). Subsequent hearings in the High Court on 18 and 27 June 2012 led to the capital reduction being confirmed on 4 July 2012. To effect the reduction the share premium account of the Company (valued at £114.9m) was cancelled, creating a special profit reserve in the Company and Group statements of financial position (page 46). Having created the necessary conditions the Board has developed a dividend policy for the Company and considered payment of a final dividend in respect of 2012. The Board has recommended a maiden dividend of 0.25p per share, payable on or after 15 June 2013 subject to shareholder approval at the AGM.

Earnings per share

Basic earnings per share (EPS) adjusted to exclude the impact of exceptional costs were 1.72p (2011: 1.26p) and unadjusted EPS were 1.97p (2011: 1.59p). The number of shares in issue at 31 December 2012 was unchanged from 31 December 2011, at 99.7m. There were 32,823 dilutive outstanding share options at the year end (2011: nil). Adjusted diluted EPS was 1.72p and unadjusted diluted EPS was 1.97p.

Earnings per share

1.97p

+24% (2011: 1.59p)

Net debt

£6.1m

+53% (2011: £4.0m)

Cash flow

The Group delivered earnings before interest, tax, depreciation and amortisation (EBITDA) of £6.3m (2011: £6.5m) and net cash generated from operations of £5.8m (2011: £4.7m). Net cash used in investing activities increased to £5.7m (2011: £4.2m), which reflects the purchase of Augean North Sea Services as well as the high temperature incinerator at East Kent and investments in property, plant and equipment in planning and development of certain sites. Net debt increased to £6.1m (2011: £4.0m) as a result of the refinancing and as a result gearing (net debt/shareholders' equity) was increased to 13% (2011: 9%).

The capital investment made by the Group (excluding acquisition activities) is shown in the table below. This is split between maintenance investment, focused on upgrading existing facilities, development investment on new activities and planning investment to secure permissions to operate.

Impairment review

Under IFRS, an annual impairment review must be performed for each cash-generating unit (CGU) to which significant goodwill is allocated 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 and no changes have been required to the statement of financial position. See note 10 of the financial statements for further detail of the reviews performed.

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 was 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 were tested at the end of each trading quarter and each test was achieved at the relevant dates throughout the year. At 31 December 2012, the undrawn loan facilities available to the Group were £4.3m.

Capital investment by division in 2012

	Land Resources division £'000	Oil & Gas Services division £'000	Waste Network division £'000	North Sea Services division £'000	Central £'000	Total Group £'000
Maintenance	17	619	123	—	646	1,405
Development	1,451	—	—	112	—	1,563
Planning	507	—	257	—	121	885
Total	1,975	619	380	112	767	3,853

Principal risks and their mitigation

The performance of the business is linked to economic activity in the waste markets it serves, including the industrial, construction and oil and gas sectors. Fluctuations in the economy in general and these sectors in particular 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 operating costs and commodity prices, including the costs of waste disposal outside of the Group. In addition to this general economic risk there are a number of risks specific to the waste industry and increasingly aspects of the oil and gas industry can have a material impact on activities.

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

Risk description	Mitigation
Environmental legislation Regulation is a key driver of the waste market. Changes in legislation (including tax legislation with environmental goals) or its interpretation can have a significant and far reaching impact on waste management markets. The Group endeavours to mitigate this risk by employing high quality technical management to interpret the evolving legislative framework and its potential and current impact on the Group's operations. In addition, the Group maintains a presence on a number of industry groups to influence the shaping of policy and liaises regularly with relevant regulators and legislative bodies.	The application of the waste hierarchy to the Group's activities, with its focus on reducing the volume of waste disposed to landfill, could be perceived as a threat to the business in the long term. The Group is mitigating this threat by developing treatment solutions for customers which utilise landfill when this is the most appropriate commercial and environmental solution, but provide alternative approaches whenever they are suitable.
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 of the Group and compliance with their terms is essential to its success. 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 that the techniques, practices and procedures adopted by the Group are consistent with those of a responsible business.	The Group mitigates this risk through the employment of technical experts, by working to well established policies and procedures described in its Integrated Management System, through the provision of training to develop the knowledge and competence of its staff and through regular monitoring and review of compliance performance. Further details of how the Group monitors and controls environmental compliance are given in the Group's Corporate Social Responsibility (CSR) Report.
Health and safety 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.	As a result, health and safety is the first priority for all Directors, managers and employees across the Group. Investments in relevant assets and resources are made on an ongoing basis to ensure that the highest health and safety standards are applied. Health and safety performance is constantly monitored and reviewed, with the lessons learnt from incidents fed back to local teams to avoid repeat situations.

The Group relies on economic activity in the UK, which in turn leads to production of the hazardous wastes which form the basis of its sales revenues.

Risk description	Mitigation
Price risk Price pressure remains a key feature of the waste market, where customers often have a range of technological options for the ultimate disposal of their wastes and access to several companies competing to service their needs.	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. As part of the Group's established sales infrastructure specialist roles exist to assess and price waste consignments in line with market rates and available disposal solutions. 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.
Economic growth The Group relies on economic activity in the UK, which in turn leads to production of the hazardous wastes which form the basis of its sales revenues. The UK is experiencing a well documented extended period of limited economic growth, with a corresponding impact on output from sectors including construction and manufacturing. This downturn has the potential to restrict the quantum of hazardous wastes available to the Group and therefore its revenues.	These macro-economic conditions are mitigated in part by following a strategy of developing niche markets requiring specialist waste management capabilities, which have high barriers to entry, and also through continuing to identify and invest in the techniques, assets and resources to provide a broad range of services to customers, diversifying the revenue base of the Group.
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 2014 may encourage some customers to divert volumes away from our sites. The full rate of landfill tax will rise to £72/tonne on 1 April 2013 and will reach £80/tonne on 1 April 2014. European and national legislation encourages zero landfill solutions for a range of waste streams, although for some hazardous wastes disposal in properly engineered and permitted landfills continues to be the most appropriate waste management solution. Once landfill tax reaches £80/tonne the direction of tax policy is not yet clear, although consultations are currently underway between government and industry groups.	To mitigate the risk that the Group will suffer a decline of landfill volumes as environmental taxes rise the Group has developed a range of waste treatment solutions for customers and also broadened its capabilities to include disposal of a range of low level irradiated wastes at its landfill sites.

Corporate social responsibility

We are committed to mitigating adverse effects of our operations and this is explained further in the detailed CSR report published alongside this Annual Report.

The health and safety of our employees and compliance with regulations are two of the top three business priorities.

The environment, employees and the community

The Board recognises the important role played by the Group in the environment and communities within which it operates. The health and safety of our employees and compliance with regulations are two of the top three business priorities (profit performance being the third). Augean is committed to conducting its business operations in an open and 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, to continually improve assets and processes to ensure the safety and welfare of our employees and to act as a good neighbour, minimising the impact of our operations on the wider community.

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 this Annual Report.

Augean's core business values

Transparency
We are open and transparent in all that we do.

Integrity
We are trustworthy and honest in all that we say and do and take responsibility for our own actions.

Social and community responsibility
We recognise that our actions have a material impact on the communities in which we operate and take that responsibility extremely seriously.

Environmental responsibility
We respect the environment and invest time and resource in protecting it.

Technical excellence
We employ skilled staff and use up-to-date techniques and equipment.

Professionalism
We are reliable and consistent and deliver excellent service.

Respect
We are friendly and courteous to colleagues, clients and suppliers.

Passion
We are proud of our company and dedicated to its purpose. We are enthusiastic, enjoy challenges and are eager for success.

The environment

All operating sites and activities are strictly regulated by environmental authorities through a range of regulations set out in the permits for each site. 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 standards expect the techniques and procedures adopted by the Group to represent the 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 Group 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. Activities are delivered subject to well developed environmental controls and compliance systems (as defined in the Integrated Management System), involving suitably qualified people in the management of all aspects of its operations. Environmental reporting is prepared and monitored within the Group and supplemented by information from regulators. This includes the Environment Agency's own review of companies operating in the waste sector which are subject to their account management regime, of which Augean is one. The information available for 2012 indicates that the Group's operations do not result in a significant impact on the local environment and general environmental performance has improved significantly over the past five years.

Employees

The Group's employees are vital to its success and during the year made a significant contribution to the performance improvements outlined in this report. In recognition of their commitment and effort the Board approved a 2.5% pay award for all management and staff from 1 January 2013. This represents an increase from the 2% award made in 2012 and recognises the progress that the Group has made over the past year.

Read our dedicated CSR report

A comprehensive review of our progress towards corporate responsibility can be found at www.augeanplc.com/CSR

The business works closely with the regulators to ensure that Augean is a leader in compliance in the sector.

The environment, employees and the community continued

Employees continued

Training and development activity during the year built on the progress made during 2011 and led to an investment of approximately £0.2m in training to ensure all employees had the knowledge, qualifications and skills to operate safely and compliantly within the waste management sector. The Group's training manager developed a competency framework for each role and this is now used in the recruitment of new employees and also as the basis of a rolling training programme.

Training in the priority area of health and safety was supported by every employee undergoing the British Safety Council's level 1 course in health and safety at work during the year and the development of online tools to allow ongoing H&S training into 2013.

A total of £298,000 was contributed through the Landfill Tax Credit Scheme during the year.

Reporting of near miss incidents continued to be a key part of the health and safety programme, leading to a year on year increase in near miss reports. Over 2,200 near misses were reported during 2012 (approaching the target of one per employee per month) and at the same time there was a 25% reduction in the number of accidents causing injury or damage to property.

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 establishment of new businesses, changes in the waste streams managed and the seeking of planning permission to extend the life of certain sites during the year led to a high level of interaction with local communities in some areas. As in previous years the Group undertook an extensive programme of consultation in these localities to ensure that its plans were well known and understood. This included attending parish council meetings and hosting open days at sites, in addition to the more formal submissions to planning authorities.

The Group continued to contribute to the communities around its landfill sites through the Landfill Tax Credit Scheme. A total of £298,000 was contributed through this scheme during the year, providing funds for community projects including a sports centre and a wildlife reserve.

Charitable donations made during the year included ongoing support for the Underground Youth Club at Kings Cliffe, the Cannock Chase Community Centre, local sports teams and the John Clare Cottage project near to Peterborough.

Outlook

While the general economic outlook for the wider hazardous waste sector remains subdued the Board believes that the Group is well placed to benefit from the significant investment it has undertaken over the past 24 months to deliver continued growth during the year. While traditional hazardous landfill volumes are not expected to grow during 2013, this will be offset by contributions from recently delivered strategic opportunities. Management remains focused on improving the performance of the Oil & Gas Services and Waste Network divisions and alongside the investments made these are expected to deliver continued growth to revenues, earnings per share and cash flow in this year and beyond.

Board of directors

Jim Meredith
Chairman and Non-executive Director, 52

Jim is currently chief executive officer of SCAID Capital, a manufacturer of holiday homes and modular housing and has significant experience of the waste industry having held several senior roles within the sector. He was formerly chief executive of FCC's UK asset base with revenues of c.£700m, c.180 active business units and c.2,400 employees following their acquisition in 2006 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 Terra Firma Capital Partners (TFCP) during the 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 with revenues of c.£600m and c.4,200 employees on c.125 sites in three European countries. He was appointed to the Board of Augean in December 2010 and became Chairman on 8 June 2012.

Richard Allen
Interim Chief Executive Officer and Group Finance Director, 42

Richard joined Augean and was appointed to the Board in September 2010 as Group Finance Director from Kelda Holdings, the ultimate owner of Yorkshire Water and a number of water-related businesses. Richard held a number of senior finance roles at Kelda, latterly as interim group finance director. Prior to Kelda, Richard spent ten years with the Nestlé SA group and before leaving was finance director at Nestlé Ireland, based in Dublin.

Andrew Bryce
Non-executive Director and Chairman of the Nominations Committee, 65

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.

Rory Macnamara
Non-executive Director and Chairman of the Audit Committee, 58

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 then became a managing director at Lehman Brothers. He is chairman of Dunedin Income Growth Investment Trust PLC and Essenden PLC and currently holds a number of directorships including Mears Group PLC and Dragon Ukrainian Properties & Development PLC. He was appointed to the Board of Augean in November 2006.

Roger McDowell
Non-executive Director and Chairman of the Remuneration Committee, 57

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, chairman of Ultimate Finance Group PLC and chairman of Alkane Energy PLC and is also a non-executive director of IS Solutions PLC and Swallowfield PLC. He joined the Board of Augean in 2004 and was Chairman from 23 March 2010 until 8 June 2012.

Paul Blackler
Executive Director, 43

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. As previously reported, Paul Blackler will resign from the Board of Directors on 28 March 2013. A replacement Chief Executive, Dr Stewart Davies, will join the Group with effect from August 2013. Richard Allen is acting as Interim Chief Executive Officer during the intervening period. Further detail is included in the Directors' Report.

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 Corporate Governance Code of June 2010 (the Code) or the updated 2012 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 regularly reviews guidance from the FRC and other regulatory bodies and responds as appropriate.

The Board of Directors

The Board currently comprises a Non-executive Chairman, three further Independent Non-executive Directors, an Executive Director and an Interim Chief Executive Officer/Group Finance Director. A Senior Independent Director has not been appointed as, given the size and nature of the Company, the Directors do not believe that such an appointment is necessary. The Chairman has primary responsibility for running the Board and its effectiveness and the Interim Chief Executive/Group 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 Board decisions.

The composition of the Board is reviewed regularly. Appropriate training, briefings and inductions 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 Group's company secretarial partner, Addleshaw Goddard LLP, and 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.

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. Under the Company's Articles of Association one third of all Directors are required to retire from office at each Annual General Meeting (AGM) and may stand for reappointment by shareholders each year. Additionally, each Director is required to retire in the third calendar year following his last appointment and may stand for re-election. Any Director appointed to the Board during the year is subject to election by shareholders at the following 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 three times 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 external auditor. It also reviews, prior to publication, the Interim Report, the results 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. Activities during 2012 included a review of remuneration for a new Chief Executive and a review of a new LTIP for the Group.

Board committees continued

Nominations Committee

The Nominations 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. Activities during 2012 focused on recruitment of a new Chief Executive.

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:

- maintenance of a risk register, covering the key health and safety, regulatory and financial risks faced by the Group;
- monthly reviews of business risks affecting the Group, identifying procedures and action required to manage and mitigate those risks;
- reports provided to the Board at every meeting setting out the key risks and their management;
- a clearly defined organisational structure with terms of reference for Board committees and responsibilities and authorisation limits for executive and senior management;
- regular visits by the Executive Directors and senior management to key operating locations to meet with local management and review business performance;
- regular visits by the Group's technical team to all sites to identify risks and propose improvements to be implemented by senior management;
- a range of compliance management systems at the Group's sites subject to external review, including certification to ISO 9001:2008; ISO 14001:2004; 18001:2007 and the Publicly Available Specification of common management system requirements PAS 99:2006;
- an annual strategic planning and budgeting process; and
- reviews by senior management and the Board of monthly financial and operating information, including comparisons with budgets and forecasts. The Group uses balanced scorecard reports, containing key performance indicator targets, as a mechanism for monitoring and managing the monthly performance of key operations.

The Audit Committee receives reports from executive management and the auditor concerning the system of internal control and any control weaknesses. A description of the principal risks faced by the Group can be found on pages 26 and 27 of the Business Review.

The Board does not believe it is currently appropriate to establish a separate, independent internal audit function given the size of the Group but this position is kept 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. During 2012 this included discussions with major shareholders around the appointment of a new Chief Executive.

All shareholders have access to the Interim and Annual Reports and are invited to attend the annual general meeting 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 6 June 2013, Andrew Bryce will retire by rotation in accordance with the Articles of Association. Being eligible, he will offer himself for re-election as Non-executive Director. No Director has a contract with an unexpired notice period of more than twelve months.

The Directors present their report and the audited financial statements for the year ended 31 December 2012.

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 waste treatment, recovery and recycling. The Group operates solely within the United Kingdom.

The Chairman's Statement and Business Review on pages 8 to 31 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 £2.0m (2011: £1.6m) on turnover of £42.4m (2011: £37.5m).

The Board has approved the payment of a maiden dividend following the reduction of share premium account and delivery of distributable reserves during 2012. Future dividend payments will be proposed by the Board following future full year results, taking into consideration the investment needs of the business and need to provide consistent returns to investors. The Directors have recommended a dividend for the year of 0.25p per ordinary share, to be paid on or after 12 June 2013 for shareholders on the register at 6 June 2013 (2011: £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 Corporate Social Responsibility Report.

Payment of creditors
The Group's policy is to settle invoices promptly according to terms and conditions as far as is practicable. During the year the Group updated the policy, which was communicated to all suppliers, committing to settle invoices 40 days after the month of the invoice. Trade creditors at the year end date represented 58 days' purchases (2011: 34 days'). The Company adopts the same policy and its trade creditors at the year end date represented 60 days' purchases (2011: 36 days').

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 25 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. Health and safety is the top priority of the Group and to support this all accidents are reported and thoroughly investigated and all employees are encouraged to contribute to reporting of 'near miss' incidents to promote accident reduction.

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. Regular newsletters and briefings are provided to employees and announcements and notices are provided on the Group's intranet website and also directly through regular team briefings.

The Group aims to recruit and retain people with the appropriate skills and behaviours to fully contribute to the future success of the business. Ongoing training is provided to ensure that all employees have the requisite knowledge to perform their roles.

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.

Employees continued

All employees are included in bonus or incentive schemes designed to align the Group's priorities in safety, regulatory compliance and profit generation to the rewards available to individuals.

Charitable and political donations

During the year the Group contributed £298,000 (2011: £367,000) of its landfill tax liability to Entrust registered environmental bodies as permitted by government regulations. It also made other charitable donations amounting to £15,000 (2011: £10,000). No political donations were made during the year (2011: £nil).

Directors

The composition of the Board of Directors is shown on pages 32 and 33. Details of the Directors' interests and remuneration are given in the Directors' Remuneration Report on pages 40 to 42. As previously reported, in September 2012 Paul Blackler, announced his intention to leave the Group. Dr Stewart Davies has been appointed as Chief Executive with effect from August 2013. From February 2013, Paul Blackler handed over all day to day control of commercial and operational matters to Richard Allen, who assumed the role of Interim Chief Executive Officer until Dr Stewart Davies joins the Group. The Board has taken steps to strengthen the Group's finance team during the interim period to ensure adequate resources are in place to enable Richard to focus on his interim role.

Corporate governance

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

Qualifying third party indemnity provisions (as defined in 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 10 to 31. 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 25 to the financial statements, on pages 80 to 87.

Substantial shareholdings

The Company had been notified of the following interests of more than 3% in its shares as at 28 February 2013:

	Number of shares	Fund manager %
Ingot Capital Management	19,764,442	19.82
One51	17,610,200	17.66
Henderson Global Investors	9,412,134	9.44
Aviva Investors	7,151,179	7.17
Harwood Capital	6,700,000	6.72
Octopus Investments	5,523,653	5.54
Unicorn Asset Management	3,573,431	3.58

Going concern continued

As highlighted in note 25 the Group met its short term working capital requirements during 2012 through an overdraft and revolving loan facility with HSBC Bank PLC, which was due for renewal on 30 November 2012. This facility was renewed on 2 March 2012 for a further three year period and is now due for renewal on 2 March 2015. Financial forecasts and projections, taking account of reasonably possible changes in trading performance and market value of the Group's assets, have been prepared and show that the Group should be able to operate within the level of the facility, both for ongoing working capital funding and any capital investment expenditure, for the life of the facility and in the future.

The Group has previously been successful in generating cash flow from operating activities despite challenging economic conditions. The single greatest influence on free cash flow over recent years has been the level of capital investment required to maintain and develop the Group's asset base. The Group 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, all of which provides confidence that cash generation can be expected in the future.

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 twelve months from the date of the financial statements indicate the Group's ability to operate within these covenants.

Impairment reviews have been performed for each of the Group's cash-generating units, the details of which are disclosed in note 10 to the financial statements. In addition the tangible asset base of the Group has been reviewed for impairment. The results of these reviews indicate that forecast cash flows of the Group demonstrate its ability to continue operating for the foreseeable future.

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. 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' responsibilities statement

The Directors are responsible for preparing the Annual 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 parent company and Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). 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 these 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 IFRSs 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 assume that the Company will continue in business.

Directors' responsibilities statement continued

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 Group 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 Group 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 financial statements may differ from legislation in other jurisdictions.

Audit partner rotation

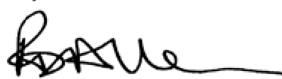
The external auditor is required to rotate the lead partner responsible for the Group audit every five years in accordance with Ethical Standard 3 (ES3) (Long Association with the Audit Engagement) issued by the Auditing Practices Board. However in certain circumstances it is permissible to extend that time. The current lead partner, Andrew Wood, has been responsible for the audit for five years but the Board believes that this is not a suitable time to change to a new audit partner. The Group is currently in a period of significant change, following a corporate and divisional reorganisation, the acquisition of a new business, the addition of several new operations and revenue streams and a capital reduction, all within the past twelve months.

With the Group in a transitional phase the incumbent partner's experience and understanding of the business is essential to ensure that appropriate estimates and judgements are made in the preparation of the financial statements, enabling him to challenge management robustly from a position of knowledge. As a result, the Board and Audit Committee believe that a rotation should not be made during the current financial year and the Company has agreed to extend the term of the lead audit partner for one year, in accordance with ES3.

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



Richard Allen
Interim Chief Executive Officer and Group Finance Director
26 March 2013

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.

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. During 2012 Executive Directors' salaries were increased by 2%, in line with all employees of the Group.

(ii) Performance related bonus

The Executive Directors participate in a bonus scheme based on the achievement of annual profit targets approved by the Remuneration Committee. The achievement of these targets would result in a bonus of up to 50% of basic salary. No bonus was awarded in respect of 2012.

(iii) Pension provision and other benefits

Pension provision is made at a rate of 10% of basic salary for Executive Directors and is payable directly into a nominated pension fund. Other benefits 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 annual award 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. The expected costs of the scheme are given in note 20 to the financial statements.

One LTIP award was made in 2012, the details of which are disclosed in note 20. The scheme was based on performance criteria which were not met during the year and as a consequence this award lapsed at the end of the year. The Remuneration Committee reviewed the LTIP scheme during the year and concluded that it remained a suitable mechanism to incentivise future performance. The Committee resolved to consider making new awards to the Executive Directors during 2013.

(v) Share options

Under the share options scheme the Remuneration Committee may annually grant options of up to 100% of basic salary to purchase shares in the Company at a future date. These options may be subject to the attainment of pre-determined performance conditions but this is not an absolute requirement.

The Remuneration Committee reviewed the use of share options during the year and concluded that the scheme remained a suitable mechanism to incentivise future performance. No awards were made to the Executive Directors during 2012, as shown in the Directors' share plans section of this report.

Service contracts

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

Directors' interests

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

At 31 December 2012	Beneficial shares Number	Share options Number	LTIP Number	Total shares Number
Paul Blackler	**33,000**	**1,076,385**	**—**	**1,076,385**
Richard Allen	**10,000**	**603,448**	**—**	**613,448**
Roger McDowell	**691,342**	**—**	**—**	**691,342**
Andrew Bryce	**11,419**	**—**	**—**	**11,419**
Jim Meredith	**200,000**	**—**	**—**	**200,000**
Rory Macnamara	**15,224**	**—**	**—**	**15,224**

At 31 December 2011	Beneficial shares Number	Share options Number	LTIP Number	Total shares Number
Paul Blackler	33,000	1,076,385	—	1,076,385
Richard Allen	10,000	603,448	—	613,448
Roger McDowell	691,342	—	—	691,342
Andrew Bryce	11,419	—	—	11,419
Jim Meredith	200,000	—	—	200,000
Rory Macnamara	15,224	—	—	15,224

Directors' emoluments

The emoluments of the Directors were as follows:

	2012 Basic fee/salary £'000	2012 Bonus £'000	2012 Pension contributions £'000	2012 Other emoluments £'000	2012 Total £'000	2011 Total £'000
Paul Blackler	**184**	**—**	**18**	**13**	**215**	261
Richard Allen	**137**	**—**	**20**	**12**	**169**	166
Roger McDowell	**37**	**—**	**—**	**—**	**37**	43
Andrew Bryce	**28**	**—**	**—**	**4**	**32**	43
Jim Meredith	**35**	**—**	**—**	**—**	**35**	24
Rory Macnamara	**32**	**—**	**—**	**—**	**32**	26
	453	**—**	**38**	**29**	**520**	563

Other emoluments for Paul Blackler and Richard Allen include a car allowance 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.

Directors' share plans

LTIP	Award date	Earliest vesting date	Market price at award date	Number of shares 2011	Granted in year	Lapsed in year	**Number of shares 2012**
Paul Blackler	11.06.2012	11.06.2015	34.88p	—	525,000	525,000	**—**
Richard Allen	11.06.2012	11.06.2015	34.88p	—	409,000	409,000	**—**
				—	934,000	934,000	**—**

Share option schemes	Award date	Earliest vesting date	Market price at award date	Number of shares 2011	Granted in year	Lapsed in year	**Number of shares 2012**
Paul Blackler	21.12.2009	21.12.2012	39.50p	455,695	—	—	**455,695**
	18.05.2011	18.05.2014	29.00p	620,690	—	—	**620,690**
Richard Allen	18.05.2011	18.05.2014	29.00p	603,448	—	—	**603,448**
				1,679,833	—	—	**1,679,833**

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 2012 was 31.25p. The range of the share price during the year was 27.00p to 41.50p.

On behalf of the Remuneration Committee

Roger McDowell
Chairman of the Remuneration Committee
26 March 2013

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 2012 which comprise the consolidated statement of comprehensive income, the Group and parent company statements of financial position, the Group and parent company statements of cash flow, the Group and parent company statements of changes in shareholders' equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) 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 pages 38 and 39, 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 2012 and of the Group's profit for the year then ended;

— the Group financial statements have been properly prepared in accordance with IFRSs 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.

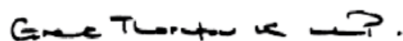
Opinion on other matter prescribed by the Companies Act 2006

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
26 March 2013

Consolidated statement of comprehensive income

for the year ended 31 December 2012

	Note	Before exceptional items 2012 £'000	Exceptional items 2012 £'000	Total 2012 £'000	Before exceptional items 2011 £'000	Exceptional items 2011 £'000	Total 2011 £'000
Revenue		**42,421**	**—**	**42,421**	37,459	—	37,459
Operating expenses		**(39,163)**	**(370)**	**(39,533)**	(35,814)	331	(35,483)
Operating profit	3	**3,258**	**(370)**	**2,888**	1,645	331	1,976
Net finance charges	4	**(639)**	**—**	**(639)**	(571)	—	(571)
Gain on bargain purchase	24	**—**	**528**	**528**	—	—	—
Share of loss of jointly controlled entity	9	**(16)**	**—**	**(16)**	(16)	—	(16)
Profit before tax		**2,603**	**158**	**2,761**	1,058	331	1,389
Tax	6	**(872)**	**91**	**(781)**	193	—	193
Profit for the year and total comprehensive income	3	**1,731**	**249**	**1,980**	1,251	331	1,582
Profit attributable to:							
Equity shareholders of Augean PLC		**1,717**	**249**	**1,966**	1,251	331	1,582
Non-controlling interest		**14**	**—**	**14**	—	—	—
Earnings per share							
Basic and diluted	8	**1.72p**	**0.25p**	**1.97p**	1.26p	0.33p	1.59p

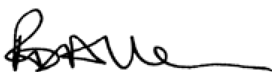
The notes on pages 49 to 88 form an integral part of these financial statements.

Statements of financial position
at 31 December 2012

	Note	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Non-current assets					
Goodwill	10	**21,705**	21,705	**—**	—
Other intangible assets	11	**123**	49	**109**	45
Investments in subsidiaries	12	**—**	—	**57,631**	55,581
Investment in jointly controlled entity	9	**8**	16	**502**	492
Property, plant and equipment	13	**39,561**	35,415	**817**	767
Deferred tax asset	6	**1,231**	854	**41**	50
		62,628	58,039	**59,100**	56,935
Current assets					
Inventories		**218**	217	**—**	—
Trade and other receivables	14	**8,868**	7,660	**916**	376
Current tax asset		**—**	—	**209**	—
Cash and cash equivalents		**5**	4	**—**	—
		9,091	7,881	**1,125**	376
Non-current assets classified as held for sale	13	**—**	200	**—**	—
		9,091	8,081	**1,125**	376
Current liabilities					
Trade and other payables	15	**(8,279)**	(8,079)	**(9,438)**	(9,019)
Current tax liabilities		**(197)**	(538)	**—**	(201)
Financial liabilities	16	**(837)**	(1,332)	**(3,260)**	(3,871)
		(9,313)	(9,949)	**(12,698)**	(13,091)
Net current liabilities		**(222)**	(1,868)	**(11,573)**	(12,715)
Non-current liabilities					
Financial liabilities	16	**(5,283)**	(2,640)	**(5,175)**	(2,244)
Provisions	17	**(7,045)**	(6,668)	**—**	—
		(12,328)	(9,308)	**(5,175)**	(2,244)
Net assets		**50,078**	46,863	**42,352**	41,976
Shareholders' equity					
Share capital	18	**9,970**	9,970	**9,970**	9,970
Share premium account	19	**—**	114,960	**—**	114,960
Special profit reserve	19	**32,076**	—	**32,076**	—
Retained earnings	19	**6,913**	(78,067)	**306**	(82,954)
Equity attributable to owners of Augean PLC		**48,959**	46,863	**42,352**	41,976
Non-controlling interest		**1,119**	—	**—**	—
Total equity		**50,078**	46,863	**42,352**	41,976

The notes on pages 49 to 88 form an integral part of these financial statements.

The financial statements were approved by the Board on 26 March 2013 and signed on its behalf by:



Richard Allen
Interim Chief Executive Officer and Group Finance Director
Augean PLC Registered number: 5199719

Statements of cash flow
for the year ended 31 December 2012

	Note	Group		Company	
		2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Operating activities					
Cash generated from operations	22	**5,818**	4,713	**962**	1,292
Finance charges paid		**(479)**	(469)	**(590)**	(565)
Tax paid		**(744)**	(123)	**(406)**	—
Net cash generated from/(used in) operating activities		**4,595**	4,121	**(34)**	727
Investing activities					
Proceeds on disposal of property, plant and equipment		**—**	19	**—**	—
Purchases of property, plant and equipment		**(3,585)**	(4,186)	**(141)**	(50)
Purchases of intangible assets		**(114)**	(32)	**(102)**	(32)
Purchase of businesses (net of cash and cash equivalents acquired)	24	**(2,043)**	—	**(2,043)**	—
Net cash used in investing activities		**(5,742)**	(4,199)	**(2,286)**	(82)
Financing activities					
Repayments of borrowings	16	**(1,447)**	336	**(611)**	(801)
Drawdown of loan facilities	16	**2,931**	—	**2,931**	—
Repayments of obligations under finance leases	16	**(336)**	(414)	**—**	—
Net cash generated from/(used in) financing activities		**1,148**	(78)	**2,320**	(801)
Net increase/(decrease) in cash and cash equivalents		**1**	(156)	**—**	(156)
Cash and cash equivalents at beginning of period		**4**	160	**—**	156
Cash and cash equivalents at end of period		**5**	4	**—**	—

Statements of changes in shareholders' equity
for the year ended 31 December 2012

Group	Share capital £'000	Share premium account £'000	Special profit reserve £'000	Retained earnings £'000	Shareholders' equity £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2011	9,970	114,960	—	(79,733)	45,197	—	45,197
Total comprehensive income for the year							
Retained profit	—	—	—	1,582	1,582	—	1,582
Total comprehensive income for the year	—	—	—	1,582	1,582	—	1,582
Transactions with owners of the Company							
Share-based payments (note 20)	—	—	—	84	84	—	84
Total transactions with the owners of the Company	—	—	—	84	84	—	84
At 1 January 2012	9,970	114,960	—	(78,067)	46,863	—	46,863
Total comprehensive income for the year							
Retained profit	—	—	—	1,966	1,966	14	1,980
Total comprehensive income for the year	—	—	—	1,966	1,966	14	1,980
Transactions with owners of the Company							
Acquisition of subsidiary (note 24)	—	—	—	—	—	1,105	1,105
Capital reduction (note 19)	—	(114,960)	32,076	82,884	—	—	—
Share-based payments (note 20)	—	—	—	130	130	—	130
Total transactions with the owners of the Company	—	(114,960)	32,076	83,014	130	1,105	1,235
At 31 December 2012	**9,970**	**—**	**32,076**	**6,913**	**48,959**	**1,119**	**50,078**

Company	Share capital £'000	Share premium account £'000	Special profit reserve £'000	Retained earnings £'000	Shareholders' equity £'000
At 1 January 2011	9,970	114,960	—	(83,387)	41,543
Total comprehensive income for the year					
Retained profit	—	—	—	349	349
Total comprehensive income for the year	—	—	—	349	349
Transactions with owners of the Company					
Share-based payments (note 20)	—	—	—	84	84
Total transactions with the owners of the Company	—	—	—	84	84
At 1 January 2012	9,970	114,960	—	(82,954)	41,976
Total comprehensive income for the year					
Retained profit	—	—	—	246	246
Total comprehensive income for the year	—	—	—	246	246
Transactions with owners of the Company					
Capital reduction (note 19)	—	(114,960)	32,076	82,884	—
Share-based payments (note 20)	—	—	—	130	130
Total transactions with the owners of the Company	—	(114,960)	32,076	83,014	130
At 31 December 2012	**9,970**	**—**	**32,076**	**306**	**42,352**

Notes to the financial statements
for the year ended 31 December 2012

1 Accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards, 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 its individual statement of comprehensive income in these financial statements. The Company's overall 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 acquisition method is used to account for all acquisitions. The cost of an acquisition is measured at the fair values on the acquisition date, which is the date on which control is transferred to the Group. The consideration is calculated as the sum of fair value of assets transferred and liabilities incurred. In assessing control, the Group, takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

— the fair value of the consideration transferred; plus

— the recognised amount of any non-controlling interests in the acquiree; less

— the net recognised amount of the identifiable assets acquired and liabilities assumed, measured at their fair value.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

1 Accounting policies continued

(a) Basis of accounting continued

(iii) Business combinations continued

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(iv) Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Business Review on pages 37 to 39.

(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.

Income which is earned from royalties on mineral extraction is recognised on a straight-line basis to the statement of comprehensive income at the point of extraction when the royalty becomes due.

(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. On capitalisation the goodwill is allocated to the specific cash-generating unit (CGU) to which it relates. It is tested for impairment at least annually by reference to this 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. This is charged to the profit and loss account over the asset's 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 to the profit and loss account 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.

1 Accounting policies continued

(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.

Interests in joint ventures are held at the carrying amount of the investment accounted for under the equity method, together with any long interests that in substance form part of the net investment in the joint venture, for example, an item for which settlement is neither planned nor likely to occur in the foreseeable future. The Group's share of losses in a joint venture is matched against the investment until the investment is reduced to zero. Additional losses are provided for and a liability recognised only to the extent that the investor has incurred a legal or constructive obligation.

(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.

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 and hire purchase arrangements

Where the Group enters into a lease which entails taking on substantially all of 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.

1 Accounting policies continued

(g) Property, plant and equipment continued

Restoration, capping and after-care provisions

The anticipated total cost of restoration, capping, 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 against 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 a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or 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.

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) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(j) 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 impairment.

(k) 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 at 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.

1 Accounting policies continued

(k) Tax continued

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 future 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 in other comprehensive income, where they are similarly recognised in other comprehensive income.

(l) 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.

(m) 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.

(n) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group’s accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on revaluation are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

(o) 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, from the date of acquisition, which are subject to an insignificant risk of change in value.

1 Accounting policies continued

(p) 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 initially 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 initially 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'.

(iii) Free cash flow

This is a measure used by the Group to assess capital management performance. It is defined as net operating cash flow less cash spent in investment activities. It is determined as part of the capital management assessment and is reconciled in note 25.

(iv) EBITDA

EBITDA is a non-IFRS measure used by management as a tool for assessing operating cash flows. It represents earnings before interest, tax, depreciation and amortisation. It is determined as part of the cash flow reconciliation shown in note 22.

(q) Equity

Equity comprises share capital, share premium, special profit reserve and retained profit and (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. Special profit reserve represents the residual value of the cancellation of the share premium account over and above the total retained losses for the Company. This was created on 4 July 2012 when the capital reduction was approved. For details of the transaction see note 19. Retained profit and (losses) represent retained profit and (losses) and equity-settled share-based payment employee remuneration.

1 Accounting policies continued

(r) 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, the best available information 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 below.

Impairment of goodwill and fixed assets

The Group has property, plant and equipment with a carrying value of £39,561,000 (note 13) and goodwill with a carrying value of £21,705,000 (note 10). These assets are reviewed annually for impairment as described on pages 66 to 68 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 10.

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.

See note 17 for further details of calculation methodology, assumptions used and potential sensitivities to these calculations.

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. See note 17 for further details of calculation methodology, assumptions used and potential sensitivities to these calculations.

Other provisions

Other provisions are made where management judges that a probable future outflow of resources will occur, which can be reliably estimated, arising from a past event. Estimates are based on the work of internal experts and previous operational and commercial experience. See note 17 for further details of calculation methodology, assumptions used and potential sensitivities to these calculations.

Income taxes

At 31 December 2012, the net liability for current income tax is £197,000 (2011: £538,000). A deferred tax asset of £1,231,000 (2011: £854,000) 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.

1 Accounting policies continued

(s) New IFRS standards and interpretations not applied

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2012:

— Amendments to IFRS 7 'Financial Instruments: Disclosures'

— Amendments to IAS 12 'Deferred Tax: Recovery of Underlying Assets'

— Amendments to IAS 1 'Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters'

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

— Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' (effective 1 July 2012)

— Amendments to IAS 19 'Employee Benefits' (effective 1 January 2013)

— Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (effective 1 January 2014)

— IAS 27 'Separate Financial Statements' (effective 1 January 2013)

— IAS 28 'Investments in Associates and Joint Ventures' (effective 1 January 2013)

— Amendments to IFRS 1 'Government Loans' (effective 1 January 2013)

— Amendments to IFRS 7 'Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities'

— IFRS 9 'Financial Instruments' (effective 1 January 2015)

— Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities' (effective 1 January 2014)

— IFRS 10 'Consolidated Financial Statements' (effective 1 January 2013)

— IFRS 11 'Joint Arrangements' (effective 1 January 2013)

— IFRS 12 'Disclosure of Interests in Other Entities' (effective 1 January 2013)

— IFRS 13 'Fair Value Measurements' (effective 1 January 2013)

— IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine' (effective 1 January 2013)

— Annual Improvements 2009–2011 Cycle (effective 1 January 2013)

— Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective 1 January 2013)

The revised standards will be adopted when effective in the Group's consolidated financial statements, although are not anticipated to have a significant impact on the Group.

2 Operating segments

The Group has four reportable segments, as described below, which are the Group's strategic operating divisions. These operating divisions are monitored and strategic decisions are made on the basis of the division's operating performance. The Group's operating divisions provide different services to their customers, and are managed separately as they are subject to different risks and returns. The Group's internal organisation and management structure and its system of internal financial reporting are based primarily on these operating divisions. For each of the operating divisions, the Group's Chief Executive Officer (CEO) (the chief operating decision maker) reviews internal management reports on at least a monthly basis. The following summary describes the operations of each of the Group's reportable segments, with further details provided in the Business Review:

— Land Resources division: Augean operates three modern hazardous and non-hazardous landfill operating sites based at East Northants Resource Management Facility (ENRMF), Thornhaugh in Northamptonshire and Port Clarence in Teesside, providing waste remediation and disposal services to its customers. The division includes a site at Cooks Hole in Northamptonshire where minerals are extracted and also generates energy from closed landfill cells.

— Waste Network division: Augean operates waste transfer sites across the UK, transporting, recovering, recycling and disposing of hazardous wastes on behalf of its customers.

— Oil & Gas Services division: Augean operates three waste treatment sites across the UK, with activities focused on the management of oil-contaminated waste. The division also provides specialist industrial cleaning services.

— Augean North Sea Services Limited: Through a 70%/30% owned subsidiary company with Scomi Oiltools (Europe) Limited Augean provides waste management and waste processing services to offshore oil and gas operators in the North Sea.

Information regarding the results of each reportable segment is included below. Performance is measured based on the segment profit before tax and exceptional items, as included in the internal management reports that are reviewed by the Group's CEO. This profit measure for each operating division is used to measure performance as management believes that such information is the most relevant in evaluating the results of each of the divisions relative to other entities that operate within these sectors. The 2011 operating segmental analysis has been restated based on the segments above. Central costs for the proper governance and resources required to operate the plc Board and listing have been separately reported as these are no longer allocated to individual divisions.

2 Operating segments continued

Information about reportable segments

	2012				
	Land Resources division £'000	**Waste Network division £'000**	**Oil & Gas Services division £'000**	**North Sea Services subsidiary £'000**	**Group £'000**
Assets					
Segment assets	**44,552**	**6,973**	**15,609**	**3,341**	**70,475**
Unallocated segment assets					
Investment in jointly controlled entity					**8**
Non-current assets classified as held for sale					**—**
Deferred tax asset					**1,231**
Cash and cash equivalents					**5**
Group total assets					**71,719**
Liabilities					
Segment liabilities	**(9,935)**	**(1,457)**	**(3,038)**	**(895)**	**(15,325)**
Unallocated segment liabilities					
Bank overdraft and loans					**(6,120)**
Current tax liabilities					**(196)**
Group total liabilities					**(21,641)**

	2011				
	Land Resources division £'000	Waste Network division £'000	Oil & Gas Services division £'000	North Sea Services subsidiary £'000	Group £'000
Assets					
Segment assets	40,686	8,861	16,303	—	65,850
Unallocated segment assets					
Investment in jointly controlled entity					16
Non-current assets classified as held for sale					200
Deferred tax asset					50
Cash and cash equivalents					4
Group total assets					66,120
Liabilities					
Segment liabilities	(12,369)	(1,531)	(2,912)	—	(16,812)
Unallocated segment liabilities					
Bank overdraft and loans					(2,244)
Current tax liabilities					(201)
Group total liabilities					(19,257)

2 Operating segments continued

Information about reportable segments continued

	2012				
	Land Resources division £'000	Waste Network division £'000	Oil & Gas Services division £'000	North Sea Services subsidiary £'000	Group £'000
Revenue					
Hazardous landfill activities	10,433	–	–	–	10,433
Non-hazardous landfill activities	1,251	–	–	–	1,251
Waste treatment activities	–	1,136	12,389	–	13,525
Energy generation	129	–	–	–	129
APCR management	4,002	–	–	–	4,002
Low Level Waste management	571	–	–	–	571
Processing of offshore waste	–	–	–	1,964	1,964
Rental of offshore equipment and personnel	–	–	–	1,272	1,272
Waste transfer activities	–	6,180	–	140	6,320
Total revenue net of landfill tax	16,386	7,316	12,389	3,376	39,467
Landfill tax	5,661	–	–	–	5,661
Total revenue including inter-segment sales	22,047	7,316	12,389	3,376	45,128
Inter-segment sales	(656)	(732)	(1,309)	(10)	(2,707)
Revenue	21,391	6,584	11,080	3,366	42,421
Result					
Operating profit/(loss) before exceptional items	6,705	(1,834)	(1,235)	47	3,683
Exceptional items	(40)	(131)	(38)	(161)	(370)
Operating profit/(loss)	6,665	(1,965)	(1,273)	(114)	3,313
Finance charges					(639)
Central costs					(425)
Gain on bargain purchase					528
Share of loss of jointly controlled entity					(16)
Profit before tax					2,761
Tax					(781)
Profit after tax					1,980
Attributable to:					
Equity shareholders of the parent company					1,966
Non-controlling interest					14
Other information					
Capital expenditure	2,742	380	619	112	3,853
Depreciation and amortisation	(1,864)	(245)	(1,011)	(181)	(3,301)

2 Operating segments continued

Information about reportable segments continued

	2011				
	Land Resources division £'000	Waste Network division £'000	Oil & Gas Services division £'000	North Sea Services subsidiary £'000	Group £'000
Revenue					
Hazardous landfill activities	11,175	—	—	—	11,175
Non-hazardous landfill activities	1,564	—	—	—	1,564
Waste treatment activities	—	—	10,271	—	10,271
Energy generation	170	—	—	—	170
APCR management	1,846	416	—	—	2,262
Low Level Waste management	—	—	—	—	—
Processing of offshore waste	—	—	—	—	—
Rental of offshore equipment and personnel	—	—	—	—	—
Waste transfer activities	—	6,009	—	—	6,009
Total revenue net of landfill tax	14,755	6,425	10,271	—	31,451
Landfill tax	6,172	—	—	—	6,172
Total revenue including inter-segment sales	20,927	6,425	10,271	—	37,623
Inter-segment sales	(164)	—	—	—	(164)
Revenue	20,763	6,425	10,271	—	37,459
Result					
Operating profit/(loss) before exceptional items	4,146	(984)	(1,138)	—	2,024
Exceptional items	713	(132)	(250)	—	331
Operating profit/(loss)	4,859	(1,116)	(1,388)	—	2,355
Finance charges					(571)
Central costs					(379)
Share of loss of jointly controlled entity					(16)
Profit before tax					1,389
Tax					193
Profit after tax					1,582
Attributable to:					
Equity shareholders of the parent company					1,582
Non-controlling interest					—
Other information					
Capital expenditure	3,901	145	942	—	4,988
Depreciation and amortisation	(2,722)	(650)	(1,039)	—	(4,411)

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

3 Operating profit for the year

Total operating profit for the year is arrived at after charging/(crediting):

	2012 £'000	2011 £'000
Fees payable to the Company's auditor for the audit of the annual financial statements	**58**	56
Fees payable to the Company's auditor for other services:		
– audit of the financial statements of the Company's subsidiaries pursuant to legislation	**5**	3
– other services relating to tax – compliance and advice	**10**	18
– other services	**10**	28
	83	105
Amortisation of intangible assets	**40**	32
Depreciation of property, plant and equipment:		
– owned assets	**3,267**	4,088
– assets held under finance leases and hire purchase contracts	**303**	291
Operating leases:		
– land and buildings	**277**	115
– plant and machinery	**356**	359
Loss on sale of property, plant and equipment	**–**	188
Exceptional items:		
– unjust enrichment provision release (see note 17)	**–**	(740)
– restructuring charges	**122**	254
– legal and professional due diligence charges	**248**	155

Following the incident at the Cannock site in November 2010, the Group received £1.6m in 2011 from its insurers as full and final settlement of the cost of the clean up, asset replacement and refurbishment and any other required expenditure. The mixing plant from Cannock has been relocated to the Port Clarence site and is now fully operational. No further amounts have been received in 2012.

4 Net finance charges

	2012 £'000	2011 £'000
Interest payable		
Interest and charges payable on bank loans and overdrafts	**519**	429
Interest on finance leases and hire purchase contracts	**30**	56
Unwinding of discount on provisions	**100**	96
	649	581
Interest receivable		
Bank and other interest receivable	**(10)**	(10)
	(10)	(10)
Net finance charges	**639**	571

5 Group and Company employees

The average monthly number of employees analysed by function was:

	2012 Number	2011 Number
Sales	**33**	31
Operations	**184**	139
Administration	**51**	36
	268	206

	2012 £'000	2011 £'000
Wages and salaries	**7,967**	6,283
Social security costs	**881**	612
Other pension costs	**366**	258
	9,214	7,153

Details of other statutory Directors' remuneration disclosures, as required by the AIM Rules, are given in the Directors' Remuneration Report on pages 40 to 42 under Directors' emoluments and Directors' share plans.

The Directors have identified thirteen (2011: eleven) key management personnel. The total key management personnel compensation, including the Non-executive Directors, presented below, was as follows:

	2012 £'000	2011 £'000
Short term employment benefits	**1,249**	866
Post employment benefits	**88**	75
	1,337	941

6 Tax

	2012 £'000	2011 £'000
Current tax		
UK corporation tax on profit for the period	**(445)**	(538)
Adjustments in respect of prior periods	**42**	(119)
	(403)	(657)
Deferred tax		
Charge in respect of the current period	**(292)**	135
Adjustments in respect of prior periods	**(86)**	715
	(378)	850
Tax (charge)/credit on the result for the year	**(781)**	193

6 Tax continued

Tax reconciliation

	2012		2011	
	£'000	%	£'000	%
Profit before tax	**2,761**	**—**	1,389	—
Tax at theoretical rate	**676**	**24.5%**	361	26%
Effects of:				
– expenses not deductible for tax purposes	**142**	**5%**	25	2%
– income not taxable	**(128)**	**(4%)**	—	—
– adjustment relating to prior year re deferred tax	**86**	**3%**	(715)	(51%)
– change in tax rate	**47**	**2%**	17	1%
– adjustments in respect of prior periods	**(42)**	**(2%)**	119	8%
Tax charge/(credit) on results	**781**	**28%**	(193)	(14%)

During the year the corporation tax rate reduced from 26% to 24% with effect from 1 April 2012. The theoretical tax rate for the financial year ended 31 December 2012 has been calculated at 24.5% with the impact of the first quarter of the year at 26% being reflected in the change in tax rate of £46,000 (2011: £17,000) shown above.

Deferred tax

	2012 £'000	2011 £'000
Deferred tax asset	**1,615**	1,286
Deferred tax liability	**(384)**	(432)
	1,231	854

All deferred tax assets and liabilities have arisen on the temporary timing differences between the tax base of the assets and their carrying value in the statement of financial position as detailed within note 13, Property, plant and equipment.

IAS 12 'Income Taxes' permits the offsetting of tax assets and liabilities within the same tax jurisdiction and the Company has the intention to do so. All of the deferred tax assets were available for offset against deferred tax liabilities and as such have been presented net in the statement of financial position.

	2012 £'000	2011 £'000
At beginning of the year	**854**	4
Acquisition of subsidiary	**755**	—
(Charged)/credited to the income statement during the year	**(292)**	135
Adjustment in respect of prior periods	**(86)**	715
At end of the year	**1,231**	854

6 Tax continued

Deferred tax continued

The reduction in the main rate of corporation tax from 26% to 24% effective from 1 April 2012 was substantively enacted on 26 March 2012. Since that date legislation has been enacted and that has confirmed the rate of 24% from 1 April 2012 and further reduced the tax rate to 23% as of 1 April 2013. Accordingly, deferred tax balances have been revalued to the lower rate of 23% in these accounts to the extent that timing differences are expected to reverse after this date.

Further reductions to the main rate of corporation tax are proposed, which are expected to reduce the rate by 1% per annum to 21% by 1 April 2014. However, these changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed reductions to the main rate of corporation tax by 2% per year to 21% by 1 April 2014 are expected to be enacted separately each year. If the deferred tax assets and liabilities of the Group were all to reverse after 2014, the effect of the changes from 23% to 21% would be to reduce further the net deferred tax asset by £107,000. To the extent that the deferred tax reverses more quickly than this, the impact on the net deferred tax liability will be reduced.

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:

	2012 £'000	2011 £'000
Depreciation in excess of capital allowances	**—**	—
Other temporary differences (mainly relating to specific tax rules for the timing of landfill deductions)	**41**	43
Unrecognised deferred tax asset	**41**	43

The result of a detailed review of the unrecognised deferred tax assets in respect of capital allowances in excess of depreciation has resulted in elements of the previous unrecognised deferred tax asset being eliminated during the year.

7 Dividends

	2012 £'000	2011 £'000
Proposed final dividend for the year ended 31 December 2012 of 0.25p per share (2011: nil p per share)	**250**	—
Total	**250**	—

At the forthcoming AGM, the Board will recommend that to shareholders a resolution is passed to approve payment of a dividend for the year ended 31 December 2012. This has not been included as a liability in these financial statements.

8 Earnings per share

The calculation of basic earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders of £1,966,000 (2011: £1,582,000) and a weighted average number of ordinary shares outstanding of 99,699,414 (2011: 99,699,414), calculated as follows:

	2012 £'000	2011 £'000
Profit after tax for the purposes of basic and diluted earnings per share	**1,966**	1,582
Exceptional items	**(249)**	(331)
Profit after tax for the purposes of basic and diluted adjusted earnings per share	**1,717**	1,251

The exceptional items (note 3) have been adjusted, in the adjusted earnings per share, to better reflect the underlying performance of the business, without the impact of one off distorting factors, when presenting the basic and diluted earnings per share.

8 Earnings per share continued

	2012 Number	2011 Number
Number of shares		
Weighted average number of shares for basic earnings per share	**99,699,414**	99,699,414
Effect of dilutive potential ordinary shares from share options	**32,823**	—
Weighted average number of shares for diluted earnings per share	**99,732,237**	99,699,414
Earnings per share		
Basic	**1.97p**	1.59p
Diluted	**1.97p**	1.59p
Adjusted earnings per share		
Basic	**1.72p**	1.26p
Diluted	**1.72p**	1.26p

9 Investment in jointly controlled entity

Terramundo Limited (Terramundo) is a 50:50 jointly controlled entity between Augean PLC and DEC NV. Terramundo operates a ground remediation facility which uses various proven techniques to clean contaminated soils of both organic and inorganic contamination leading to a by product which can be used in composting. No trading has taken place during the current or previous periods, however both parties have agreed to maintain their interest in the entity and believe that the future trading will support the net liabilities owed to its parent companies.

The cost of investment held by Augean PLC in its 50% interest at 31 December 2012 was £100 (2011: £100).

During the period ended 31 December 2012 the jointly controlled entity generated the following revenue and costs:

	2012 £'000	2011 £'000
Revenue	**—**	—
Costs	**(33)**	(32)
Loss for the year	**(33)**	(32)
Augean PLC's share of the loss for the period	**(16)**	(16)

At 31 December 2012 the jointly controlled entity held net liabilities of £988,000 (2011: £952,000), of which the Group's 50% share was £494,000 (2011: £476,000). The net liabilities of the jointly controlled entity are analysed below, for information purposes:

	2012 £'000	2011 £'000
Non-current assets	**2**	10
Current assets	**17**	22
Current liabilities	**—**	—
Non-current liabilities	**(1,007)**	(984)
Net liabilities	**(988)**	(952)

The overall position in respect of the jointly controlled entity is as below:

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Investment in the long term future of the venture	**502**	492	**502**	492
Share of net liabilities of the jointly controlled entity	**(494)**	(476)	**—**	—
Investment in jointly controlled entity	**8**	16	**502**	492

10 Goodwill

	£'000
Cost	
At 1 January 2011	103,768
At 1 January 2012	103,768
At 31 December 2012	**103,768**
Provision for impairment	
At 1 January 2011	(82,063)
At 1 January 2012	(82,063)
At 31 December 2012	**(82,063)**
Net book value	
At 31 December 2012	**21,705**
At 1 January 2012	21,705
At 1 January 2011	21,705

The goodwill arose on the acquisition of subsidiary undertakings and businesses, and represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. The goodwill which arose before the date of transition to IFRS has been retained at the previous UK GAAP amounts.

Goodwill has been allocated to three of the Group's four cash-generating units (CGUs) which are defined as the Group's reportable segments in note 2 and are the lowest level at which goodwill is monitored for internal management purposes. No goodwill arose as a result of the acquisition of North Sea Services (see note 24). Following the divisional restructure described in note 2, the goodwill allocated to the Treatment division was reallocated based on the values attributable to the original businesses acquired and which division these businesses became part of. This resulted in a reallocation of £2.1m to the Waste Network division and £7.2m to the Oil & Gas Services division. The allocation of goodwill by CGU is as follows:

	2012 £'000	2011 £'000
Land Resources division (2011: Landfill division)	**12,420**	12,420
Waste Network division	**2,103**	—
Oil & Gas Services division	**7,182**	—
Treatment division (2011)	**—**	9,285
Total	**21,705**	21,705

Following the restructuring of the Cannock site during 2011, the APCR processing capabilities, which were acquired with the Cannock operations, have been transferred to the East Northants Resource Management Facility (ENRMF). The revenues and costs of this activity are now reflected in the Landfill division's performance. The goodwill of £857,000 which arose on acquisition, reflecting the APCR capabilities, was transferred to the Land Resources division in 2011.

10 Goodwill continued

Goodwill is tested for impairment annually at the balance sheet date and as and 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 net book value of the goodwill and other non-current assets for a particular CGU to its value in use estimated on a discounted cash flow basis.

The discounted cash flows have been prepared separately for the Land Resources, Waste Networks and Oil & Gas Services divisions. The key assumptions for the Land Resources division's cash flows are:

- based on approved budgets and plans for 2013 and, beyond this period, have been forecast until expected site closure;
- revenue streams, based on anticipated waste volumes, are expected to remain flat with no change to average price, as the competitive nature of the landfill market leads to ongoing pricing pressures;
- forecast gross margin (GM) has been based upon past performance and the approved budgets and plans. Gross margin has been forecast to improve on a compound basis by 1% of GM per annum from years one to five, where it will become fixed as management focuses on maintaining efficient operations. The GM improvements are expected to be delivered through improved and innovative waste treatment processes, continued targeting of margin enhancing waste streams and focus on cost control;
- using the discount rate below there is no indication of impairment with headroom of £12.8m (2011: £4.1m); and
- sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	**Impact in 2012**	Impact in 2011
Discount rate	1%	**£4.2m**	£3.4m
Gross margin	1%	**£1.2m**	£1.0m
Revenue growth rate	1%	**£7.1m**	£8.0m

The key assumptions for the Waste Network division's cash flows are:

- based on approved budgets and plans for 2013;
- revenue growth over the period to 2015 is expected to achieve 3% per annum, consistent with the current underlying growth rate of the division. This reflects the impact of improvements to pricing and increasing volumes through the transfer stations as well as increases in volumes through the new incinerator at East Kent. Revenue growth of 2% per annum from 2016 is expected;
- a 1% compound growth in gross margin per annum is assumed from years one to five. This represents the improved waste acceptance procedures which focusing on higher margin waste, improved treatment techniques and the impact of the introduction of the incinerator waste. From 2016 gross margin is assumed to remain constant as increased process efficiencies are offset by inflationary cost increases;
- fixed costs are anticipated to rise at 0.5% per annum for the life of the site reflecting the impact of cost inflation offset by effective underlying cost control;
- using the discount rate below there is no indication of impairment with headroom of £6.9m (2011: n/a); and
- sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	**Impact in 2012**	Impact in 2011
Discount rate	1%	**£1.7m**	—
Gross margin	1%	**£1.6m**	—
Revenue growth rate	1%	**£4.9m**	—

10 Goodwill continued

The key assumptions for the Oil & Gas Services division's cash flows are:

- based on approved budgets and plans for 2013;
- revenue growth over the period to 2015 is expected to achieve 3% per annum, consistent with the current underlying growth rate of the division. This reflects the impact of improvements to pricing and increasing volumes through the ITD as well as increases in volumes from trading in conjunction with the North Sea Services division. Revenue growth of 2% per annum from 2016 is expected;
- a 1% compound growth in gross margin per annum is assumed from years one to five. This represents the improved waste acceptance procedures which focusing on higher margin waste and improved treatment techniques. From 2016 gross margin is assumed to remain constant as increased process efficiencies are offset by inflationary cost increases;
- fixed costs are anticipated to rise at 0.5% per annum for the life of the site reflecting the impact of cost inflation offset by effective underlying cost control;
- using the discount rate below there is no indication of impairment with headroom of £6.6m (2011: n/a); and
- sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	**Impact in 2012**	Impact in 2011
Discount rate	1%	**£2.6m**	—
Gross margin	1%	**£2.4m**	—
Revenue growth rate	1%	**£6.0m**	—

The cash flows for all CGUs have been discounted using a pre-tax discount rate of 11.0% (2011: 11.0%), which reflects management's best estimate of the current market's assessment of the weighted average cost of capital and the business, operational and financial risks specific to the CGUs.

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 financial statements.

The principal risks which will apply to future reviews of goodwill continue to include the changes in rate of waste production in the markets in which the Group operates, significant increases to price competition beyond that experienced to date or anticipated and the impact of changes in legislation on operations.

11 Other intangible assets

	Group			Company
	Customer contracts £'000	Computer software £'000	Total £'000	Computer software £'000
Cost				
At 1 January 2011	374	318	692	275
Additions	—	32	32	32
At 1 January 2012	374	350	724	307
Additions	—	114	114	102
At 31 December 2012	**374**	**464**	**838**	**409**
Amortisation				
At 1 January 2011	374	269	643	230
Charge for the year	—	32	32	32
At 1 January 2012	374	301	675	262
Charge for the year	—	40	40	38
At 31 December 2012	**374**	**341**	**715**	**300**
Net book value				
At 31 December 2012	**—**	**123**	**123**	**109**
At 31 December 2011	—	49	49	45
At 1 January 2011	—	49	49	45

12 Investments in subsidiaries

	£'000
Cost	
At 1 January 2011	130,031
At 1 January 2012	130,031
Additions	2,050
At 31 December 2012	**132,081**
Provision for impairment	
At 1 January 2011	(74,450)
At 1 January 2012	(74,450)
At 31 December 2012	**(74,450)**
Net book value	
At 31 December 2012	**57,631**
At 1 January 2012	55,581
At 1 January 2011	55,581

12 Investments in subsidiaries 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
Augean North Sea Services Limited	England and Wales	70	Waste treatment

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 9).

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

All other subsidiaries are dormant.

13 Property, plant and equipment

Group

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Engineered cells £'000	Plant and machinery £'000	Total £'000
Cost					
At 1 January 2011	34,929	—	7,359	13,373	55,661
Additions	1,223	—	2,339	1,394	4,956
Disposals	—	—	—	(708)	(708)
At 1 January 2012	36,152	—	9,698	14,059	59,909
Additions	1,053	—	377	2,321	3,751
Acquisition of subsidiary	2,000	948	—	708	3,656
At 31 December 2012	**39,205**	**948**	**10,075**	**17,088**	**67,316**
Accumulated depreciation					
At 1 January 2011	7,831	—	6,774	5,811	20,416
Charge for year	991	—	1,484	1,904	4,379
Disposals	—	—	—	(301)	(301)
At 1 January 2012	8,822	—	8,258	7,414	24,494
Charge for year	372	31	930	1,928	3,261
At 31 December 2012	**9,194**	**31**	**9,188**	**9,342**	**27,755**
Net book value					
At 31 December 2012	**30,011**	**917**	**887**	**7,746**	**39,561**
At 1 January 2012	27,330	—	1,440	6,645	35,415
At 1 January 2011	27,098	—	585	7,562	35,245

13 Property, plant and equipment continued

Group continued

Additions of £1.1m (2011: £1.2m) to freehold land and buildings during the year include £0.7m (2011: £0.2m) 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 2012 (2011: £nil).

Plant and machinery includes assets held under finance lease agreements with a carrying value at 31 December 2012 of £1,062,000 (2011: £1,357,000).

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

	2012 £'000	2011 £'000
Cost	**1,722**	2,001
Accumulated depreciation	**(660)**	(644)
Net book value	**1,062**	1,357

During 2011 the Group reclassified surplus plant and machinery at the Cannock site, with a net book value of £204,000 as assets held for sale, with a market value of £200,000. The asset is now being utilised within the Port Clarence Landfill site and is no longer held for sale. This asset has therefore been transferred back to property, plant and equipment and depreciation has been charged from the point of transfer.

Company

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2011	778	343	1,121
Additions	—	50	50
At 1 January 2012	778	393	1,171
Additions	—	134	134
At 31 December 2012	**778**	**527**	**1,305**
Accumulated depreciation			
At 1 January 2011	71	268	339
Charge for year	13	52	65
At 1 January 2012	84	320	404
Charge for year	13	71	84
At 31 December 2012	**97**	**391**	**488**
Net book value			
At 31 December 2012	**681**	**136**	**817**
At 1 January 2012	694	73	767
At 1 January 2011	707	75	782

14 Trade and other receivables

Current assets

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Trade receivables	**7,179**	7,069	**—**	—
Other receivables	**—**	—	**—**	—
Prepayments and accrued income	**1,689**	591	**916**	376
	8,868	7,660	**916**	376

All amounts are anticipated to be recoverable in the 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 £75,000 (2011: £124,000) has been recorded accordingly; see note 25.

15 Trade and other payables

	Group		Company	
Current	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
Trade payables	**3,207**	2,652	**13**	269
Amounts due to subsidiary undertakings	**—**	—	**8,862**	8,226
Other taxes and social security	**1,769**	896	**223**	76
Accruals and deferred revenue	**3,303**	4,531	**340**	448
	8,279	8,079	**9,438**	9,019

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

16 Financial liabilities

This note provides information about the Group's and Company's interest bearing borrowings which are carried at amortised cost.

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Current				
Bank overdraft	**549**	996	**3,260**	3,871
Obligations under finance leases and hire purchase contracts	**288**	336	**—**	—
	837	1,332	**3,260**	3,871
Non-current				
Bank loans	**5,175**	2,244	**5,175**	2,244
Obligations under finance leases and hire purchase contracts	**108**	396	**—**	—
	5,283	2,640	**5,175**	2,244
Analysis of total financial liabilities				
Bank overdraft	**549**	996	**3,260**	3,871
Bank loans	**5,175**	2,244	**5,175**	2,244
Obligations under finance leases and hire purchase contracts	**396**	732	**—**	—
	6,120	3,972	**8,435**	6,115
Total financial liabilities are repayable as follows:				
– on demand or within one year	**837**	1,332	**3,260**	3,871
– in the second year	**108**	287	**—**	—
– in the third to fifth years inclusive	**5,175**	2,353	**5,175**	2,244
	6,120	3,972	**8,435**	6,115
Obligations under finance leases and hire purchase contracts are repayable as follows:				
– on demand or within one year	**288**	336	**—**	—
– in the second year	**108**	287	**—**	—
– in the third to fifth years inclusive	**—**	109	**—**	—
	396	732	**—**	—

The obligations under finance leases and hire purchase contracts are secured against the specific assets financed with a carrying amount of £1,062,000 (2011: £1,357,000). The bank overdraft, bank loan and guarantees are secured by way of a first legal charge over certain freehold properties, debentures, cross guarantees and indemnities across the Group.

For more information about the Group's exposure to interest rate, credit risk and liquidity risk, see note 25.

17 Provisions

	Group			
	Restoration and after-care costs of landfill sites £'000	Capping provision £'000	Other provisions £'000	Total £'000
At 1 January 2011	2,349	3,489	1,899	7,737
Charged to profit or loss during the year				
– unwinding of discount	96	—	—	96
– other	92	—	—	92
Utilised during the year	—	—	(200)	(200)
Released during the year	—	—	(1,623)	(1,623)
Additional capping provision	—	566	—	566
At 1 January 2012	2,537	4,055	76	6,668
Charged to profit or loss during the year				
– unwinding of discount	100	—	—	100
– other	66	—	—	66
Utilised during the year	(11)	—	—	(11)
Additional capping provision	—	222	—	222
At 31 December 2012	**2,692**	**4,277**	**76**	**7,045**

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 sites. The expenditure is incurred partially on completion of the landfill sites (restoration) and in part after the closure of the landfill sites (after-care) over a period up to 60 years from the site closure dates. After-care expenditure relates to items such as monitoring, gas and leachate management and may be influenced by changes in legislation and technology. The provision is based on management's best estimate of the annual costs associated with these activities over the 60 year period, using current costs and discounted using discount rate of 3%.

The capping provision reflects the expected costs of capping established and active landfill cells. Capping is required following the end of a cell's useful economic life and the build up of the provision is based on the rate of use of the available void space within each cell. During the year £222,000 has been provided to reflect the cost of capping the cell volumes consumed. This provision is not discounted as the costs are expected to be incurred shortly after consumption of the void, which is due to start in 2013.

During 2011, other provisions included amounts for the disposal of stocks of disused tyres which were incorporated in the engineering of new landfill cells at the ENRMF. This resulted in the utilisation of £348,000 of the £424,000 provision, of which £200,000 has been used in the construction of new landfill cells and capitalised in line with the Group's accounting policies. The remaining tyre provision is anticipated to be utilised during the next landfill cell construction cycle. There were also releases of other provisions during the year of £1,475,000 reflects the resolution of the review of the Group's landfill tax liabilities. Following appropriate advice, including legal advice, obtained during 2011, it was established that the provisions were no longer needed and were therefore released.

18 Share capital

	2012 £'000	2011 £'000
Authorised – 103,000,000 (2011: 103,000,000) shares of 10p	**10,300**	10,300
Allotted, called up and fully paid – 99,699,414 (2011: 99,699,414) shares of 10p	**9,970**	9,970

19 Reserves

	Group			
	Share premium £'000	Special profit reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2012	114,960	—	(78,067)	36,893
Total comprehensive income for the year	—	—	1,966	1,966
Share-based payments (note 20)	—	—	130	130
Capital reduction	(114,960)	32,076	82,884	—
At 31 December 2012	**—**	**32,076**	**6,913**	**38,989**

	Company			
	Share premium £'000	Special profit reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2012	114,960	—	(82,954)	32,006
Total comprehensive income for the year	—	—	246	246
Share-based payments (note 20)	—	—	130	130
Capital reduction	(114,960)	32,076	82,884	—
At 31 December 2012	**—**	**32,076**	**306**	**32,382**

At the AGM on 8 June 2012, the shareholders approved the capital reduction of Augean PLC (the Company). Subsequent hearings in the High Court on 18 and 27 June 2012 led to the capital reduction being confirmed on 4 July 2012. To effect this reduction, the share premium account of the Company was cancelled creating a special profit reserve in the Company and Group balance sheets. This reduction was transferred to retained earnings to the extent to which it cancelled existing losses. The remaining share premium was transferred to special profit reserve. In addition, profits of the Company which were realised prior to 4 July 2012 were transferred to the special profit reserve.

20 Share-based payments

At 31 December 2012 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 2012	Granted	Exercised	Lapsed	At 31 December 2012
Augean share option schemes						
December 2004 – December 2014	180.0p	**700,000**	—	—	—	**700,000**
December 2012 – December 2019	39.5p	**1,810,122**	—	—	—	**1,810,122**
May 2011 – May 2021	29.0p	**1,496,552**	—	—	—	**1,496,552**
		4,006,674	—	—	—	**4,006,674**
Augean LTIP						
11 June 2012 – 11 June 2015	10.0p	**—**	1,534,000	—	(1,534,000)	**—**
		—	1,534,000	—	(1,534,000)	**—**
		4,006,674	1,534,000	—	(1,534,000)	**4,006,674**
Weighted average exercise price		**60.1p**	10.0p	—	10.0p	**60.1p**
Of which exercisable		**700,000**				**2,510,122**
Weighted average exercise price		**108.0p**				**49.3p**

Share option scheme (equity settled)

On 21 May 2011 the Group established a share option programme entitled the Group's Directors and senior management to purchase shares in the Company. These options were granted on similar terms to the 21 December 2009 grant, except for the exercise price.

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:

	2011 share options	2009 share options
Grant date	20 May 2011	21 December 2009
Exercise period	May 2014– May 2021	December 2012– December 2019
Share price at grant date	28.9p	39.5p
Exercise price	29.0p	39.5p
Shares under option	1,496,552	1,810,112
Expected volatility	35%	43%
Expected life (years)	4 years	4 years
Risk-free rate	2.3%	2.5%
Expected dividend yield	0.0%	0.0%
Fair value per option	£0.09	£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 market or non-market performance criteria attached to them (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 2012, the weighted average remaining contractual life is 6.66 years (2011: 6.92 years).

20 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 were to 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 would 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.

For the 2009 award which vests on 21 December 2012, participants would receive 100% of the award if the Group's normalised pre-tax earnings for the year ending 31 December 2011 were greater than £11.3m. No award would vest unless the Group's normalised pre-tax earnings for year ending 31 December 2011 was greater than £3.3m, at which level 30% of the award would apply.

For the 2012 award which vests on 11 June 2015, participants would receive 100% of the award if the Group's normalised pre-tax earnings for the year ending 31 December 2012 were greater than £2.9m. No award would vest unless the Group's normalised pre-tax earnings for the year ending 31 December 2012 were greater than £2.9m.

The performance conditions for the 2008 award, which was due to vest on 29 April 2011, were not met and therefore the options have now lapsed. The performance conditions for the 2009 award, due to vest on 21 December 2012, were not met and have now lapsed. In addition, the performance conditions for the 2012 award were not met and have now lapsed.

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 £130,000 (2011: £84,000) related to equity-settled share-based payment transactions. No options under either the share option or LTIP schemes were exercised during the year. The 2012 share options vested during the year and are now exercisable.

21 Operating lease commitments

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

	2012 £'000	2011 £'000
Plant and machinery		
Leases which expire:		
– within one year	**263**	352
– within two to five years	**245**	351
	508	703
Land and buildings		
Leases which expire:		
– within one year	**430**	115
– within two to five years	**1,722**	252
– after five years	**1,553**	71
	3,705	438

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

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Operating profit	**2,888**	1,976	**900**	1,071
Amortisation of intangible assets	**40**	32	**38**	32
Depreciation	**3,261**	4,379	**84**	65
After-care provisions	**66**	92	**—**	—
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**6,255**	6,479	**1,022**	1,168
Loss on sale of property, plant and equipment	**—**	188	**—**	—
Share-based payments	**130**	84	**130**	84
(Increase) in inventories	**(1)**	(101)	**—**	—
(Increase)/decrease in trade and other receivables	**(565)**	(752)	**(550)**	60
Decrease/(increase) in net payables from subsidiary undertakings	**—**	—	**635**	(151)
(Decrease)/increase in trade and other payables	**(1)**	438	**(275)**	131
(Decrease) in provisions	**—**	(1,623)	**—**	—
Cash generated from operations	**5,818**	4,713	**962**	1,292
Interest paid	**(479)**	(469)	**(590)**	(565)
Tax paid	**(744)**	(123)	**(406)**	—
Net cash generated from/(used in) operating activities	**4,595**	4,121	**(34)**	727

23 Analysis of changes in net debt

The table below presents the net debt of the Group at the balance sheet date.

	31 December 2011 £'000	Cash flow £'000	**31 December 2012 £'000**
Cash and cash equivalents	4	1	**5**
Overdraft	(996)	447	**(549)**
Bank loans due after one year	(2,244)	(2,931)	**(5,175)**
Finance leases	(732)	335	**(397)**
Net debt	(3,968)	(2,148)	**(6,116)**

24 Business combinations

On 30 May 2012 Augean PLC acquired the controlling stake in Augean North Sea Services Limited (ANSS), purchasing 70% of its share capital from Scomi Oiltools (Europe) Limited.

The business was already operating as part of Scomi Oiltools (Europe) Limited (Scomi). The trade and assets of the business were transferred to a newly incorporated company of which Augean subsequently purchased 70% of the share capital. As a result, purchase accounting has been adopted.

The purchase transaction builds upon relationships already existing between Augean and Scomi; however, the transaction did not settle any existing contractual relationships between Augean and Scomi.

ANSS provides a comprehensive waste disposal route for all North Sea oil and gas industry operators, specialising in management of drill cuttings and associated waste streams. It is anticipated that the acquisition will complement Augean's core waste disposal business and develop the utilisation of the Group's asset base. The total consideration for the acquisition was £2,050,000, settled in cash.

24 Business combinations continued

During the seven month period ended 31 December 2012 ANSS contributed revenue of £3,366,000 and operating profit of £47,000 to the Group's results. Management estimates that if the acquisition had occurred on the 1 January 2012, then consolidated revenue would have been £5,525,000 and the consolidated operating profit for the period would have been £154,000. In determining these amounts, management has assumed that the provisional fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2012.

The fair values assumed at 30 June 2012 were provisional subject to information to be provided relating to available capital allowances of the asset base of ANSS. Since the acquisition, circumstances relating to the capital allowances have been finalised resulting in the recognition of a deferred tax asset of £755,000. This has resulted in the fair value of the assets being higher than on the original calculation of goodwill at 31 May 2012. This has resulted in a gain on bargain purchase of £528,000 which has been recognised in full in the statement of comprehensive income for the year ended 31 December 2012.

Identified assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Assets and liabilities acquired as a result of the acquisition of ANSS	Fair value £'000
Property, plant and equipment	3,656
Deferred tax asset	754
Trade receivables	660
Trade payables	(387)
Loans and borrowings	(1,000)
Total net assets	**3,683**

The following fair values have been determined:

	Fair value £'000
Property, plant and equipment	
Freehold land and building – Woodside Road, Aberdeen	2,000
Plant and equipment	708
Leasehold buildings – Pocra Quay, Aberdeen	948
Total property plant and equipment	**3,656**

Goodwill and intangible assets

No goodwill has been recognised on the following basis:

	£'000
Total consideration transferred	(2,050)
Non-controlling interest, based on the proportionate interest in the recognised amounts of the asset and liabilities of ANSS	(1,105)
Fair value of identifiable assets acquired and liabilities assumed	3,683
Gain on bargain purchase	528

No intangible assets were acquired by the Group at the acquisition date. Total consideration net of cash and cash equivalents acquired was £2,043,000.

Acquisition related costs

The Group incurred acquisition related costs totalling £315,000 in 2011 and 2012 in legal fees and due diligence costs. These costs were recognised within exceptional items in the Group's consolidated statement of comprehensive income at 31 December 2011 and 31 December 2012.

25 Financial instruments

The financial assets of the Group and Company are categorised as follows:

As at 31 December 2012	Group			Company		
	Loans and receivables £'000	Non-financial assets £'000	Total £'000	Loans and receivables £'000	Non-financial assets £'000	Total £'000
Goodwill	—	21,705	21,705	—	—	—
Other intangible assets	—	123	123	—	109	109
Investments in subsidiaries	—	—	—	—	57,631	57,631
Investment in jointly controlled entity	—	8	8	—	502	502
Property, plant and equipment	—	39,561	39,561	—	817	817
Deferred tax asset	—	1,231	1,231	—	41	41
Inventories	—	218	218	—	—	—
Trade and other receivables	7,254	1,614	8,868	—	916	916
Current tax asset	—	—	—	—	209	209
Cash and cash equivalents	5	—	5	—	—	—
	7,259	64,460	71,719	—	60,225	60,225

As at 31 December 2011	Group			Company		
	Loans and receivables £'000	Non-financial assets £'000	Total £'000	Loans and receivables £'000	Non-financial assets £'000	Total £'000
Goodwill	—	21,705	21,705	—	—	—
Other intangible assets	—	49	49	—	45	45
Investments in subsidiaries	—	—	—	—	55,581	55,581
Investment in jointly controlled entity	—	16	16	—	492	492
Property, plant and equipment	—	35,415	35,415	—	767	767
Deferred tax asset	—	854	854	—	50	50
Inventories	—	217	217	—	—	—
Trade and other receivables	7,069	591	7,660	—	376	376
Assets held for resale	—	200	200	—	—	—
Cash and cash equivalents	4	—	4	—	—	—
	7,073	59,047	66,120	—	57,311	57,311

25 Financial instruments continued

The financial liabilities of the Group and Company are categorised as follows:

	Group			Company		
As at 31 December 2012	**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**
Trade and other payables – current	**6,510**	**1,769**	**8,279**	**9,215**	**223**	**9,438**
Current tax liabilities	**—**	**197**	**197**	**—**	**—**	**—**
Financial liabilities – current	**549**	**288**	**837**	**3,260**	**—**	**3,260**
Financial liabilities – non-current	**5,175**	**108**	**5,283**	**5,175**	**—**	**5,175**
Provisions	**—**	**7,045**	**7,045**	**—**	**—**	**—**
	12,234	**9,407**	**21,641**	**17,650**	**223**	**17,873**

	Group			Company		
As at 31 December 2011	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
Trade and other payables – current	6,253	1,826	8,079	8,943	76	9,019
Current tax liabilities	—	538	538	—	201	201
Financial liabilities – current	996	336	1,332	3,871	—	3,871
Financial liabilities – non-current	2,244	396	2,640	2,244	—	2,244
Provisions	—	6,668	6,668	—	—	—
	9,493	9,764	19,257	15,058	277	15,335

The Group and Company's financial liabilities have contractual maturities (including interest payments where applicable) which are summarised overleaf. As these amounts are the contractual undiscounted amounts they do not agree to the amounts shown in the balance sheet for financial liabilities.

25 Financial instruments continued

Group

As at 31 December 2012	**Amounts due in less than one year £'000**	**Amounts due in second to fifth year £'000**	**Total financial liabilities £'000**
Trade and other payables – current	**8,279**	**—**	**8,279**
Financial liabilities – current	**837**	**—**	**837**
Financial liabilities – non-current	**214**	**5,606**	**5,820**
Total	**9,330**	**5,606**	**14,936**

As at 31 December 2011	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Total financial liabilities £'000
Trade and other payables – current	6,253	—	6,253
Financial liabilities – current	1,353	—	1,353
Financial liabilities – non-current	—	2,719	2,719
Total	7,606	2,719	10,325

Company

As at 31 December 2012	**Amounts due in less than one year £'000**	**Amounts due in second to fifth year £'000**	**Total financial liabilities £'000**
Trade and other payables – current	**9,438**	**—**	**9,438**
Financial liabilities – current	**3,260**	**—**	**3,260**
Financial liabilities – non-current	**214**	**5,606**	**5,820**
	12,912	**5,606**	**18,518**

As at 31 December 2011	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Total financial liabilities £'000
Trade and other payables – current	8,943	—	8,943
Financial liabilities – current	3,871	—	3,871
Financial liabilities – non-current	—	2,311	2,311
	12,814	2,311	15,125

25 Financial instruments continued

Financial risk management objectives and policies

Overview

The Group has exposure to the following risks arising from financial instruments:

— liquidity risk;

— credit risk; and

— interest rate risk.

As the Group's transactions take place solely in sterling there is no direct foreign currency risk.

The management of the Group's financial risks and the related objectives and policies are the responsibility of the Executive Directors. The Directors regularly review the Group's financial risk management policies and procedures to ensure that they appropriately reflect the changing nature of the market and business. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group has maintained its policy that no trading in financial instruments shall be undertaken.

The Group's principal financial instruments during the period comprised bank loans, cash and cash equivalents 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 financial assets and financial liabilities and their book value.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group seeks to maintain a balance between continuity of funding and flexibility. The objective is to maintain sufficient resources to meet the Group's funding needs for the foreseeable future. At 31 December 2012 the Group carried debt of £6.3m (2011: £4.0m) and short term flexibility is achieved through bank facilities comprising a £10m revolving credit and overdraft facility.

The revolving credit and overdraft facility has recently been renegotiated with HSBC Bank PLC, which has ensured committed facilities until 2 March 2015, at a floating interest rate of 2.7% above LIBOR.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The Group has a robust customer credit policy in place and the exposure to credit risk is monitored on a daily basis. The Group's standard credit terms are 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	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Cash and cash equivalents	**5**	4	**—**	—
Trade and other receivables	**8,868**	8,152	**916**	868
	8,873	8,156	**916**	868

25 Financial instruments continued

Financial risk management objectives and policies continued

Credit risk continued

At 31 December 2012 £4.3m (2011: £3.7m) of the Group's trade receivables were past due. A provision of £0.1m (2011: £0.1m) is held to mitigate the exposure to potential bad and doubtful debts.

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

	2012 £'000	2011 £'000
Greater than one but not more than four months old	3,733	3,562
More than four months old	532	175
Total past due trade receivables	4,265	3,737
Trade receivables not yet past due – less than one month old	2,989	3,456
Total gross trade receivables	7,254	7,193
Bad debt provision	(75)	(124)
Total net trade receivables (note 14)	7,179	7,069

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 on a specific basis with reference to the age profile of the trade receivables held at the year end.

	£'000
Bad debt provision as at 31 December 2011	124
Amounts utilised	(124)
Amounts provided	75
Bad debt provision as at 31 December 2012	**75**

25 Financial instruments continued

Financial risk management objectives and policies continued

Interest rate risk

The Group finances its operations through a mixture of free cash flow, overdraft facilities, 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 interest risk management has been undertaken. The Group regularly reviews its exposure to fluctuations in underlying interest rates and will take appropriate action if required to minimise any impact on the performance and financial position of the Group.

The interest rate profile of the Group and Company's financial liabilities at 31 December 2012 was:

Group	Fixed rate £'000	Floating rate £'000	Total £'000
Bank loans	—	5,175	5,175
Finance leases	—	397	397
At 31 December 2012	**—**	**5,572**	**5,572**
At 31 December 2011	33	2,943	2,976

Company	Fixed rate £'000	Floating rate £'000	Total £'000
Bank loans	—	5,175	5,175
Finance leases	—	—	—
At 31 December 2012	**—**	**5,175**	**5,175**
At 31 December 2011	—	2,244	2,244

The interest rate on the floating rate borrowings was 2.7% (2011: 2.5%) above LIBOR. In March 2012 the Group renegotiated its overdraft and loan facilities with HSBC until 2 March 2015 which attract an interest rate of 2.7% above LIBOR. A change in interest rate of 0.5% affects the annual interest cost for both the Group and Company by approximately £25,000 (2011: £11,000).

The hire purchase agreements of the Group under a floating rate contract have a weighted average interest rate of 2.4% (2011: 3.1%) and a weighted average duration of four (2011: five) years. The Group no longer has any hire purchase agreements under a fixed rate contract. At 31 December 2011, the hire purchase agreements of the Group under a fixed rate contract had a weighted average interest rate of 6.8% and a weighted average duration of two years.

The maturity profile of the Group's financial liabilities is shown in note 16.

The Board recognises that there is continuing debate as to how to deal with the European sovereign debt and banking crisis and this is borne in mind throughout all key strategic decision-making processes. The Board feels that the current risk management policies described above continue to be appropriate but that they will be regularly assessed to ensure this remains the case.

25 Financial instruments continued

Financial risk management objectives and policies continued

Capital management policies and procedures

The Group defines the capital that it manages as the Group's share capital and financial liabilities, as shown in the table below:

	Note	2012 £'000	2011 £'000
Share capital	18	**9,970**	9,970
Financial liabilities	16	**(6,121)**	(3,972)

The Group's capital management objectives, which have remained unchanged during the year, are:

— to ensure the Group's ability to continue as a going concern; and

— to provide a strong financial base to deliver growth and adequate return to shareholders.

The Group's primary sources of capital are equity (as shown in the statement of changes in shareholders' equity), bank debt and finance leases (note 23) secured against certain assets. By pricing products and services commensurately with the level of risk and focusing on the effective collection of cash from customers, the Group aims to maximise revenues and operating cash flows. Cash flow is further controlled by ongoing justification, monitoring and reporting of capital investment expenditures and regular monitoring and reporting of operating costs. Working capital fluctuations are managed through employing the overdraft facility available, which at the year end was £549,000 (2011: £996,000).

The capital structure of the Group has been altered by way of a capital reduction; see note 19 to the financial statements. The capital reduction has reduced retained losses in the Group by eliminating the share premium account. This has allowed the Group to be in a position to propose a dividend from distributable reserves (note 7).

The Group considers that the current capital structure will provide sufficient flexibility to ensure that appropriate investment can be made, if required, to implement and achieve the longer term growth strategy of the Group. The primary source of funding would be achieved through drawing on the recently renewed loan facility, which has £4.7m of headroom at 31 December 2012 (2011: £6.7m).

Management sets targets against the following measures and monitors the Group's performance against each throughout the year:

— bank facility covenants, which include net debt to EBITDA and EBIT to net debt costs;

— net debt to equity ratio; and

— free cash flow generated.

The performance against each of these capital measures is shown in the table below:

	2012 Actual	2012 Target	2011 Actual
Net debt to EBITDA	**1.0**	<2.5	0.6
EBIT to total net debt costs	**4.5**	>2.5	3.5
Net debt to equity (%)	**12.5%**	1%	8.5%
Free cash flow (£'000)	**674**	3,251	(479)

The level of free cash flow for 2012 reflects a number of one off investments in the business which were required during the year. These included continued investment at the ENRMF to accept Low Level Waste and investment in the incinerator at East Kent and in the acquisition of Augean North Sea Services.

The value of net debt and free cash flow is monitored on a daily basis and balances of finance leases are reviewed monthly as repayments are made and balances reduce.

25 Financial instruments continued

Financial risk management objectives and policies continued

Capital management policies and procedures continued

Free cash flow represents net operating cash flows adjusted for capital investment and finance lease repayments. This is reconciled to the statement of cash flows as follows:

	2012 £'000	2011 £'000
Net operating cash flow (note 22)	**4,595**	4,121
Purchase of property, plant and equipment	**(3,585)**	(4,186)
Repayments of obligations under finance leases	**(336)**	(414)
Free cash flow	**674**	(479)

26 Retirement benefit obligations

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The total cost charged to income of £280,000 (2011: £218,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2012, contributions of £30,000 (2011: £3,000) due in respect of the current reporting period had not been paid over to the schemes.

27 Contingent liabilities and cross guarantees

In accordance with environmental 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 £7.3m (2011: £7.4m). Future site restoration costs for each landfill site have been provided as disclosed in note 18.

The Group suffered an incident at its Cannock site in November 2010, 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 still too early to establish the likelihood of any legal action or quantum of any fines which may or may not follow the investigation.

28 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:

Transactions and balances with jointly controlled entity

Group	2012 £'000	2011 £'000
Transactions with Terramundo Limited:		
– revenue	**—**	—
– costs	**—**	—

28 Related party disclosures continued

Transactions and balances with jointly controlled entity continued

	2012 £'000	2011 £'000
Amounts owed by Terramundo Limited:		
– more than one year	**502**	492
	502	492

The balance owed by Terramundo Limited to Augean was reclassified as a non-current asset. This reflects Augean's investment in the long term future of the venture and the expectation that this balance will be recovered in more than twelve months from the balance sheet date. When Terramundo starts to trade generating profits from which it can repay its liabilities to its parent companies, this classification will be re-assessed. Further details regarding Terramundo Limited are disclosed in note 9.

Related party transactions of the Company are noted below:

	2012 £'000	2011 £'000
Amounts owed to Terramundo Limited:		
– less than one year	**—**	—
Amounts owed by Terramundo Limited:		
– more than one year	**502**	492
	502	492

Transactions and balances with subsidiary undertakings

Included within current trade and other payables (note 15) are amounts owed to subsidiary undertakings of £8.9m (2011: £8.2m), including a loan to Augean North Sea Services of £1.0m (2011: £nil). Interest received on the loan in 2012 was £10,000 (2011: £nil). All other transactions with Augean North Sea Services are disclosed in note 24.

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

29 Post-balance sheet events

There has been one significant event which has occurred post year end, as follows:

Acquisition of waste transfer site at Tullos, Aberdeen

On 31 January 2013, Augean North Sea Services acquired the long term lease for a waste transfer site at Tullos, Aberdeen, from Veolia ES (UK) Limited. The acquisition also includes a number of assets on the site.

Guidance for shareholders

We are pleased to be writing to you with details of our 2013 Annual General Meeting (the AGM) which we are holding at the offices of FTI Consulting, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB on Thursday 6 June 2013 at 10.00am. The formal notice of Annual General Meeting is set out on pages 90 to 91 of this document.

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

Authority to allot shares (Resolution 6)

Article 4.6(a) 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 "Section 551 prescribed period") and up to a maximum aggregate nominal amount (the "Section 551 amount") approved by a special or ordinary resolution of the Company.

The existing authority to allot shares granted at the Company's last annual general meeting is due to expire at the AGM.

Resolution 6, which will be proposed as an ordinary resolution, seeks to renew the allotment authority so that the Section 551 amount shall 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 document) and the Section 551 prescribed period shall be the period from the date Resolution 6 is passed to 5 December 2014 or the conclusion of the Company's next annual general meeting, whichever is earlier.

Disapplication of pre-emption rights (Resolution 7)

Article 4.6(b) of the Company's Articles of Association empowers the Directors for a period (not exceeding five years) (the "Section 561 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") without having to comply with statutory pre-emption rights.

The existing authority to disapply pre-emption rights granted at the Company's last annual general meeting is due to expire at the AGM.

Resolution 7, which will be proposed as a special resolution and which will only be effective if Resolution 6 is passed, seeks to renew the disapplication authority so that the Section 561 amount shall be £498,497 (representing approximately 5% of the Company's issued share capital at the date of this document) and the Section 561 prescribed period shall be the period from the date Resolution 7 is passed to 5 December 2014 or the conclusion of the Company's next annual general meeting, whichever is earlier.

Action to be taken by shareholders

Whether or not you intend to be present at the AGM you are requested to complete and submit a proxy appointment in accordance with the notes to the Notice of AGM set out on page 91. To be valid, the proxy appointment must be received at the address for delivery specified in the notes by no later than 10.00am on Tuesday 4 June 2013. The completion and return of a proxy appointment form will not preclude you from attending and voting at the meeting, should you so wish. A hard copy proxy appointment form is enclosed for your use.

Recommendation

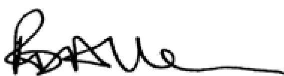
The Directors consider that the proposals set out above are in the best interests of the Company and its shareholders as a whole. They recommend that you vote in favour of the resolutions set out in the Notice of meeting as they intend to do in respect of their own beneficial holdings.

Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the 2013 Annual General Meeting of Augean plc (the "Company") will be held at the offices of FTI Consulting, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB on Thursday 6 June 2013 at 10.00am for the purpose of considering and, if thought fit, passing the resolutions set out below. Resolution 7 will be proposed as a special resolution. All other resolutions will be proposed as ordinary resolutions.

1. THAT the reports of the Directors and the auditors and the audited financial statements for the year ended 31 December 2012 be received.
2. THAT Andrew Bryce be re-elected as a Director of the Company.
3. 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.
4. THAT the directors be authorised to determine the auditors' remuneration.
5. THAT a dividend of 0.25 pence per share be declared.
6. THAT the authority to allot shares and grant rights to subscribe for or to convert any security into shares, conferred on the Directors by Article 4.6(a) of the Company's Articles of Association, be granted for the period commencing on the date of the passing of this resolution and expiring on 5 December 2014 or at the conclusion of the Company's next annual general meeting (whichever is the earlier) and for that period the Section 551 amount is £3,323,313.80.
7. THAT, subject to the passing of resolution 6, the power to allot equity securities as if s561(1) of the Companies Act 2006 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 commencing on the date of the passing of this resolution and expiring on 5 December 2014 or at the conclusion of the Company's next annual general meeting (whichever is the earlier) and for that period the Section 561 amount is £498,497.

By order of the Board



Richard Allen, ACMA
Company Secretary
26 March 2013

Registered Office
4 Rudgate Court
Walton
Near 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 6.00p.m. on Tuesday 4 June 2013 (the "Specified Time") will be entitled to attend and 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 and vote at the AGM.

(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. Completion of a proxy appointment form does not prevent a member from attending and voting in person if he/she is entitled to do so and so wishes.

(c) Hard copy appointment of proxies: A hard copy proxy appointment form is enclosed for use at the AGM. To be valid, it must be completed in accordance with the instructions that accompany it and delivered, together with any authority under which it is executed or a copy of the authority certified notarially, by post or (during normal business hours only) by hand to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received no later than 10.00a.m. on Tuesday 4 June 2013.

To appoint more than one proxy you may photocopy the hard copy 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 of your hard copy proxy form. For an electronic proxy appointment to be valid, your electronic message confirming the details of the appointment in accordance the relevant instructions must be transmitted so as to be received by Computershare Investor Services plc no later than 10.00a.m. on Tuesday 4 June 2013.

(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 AGM 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 Computershare Investor Services plc as the issuer's agent (ID Reference: 3RA50) by 10.00a.m. on Tuesday 4 June 2013. 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) 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. Any such representative should bring to the meeting written evidence of his appointment, such as a certified copy of a Board resolution of, or a letter from, the corporation concerned confirming the appointment.

(f) Website giving information regarding the AGM is available from www.augeanplc.com. A member may not use any electronic address provided by the Company in this document or with any Proxy Form or in any website for communicating with the Company for any purpose in relation to the AGM other than as expressly stated in it.

(g) As at 25 March 2013 (being the last business day prior to the publication of this document) the Company's issued share capital consisted of 99,699,414 ordinary shares of £0.10 each, carrying one vote each. Therefore, the total voting rights in the Company as at 25 March 2013 are 99,699,414.

Advisers and company information

Secretary
Richard Allen, ACMA

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

Registered number
5199719
(incorporated and registered in England and Wales)

Website
www.augeanplc.com

Broker and nominated adviser
N+1 Singer Capital Markets
One Bartholomew Lane
London EC2N 2AX

Auditor
Grant Thornton UK LLP
No 1 Whitehall Riverside
Whitehall Road
Leeds LS1 4BN

Solicitors
Walker Morris
Kings Court
12 King Street
Leeds LS1 2HL

Bankers
HSBC Bank PLC
City Point
29 King Street
Leeds LS1 2HL

Registrars
Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS13 8AE

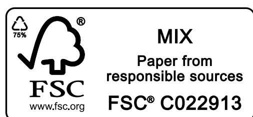
designed and produced by
the design portfolio marketing services.
www.design-portfolio.co.uk

Augean PLC
4 Rudgate Court
Walton
Wetherby
West Yorkshire LS23 7BF

Tel: 01937 844980
Fax: 01937 844241
www.augeanplc.com
contact@augeanplc.com

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.

Both the printer and the paper mill are registered to ISO 14001.

Augean PLC Annual Report 2012