

Annual Report & Accounts
for the year ended 31 December 2013



**Focused Strategies
Delivering the Best Overall
Environmental Outcomes**

Welcome

Augean is one of the UK's leading waste management businesses, providing specialist services focused on managing hazardous wastes. The Augean Group of companies provides a range of waste recovery, recycling, treatment and disposal solutions, ensuring that our customers have a safe, secure and environmentally compliant solution for all their waste management needs.

The Group operates from nine locations across the UK, from Lerwick in the north to Kent and Avonmouth in the south. The Group's Head Office is located near Wetherby, West Yorkshire.

At Augean we are committed to providing appropriate waste management solutions for our customers. Our employees have expertise vital to delivering our services to exacting standards and understand the needs of our customers. We continue to develop the range of technical, compliance, development and laboratory resources appropriate to a forward-looking business working in the hazardous waste sector.

Investor website

We maintain a corporate website at www.augeanplc.com containing a wide range of information of interest to institutional and private investors including:

- Latest news and press releases
- Annual reports and investor presentations



Getting around this report



For further information within this document and relevant page numbers

What's inside

Q&A WITH STEWART DAVIES

Dr Stewart Davies joined the Group as chief executive officer in August 2013. Inside he sets out his views on the Augean business and where he sees opportunities for the future.



Read more on pages 04 and 05

PERFORMANCE

The Group's activities included continuing operations and discontinued operations during the year, following the decision to close the Waste Network division. All our continuing operations delivered improved financial results in 2013.



Read more on pages 22 to 27

GOVERNANCE

Good governance is essential to Augean's business. Working in the waste, nuclear and oil & gas sectors we are always mindful of the need to operate within strong internal control frameworks, with a consistent focus in health, safety and environmental compliance.



Read more on pages 49 and 50

Narrative Reports

Strategic Report

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Highlights

Revenue

£47.123m

+11% (2012: £42.421m)

Adjusted PBT

£3.172m

+22% (2012: £2.603m)

EBITDA

£6.220m

-1% (2012: £6.255m)

Adjusted EPS

from continuing operations

3.29p

+15% (2012: 2.86p)

Key Figures

£m unless stated	31 Dec 2013	31 Dec 2012	change %
Combined continuing and discontinued operations:			
Revenue	47.123	42.421	11%
Adjusted PBT	3.172	2.603	22%
EBITDA	6.220	6.255	(1%)
Operating cash flow	5.862	5.818	1%
Net debt	(8.491)	(6.116)	39%
Continuing operations only:			
Revenue from continuing operations	43.488	36.694	19%
Adjusted PBT from continuing operations	4.431	3.939	12%
Adjusted earnings per share from continuing operations	3.29p	2.86p	15%
Proposed DPS	0.35p	0.25p	40%

Financial highlights

- Adjusted profit before tax for the Group of £3.2m (2012: £2.6m)
- Revenue from continuing operations increased by 19% to £43.5m (2012: £36.7m)
- Adjusted profit before tax for continuing operations increased by 12% to £4.4m (2012: £3.9m)
- Adjusted earnings per share from continuing operations were 3.29p (2012: 2.86p)
- Operating cash flows of £5.9m supported capital expenditure and an increased equity stake in Augean North Sea Services (2012: £5.8m)
- Proposed dividend of 0.35p per share (2012: 0.25p)

Operational highlights

- Improved performance from continuing operations, driven by growth in key markets:
 - Reduction to total landfill volumes within Land Resources, offset by disposal of higher margin waste
 - Strong growth at Augean North Sea Services, ahead of Board's original targets
 - Oil & Gas Services delivered positive EBITDA and reduced year on year losses
 - East Kent incinerator performance impacted by mechanical issues until quarter four

Strategic developments

- Closure of Waste Network division
- Creation of Augean Integrated Services business to focus on total waste management
- Creation of Radioactive Waste Services business to widen radioactive waste disposal opportunities
- Purchase of a further stake in Augean North Sea Services, taking shareholding to 81%
- Long term planning permission secured at East Northants Resource Management Facility and Thornhaugh landfill sites

Post period end

- Sale of certain Waste Network sites for a consideration of £1.2m
- Renewal of banking facilities through to July 2017 providing debt funding of £15.0m



Read more about Our Strategy on pages 14 and 15

Chairman's Statement

Overview

Strategic Report



“THE BOARD HAS PROPOSED A 40% INCREASE IN THE DIVIDEND PAYMENT...”

Jim Meredith
Non-executive Chairman

2013 was a year of significant change for the Group, during which the business delivered improved revenues and profit from continuing operations, whilst continuing to grow in key markets.

Net revenue for the year, excluding landfill tax and inter-segment trading, increased by 10% to £40.3m (2012: £36.8m). The total profit attributable to our shareholders before exceptional items (including impairment charges for the write off of assets and goodwill associated with the closed Waste Network division) was £2.4m (2012: £1.7m). Operating cash flows of £5.9m (2012: £5.8m) supported an enhanced level of capital investment and an increase to our stake in the Augean North Sea Services business, taking our holding to 81%.

The year began with the departure of Paul Blackler and the appointment of Dr Stewart Davies as Chief Executive Officer. Stewart is now well established within the business and has brought the fresh thinking and insight the Board hoped for at the time of his appointment. The new strategy for the Group, developed by Stewart and his management team with input from the Board, is outlined below, confirming our belief that Augean has numerous realisable opportunities to support growth of the business in the coming months and years.

During the year the Group continued to be restructured and reshaped to ensure that the business was fully focused on our key markets in hazardous waste, Air Pollution Control Residues (APCR) management, radioactive waste disposal and North Sea oil and gas. These changes included the decision to close the Waste Network division and offer certain sites and assets for sale, a process which is now complete.

As in the previous year there were improvements to health and safety performance during 2013. Health and safety continues to be the number one priority of the Board and management across the Group and we were pleased to

note a second consecutive year with a 25% decline in accidents. The Augean North Sea Services business led the way in safety standards, recording eight years without a lost time incident in offshore operations. The Board is well aware of the dangers for our staff working in offshore environments as well as those onshore associated with the handling, treatment and disposal of hazardous wastes. This commitment to high standards of safety was underlined by the activities of the Health & Safety scrutiny committee, led by a non-executive director and reporting directly to the Board, which further enhanced health and safety leadership within the business during the year.

I was pleased to note the addition of new shareholders to our register during the year and continued support from many of our longer-holding investors. The improvement in share price represented another step forward in ensuring that the Group provides growth in the returns for all investors, whilst the Board remains focused on improving the returns from capital employed.

I believe that Augean is stronger now than at any point during the past five years. Reflecting that confidence, the Board has proposed a 40% increase in the dividend payment to 0.35p per share and has agreed to progressively increase the dividend in the coming years, in line with improvements to business performance. With improving economic conditions in the UK, a refreshed strategy and several new opportunities under development I look forward to another year of growth and enhanced returns for shareholders during 2014.

Jim Meredith
Non-executive Chairman
25 March 2014

Q&A with Stewart Davies, Chief Executive



IN THE FIRST ANNUAL REPORT SINCE HIS APPOINTMENT AS CEO, DR STEWART DAVIES SHARES HIS VIEWS ON THE AUGEAN BUSINESS AND THE FUTURE FOR THE GROUP.

Q What are the key market trends in waste management from Augean's perspective?

A The latest Environment Agency data shows broadly flat overall volumes of hazardous waste consigned by producers. Augean is growing revenues in this market because, firstly, we are focused on growth sectors, particularly hazardous and radioactive wastes arising from oil & gas, nuclear decommissioning and energy from waste and, secondly, we are progressing our strategy of carrying out more added value treatment and services.

Q How is Augean organised to address its preferred sectors?

A We have carried out some reorganisation to align our business with the key markets confirmed by our recent strategy work. The Oil & Gas sector is served by Augean North Sea Services, the subsidiary company in which the Group now owns 81%. The division previously titled Oil & Gas Services will be renamed to confirm its focus on the refinery, chemicals and manufacturing sectors. The creation of the new Radioactive Waste Services division provides a direct face to the nuclear and radioactives markets, with a remit to grow added-value services. Land Resources will continue to sharpen our focus on the fast growing energy from waste sector, as well as the continuing importance of the soils and demolition waste market. Our new Integrated Services division will accelerate the development of our services to total waste management customers.

Q What will Augean do to increase profitability?

A Building our position in the growth markets and targeting further profitable revenue growth from added value services are key drivers of profitability improvement. Further margin growth will come from operational efficiencies as we progress initiatives to realise lower cost end-to-end processing including accessing optimum energy-from-waste capacity.

Q What has changed in the strategy? What will stop? What will remain and what will be new?

A The strategy, which is summarised in the Strategic Report, represents a further emphasis on getting closer to clients to deliver specialist services based on Augean's hazardous and radioactive waste management capabilities. As a matter of principle we intend to stop lower margin value destroying activities, thus reducing our dependence on broker trade and exiting national coverage of transfer stations. The sale of our Waste Networks business exemplifies this, as this business was based on broker trade, and one-removed from the waste producer, thus preventing the client-focused service strategy. We remain committed to maintaining and developing the key assets in treatment and landfill that make Augean a 'go-to' company for specialist waste management capability. What will be new is a focus on securing more long-term contracts where Augean is providing direct clients with innovative solutions in which support services are a key component, supported by a wider 'Integrator' capability. In addition, we will be offering a broader array of North Sea services and intensifying our radioactive waste focus.





Overview

Strategic Report

Q Where is Augean strong, and where must Augean build capability?

A Augean has strong positions in UK hazardous waste, owning approximately half of the forward landfill capacity in the UK with planning and permitting secured. We have an excellent reputation for our rigorous approach to technical issues and compliance, including being the only waste management operator to have a UKAS-accredited laboratory which ensures that our decisions are based on the highest standards of testing. We are proud of the expertise of our people, be they front-line employees carrying out our stringent waste management procedures, front-office staff interfacing with our customers or directors meeting with regulators and policy makers to discuss the most effective way to deliver the UK's strategy and policies for hazardous waste management.

We will build on our expertise in our key markets so that we can fulfil a more innovative partnering role with our customers as we address together the developing waste management needs of their sector. Our capability in delivering solutions for customers that include services and client-site facilities will be developed, learning from the successes of the North Sea Services business and the first contracts of Augean Integrated Services.

Q How will you approach investment and dividend payments?

A With a three year track record in improving profitability, a commitment to taking this further and a strong list of opportunities for the Group to invest for growth, Augean is well-positioned to pursue a strategy which will grow returns from investments. We do not see this as tightly linked to the UK macro-economic cycle as the Group's key markets are more strongly influenced by investment in infrastructure in sectors that have different drivers, for example North Sea decommissioning. As a growth company, Augean will continue to have opportunities to provide returns on investment projects that exceed the return required by shareholders – our project hurdle rate is >15% Internal Rate of Return pre-tax. Thus to progress the strategy most effectively, investment for growth will be required, whilst seeking to progressively increase dividend payments year on year.

Q How will you utilise the Group's debt facilities?

A Our strategy is to increase cash from operations, providing funds for growth, supported by appropriate debt facilities. As long as there continue to be investment opportunities that advance the Group's strategy and deliver returns over the hurdle rate, investing in these opportunities will use a combination of operating cash and debt. The new debt financing arrangements with HSBC confirm that the business is in shape to carry up to the £15m debt facility.

Q What principles guide Augean's approach to acquisitions?

A Buying our way into new markets risks destroying shareholder value unless there are operational and market synergies that we are confident can be delivered. Our most recent experience, buying into North Sea Services, has benefited from the ability to process materials internally within the Group and sell the combined capabilities to the market successfully. We will apply this learning in the future as we consider potential acquisitions that would accelerate the Group's strategy and enhance shareholder returns.

Q Where will the Group be in three years time?

A We expect to be more profitable, larger scale and more strongly positioned as a leader in our target market sectors. More of our business will be in long term contracts with Tier 1 waste-producing customers who value the solutions we provide on their sites as well as in our own facilities. The Group will generate a higher proportion of its profits coming from services and treatment, and will be recycling and recovering resources from more of the waste it is managing. Recognised as an expert and innovative player in the industry, we will be at the top-table discussing the development of the UK's hazardous waste management strategy. The increased resilience of our businesses will support shareholder confidence and should sustain improved shareholder returns.

Reasons to invest in Augean

AT AUGEAN WE AIM TO DELIVER CONSISTENT IMPROVEMENTS TO THE RETURNS AVAILABLE TO OUR SHAREHOLDERS.

Here are 10 reasons to invest in Augean plc:

1 Market leadership

Augean is the market leader in UK hazardous landfill, incinerator ash management, low level radioactive waste disposal and treatment of wastes from offshore oil and gas exploration.

2 Service-led customer focus

Providing a great service to our customers, including the development of appropriate waste management solutions, ensures key customers are retained. Recent changes to our business have meant that over 40% of revenues are delivered through contracts and frameworks.

3 Planning permissions & environmental permits

Each of our sites holds a broad range of planning permissions and environmental permits, giving us the passport to operate in the hazardous waste industry.

4 Commitment to environmental compliance

The environment is at the heart of everything we do and we maintain a strong focus on delivering the best available environmental outcomes from our waste management activities.

5 High standards of health & safety

The safety of our staff and the public is our number one priority, evidenced by a 25% reduction in accidents in both of the last two years.



Read more about our performance in our Operating Review on pages 22 to 27





6 Alignment with regulation

The waste industry is based on EU directives and UK regulation and the Augean business has been developed to align with the direction of regulatory development.

7 Great assets

Our asset base includes a range of modern, industry-leading technologies, allowing us to deliver recycling and recovery from hazardous waste, not simply relying on landfill disposal.

8 Technical expertise

Our people are highly qualified and have experience of a range of hazardous waste management markets. This expertise allows our sales and operational teams to understand how to provide the best solutions to our customers.

9 High quality support services

The Group has invested in technical, regulatory, planning, permitting, business development, project management and laboratory skills. Our central laboratory has UKAS accreditation.

10 Experienced leadership team

Our Management Board has over 100 years combined experience in our key markets and activities.

The combination of the right assets, planning permissions and permits, a focus on safety and compliance and significant industry expertise represent barriers to entry in each of the Group's key markets and this provides a platform for future growth.



Our Business Model



Developing sustainable market positions...

Customer focus

- We focus on market sectors which are attractive and where we can build competitive advantage
- Augean has the expertise to understand these markets and what drives value for specific customers
- We start with customer needs and address these innovatively, taking a long term perspective

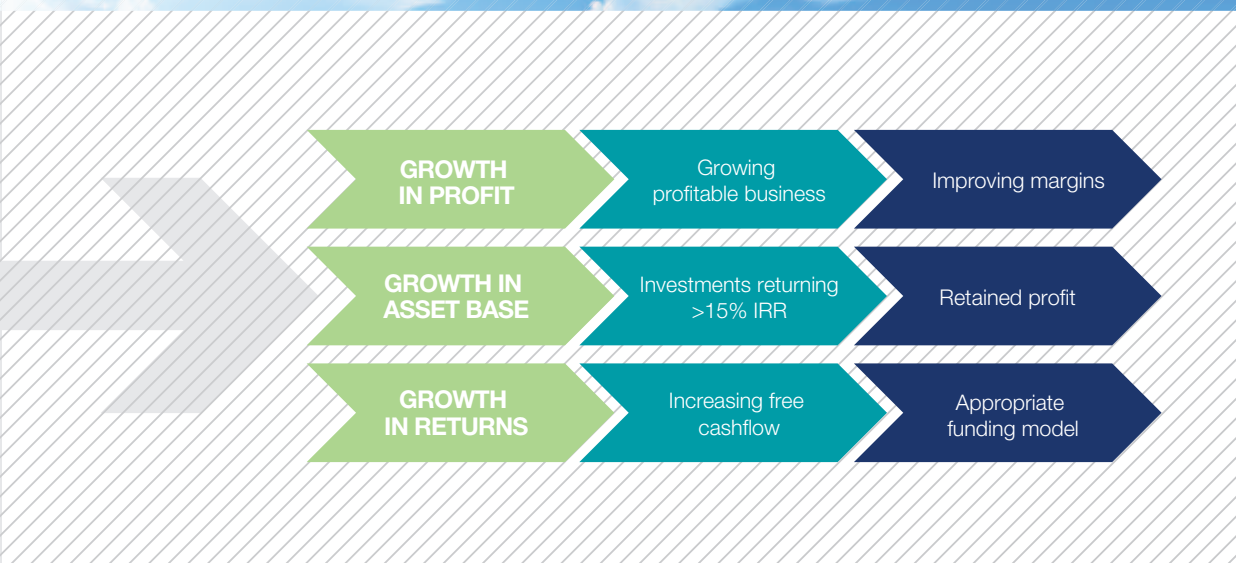
Service solutions

- Being close to customers enables us to work with the outcomes they need, not just the specification they have procured to
- We deliver services that are critical for our customers' operations (safety, compliance, time, quality, cost) but are not their core capabilities
- Augean has a successfully growing track-record in service solutions

Specialist waste expertise

- Augean has the know-how, assets and permissions that make us a 'go to' company for hazardous and radioactive waste management
- Our strategic perspective on regulatory and market developments provides clients with assurance that Augean's treatment and final disposal is fully compliant and resilient for the future
- Resource efficiency is a growing part of the solutions we provide, through recovery and recycling

DEVELOPING SUSTAINABLE MARKET POSITIONS TO INCREASE SHAREHOLDER VALUE



... to increase shareholder value

Growth in profit

- Maintaining position in growth markets and investing in new markets and services support growth in revenues
- Further reduction in end-to-end processing costs drives margin improvement

Growth in asset base

- Prioritised approach to strategic projects ensures quality of investments
- Maintaining hurdle rate >15% for investment projects

Growth in returns

- The maintenance capex for the asset-intensive parts of the business remains stable, hence increasing free cash flow
- Appropriate funding model will use debt to fund growth so far as that optimises returns to shareholders
- Dividends to progressively increase in line with improvements to business performance

Our Organisation

Our organisation is changing. From April 2014 the Group will be comprised of five business divisions.



Assets: Aberdeen (x4), Lerwick

Key services:

- Drilling waste management
- Water treatment
- Marine services
- Hazardous waste management
- Industrial services

Complete waste services for North sea operators



Assets: Cannock, East Kent

Key services:

- Client solutions
- Hazardous waste management
- Support services
- High temperature incineration

Integrated solutions for waste-producing clients



Assets: Avonmouth, Paisley, Port Clarence WaRP, East Kent

Key services:

- Industrial wastewater treatment
- Industrial services
- Thermal recovery
- Secondary Fuels production

Recovery of resources from wastes



Assets: ENMRF, Port Clarence, Thornhaugh

Key services:

- Soil treatment
- EfW Ash stabilisation
- Hazardous waste disposal
- Energy and mineral resources

Waste treatment and disposal solutions



Assets: ENMRF, Port Clarence, East Kent

Key services:

- Stabilisation
- Thermal treatment
- Secure disposal
- Client site services

Specialist treatment and disposal



Our Business & Strategy

Strategic Report

Markets

- Oil & gas
- North Sea Support Services
- North Sea decommissioning

Hierarchy activity

2 4 5 6

Notes

The Oil & Gas sector is served by Augean North Sea Services, the subsidiary in which the Group now owns 81%.

Markets

- High value manufacturing
- Life sciences
- Clinical

Hierarchy activity

1 2 3 4 6

Notes

Augean Integrated Services, the new division formed from Waste Network, will accelerate the development of our services to total waste management customers.

Markets

- Ports
- Refineries and chemicals
- Waste management operators

Hierarchy activity

2 3 4 5 6

Notes

The division previously titled Oil & Gas Services is renamed Industry and Infrastructure Services to confirm its focus on the refinery, chemicals and manufacturing sectors.

Markets

- Energy from waste
- Construction and demolition
- Infrastructure

Hierarchy activity

2 3 5 6

Notes

Land Resources is renamed Energy & Construction Waste Services, to sharpen our focus on the fast growing energy from waste sector, as well as the continuing importance of the soils and demolition waste market.

Markets

- Nuclear energy
- Oil & gas waste intermediaries
- Medical scanning and radiotherapy

Hierarchy activity

2 6

Notes

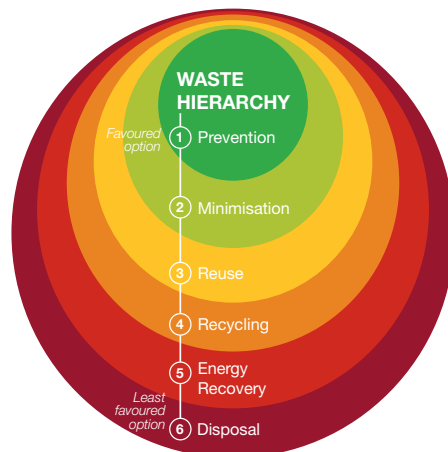
The creation of the new Radioactive Waste Services division provides a direct face to the nuclear market, with a remit to grow added-value services.

AT AUGEAN WE AIM TO ALIGN OUR ACTIVITIES WITH KEY MARKETS AND REGULATIONS

The Waste Hierarchy

Waste management practices are based on a hierarchy of activities defined by environmental law and regulations. This Waste Hierarchy assumes that the most favoured outcome is prevention, where no waste is generated and no management is required. At Augean we operate in markets where waste is produced, is usually hazardous in nature and does require active management to avoid any adverse impact on society and the environment.

Each of our five operating divisions are aligned with well defined waste markets, each requiring a different blend of knowledge, expertise, treatment and disposal assets to successfully manage each customer's critical waste needs. Our focus is to ensure that the services we provide deliver the best overall environmental outcome, irrespective of where that places the activity on the Waste Hierarchy.



Marketplace



The Group operates in three major UK-based markets, being the broad hazardous waste market, waste from nuclear decommissioning and waste from North Sea oil and gas exploration and production.

The market for hazardous waste in the UK is based on a legislative environment underpinned by the implementation of the European Union's Waste Framework Directive and the UK's own hazardous waste National Policy Statement (NPS), which encourage sustainable methods of managing waste and the development of treatment, recycling and recovery facilities as the key focus of future waste management activities. Within this the Waste Hierarchy provides a framework for waste management and implementation of infrastructure which will allow sustainable waste management solutions. The adoption of the NPS in June 2013 confirmed the need for the portfolio of facilities and services developed by Augean over the past five years. Importantly, the Group plays an active part in five of the seven sectors identified as essential for the management of hazardous wastes in the UK.

The hazardous waste market is highly segmented with a total volume of approximately 4 million tonnes of waste handled in the UK each year. Within this arena Augean continues to focus on the treatment and disposal of waste from construction and demolition activities, energy from waste operators, specialist manufacturers and other industrial producers. The Group's high temperature incinerator at East Kent operates within the narrower segment of clinical and pharmaceutical wastes.

Data published by the Environment Agency during 2013 on the production of hazardous waste indicated that approximately 1 million tonnes are disposed to hazardous landfill sites per annum (the most recent data available) (Source: Environment Agency; www.environmentagency.gov.uk) and the total UK capacity for hazardous landfill was approximately 16 million tonnes. Augean's Land Resources division continues to be a leading provider within this market, holding approximately 50% of the UK's remaining hazardous landfill capacity.

Augean's treatment and disposal to landfill includes the management of certain by-products from energy from waste incinerators (EfW). These facilities produce air pollution control residues (APCR) and also a heavier bottom ash. The Group has developed the capability to treat and dispose of APCR at our sites at Port Clarence and East Northants Resource Management Facility (ENRMF), handling approximately 40% of the total traded volume during 2013. This market, of approximately 200,000 tonnes per annum, is expected to double over the next three years as the number of EfW facilities increases.

The landfill market is underpinned by legislation derived from the Landfill Directive, within which certain exemptions (known as 'derogations') were originally allowed for the disposal of wastes to landfill with elevated levels of lead and/or chlorides. These derogations were to be progressively removed as the waste industry developed new treatment methods for the control of these substances prior to landfilling, or indeed their complete diversion from landfill disposal. As the body responsible for the implementation of the Directive in the UK, the Environment Agency (EA) began a consultation process for the removal of the derogations in February

Our Business & Strategy

Strategic Report



2014. The EA has indicated that the current derogations will be phased out over a two year period. Augean has anticipated removal of derogations and invested in new treatment facilities at the ENRMF and Port Clarence sites, meaning that the business is well placed to deal with the impact of future derogations removals and, with further investment under review, to provide a comprehensive hazardous waste treatment service for the growing EfW market.

The nuclear decommissioning market relates to the closure and dismantling of the UK's redundant nuclear power and research facilities, managed on behalf of the UK government by the Nuclear Decommissioning Authority (NDA). In addition to this, the disposal of naturally occurring radioactive material (NORM) generated in the exploration for and production of oil and gas is also a key radioactive waste market for the Group. The NDA publishes regular updates on the inventory of radioactive wastes requiring disposal, whilst reliable statistics on the scale of the NORM market remain limited. Augean has planning permission and environmental permits in place to dispose of low activity low level waste (LLW), very low level waste (VLLW) and NORM. Based on public information and our own estimates we believe that up to 6,000 tonnes of LLW/VLLW are generated in the UK each year. We also estimate that up to 2,000 tonnes of NORM may be released per annum.

The markets for waste produced in the exploration for North Sea oil and gas are centred on Aberdeen and extend to the Shetland Isles for the northern sector, and for the southern sector are centred on Great Yarmouth, Norfolk. The Group provides services for a range of offshore wastes, including the cuttings from drilling of oil and gas wells, oil-contaminated water (known as Slops) and a more general range of industrial hazardous wastes. Information published by the UK government indicates that the market for drill cuttings represents 36,000 tonnes per annum and for Slops a further 56,000 tonnes per annum. The Group's market share in each of these markets is estimated as 40% and 20% respectively.



Our Strategy

SPECIALIST SERVICES FOCUSED ON MANAGING HAZARDOUS WASTES.

Following his appointment as Chief Executive Officer, Dr Stewart Davies has undertaken a strategy review to further develop the Group's strategy and provide the necessary direction to position the Group for successful growth. The review is now complete and the conclusions are summarised in this Report.

Core strategy

The core strategy of the Group is to grow shareholder value by building market share and developing sustainable market positions. To do this we will increasingly work with customers to provide solutions whereby Augean delivers specialist services focused on hazardous waste.

Develop sustainable market positions

The strategy is to focus on attractive markets for specialist waste, selected based on objective criteria that have been revisited in the business strategy review. This exercise has been undertaken with the expertise within the Group and also made use of independent facilitation and challenge.

The decision to exit from the Waste Network division was made early in the process due to the limited prospects for profitable growth in the medium term.

A key target of the business is enhancing returns and Augean is well positioned in attractive markets, both sectoral and regional, where we have expertise and assets, including treatment technologies that differentiate our service and build entry barriers. Understanding these markets enables us to progressively develop the capabilities required to maintain and build our position often against the background of changing environmental or client requirements. These require timely investments that are included in the business planning process.

Moving more of the Group's revenues from the prevalent 'spot' or short term contracts to long term contracts and frameworks is vital to improve the forward visibility of the order book. The current position represents an opportunity to increase our mutual commitment with customers, with attendant benefits of creating more value.

Vital to sustaining our market positions is further developing Augean's strong reputation and relationships, built by management with 'outside-in' understanding of each sector. Recent Director-level appointments confirm the Group's progress in building a top team with outstanding knowledge of the key market sectors.

Grow through client-focused solutions

As noted above, the Group has further opportunities to work more closely with customers (organisations whose operations produce the hazardous waste) rather than intermediaries and on a longer-term contracted basis.

Working to understand the client's need, and then developing a solution by leveraging the knowledge of sector experts, has been identified as a fundamentally important new focus for the Group. This is an area where we have already seen considerable success with North Sea oil and gas operators and with high value manufacturing companies. We are taking steps to ensure that innovation opportunities arising from customer interfaces are identified and managed effectively.



Our Business & Strategy

Strategic Report



Increase shareholder value

Along with important continuing contributions from the Group's traditional markets in construction and industrial hazardous waste, we see profitable revenue growth from investments which increase our capabilities in our key markets, notably nuclear decommissioning, North Sea oil and gas and ash from Energy from Waste incinerators. Growing the proportion of our revenues that come from service offerings to our hazardous waste customers should further drive profitable revenue growth.

The business strategy review has highlighted the next phase of reduction in end-to-end processing costs, particularly in the processing of oil-contaminated water, drill cuttings and industrial wastes. As these are delivered they will contribute to margin improvement.

The Group is well-positioned to identify potential corporate investments associated with its key market sectors that would accelerate the strategy and provide clear operational and market synergies. We will bring these forward as and when suitable opportunities are identified.

The business strategy review has highlighted the benefits of combining our hazardous waste management capability with expertise in offering associated support services. Targeting the critical but non-core needs of clients requiring hazardous waste management is where the potential for value-creating support services is highest for the Group. Half of the Management Board directors have significant support service experience, enabling the Group to develop by offering solutions that are supported by integrated service and management capabilities. Selling and delivering one complete Augean capability brings consequent benefits to the client of working with a uniquely capable partner and to the Group of accessing its share of value created through this longer-term, more integrated relationship with customers.



Case Study one

Technology



KEY MESSAGE: WE USE THE MOST APPROPRIATE TECHNOLOGY TO DELIVER WASTE MANAGEMENT SOLUTIONS FOR OUR CUSTOMERS



CASE STUDY



Secure destruction at East Kent

Augean operates an extensive waste storage and treatment facility at our East Kent Waste Management Facility. The site provides secure storage for a range of hazardous wastes from the pharmaceutical, clinical and life sciences sectors, as well as government departments. These wastes require complete destruction and the high temperature incinerator (HTI) at the site provides the ideal solution. The HTI treats waste at temperatures up to 1,200 degrees celsius, is capable of receiving liquid and solid waste streams and is operated by our experienced and highly trained staff. With an onsite laboratory providing analytical support and a significant storage footprint this fully permitted facility deploys sophisticated technology to solve our customers' waste management challenges.



Case Study two

Service



KEY MESSAGE: WE AIM TO PROVIDE A RANGE OF SERVICES WHICH MEET OUR CUSTOMERS' CRITICAL WASTE MANAGEMENT NEEDS



CASE STUDY



Services to the oil and gas sector

Augean supports the North Sea oil and gas sector by providing a complete service for the management, recovery and disposal of wastes produced in the offshore exploration and production of oil and gas. Our experienced teams operate on the drilling rigs alongside the drilling operators, managing waste at source and ensuring that the rig operates to optimum efficiency. Waste is containerised and returned to shore, where it passes along the supply chain into our bespoke facility at Port Clarence. At this site the waste is stored and then thermally treated to recover oil. The residues are disposed in the on-site landfill cells. From rig to disposal point, our customers are provided with the complete service package, delivering the best overall environmental outcome.



Case Study three

Capability

A close-up photograph of a worker in full personal protective equipment (PPE). The worker is wearing a white hard hat, a clear face shield, and a teal safety suit. They are holding a red protective glove and a grey tool or component. The background shows an industrial facility with various structures and equipment under a cloudy sky. The word 'Capability' is overlaid in a teal font on the right side of the image, with a series of white diagonal lines to its right.

KEY MESSAGE: EFFECTIVE MANAGEMENT OF HAZARDOUS WASTES REQUIRES PEOPLE WITH THE RIGHT KNOWLEDGE AND EXPERIENCE

CASE STUDY



The right knowledge and experience

At Augean our staff are essential to the success of our business. Working with hazardous waste introduces a number of risks, which are dealt with every day by competent operators with the appropriate knowledge and skills to deliver to high standards. Dealing with difficult waste streams may require expertise in chemistry, in use of complex technology, or in the most appropriate working practices. It also requires a strong understanding of health, safety and environmental compliance, from using the right assets and tools to wearing the right protective equipment. Each of our operators is trained to deal with the demands of their working environment, ensuring they have the capability and competence to deliver great results.



Operating Review



Introduction

The Group delivered improved revenues and earnings during the year, with revenue from the combined continuing and discontinued operations rising by 11% from the previous period. This improvement was driven by strong second half performances in the continuing operations of the Group, in particular Land Resources and Augean North Sea Services (ANSS). Exceptional impairment and project charges of £4.0m were required against discontinued operations following the closure and offer for sale of the Waste Network division. Performance improvements were delivered from each of the continuing operations of the Group.

During 2013 the Group operated through three divisions and the North Sea Services subsidiary. The financial results included in this report are based on that structure. The majority of the disposed Waste Network division is included as a discontinued operation, whilst the continuing operations refer to Land Resources, Oil & Gas Services, Augean North Sea Services and the East Kent Waste Recovery Facility and the newly formed Augean Integrated Services.

The Board reported in September 2013 that it had taken the decision to sell or close the underperforming Waste Network division. This business had been formed from waste management facilities purchased by the Group during the period from 2006 to 2008. Despite restructuring, investment in sales resources and latterly cost reduction initiatives, the division and its precursors had sustained consistent losses over the previous five years as waste transfer markets were squeezed during the economic downturn. The assets of the division were offered for sale during the final quarter of 2013 and numerous enquiries were received from prospective buyers. This led to two separate transactions, one involving the sale of the business and site at Hinckley to Greenway Environmental Limited and the other based on the sale of the business at Rochdale and the site at

“FOR THE CONTINUING OPERATIONS ADJUSTED PROFIT BEFORE TAX WAS £4.4M, AN INCREASE OF £0.5M FROM 2012.”

Stewart Davies
Chief Executive Officer

Richard Allen
Finance Director



Worcester to Cleansing Service Group Limited. These transactions were completed in March 2014, with combined consideration received of £1.2m.

Adjusted profit before tax (PBT) for the combined continuing and discontinued operations increased to £3.2m in the year, a 22% growth over 2012. For the continuing operations adjusted PBT was £4.4m, an increase of £0.5m from 2012.

During the year an opportunity arose to increase Augean's stake in ANSS, through the purchase of 11% of the equity from our joint-venture partner Scomi Oiltools (Europe) Limited. The purchase was completed during July for a consideration of £0.3m, resulting in Augean owning 81% of the total equity. With the ANSS business continuing to grow and with future opportunities for further development the increased shareholding is expected to improve the returns from the capital employed available from the business.



Our Performance

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The operating cash flow generated by the Group during the year was reinvested in new assets and facilities to support generation of future revenues and cash flows. Capital investment of £6.3m included strengthening the Group's capabilities in the growing markets of Energy from Waste and North Sea oil and gas exploration. In addition, two new landfill cells were constructed at the ENRMF and Port Clarence sites, adding 340,000 m³ of void space to the constructed landfill capacity. With the addition of 1.6 million m³ potential future void space following the successful planning permission applications at ENRMF and Thornhaugh, the Group now holds an estimated 9.5 million m³ of potential landfill void. To support working capital and these investments the £10.0m banking facility with HSBC remained in place throughout the year. In March 2014 those facilities were refinanced through to July 2017, extending the available debt funding to £15.0m (see below).

The Group employed an average of 292 staff (2012: 268) over the course of the year. This included 218 staff in the core business and a further 74 in Augean North Sea Services. At the end of the year 293 staff were employed by the Group, but this number fell to 280 in January 2014 following redundancies associated with the sale of the Waste Network division.

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 business. On 10 July 2013 the Secretary of State for Communities and Local Government granted a Development Consent Order (DCO) for the extension of the landfill site at ENRMF. This site provides treatment and disposal services for a range of remediated soils and building rubble, APCR and low activity radioactive wastes and is the principal hazardous waste landfill site in the South of England. The planning permission granted through the DCO allows the life of the site to be extended to 31 December 2026, which will result in an increase in the capacity of the existing treatment facility and construction of in excess of 1 million m³ of new hazardous landfill void space.

ENRMF was the first hazardous landfill site in the UK to dispose of LLW from former nuclear power stations and research facilities under the control of the Nuclear Decommissioning Authority (NDA). The site will continue to treat and dispose remediated soils, APCR and low activity radioactive wastes, making a major contribution to the national infrastructure required to manage these specialist waste types (as set out in the UK's Hazardous Waste National Policy Statement, published in June 2013). It is expected to continue to be the largest contributor to the Group's revenue and operating profit, providing a solid platform for the future development of the business with positive returns from the capital employed.

Performance

The Group operated through three divisions (Land Resources, Waste Network and Oil & Gas Services) and a subsidiary company, Augean North Sea Services. Waste Network included continuing and discontinued operations. The performance of each of these is reported below.

Augean Land Resources



In the Land Resources division (renamed Energy & Construction during 2014) revenues excluding landfill tax and inter-segment trading were £15.2m, a reduction from the previous year (2012: £15.7m). Volumes of waste disposed fell to 295,472 tonnes during the year, from 320,392 tonnes in 2012, reflecting a stable landfill market for hazardous waste disposal but compared against a very strong first quarter during 2012.

The division delivered improvements to the mix of wastes treated and disposed at the sites, enhancing margins as decreased volume of lower value soil remediation work was replaced by APCR ash from incinerators and low level radioactive wastes. The average price for pre-treatment and disposal services also increased, to £50.4/tonne (2012: £44.9/tonne) as the mix of waste continued to move away from traditional hazardous and non-hazardous direct disposal landfill activities towards pre-treatment solutions. Hazardous landfill activities continued to be the largest revenue driver for the business, delivering £8.5m, although this did represent a reduction from 2012 (£10.4m).

The volume of APCR handled by the division rose by 47%, to 86,000 tonnes, as new treatment facilities were commissioned at the ENRMF site. The contribution from APCR sales to the divisional revenues increased by £1.4m over the previous year and with the investment made the division now has the capacity to treat, recycle and dispose of approximately 90,000 tonnes of APCR each year. Market opportunities exist to support further growth of this capacity during 2014.

“THE DIVISION DELIVERED IMPROVEMENTS TO THE MIX OF WASTES TREATED AND DISPOSED AT THE SITES, ENHANCING MARGINS...”

Disposal of low activity radioactive wastes also increased from the previous year, with £1.6m of revenue generated, an increase of £1.0m over 2012 (£0.6m). The division has continued to work within the NDA-sponsored national supply chain for disposal of VLLW and LLW from the UK's nuclear estate and has also increased its presence as a provider of disposal services to producers of NORM. In November the Group announced the creation of a new Radioactive Waste Services unit, headed by a new director with significant nuclear industry experience. This change is expected to build upon Augean's well established position as a major provider of low level waste disposal solutions to the nuclear and oil and gas sectors.

Other revenue streams, from energy generation using landfill gas and minerals extracted under a royalty agreement at the Cooks Hole site, contributed £0.3m to operating profit, performing in line with expectations.

In total the division delivered improved operating profit before exceptional items of £7.1m during 2013 (2012: £6.7m), driven by increasing volumes of APCR and low level radioactive wastes.

In support of the division's status as the primary profit unit of the Group, investment continued in assets which will provide a medium term return, spending £3.3m, including the construction of two new hazardous landfill cells at Port Clarence and ENRMF. The cells will provide a combined additional 340,000 m³ of landfill void space (capacity for approx. 475,000 tonnes of waste) for use over the next two to three years. Investment also allowed the completion of a new tank farm and treatment plant at Port Clarence, supporting the growth of the APCR business and backed by new contracts for APCR disposal.

Augean Oil & Gas Services

Our Performance

Strategic Report



Sales revenues in the Oil & Gas Services division (O&GS), excluding inter-segment trading, fell from £11.1m in 2012 to £9.6m in 2013, but this was driven by the impact of growing inter-company transactions within the Group between O&GS and ANSS, totalling £1.9m in the year. O&GS operates the Port Clarence Waste Recovery Park and provides treatment and disposal services to ANSS for drill cuttings received from offshore oil and gas drilling operators. This pre-existing relationship was internalised following the acquisition of ANSS by the Group in May 2012 and the services provided by O&GS continue to be a core component of the Group's ambition to develop a strong presence in North Sea waste markets.

At Port Clarence Waste Recovery Park the division continued to develop its capabilities during the year for the treatment and disposal of waste from North Sea oil and gas exploration. The Indirect Thermal Desorption unit at the site was upgraded with a new rotating drum, extending the life of the facility by ten years. In addition a new lagoon was built as a storage facility for drill cutting wastes, enhancing the site's ability to deal with increasing volumes of drill cuttings secured by ANSS. The quality of the assets at Port Clarence and the continuous improvement of the procedures required to operate them were recognised in positive feedback from customer audits undertaken during the year.

“...THE DIVISION ACHIEVED ITS TARGET OF DELIVERING POSITIVE EBITDA DURING THE YEAR.”

Underlying sales for the division, excluding all inter-segment trading, were stable year on year, supported by activity at the Avonmouth and Paisley sites. Paisley benefited from restructuring undertaken during 2012 and a sharper focus on its key markets and customers. The industrial cleaning services provided from the site continued to develop and lower margin transfer work was reduced. At Avonmouth the business was focused on oil and solvent recovery and supported by the addition of transfer station capacity. New disposal routes for oil sludges were sourced and opened, which began to reduce the operating costs of the facility. These benefits are expected to continue into 2014.

Reductions to operating costs and a focus on margin-enhancing activities reduced the operating losses (before exceptional items) of the division by £0.1m to £1.0m. With depreciation costs of £1.0m the division achieved its target of delivering positive EBITDA during the year, at £0.05m. Although small, the positive EBITDA provides a platform for continuing improvements during 2014, particularly through the reduction of waste disposal costs with disposal routes secured under contracts.

The division will be renamed Industry & Infrastructure during 2014.

Augean North Sea Services



In its first full year of trading ANSS exceeded expectations for revenues, operating profit and EBITDA. The business became well established as a provider of waste management services to North Sea oil and gas operators, with a strengthening presence in the Aberdeen-based market. Revenues, excluding inter-segment sales, increased to £9.3m, from £3.4m during 2012. The volume of activity grew in all the key revenue streams of the business, including the volume of drill cuttings and slops managed on behalf of customers and the presence of ANSS personnel and equipment on drilling rigs to provide offshore waste management services.

To ensure that ANSS had the infrastructure in place to grow its presence in North Sea waste management markets the Board took a decision during the year to allow the majority of the EBITDA generated by the business in 2013 to be reinvested in new facilities and assets. EBITDA of £1.0m was generated during 2013 and capital expenditure of £1.0m matched this result. The business invested in new facilities and also equipment to support its offshore waste management activities.

**“REVENUES...
INCREASED TO £9.3M...
ACTIVITY GREW IN ALL
THE KEY REVENUE
STREAMS OF THE
BUSINESS...”**

New facilities included the purchase of a long term lease for a permitted waste management site at Tullos in Aberdeen, which was completed during the first quarter, at a cost of £0.1m, and subsequent work to develop the assets into an effective waste transfer station and treatment centre. During the second half of the year the business also purchased a site at Blackdog in Aberdeen, costing £0.2m, providing facilities for the management of drill cuttings prior to transport to Port Clarence and also for development of slops treatment. With an existing slops tank farm at Pocrá Quay and access to treatment capabilities within the broader Augean Group, ANSS now has the capability to offer a comprehensive range of waste management services to its customers.

During the year the Board reiterated its confidence in the future potential of ANSS by authorising the purchase of a further 11% of the share capital of the business, by way of a debt to equity swap with our partners Scomi Oiltools (Europe) Ltd (Scomi). Augean cancelled debts owed by Scomi valued at £0.3m to acquire an additional £0.4m of the net assets of ANSS. This has increased Augean's ownership to 81%, with Scomi retaining the remaining 19%, and generated a £0.1m credit to the Group's retained earnings.

For the full year ANSS delivered operating profit before exceptional items of £0.7m.

Augean Waste Network

Our Performance

Strategic Report



The performance of the Waste Network division is presented in the financial statements contained in this report split between continuing operations and discontinued operations. Continuing operations relate to the East Kent Waste Recovery Facility (EKWRF) and certain waste management activities based at the Cannock site now included in the new Augean Integrated Services business. The discontinued operations relate to former waste transfer stations at Hinckley, Worcester and Rochdale and the associated assets, vehicles and sales and support activities which are no longer owned or operated by the Group.

The continuing operation of the high temperature incinerator at EKWRF experienced breakdowns during the first half of the year, causing significant outages and resulting in throughput of waste for incineration below the levels required to generate positive financial results. Further downtime was incurred while the solid feed handling systems of the plant were refurbished during the third quarter, along with other essential plant modifications and upgrades. The extended period of limited throughput had a significant impact on the results for the year. Revenues for the site were below plan at £1.5m (2012: £1.1m) and resulted in operating losses (before overhead allocations) of £0.9m. Capital investment of £0.4m was required to upgrade the plant during the year and the benefit of this is expected to support delivery of a positive operating profit performance during 2014. The investment allowed throughput to be stabilised by the end of the year and an acceptable level of throughput to be re-established, in line with that planned, during the first quarter of 2014.

“THE CONTINUING ACTIVITIES...ARE BASED ON CONTRACTS WITH A SMALL NUMBERS OF KEY CUSTOMERS...”

The continuing activities retained by the Group from the former Waste Network transfer stations are based on contracts with a small number of key customers to whom the new AIS business will provide a range of waste management services. These customers and activities generated £1.2m of revenue during 2013 at a gross margin of approximately 60%. This margin is significantly higher than the average for the former waste transfer stations and provides a sound platform for the new business.

The discontinued operations of the division generated revenues after inter-segment sales of £3.6m, with an operating loss before exceptional items of £1.3m. The losses included the overhead costs associated with operating the waste transfer sites, including sales, technical and support activities. As part of the sale process for the business based at the sites at Hinckley, Worcester and Rochdale a significant reduction was also made to the overhead costs carried by the Group. This led to a review of support costs across the Group to establish a lower cost base and also resulted in 11 redundancies for those employees associated with the activities of the Waste Network division who did not transfer to new employers. Cost savings of up to £1.0m per annum have been enabled through the overhead reductions.

Augean Integrated Services and East Kent Waste Recovery Facility will be managed as a single operating division during 2014.

Corporate Social Responsibility (CSR) Performance

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 continuously 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.

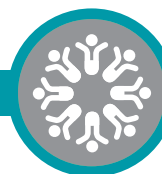
The Group has a commitment to mitigating any adverse effects of its operations and this is explained further in the detailed CSR report published alongside this Report.

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 instruments driving standards are the Waste Framework Directive and the Industrial Emissions Directive which provide 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 competent 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 2013 indicates that the Group's operations do not result in a significant impact on the local environment and in general our environmental performance has improved significantly over the past five years. The KPI table below includes the scores from the Environment Agency (EA) in England and the Scottish Environmental Protection Agency (SEPA) in Scotland and demonstrate a year on year improvement.



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 National Policy Statement (NPS) for hazardous waste, directly engaging with Government departments and giving evidence at the Parliamentary Select Committee inquiry. The publication of the NPS shows Augean to be strongly aligned with the direction of national policy. The Company continues to engage on key policy development and is currently taking an active role in the forthcoming NORM strategy.

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 2.0% pay award for all management and staff from 1 January 2014. This award seeks to balance the inflationary pressures on costs of living with the need for the Group to maintain discipline on cost management, but also recognises the progress made by the business over the past year which would not have been possible without the commitment and hard work of every employee.



Corporate Social Responsibility (CSR) Performance continued



The Group is committed to the principle of equal opportunity in employment and to creating a harmonious working environment which is free from harassment and bullying and in which every employee is treated with respect and dignity. Accordingly, well established policies are in place to ensure that recruitment, selection, training, development and promotion procedures result in no job applicant or employee receiving less favourable treatment on the grounds of race, colour, nationality, ethnic or national origin, religion or belief, disability, trade union membership or non-membership, sex, sexual orientation, marital status, age or status as a part-time or fixed-term employee. The Group's objective is to ensure that individuals are selected, promoted and otherwise treated solely on the basis of their relevant aptitudes, skills and abilities.

These equal opportunity policies are set out in the Group's Employee Handbook, a copy of which is provided to each employee on joining the Group and made available electronically. The Handbook is updated periodically for changes in policy and regulations. The Group also operates a clear whistle-blowing policy, providing every employee the opportunity to raise concerns directly with a nominated director, without the intervention of line management. Once an issue is reported the nominated director is required to undertake a thorough investigation and make recommendations.

In order to provide a formal, recorded, regular review of an individual's performance, and a plan for future development, all staff undertake an annual or bi-annual Performance Appraisal with their line manager. Appraisals assist in the development of individuals and establish individual training needs, improve organisational performance, and feed into business planning. Where appropriate the appraisal process establishes specific training plans for each individual.

Training and development activity during the year built on the progress made during 2012 and investment was made to ensure that all employees had the knowledge, qualifications and skills to operate safely and compliantly within their specific role and in the broader waste management sector. A competency framework developed for each role is now used in the recruitment of new employees and also as the basis of a rolling training programme.



To support commitment to health and safety improvements reporting of near miss incidents continued to be a key part of the health and safety programme during the year, supplemented with safe act reporting designed to applaud and encourage safe working practice. Over 2,200 near misses and 250 safe acts were reported during 2013 (achieving the target of one report per employee per month) and at the same time there was a 25% reduction from the previous year in the number of accidents causing injury to a person 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 active planning processes during the year led to a high level of interaction with local communities in some areas. As in

previous years the Group maintained a programme of consultation in these localities to ensure that its plans were well known and understood. This included attending liaison 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 £359,000 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 in Helpston, near Peterborough.



Financial Review



“THE CONTINUING OPERATIONS DELIVERED A 19% INCREASE TO REVENUE OF £43.5M...”

Richard Allen
Finance Director

The review of financial performance includes the results from the continuing and discontinued operations of the Group. Where appropriate, these have been combined to indicate the results for the entire business and as such are therefore consistent with Full Year Results for 2012 and the Interim Results for 2013.

Trading

For the combined continuing and discontinued operations net revenue, excluding landfill tax and inter-segment trading, for the year ended 31 December 2013 increased by 10% to £40.3m (2012: £36.8m). With the inclusion of landfill tax charged to customers, on which the Group makes no margin, of £6.8m (2012: £5.7m), combined Group revenues rose by 11% to £47.1m (2012: £42.4m). The continuing operations delivered a 19% increase to revenue of £43.5m (2012: £36.7m).

Operating profit and exceptional items

Operating profit before exceptional items from continuing operations increased to £5.1m (2012: £4.6m) and profit before tax and exceptional items to £4.4m (2012: £3.9m). For the discontinued operations an operating loss of £1.3m was recorded. Before charges for exceptional items the adjusted profit before tax for the combined Group was £3.2m (2012: £2.6m).

Exceptional items included legal and professional fees relating to the sale of the Waste Network assets of £0.1m (2012: £nil), redundancy costs associated with the sale of £0.1m (2012: £nil) and an impairment charge of £3.9m (2012: £nil) representing the difference between the carrying value of the Waste Network assets and goodwill sold and the consideration expected to be received from the sale at 31 December 2013. Total exceptional charges of £4.2m were made during the year.

Finance costs

Total finance charges reflected the payment of interest on bank debt and finance leases, totalling £0.7m (2012: £0.6m). This also included a £0.1m (2012: £0.1m) unwinding of discounts on provisions.

Jointly controlled entity

There was no trading during the year in the Group's Terramundo joint venture with DEC NV. As a result Terramundo delivered a minor loss of £0.01m (2012: £0.02m), relating to loan interest and depreciation charges. The joint venture parties remain in discussions around the future of the venture.

Corporation tax

The Group paid tax of £0.3m during the year, £0.1m in respect of 2013 liabilities and £0.2m in respect of previous years. A deferred tax asset of £1.1m (2012: £1.2m) was recognised in the statement of financial position, the Board believing that future profits are probable and future tax liabilities will be incurred. A current tax liability of £0.3m (2012: £0.2m) was also recognised. A total corporation tax charge of £0.6m was included in the income statement, split between a charge for continuing operations of £1.0m and a credit for discontinued operations of £0.4m (total 2012: £0.8m).

Capital Investment



● Maintenance	45%
● Planning	43%
● Development	12%



Profit for the year

Including exceptional charges the combined Group made a total loss attributable to equity shareholders of £1.8m. This was a reduction from the previous year (2012: £2.0m), driven by the losses and impairment charges from the discontinued operations. The continuing operations of the Group delivered improved year on year trading, but this was impacted by movements in exceptional costs (2013: £0.2m charge; 2012: £0.3m credit), resulting in the profit from continuing operations remaining stable at £3.2m (2012: £3.2m).

Dividend

The Board has recommended a dividend of 0.35p per share (2012: 0.25p), payable on or after 13 June 2014 subject to shareholder approval at the annual general meeting. The dividend per share has increased by 40% from the previous year, reflecting increased confidence over future prospects and maintaining the Board's commitment to pay an annual dividend to shareholders.

Earnings per share

For the continuing operations the basic earnings per share (EPS), adjusted to exclude the impact of exceptional costs, were 3.29p (2012: 2.86p) and unadjusted EPS were 3.13p (2012: 3.20p). For the combined continuing and discontinued Group the adjusted EPS was 2.38p (2012: 1.72p) and unadjusted (1.79p) (2012: 1.97p).

The number of shares in issue at 31 December 2013 was unchanged from 31 December 2012, at 99.7m. There were 184,864 outstanding share options at the end of the year (2012: 32,823), but these were considered anti-dilutive for the purpose of calculating EPS and were therefore not included.

Cash flow

The Group experienced a small decrease (£0.035m) in Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) at £6.2m (2012: £6.3m) and an increase in net cash generated from operations of £4.9m (2012: £4.6m). Net cash used in investing activities increased to £7.0m (2012: £5.7m), based on purchases of property, plant and equipment, including new landfill cells, waste treatment assets, planning and development activities.

Net debt increased to £8.5m at 31 December 2013 (2012: £6.1m), which reflected positive underlying trading offset by investment in new assets and the underperformance of the discontinued operations. As a result gearing (net debt/shareholders' equity) increased to 18% (2012: 13%).

The capital investment in property, plant and equipment 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.



Financial Review continued

Capital investment by division in 2013

	Land Resources £'000	Oil & Gas Services £'000	Waste Network £'000	North Sea Services £'000	Total Group £'000
Maintenance	1,237	859	586	116	2,798
Development	1,634	128	19	935	2,716
Planning & Other	421	167	184	–	772
Total	3,292	1,154	789	1,051	6,286

Impairment reviews

Under IFRS, IAS36 'Impairment of Assets', an annual impairment review must be performed for each cash-generating unit (CGU) to which significant goodwill is allocated and also any assets where management believe there may be indications of impairment to the carrying values. For the continuing operations of the Group this exercise has been completed and determined that no change is required to the carrying value of the goodwill at the year end date for the Land Resources and Oil & Gas Services CGUs.

For the Waste Network CGU, which is reported as a discontinued operation, impairment did result from the difference between the goodwill and asset values recorded in the statement of financial position and the expected sale proceeds at 31 December 2013. The Group held £2.1m of goodwill for this CGU and, having determined that this was impaired, the entire value was charged to the income statement as an exceptional item.

Note 9 below contains further details of the reviews performed and the results for each CGU.

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 2013, the undrawn loan facilities available to the Group were £1.5m.



Key performance indicators

The PLC Board, Management 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 key performance indicators (KPIs) to monitor progress towards delivery of the Group's principle targets.

As in previous years management focused on three priority areas in the performance of the Group, these being profit generation (through revenue delivery and asset utilisation), compliance with regulations (specifically Environment Agency and Scottish Environmental Protection Agency audit results) and health & safety (monitored through near miss incidents and the number of accidents incurred). Certain KPIs are set out in the table below, each relating to these priorities and showing the equivalent result for the previous year. Please note that this table excludes all Waste Network sites, which were offered for sale during the year.



Our Performance

Strategic Report

Divisional KPI performance in 2013

Key Performance Indicators		Land Resources		Oil & Gas Services		Augean North Sea Services	
		2013	2012	2013	2012	2013	2012 ⁽⁶⁾
Net revenues	Profit	£15.2m	£15.7m	£9.6m	£11.1m	£9.3m	£3.4m
Volumes to landfill	Profit	295,472 tn	320,392 tn	–	–	–	–
Utilisation rate ⁽¹⁾	Profit	–	–	70%	52%	–	–
Volumes handled ⁽²⁾	Profit	–	–	–	–	29,657 tn	9,339 tn
Compliance scores ⁽³⁾	Compliance	B	C	A/Excellent	B/Excellent	Excellent	n/a
Number of accidents ⁽⁴⁾	Safety	17	15	7	22	3	0
Near misses reported ⁽⁵⁾	Safety	732	727	818	835	343	100

⁽¹⁾ Defined as the total actual throughput of waste at the site in the year compared with the theoretical maximum throughput for O&GS

⁽²⁾ Defined as the total tonnes of drill cuttings and slops processed by ANSS

⁽³⁾ Defined as the average of audit scores notified during the year by the EA (in England) or SEPA (in Scotland)

⁽⁴⁾ Accidents defined as all accidents, including those resulting in damage to plant or equipment

⁽⁵⁾ Shows the total number of incidents recorded which could have resulted in an accident or injury or damage to property

⁽⁶⁾ ANSS results for 2012 relate to the period from June to December only

Events since the end of the financial year

During the first quarter of 2014 two significant events have taken place which are expected to impact on the financial condition of the Group during the coming year:

○ *Sale of assets previously operated by the Waste Network division*

The business and assets based at Hinckley, Worcester and Rochdale were sold in two separate transactions during quarter one. The overheads associated with these activities are no longer used by the Group and those employees employed in each business transferred to new employers under TUPE regulations at the completion of each sale.

○ *Refinancing of the Group's loan facilities*

During March 2014 the Group undertook refinancing of the loan facilities used during 2013. The Group now has access to £15.0m of loan facilities with HSBC bank plc, which is expected to provide the required funds to support further growth of the business over the next four years.



How the Business Manages Risk

The performance of the business is linked to economic activity in the waste markets it serves, including the manufacturing, construction, nuclear decommissioning, energy from waste and oil & gas sectors. Fluctuations in the UK economy in general and these sectors in particular affect Group performance, as do inflationary and other cost pressures. Risks are mitigated by diversifying the customer base 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 markets served by the Group which may have a material impact on activities and results.

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

Risk description

Environmental legislation

Regulation is a key driver of the hazardous waste market. Changes in legislation (including tax legislation with environmental goals) or its interpretation can have a significant and far reaching impact on waste markets.

The application of the waste hierarchy to the markets in which the Group operates, 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.

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.

Health and safety

The activities of the Group involve a range of health and safety risks, from offshore operations to the handling of hazardous wastes. Health and safety is the first priority for all directors, managers and employees across the Group and investments in relevant assets and resources are made on an ongoing basis to ensure that the highest health and safety standards are applied.

Price risk

Price pressure remains a key feature of the hazardous waste market, where customers often have a range of options for the ultimate disposal of their wastes and access to several companies competing to service their needs.



Mitigation

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, including DEFRA, DECC, the EA and SEPA.

Declining landfill volumes can be addressed 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.

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 (IMS), 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 performance is constantly monitored and reviewed, including formal reviews at each PLC Board meeting and monthly reviews by the Group's Management Board. This allows the lessons learnt from incidents to be fed back to local teams to avoid repeat situations.

The Group reviews its pricing policies on an ongoing basis aiming to stabilise 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.

Change in year

Investment in new waste treatment capacity at ENRMF and Port Clarence sites broadened the Group's range of waste treatment solutions.

The mix of activities is progressively being rebalanced away from landfill disposal by using the same assets to provide secure disposal solutions for customers producing air control pollution residues and low level radioactive wastes.



The IMS was rolled out to sites not previously included in framework during 2013, including North Sea and Industrial Services activities.

The competence of all staff was assessed against a new competency framework and training was provided to ensure every employee achieved the required standards.



The total number of accidents (including those involving damage to property and plant) fell by 25% from the previous year.

A new Scrutiny Committee was established by the Board to provide regular independent reviews of health and safety performance by a non-executive director.



At a macro level prices were stable across the hazardous waste market during 2013.

The Group reduced its exposure to pricing movements through the closure of the Waste Network division, which was reliant on 'spot market' trading.



How the Business Manages Risk

Risk description

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. Downturns in the UK economy have restricted the quantum of hazardous wastes produced and therefore constrained the Group's revenues.

North Sea oil and gas investment

With a well-established business focused on providing waste management services to North Sea oil and gas operators the Group has some exposure to any fall in investment for oil and gas exploration activity in the North Sea. This may in turn reduce the quantum of waste available for management by ANSS.

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 cause delays or lost revenue for the Group.

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 £80/tonne on 1 April 2014. Whilst European and national legislation encourages 'zero landfill' solutions for a range of waste streams, disposal in properly engineered and permitted landfills continues to be the most appropriate waste management solution for many hazardous wastes.

Mitigation

These macro-economic conditions are mitigated in part by following a strategy of developing positions in a range of markets requiring specialist waste management capabilities and which have high barriers to entry. The Group also continues 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.

To mitigate this risk our North Sea activities are diversified across a number of revenue-generating streams, with services provided to customers offshore and onshore. The future growth of North Sea decommissioning volumes will provide new market opportunities for ANSS that will be a further mitigation.

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.

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 ensure its landfill sites are able to accept all those wastes which do require landfill disposal.

Change in year

The Group is well established in a number of growing sectors within the broader hazardous waste market, including air pollution control residues from energy from waste incinerators and low level radioactive waste disposal.

Improving economic conditions in the UK have contributed to a stabilisation of hazardous waste markets, with waste arisings remaining at approximately 4 million tonnes per annum.



Investment in the North Sea reached record levels during 2013, at £14 billion. Government support for the sector remains strong.

The decommissioning market remains small-scale, but several projects are known to be at the planning stages.



There were no new developments during the year.



The UK government announced in the Budget 2014 that the tax rates would not be reduced in the medium term and near term future increases will be based on the retail price index.



Outlook

Following the changes made during 2013 the Board believes that the Group is well placed to benefit from the significant investment it has undertaken in new businesses and assets, the sale and closure of underperforming activities and any increase in the volume of waste management activity, backed by a general UK economic recovery. The Group is well positioned in a number of key waste markets, including hazardous waste treatment and disposal, APCR management, low level radioactive waste disposal and North Sea oil and gas. With improving underlying performance across the entire Group and the benefits of lower overhead costs

the Board expects further growth in underlying EBITDA, operating profit and cash flows during the year. The newly developed strategy for the business, focused on key markets and a more service-led approach to customers, is expected to provide opportunities to deliver a material improvement to adjusted profit before tax over the previous year.

Dr Stewart Davies
Chief Executive Officer
25 March 2014

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2013.

Principal activity and business review

The principal activity of the Group is the provision of hazardous waste management services. These services include waste treatment, recovery, recycling and secure disposal. The Group operates solely within the United Kingdom.

The Strategic Report provides a review of the business of the Group together with an indication of future prospects.

Results and dividends

The combined continuing and discontinued operations loss after tax for the year was £1.7m (2012: £2.0m profit) from turnover of £47.1m (2012: £42.4m). The profit included exceptional non-recurring items of £4.2m (2012: credit of £0.2m), the majority of which was attributed to discontinued operations, which are now disposed.

The Board has recommended a dividend for the year of 0.35p per ordinary share, to be paid on or after 12 June 2014 for shareholders on the register at 5 June 2014 (2012: 0.25p).

Environmental policy

The quality of the environment is at the core of the Group's operations and the Board recognises its importance to employees, customers, suppliers and the communities in which the Group operates. Augean continues to adopt high standards of environmental practice and aims to minimise its impact on the environment wherever possible and to support this publishes a clear Environmental Policy, which is updated every twelve months. Further details of the Group's actions in this area can be found in the separately published CSR report.

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 26 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 first 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 and 'safe acts' to promote greater awareness and therefore 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 produces a monthly 'Augean Update' newsletter, available to all employees, which sets out a summary of the performance of the Group and the key activities taking place at each site.

The Group aims to recruit and retain people with the appropriate skills and behaviours to fully contribute to the future success of the business. All new employees are provided with an appropriate induction, ensuring that they have the knowledge required to perform their role, and ongoing training is provided to ensure that skills and experience are kept up to date.

The Group encourages the employment of disabled persons wherever this is practicable. The Group has a clear policy on employment of disabled persons and ensures 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 (please see the CSR section for more details).



In the event that changes are required to the operations or structure of the Group, including closure or sale of businesses, the Company has well established procedures for consultation with individuals and, where required, groups of employees. Consultation involves clear, ongoing communication of factors affecting individuals and teams, regular consultation meetings with line management and internally published announcements of significant decisions and updates.

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. Monthly and annual bonuses are made available. Certain senior employees are also eligible to join the Company's share options scheme and long term incentive plan, aligning personal performance with strategic plans and targets and ensuring that management is incentivised to deliver improving returns for shareholders.

Charitable and political donations

During the year the Group contributed £359,000 (2012: £298,000) of its landfill tax liability to registered environmental bodies as permitted by government regulations. No political donations were made during the year (2012: £nil).

Directors

The composition of the Board of directors is shown on page 46. Details of the directors' interests and remuneration are given in the directors' remuneration report on pages 54 to 56. As previously reported, Dr Stewart Davies was appointed as Chief Executive Officer with effect from 12 August 2013 and offers himself for election to the Board at the Annual General Meeting. On 17 February 2014 the Group announced that the Group Finance Director, Richard Allen, would be leaving the Group. Mr Allen will resign from the Board at the Annual General Meeting.

Directors' Report continued



Substantial shareholdings

The number of shares issued by the Company remained unchanged during the year, at 99,699,414. The Company had been notified of the following interests of more than 3% in its shares as at 3 March 2014:

	Number of shares	% of total
Ingot Capital Management	19,764,442	19.82
Cazenove Capital Management	19,534,000	19.59
Henderson Global Investors	9,186,134	9.21
UBS AG London Branch	8,983,154	9.01
J O Hambro Capital Management	5,581,000	5.60
Unicorn Asset Management	3,173,431	3.18

Corporate governance

A separate corporate governance report follows this directors' 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.

Contact with investors

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.

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 Strategic Report. Details of the Group's financial position, cash flows, liquidity position and borrowing facilities are included in the financial review section. And further information on the Group's financial risks and their management is given in note 26 to the financial statements, on page 97.

As highlighted in note 26 the Group met its short term working capital requirements during 2013 through an overdraft and revolving loan facility with HSBC bank plc (the Facility), which was due for renewal on 2 March 2015. This Facility was renewed and increased with HSBC on 7th March 2014, providing access to a new overdraft, term loan and revolving loan facility for an extended period to July 2017 (the New Facility). The New Facility provides debt funding to the Group of up to £15.0m, an increase from the £10.0m previously available and is subject to

certain covenants, focused on the cover of interest costs and the ratio of net debt to EBITDA. Cash flow forecasts for the twelve months from the date of approval of the financial statements indicate the Group's ability to operate within these covenants.

During 2013 the Group continued to demonstrate its ability to generate cash flow from operating activities. 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 a comprehensive capital planning processes. Other capital expenditure includes that needed to maintain the existing asset base and that deployed in the development of the Group's businesses (the table on page 54 shows expenditure during 2013 in each of these categories). Given the discretion available the Board remains confident that capital expenditure can be controlled and cash generation can be expected in the future.

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 no impairment is required and demonstrate the Group's ability to continue operating in its current structure and form for the foreseeable future.

Financial forecasts and projections, taking account of reasonably possible changes in trading performance and the market value of the Group's assets, have been prepared and show that the Group is expected to be able to operate within the level of the New Facility, both for ongoing working capital funding and any capital investment expenditure, during the life of the facility.

Having considered the items set out above and after making further enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The directors are confident that

the Company will be able to meet its liabilities as they fall due over the next twelve months. As a result, the 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 prepared Group financial statements, and elected to prepare the parent company 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.

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.

Directors' Report continued

In so far 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, had been responsible for the audit for six years but the Board believed that it was not a suitable time to change to a new audit partner. With the resignation of the Group Finance director and the appointment of a new Chief Executive Officer within the past twelve months, as well as the sale of a business division, significant changes have only recently occurred in the Group.

With the Group in a transitional phase the incumbent partner's experience and understanding of the business was essential to ensure that appropriate robust challenge was made of management's estimates and judgements in the preparation of the financial statements from a position of knowledge. As a result, the Board and Audit Committee believed that a rotation should not be made

during the financial year and the Company agreed to extend the term of the lead audit partner for one year, in accordance with ES3. This will be the final year that the current lead audit partner will remain eligible for the role and he will be replaced prior to the publication of the Interim Results in September 2014.

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 annual general meeting.

Annual general meeting

At the annual general meeting (AGM) on 5 June 2014, Jim Meredith will retire by rotation in accordance with the articles of association. Being eligible, he will offer himself for re-election as a non-executive director and chairman of the Board. Dr Stewart Davies joined the Company and was appointed to the Board on 12 August 2013. Being eligible, he will offer himself for election as an executive director at the AGM. Richard Allen will resign from the Board and not seek re-election at the AGM in order to take up a new role outside of the Company. No director has a contract with an unexpired notice period of more than twelve months.

By order of the board



Dr Stewart Davies
Chief Executive Officer
25 March 2014

Our Governance

See “what’s inside”

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Board of Directors



Jim Meredith
Chairman and Non-executive director

Age 53

Jim is currently chief executive officer of SCAID Capital, a manufacturer of holiday homes and modular housing. He has significant experience of the waste industry having held several senior roles within the sector. Jim was formerly chief executive of FCC's UK asset base with revenues of approximately £700m, 180 active business units and 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 TerraFirma Capital Partners (TFCP) during the acquisition of WRG in 2003. Prior to TFCP Jim was an executive director of Shanks plc.

He was appointed to the Board of Augean in December 2010 and became chairman on 8 June 2012.



Dr Stewart Davies
Executive director and
chief executive officer

Age 53

Stewart joined Augean in August 2013 from Romec Ltd, where he was managing director for three years. Prior to this Stewart held managing director roles at Serco, Rugby Cement and Corus, following ten years at ICI in operations, commercial and strategy roles. He studied Natural Sciences (Physics) and then a PhD in Materials Science at the University of Cambridge and is a Fellow of the Institute of Physics. Since 2009 Stewart has been a governing board member of the Technology Strategy Board, the UK's national innovation agency which aims to accelerate economic growth by stimulating and supporting business-led innovation.

He was appointed to the Board and became chief executive officer on 12 August 2013.



Richard Allen
Executive director and
group finance director

Age 43

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 he spent ten years with the Nestlé SA group and before leaving was finance director of Nestlé Ireland, based in Dublin. During 2013 Richard was appointed as interim chief executive officer, holding that position until August.

Richard has informed the Board he intends to resign from the Board at the AGM in June 2014 in order to take up a new role outside of the Group.



Andrew Bryce
Non-executive director and Chairman
of the Nominations Committee

Age 66

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 Auegan in June 2005 and most recently took on the chair of the Board's Health and Safety Scrutiny Committee, providing independent oversight of the Group's health and safety performance.



Rory Macnamara
Non-executive director and Chairman
of the Audit Committee

Age 59

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 Mecom Group plc, Essenden plc and Dragon-Ukrainian Properties & Development plc. Rory also holds a number of directorships in private and listed businesses, including Mears Group plc and Dunedin Income Growth Investment Trust plc.

He was appointed to the Board of Auegan in November 2006.



Roger McDowell
Non-executive director and Chairman
of the Remuneration Committee

Age 58

Roger is currently chairman of Alkane plc, a role he has held since 2012, and since 2008 of Avingtrans plc where for a short period he also became interim chief executive. In 2013 he was appointed as senior independent director of Servelec Group prior to its flotation on the main market in December 2013. Also in 2013, as chairman of Ultimate Finance Group, he presided over the reverse of the business into a cash shell, Renovo Group plc, where he is now senior independent director. His other current non-executive roles include IS Solutions plc (since 2008) and Swallowfield plc (since 2012) where he is chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

He was appointed to the Board of Auegan in 2004, acting as interim chief executive officer during 2006-2007 and interim chairman from 23 March 2010 until 8 June 2012.

Chairman's Governance Introduction Letter



**“THE BOARD REMAINS FOCUSED ON
...CORPORATE GOVERNANCE WHICH
DELIVERS COMPLIANCE...WHILST
ENHANCING PERFORMANCE...”**

Jim Meredith
Non-executive Chairman

I am pleased to introduce the corporate governance section of our report.

Augean is committed to high standards of corporate governance in all its activities. The Company does not comply with the UK Corporate Governance Code. However, 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 regulatory bodies, supported by its Nominated Advisor, and responds as appropriate.

As a business listed on the London Stock Exchange and operating in markets based on regulatory frameworks the Group is familiar with the benefits and challenges associated with maintaining strong and effective governance. In this regard the Board remains focused on the need for a system of corporate governance which delivers compliance with regulation whilst enhancing the performance of the Group. This includes recognising the need to manage and mitigate the risks faced by the business across all of its activities.

Each of the Board's standing committees (Audit, Remuneration and Nomination) were active during the year. A report from each committee chairman follows, and I am grateful to each for their diligence and skill in continuing to ensure that the Board plays an effective role in the proper management of the Company and the wider Group.

As Chairman one of my principal concerns is to maintain excellent relationships with our shareholders and during the year I made myself available to shareholders to discuss strategy and governance matters, as well as attending meetings during March to support the presentation of the 2012 Results. 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. This includes making the executive directors available to meet with institutional shareholders and analysts following the announcement of interim and final results. The Board receives feedback from these meetings and uses this to refine its approach to investor relations.

I look forward to meeting shareholders and other stakeholders during the year ahead. In the meantime further information is available from the Group's website at www.augeanplc.com.

A handwritten signature in dark ink that reads "J. MEREDITH." The signature is written in a cursive, slightly slanted style.

Jim Meredith
Non-executive Chairman
25 March 2014

Corporate Governance

Our Governance

THE BOARD MEETS AT LEAST EIGHT TIMES A YEAR.

The Board currently comprises a non-executive chairman, three further independent non-executive directors, chief executive officer and a 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 chief executive officer 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 and disposals, significant capital projects, annual budgets and loan facilities. Under the Company's Articles of Association one third of all directors is required to retire from office at each Annual General Meeting (AGM) and may stand for re-appointment 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.

Key topics of board business during 2013

Reserved matter	Key considerations
Financial statements	The Board reviewed and approved the Report and Accounts for 2012, the Interim Report for 2013 and associated trading updates prior to publication.
Strategy & Management	Regular updates were provided during the early stages of the review of strategy by the chief executive officer.
Acquisitions and disposals	The closure and sale of the Waste Network division was approved by the Board prior to announcement, with regular updates provided thereafter. Each subsequent sale transaction received Board approval.
Annual budgets and forecasts	The budget for 2014 was approved by the Board in December 2013. Throughout the year the forecast outturn and outlook was debated and challenged at each meeting.
Loan facilities	The Board considered a proposal to renew and extend the Group's loan facilities at its meeting in December, approving the new facilities provided by HSBC bank plc.
Investor relations	The board actively engaged with major shareholders during the year, in particular prior to the appointment of the new chief executive officer and following results announcements.

Corporate Governance Summary

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 held by the Company Secretary and reviewed annually by the company's auditors. The Company has established procedures for ensuring that the Board's powers for authorising director's conflicts of interest are operated effectively.

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, while the role of management, through the Management Board, is to implement Board policies on risk management and control. The day to day activities of the Group are managed by the chief executive officer through the Management Board, whose membership includes the chief executive, group finance director and every director of the Group's subsidiary companies. The Management Board meets formally three times each month and maintains regular dialogue between these meetings.

The Management Board regularly reviews the control environment of the Group and is responsible for managing and mitigating commercial, operational, safety, compliance and financial risks. This 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 an operational risk register, covering the key health and safety, regulatory and operating risks faced by the Group;
- maintenance of a register of the major 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 operating locations to meet with local management and staff and to 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. This includes powers to stop activities if they are deemed to represent a danger, or are inappropriate in the context of proper compliance;
- a range of compliance management systems at the Group's sites subject to external review, including certification to ISO 9001:2008; 14001:2004; 18001:2007 and the Publicly Available Specification of common management system requirements PAS 99:2006;
- an annual strategic planning and budgeting process;
- 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.
- maintenance of a comprehensive insurance programme, agreed with insurers following a detailed annual review of the risks faced by the Group's businesses.

To provide an overview of the risks faced by the Group the Audit Committee undertakes a six-monthly review of a comprehensive corporate risk register, which considers a broad range of risk items. This takes account of the entire control environment and may lead to recommendations which are implemented through the Management Board.

Audit Committee Report

Our Governance



Chairman
Rory Macnamara

AUDIT COMMITTEE

“The introduction of a new corporate risk register during the year provided renewed focus on the key risks faced by the business”



Members

Rory Macnamara
Roger McDowell
Andrew Bryce
Jim Meredith

Meetings

Total Number of Committee meetings: 3

The Audit Committee comprises the non-executive directors and is chaired by Rory Macnamara. 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 Committee met on three separate occasions during the year.

During the year the Committee considered the adequacy and effectiveness of the risk management and control systems of the Group and requested updates to the Group's corporate risk register. It also reviewed the scope and results of the annual external audit, its cost effectiveness and the objectivity and independence of the external auditor. This review included a report from executive management and the auditor concerning the system of internal control and any control weaknesses, which the committee found to be satisfactory.

Prior to publication the interim report, the preliminary results announcement, the annual financial statements for 2012 and other information included in the Annual Report 2012 were reviewed. The Committee made recommendations on the content of each of these documents before recommending them to the Board for publication.

The Committee also considered, and approved, an extension of the tenure of the lead audit partner, accepting that it was in the best interests of the Group for Mr Andrew Wood of Grant Thornton to retain that role for another year.

The Board does not believe it is currently appropriate to establish a separate, independent internal audit function given the size of the Group and the Committee considered this subject during the year, agreeing that no change was required.

Nomination Committee Report



Chairman
Andrew Bryce

NOMINATION COMMITTEE

“The Committee has had a busy twelve months, recruiting a new chief executive officer and considering the requirements for a new group finance director.”



Members
Andrew Bryce
Rory Macnamara
Jim Meredith
Roger McDowell

Meetings
Total Number of Committee meetings: 3

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.

During 2013 the activities of the Committee focused on recruitment of a new chief executive officer. The Committee chairman worked with a recruitment consultant to identify suitable candidates and led the interview process through to the appointment of Dr Stewart Davies in March.

During the first half of 2014 the Committee has reconvened to manage the appointment of a new group finance director.

Remuneration Committee Report

Our Governance



Chairman
Roger McDowell

REMUNERATION COMMITTEE

“The new LTIP will provide a scheme which ensures that management incentives are closely linked to improving shareholder returns.”



Members

Roger McDowell
Jim Meredith
Rory Macnamara
Andrew Bryce

Meetings

Total Number of Committee meetings: 6

The Remuneration Committee comprises the non-executive directors and is chaired by Roger McDowell. The principal objective of the Committee is to attract, retain and motivate talented people with a competitive package of incentives and awards linked to Group performance and aligned with the interests of shareholders. The Committee uses the services of independent external advisers as required.

The Committee met on six occasions during 2013, with business including reviews of the remuneration for the new chief executive officer, granting of share options to the chief executive officer and decisions relating to the salary of the interim chief executive and decisions relating to bonus awards. The Directors' Remuneration Report includes the outcome of these considerations.

During quarter 4 the Committee engaged Deloitte LLP as external advisors to assist in the development of the new LTIP. This work continued into quarter 1 of 2014 and has resulted in a scheme with the following attributes:

- A company share options plan, allowing annual awards of shares in the Company to be made to participants
- A three vesting year period, with annual performance conditions based on Group performance
- Performance conditions for executives based on targets for Total Shareholder Returns and EPS growth
- Awards ranging from 75% of salary, for certain senior managers, to 200% of salary, for the chief executive officer.

The Committee will undertake a consultation exercise with shareholders prior to finalising the details of the scheme. The first awards are expected to be granted under the new scheme during quarter 2 of 2014.

Directors' Remuneration Report

Non-executive directors

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 2013 no inflationary pay award was made to the executive directors. The salary of the group finance director was amended during the period he acted as interim chief executive, reflecting the increased responsibilities assumed as part of that role. Once the new chief executive officer joined the Group the group finance director's salary returned to the same base value as at the start of the year.

(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 2013.

(iii) Pension provision and other benefits

Pension provision is made at a rate of 10% of basic salary for each executive director, 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, with the chief executive officer eligible for an award up to 200% of 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 21 to the financial statements.

No LTIP award was made during the year. The remuneration committee resolved to consider making new awards once a renewed scheme had been developed (as set out in the Remuneration Committee Report), the new chief executive officer had become established within his role and the revised strategy for the Group had been published.

(v) Share options

Under the share options scheme the remuneration committee may annually grant options of up to 100% of basic salary, allowing participants 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. One award was made during 2013, being the award of 1 million shares to the chief executive officer following his appointment to the role in August 2013. This award is shown in the tables below.

(vi) 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 are shown in the table below:

At 31 December 2013	Beneficial shares Number	Share options Number	Total shares Number
Stewart Davies	—	1,000,000	1,000,000
Richard Allen	20,000	603,448	623,448
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 during 2013 were as follows:

	2013 Basic fee/ salary £'000	2013 Bonus £'000	2013 Pension contributions £'000	2013 Other emoluments £'000	2013 Total £'000	2012 Total £'000
Paul Blackler (resigned 08/04/2013)	46	—	5	3	54	215
Stewart Davies (appointed 12/08/2013)	85	—	9	5	99	—
Richard Allen	166	—	24	11	201	169
Jim Meredith	43	—	—	—	43	35
Roger McDowell	28	—	—	—	28	37
Andrew Bryce	30	—	—	1	31	32
Rory Macnamara	31	—	—	—	31	32
	429	—	38	20	487	520

The change in basic salary for Paul Blackler reflected his resignation and departure from the Company during March 2013 and for Richard Allen included an enhancement to base salary during the period he acted as interim chief executive.

Other emoluments for Stewart Davies, 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' Remuneration Report continued

Directors' share plans

LTIP	Award date	Earliest vesting date	Market price at award date	Number of shares 2012	Granted in year	Lapsed in year	Number of shares 2013
Stewart Davies				—	—	—	—
Richard Allen	11.06.2012	31.03.2013	34.88p	—	409,000	409,000	—
				—	409,000	409,000	—

Share option scheme	Award date	Earliest vesting date	Market price at award date	Number of shares 2012	Granted in year	Lapsed in year	Number of shares 2013
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
Stewart Davies	12/08/2013	12/08/2016	40.25p	—	1,000,000	—	1,000,000
Richard Allen	18.05.2011	18.05.2014	29.00p	603,448	—	—	603,448
				1,679,833	1,000,000	—	2,679,833

Paul Blackler resigned on 8 March 2013 and was confirmed as a good leaver under the rules of the Company share option scheme, retaining his rights to previously awarded shares.

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 2013 was 46.00p. The range of the share price during the year was 29.50p to 46.00p.

On behalf of the Remuneration Committee



Roger McDowell

Chairman of the Remuneration committee

25 March 2014

Our Financials

See “what’s inside”

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Independent Auditors' Report

to the members of Augean PLC

We have audited the financial statements of Augean PLC for the year ended 31 December 2013 which comprise the Group statement of comprehensive income, the Group and parent company statement of financial position, the Group and parent company statements of cash flow, the Group and parent company statements of changes in 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 page 43, 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 Financial Reporting Council'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 2013 and of the Group's loss 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 Strategic Report and 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
25 March 2014

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013

Our Financials

	Note	Before exceptional items 2013 £'000	Exceptional items 2013 £'000	Total 2013 £'000	Before exceptional items ¹ 2012 £'000 Represented	Exceptional items ¹ 2012 £'000 Represented	Total ¹ 2012 £'000 Represented
<i>Continuing operations</i>							
Revenue		43,488	—	43,488	36,694	—	36,694
Operating expenses		(38,370)	(227)	(38,597)	(32,100)	(239)	(32,339)
Operating profit	3	5,118	(227)	4,891	4,594	(239)	4,355
Net finance charges	4	(674)	—	(674)	(639)	—	(639)
Gain on bargain purchase		—	—	—	—	528	528
Share of loss of jointly controlled entity	9	(13)	—	(13)	(16)	—	(16)
Profit before tax		4,431	(227)	4,204	3,939	289	4,228
Tax	6	(1,040)	63	(977)	(1,087)	70	(1,017)
Profit from continuing operations		3,391	(164)	3,227	2,852	359	3,211
<i>Discontinued operations</i>							
Loss from discontinued operations	15	(911)	(3,995)	(4,906)	(1,121)	(110)	(1,231)
(Loss)/Profit for the year and total comprehensive income	3	2,480	(4,159)	(1,679)	1,731	249	1,980
(Loss)/Profit attributable to:							
Equity shareholders of							
Augean plc		2,372	(4,159)	(1,787)	1,717	249	1,966
Non-controlling interest		108	—	108	14	—	14
Earnings per share							
<i>From continuing operations</i>							
Basic and diluted				3.13p			3.20p
<i>From discontinued operations</i>							
Basic and diluted				(4.92p)			(1.23p)
<i>From continuing and discontinued operations</i>							
Basic and diluted	8			(1.79p)			1.97p
Non IFRS Measures:							
Group Turnover ²		47,123	—	47,123	42,421	—	42,421
Group EBITDA		—	—	6,330	—	—	6,255
Group profit before tax ²		3,172	(4,270)	(1,098)	2,603	158	2,761

The notes on pages 64 to 104 form an integral part of these financial statements.

¹ 2012 result has been represented to show comparative information for operations discontinued in 2013.

² Group measures represent the sum of results for Continuing and Discontinued operations.

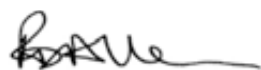
Statements of Financial Position

for the year ended 31 December 2013

	Note	Group		Company	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
Non-current assets					
Goodwill	10	19,602	21,705	—	—
Other intangible assets	11	198	123	187	109
Investments in subsidiaries	12	—	—	57,943	57,631
Investment in jointly controlled entity	9	5	8	512	502
Property, plant and equipment	13	40,192	39,561	788	817
Deferred tax asset	6	1,143	1,231	104	41
		61,140	62,628	59,534	59,100
Current assets					
Inventories		296	218	—	—
Trade and other receivables	14	9,806	8,868	4,755	916
Current tax asset		—	—	136	209
Cash and cash equivalents		542	5	—	—
		10,644	9,091	4,891	1,125
Non-current assets classified as held for sale	15	1,200	—	—	—
		11,844	9,091	4,891	1,125
Current liabilities					
Trade and other payables	16	(9,030)	(8,279)	(828)	(9,438)
Current tax liabilities		(345)	(197)	—	—
Financial liabilities	17	(114)	(837)	(7,625)	(3,260)
		(9,489)	(9,313)	(8,453)	(12,698)
Net current assets/(liabilities)		2,355	(222)	(3,562)	(11,573)
Non-current liabilities					
Financial liabilities	17	(8,919)	(5,283)	(8,909)	(5,175)
Provisions	18	(6,622)	(7,045)	—	—
		(15,541)	(12,328)	(8,909)	(5,175)
Net assets		47,954	50,078	47,063	42,352
Shareholders' equity					
Share capital	19	9,970	9,970	9,970	9,970
Share premium account	20	—	—	—	—
Special profit reserve	20	36,450	32,076	36,450	32,076
Retained earnings	20	738	6,913	643	306
Equity attributable to owners of Augean plc		47,158	48,959	47,063	42,352
Non-controlling interest		796	1,119	—	—
Total equity		47,954	50,078	47,063	42,352

The notes on pages 64 to 104 form an integral part of these financial statements.

The financial statements were approved by the Board on 25 March 2014 and signed on its behalf by:



Richard Allen
Group Finance Director

Augean PLC Registered number: 5199719

Statements of Cash Flow

for the year ended 31 December 2013

Our Financials

	Note	Group		Company	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
Operating activities					
Cash generated from/(used in) operations	23	5,862	5,818	(7,122)	962
Finance charges paid		(629)	(479)	(705)	(590)
Tax paid/(refunded)		(316)	(744)	188	(406)
Net cash generated from/(used in) operating activities		4,917	4,595	(7,640)	(34)
Investing activities					
Proceeds on disposal of property, plant and equipment		—	—	—	—
Purchases of property, plant and equipment		(6,898)	(3,585)	(64)	(141)
Purchases of intangible assets		(146)	(114)	(146)	(102)
Purchase of businesses (net of cash and cash equivalents acquired)		—	(2,043)	—	(2,043)
Net cash used in investing activities		(7,044)	(5,742)	(211)	(2,286)
Financing activities					
Dividends paid	7	(249)	—	(249)	—
Repayments of borrowings	17	(549)	(1,447)	—	(611)
Drawdown of loan facilities	17	3,734	2,931	8,099	2,931
Repayments of obligations under finance leases	17	(272)	(336)	—	—
Net cash generated from financing activities		2,664	1,148	7,850	2,320
Net increase in cash and cash equivalents		537	1	—	—
Cash and cash equivalents at beginning of period		5	4	—	—
Cash and cash equivalents at end of period		542	5	—	—

Statements of Changes in Shareholders' Equity

for the year ended 31 December 2013

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 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	—	—	—	—	—	1,105	1,105
Capital reduction	—	(114,960)	32,076	82,884	—	—	—
Share-based payments	—	—	—	130	130	—	130
Total transactions with the owners of the company	—	(114,960)	32,076	83,014	130	1,105	1,235
At 1 January 2013	9,970	—	32,076	6,913	48,959	1,119	50,078
Total comprehensive income for the year							
Retained profit	—	—	—	(1,787)	(1,787)	108	(1,679)
Total comprehensive income for the year	—	—	—	(1,787)	(1,787)	108	(1,679)
Transactions with owners of the company							
Dividend (note 7)	—	—	—	(249)	(249)	—	(249)
Acquisition of Non Controlling Interest in ANSS	—	—	—	118	118	(431)	(313)
Reserve transfer (note 20)	—	—	4,374	(4,374)	—	—	—
Share based payments	—	—	—	88	88	—	88
Tax on items charged to equity	—	—	—	29	29	—	29
Total transactions with the owners of the company	—	—	4,374	(4,388)	(14)	(431)	(445)
At 31 December 2013	9,970	—	36,450	738	47,158	796	47,954

Statement of Changes in Shareholders' Equity

for the year ended 31 December 2013

Our Financials

Company	Share capital £'000	Share premium account £'000	Special profit reserve £'000	Retained earnings £'000	Shareholders' equity £'000
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	—	(114,960)	32,076	82,884	—
Share-based payments	—	—	—	130	130
Total transactions with the owners of the company	—	(114,960)	32,076	83,014	130
At 1 January 2013	9,970	—	32,076	306	42,352
Total comprehensive income for the year					
Retained profit	—	—	—	4,847	4,847
Total comprehensive income for the year	—	—	—	4,847	4,847
Transactions with owners of the company					
Reserve transfer (note 20)	—	—	4,374	(4,374)	—
Dividend (note 7)	—	—	—	(249)	(249)
Share based payments	—	—	—	88	88
Tax on items charged to equity	—	—	—	25	25
Total transactions with the owners of the company	—	—	4,374	(4,510)	(136)
At 31 December 2013	9,970	—	36,450	643	47,063

Notes to the Financial Statements continued

for the year ended 31 December 2013

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 acquisition method of accounting.

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

(ii) Jointly controlled entities

A joint control 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 are currently exercisable.

Our Financials

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.

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. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(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 Financial Review on page 32.

(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.

Rental income from operating leases is recognised on a straight line basis over the term of the lease. The related assets are recorded as plant and machinery within property, plant and equipment and are depreciated on a straight-line basis over the useful lives of the assets.

(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.

Notes to the Financial Statements continued

for the year ended 31 December 2013

1 Accounting policies continued

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 operating expenses 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.

(f) Investments

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

(g) Property, plant and equipment

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

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

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

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

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

Our Financials

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.

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.

Notes to the Financial Statements continued

for the year ended 31 December 2013

1 Accounting policies continued

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.

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.

Our Financials

Current and deferred tax are recognised in profit or loss except when they relate to items recognised in other comprehensive income or equity, where they are similarly recognised in other comprehensive income or equity.

(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

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.

(p) Financial instruments

(i) Financial assets

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.

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.

Notes to the Financial Statements continued

for the year ended 31 December 2013

1 Accounting policies continued

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 less transaction costs 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 provisions 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 purchase of property, plant and equipment and finance lease repayments. It is determined as part of the capital management assessment and is reconciled in note 26.

(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, Amortisation, impairment and capping provision. It is determined as part of the cash flow reconciliation shown in note 23.

(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. The amounts recognised in the special profit reserve are not distributable without permission of persisting creditors from this date. Profit and loss realised within the group before this date is retained in the Special profit reserve. Retained profit and (losses) represent retained profit and (losses) and equity-settled share based payment employee remuneration.

(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.

Our Financials

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 £40,192,000 (note 13) and goodwill with a carrying value of £19,602,000 (note 10). These assets are reviewed annually for impairment as described on pages 83 to 84 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 18 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 18 for further details of calculation methodology, assumptions used and potential sensitivities to these calculations.

Income taxes

At 31 December 2013, the net liability relating to current income tax is £345,000 (2012: £197,000). A deferred tax asset of £1,143,000 (2012: £1,231,000) 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.

Notes to the Financial Statements continued

for the year ended 31 December 2013

1 Accounting policies continued

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2013:

- 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)
- IAS 27 – Separate Financial Statements (effective 1 January 2013)
- IAS 28 – Investments in Associates and Joint Ventures (effective 1 January 2013)
- Amendments to IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- IFRS 13 – Fair Value Measurements (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)

None of these standards has had a significant impact on the financial statements of the Group.

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:

- IFRS 10 Consolidated Financial Statements (EU effective date 1 January 2014)
- IFRS 11 Joint Arrangements (EU effective date 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (EU effective date 1 January 2014)
- IAS 27 (Revised), Separate Financial Statements (EU effective date 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (EU effective date 1 January 2014)
- Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12 (EU effective date 1 January 2014)
- Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (effective 1 January 2014)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective 1 January 2014)

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 operating 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 (renamed Energy and Waste Services post year end): 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: In 2013, Augean operated waste transfer sites across the UK, transporting, recovering, recycling and disposing of hazardous wastes on behalf of its customers. During 2013 the intention to close this division was announced. The sites at Hinckley, Rochdale and Worcester were sold in March 2013. The site at Cannock, along with certain customers serviced by the division has been retained. This has been used as the basis of a new and distinct business unit, Augean Integrated Services ("AIS"), focused on Total Waste Management solutions.

In the analysis below, cost relating to the Cannock site which is expected to continue after the divisional change, the trading result from customers Augean expects to service with the AIS division and the trading result for the East Kent incinerator are disclosed as continuing operations. The closed Waste Networks business is disclosed as Discontinued.

- Oil & Gas Services division (renamed Industrial Waste Services post year end): 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 an 81%/19% 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. Central costs for the proper governance and resources required to operate the plc board and listing have been separately reported.

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

Notes to the Financial Statements continued

for the year ended 31 December 2013

2 Operating segments continued

Information about reportable segments

	2013					Group £'000
	Land Resources division £'000	Waste Network division Discontinued £'000	Waste Networks division Continuing £'000	Oil & Gas Services division £'000	North Sea Service subsidiary £'000	
Assets						
Segment assets	44,285	1,880	1,311	17,533	6,285	71,294
Unallocated segment assets						
Investment in jointly controlled entity						5
Deferred tax asset						1,143
Cash and cash equivalents						542
Group total assets						72,984
Liabilities						
Segment liabilities	(10,638)	(519)	(1,078)	(2,262)	(1,269)	(15,766)
Unallocated segment liabilities						
Bank overdraft and loans						(8,919)
Current tax liabilities						(345)
Group total liabilities						(25,030)

	2012					Group £'000
	Land Resources division £'000	Waste Network division £'000	Oil & Gas Services division £'000	North Sea Services subsidiary £'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)

Our Financials

	2013					
	Land Resources division £'000	Waste Network division Discontinued £'000	Waste Networks division Continuing £'000	Oil & Gas Services division £'000	North Sea Service subsidiary £'000	Group £'000
Revenue						
Hazardous landfill activities	8,495	—	—	—	—	8,495
Non-hazardous landfill activities	1,063	—	—	—	—	1,063
Waste treatment activities	—	—	1,463	12,574	—	14,037
Energy generation	128	—	—	—	—	128
APCR management	5,425	—	—	—	—	5,425
Low Level Waste management	1,625	—	—	—	—	1,625
Processing of offshore waste	—	—	—	—	5,179	5,179
Rental of offshore equipment and personnel	—	—	—	—	3,719	3,719
Waste transfer activities	—	3,982	1,147	—	452	5,581
Total revenue net of landfill tax	16,736	3,982	2,610	12,574	9,350	45,252
Landfill tax	6,849	—	—	—	—	6,849
Total revenue including inter-segment sales	23,585	3,982	2,610	12,574	9,350	52,101
Inter-segment sales	(1,574)	(346)	—	(2,981)	(77)	(4,978)
Revenue	22,011	3,636	2,610	9,593	9,273	47,123
Result						
Operating profit/(loss) before exceptional items	7,090	(1,259)	(1,117)	(993)	682	4,403
Exceptional items	(26)	(4,043)	(25)	(151)	(25)	(4,270)
Operating profit/(loss)	7,064	(5,302)	(1,142)	(1,144)	657	133
Finance charges						(674)
Central costs						(544)
Share of loss of jointly controlled entity						(13)
Profit before tax						(1,098)
Tax						(581)
Profit after tax						(1,679)
Attributable to: Equity shareholders of the parent company						(1,787)
Non-controlling interest						108
Other information						
Capital expenditure	3,292	177	612	1,154	1,051	6,286
Depreciation and amortisation	(956)	(82)	(229)	(1,044)	(360)	(2,671)

Notes to the Financial Statements continued

for the year ended 31 December 2013

2 Operating segments continued

	2012				Group £'000
	Land Resources division £'000	Waste Network division £'000	Oil & Gas Services division £'000	North Sea Services subsidiary £'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	39,465
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	2,639	368	630	113	3,750
Depreciation and amortisation	(1,864)	(245)	(1,011)	(181)	(3,301)

Our Financials

3 Operating profit for the year

Total operating profit for the year is arrived at after charging:

	2013 £'000	2012 £'000
Fees payable to the Company's auditor for the audit of the annual financial statements	61	58
Fees payable to the Company's auditor for other services:		
– audit of the financial statements of the Company's subsidiaries pursuant to legislation	8	5
– other services relating to tax – compliance and advice	–	10
– other services	72	10
	141	83
Amortisation of intangible assets	71	40
Depreciation of property, plant and equipment:		
– owned assets	2,481	2,964
– assets held under finance leases and hire purchase contracts	189	303
Operating leases:		
– land and buildings	525	319
– plant and machinery	484	378
Loss on sale of property, plant and equipment		
Exceptional items:		
– restructuring charges	315	122
– legal and professional due diligence charges	85	248
– impairment of Waste Network division	3,870	–

4 Net finance charges

	2013 £'000	2012 £'000
Interest payable		
Interest and charges payable on bank loans and overdrafts	559	519
Interest on finance leases and hire purchase contracts	20	30
Unwinding of discount on provisions	100	100
	679	649
Interest receivable		
Bank and other interest receivable	(5)	(10)
	(5)	(10)
Net finance charges	674	639

Notes to the Financial Statements continued

for the year ended 31 December 2013

5 Group and Company employees

The average monthly number of employees analysed by function was:

	2013 Number	2012 Number
Sales	44	33
Operations	213	184
Administration	35	51
	292	268
	2013 £'000	2012 £'000
Wages and salaries	10,126	7,967
Social security costs	1,112	881
Other pension costs	442	366
	11,680	9,214

Details of other statutory directors' remuneration disclosures, as required by the AIM rules, are given in the directors' remuneration report on pages 54 to 56 under directors' emoluments and directors' share plans.

The directors have identified 16 (2012: 13) key management personnel. The total key management personnel compensation, including the non-executive directors, presented below, was as follows:

	2013 £'000	2012 £'000
Short term employment benefits	1,265	1,249
Post employment benefits	99	88
Share based payments	88	130
	1,452	1,467

6 Tax

Group

	2013			2012		
	£'000 Continuing operations	£'000 Discontinued operations	£'000 Total	£'000 Continuing operations	£'000 Discontinued operations	£'000 Total
Current tax						
UK corporation tax on profit for the period	(708)	300	(408)	(668)	223	(445)
Adjustments in respect of prior periods	(85)	—	(85)	42	—	42
	(793)	300	(493)	(626)	223	(403)
Deferred tax						
Charge in respect of the current period	(185)	96	(89)	(305)	13	(292)
Adjustments in respect of prior periods	1	—	1	(86)	—	(86)
	(184)	96	(88)	(391)	13	(378)
Tax credit/(charge) on the result for the year	(977)	396	(581)	(1,017)	236	(781)

Tax reconciliation

	2013		2012	
	£'000	%	£'000	%
Profit before tax from continuing operations	4,204		4,228	—
Tax at theoretical rate	978	23.3%	1,036	24.5%
Effects of:				
– expenses not deductible for tax purposes	140	3%	117	3%
– income not taxable	—	—	(128)	3%
– adjustment relating to prior year re deferred tax	—	1%	107	3%
– group relief	(337)	—	(134)	3%
– change in tax rate	144	3%	61	1%
– effect of share options	(33)	1%		
– adjustments in respect of prior periods	85	2%	(42)	(1%)
Tax (credit)/charge on results	977	23%	1,017	24%

Deferred tax

	2013 £'000	2012 £'000
Group		
Deferred tax asset	1,169	1,615
Deferred tax liability	(26)	(384)
	1,143	1,231
	2013 £'000	2012 £'000
Company		
Deferred tax asset	104	41
	104	41

Notes to the Financial Statements continued

for the year ended 31 December 2013

6 Tax continued

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 which the Company has the intention to realise and settle simultaneously. 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.

	2013 £'000	2012 £'000
Group		
At beginning of the year	1,231	854
Acquisition of subsidiary	—	755
Credited/(charged) to the income statement during the year	(89)	(292)
Adjustment in respect of prior periods	1	(86)
At end of the year	1,143	1,231

	2013 £'000	2012 £'000
Company		
At beginning of the year	41	50
Credited/(charged) to the income statement during the year	85	(3)
Adjustment in respect of prior periods	(22)	(6)
At end of the year	104	41

The reduction in the main rate of corporation tax from 24% to 23% effective from 1 April 2013 was substantively enacted on 2 July 2013. Since the date that legislation was enacted, it has been confirmed the rate of 23% from 1 April 2013 will be further reduced to 21% as of 1 April 2014, with a further reduction to 20% from 1 April 2015. Accordingly, deferred tax balances have been revalued to the lower rate of 20% in these accounts to the extent that timing differences are expected to reverse after this date.

No further reductions to the main rate of corporation tax from 20% have been proposed.

No deferred tax has been recognised during the year in respect of certain temporary differences of £145,000 (2012: £173,000) which arise in Augean PLC 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:

	2013 £'000	2012 £'000
Depreciation in excess of capital allowances	—	—
Other temporary differences (mainly relating to specific tax rules for the timing of landfill deductions)	29	41
Unrecognised deferred tax asset	29	41

7 Dividends

	2013 £'000	2012 £'000
Proposed final dividend for the year ended 31 December 2013 of 0.35 pence per share (2012: 0.25 pence per share)	349	249
Total	349	249

At the forthcoming Annual General Meeting, the Board will recommend to shareholders that a resolution is passed to approve payment of a dividend for the year ended 31 December 2013. 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 2013 was based on the profit attributable to ordinary shareholders of £1,787,000 (2012: £1,966,000) and a weighted average number of ordinary shares outstanding of 99,699,414 (2012: 99,699,414), calculated as follows:

	2013 Number	2012 Number
Profit after tax for the purposes of basic and diluted earnings per share	(1,787)	1,966
Exceptional items	4,159	(249)
Profit after tax for the purposes of basic and diluted adjusted earnings per share	2,372	1,717

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. The exercise of the outstanding share options at 31 December 2013 would decrease the loss per share reported. They are therefore antidilutive and not included for the purposes of calculating diluted EPS.

	2013 £'000	2012 £'000
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	99,699,414	99,732,237
Earnings per share		
Basic	(1.79p)	1.97p
Diluted	(1.79p)	1.97p
Adjusted earnings per share		
Basic	2.38p	1.72p
Diluted	2.38p	1.72p
Adjusted earnings per share – Continuing operations		
Basic	3.29p	2.86p
Diluted	3.29p	2.86p
Adjusted earnings per share – Discontinuing operations		
Basic	(0.91p)	(1.12p)
Diluted	(0.91p)	(1.12p)

Notes to the Financial Statements continued

for the year ended 31 December 2013

9 Investment in jointly controlled entity

Terramundo Limited ('Terramundo') is a 50:50 jointly controlled entity between Augean PLC and DEC NV. Terramundo is a ground remediation facility which uses various proven techniques to clean contaminated soils of both organic and inorganic contaminant 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 2013 was £100 (2012: £100).

During the period ended 31 December 2013 the jointly controlled entity generated the following revenue and costs:

	2013 £'000	2012 £'000
Revenue	—	—
Costs	(26)	(33)
Loss for the year	(26)	(33)
Augean PLC's share of the loss for the period	(13)	(16)

At 31 December 2013 the jointly controlled entity held net liabilities of £1,013,000 (2012: £988,000), of which the Group's 50% share was £507,000 (2012: £494,000). The net liabilities of the jointly controlled entity are analysed below, for information purposes:

	2013 £'000	2012 £'000
Non-current assets	—	2
Current assets	14	17
Current liabilities	—	—
Non-current liabilities	(1,027)	(1,007)
Net liabilities	(1,013)	(988)

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

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Investment in the long term future of the venture	512	502	512	502
Share of net liabilities of the jointly controlled entity	(507)	(494)	—	—
Investment in jointly controlled entity	5	8	512	502

10 Goodwill

	£'000
Cost	
At 1 January 2012	103,768
At 1 January 2013	103,768
At 31 December 2013	103,768
Provision for impairment	
At 1 January 2012	(82,063)
At 1 January 2013	(82,063)
Impairment charge	(2,103)
At 31 December 2013	(84,166)
Net book value	
At 31 December 2013	19,602
At 1 January 2013	21,705
At 1 January 2012	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 the Group's Cash Generating Units (CGU's) 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. The goodwill previously held against the Waste Network has been written down as a result of the closure of this division (note 15). The allocation of goodwill by CGU is as follows:

	2013 £'000	2012 £'000
Land Resources division	12,420	12,420
Waste Network division	—	2,103
Oil and Gas Services division	7,182	7,182
Total	19,602	21,705

Goodwill is tested for impairment annually at the balance sheet date and as and when other events or changes in circumstances 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, and Oil and Gas Services divisions. The key assumptions for the Land Resources division's cash flows are:

- based on approved budgets and plans for 2014 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 1 to 5, where it will become fixed as management focus 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;

Notes to the Financial Statements continued

for the year ended 31 December 2013

10 Goodwill continued

- using the discount rate below there is no indication of impairment with headroom of £7.5m (2012: £12.8m); and
- sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	Impact in 2013	Impact in 2012
Discount factor	1%	£3.4m	£4.2m
Gross margin	1%	£0.3m	£1.2m
Revenue growth rate	1%	£1.2m	£7.1m

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

- based on approved budgets and plans for 2014;
- revenue growth over the period to 2016 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 and further increases in volumes from trading 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 1 to 5. This represents the improved waste acceptance procedures which focus 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 £2.7m (2012: £6.6m); and
- sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	Impact in 2013	Impact in 2012
Discount factor	1%	£1.8m	£2.6m
Gross margin	1%	£2.0m	£2.4m
Revenue growth rate	1%	£5.5m	£6.0m

The cash flows for all CGUs have been discounted using a pre-tax discount rate of 13.0% (2012: 11.0%), which reflects management's best estimate of the current market's assessment of the time value of money 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 Intangible assets

	Group			Company
	Customer contracts £'000	Computer software £'000	Total £'000	Total £'000
Cost				
At 1 January 2012	374	350	724	307
Additions	—	114	114	102
At 1 January 2013	374	464	838	409
Additions	—	146	146	146
Disposal	(374)	—	(374)	—
At 31 December 2013	—	610	610	555
Amortisation				
At 1 January 2012	374	301	675	262
Charge for the year	—	40	40	38
At 1 January 2013	374	341	715	300
Charge for the year	—	71	71	68
Disposal	(374)	—	(374)	—
At 31 December 2013	—	412	412	368
Net book value				
At 31 December 2013	—	198	198	187
At 31 December 2012	—	123	123	109
At 1 January 2012	—	49	49	405

Notes to the Financial Statements continued

for the year ended 31 December 2013

12 Investments in subsidiaries

	£'000
Cost	
At 1 January 2012	130,031
Additions	2,050
At 1 January 2013	132,081
Additions	312
At 31 December 2013	132,393
Provision for impairment	
At 1 January 2012	(74,450)
At 1 January 2013	(74,450)
At 31 December 2013	(74,450)
Net book value	
At 31 December 2013	57,943
At 1 January 2013	57,631
At 1 January 2012	55,581

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	81	Waste treatment

These companies are owned directly by Augean PLC.

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 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
Disposals	—	—	—	—	—
At 1 January 2013	39,205	948	10,075	17,088	67,316
Additions	302	172	852	4,960	6,286
Disposals	—	—	—	(18)	(18)
Revision of cell capping provision (note 18)	—	—	(601)	—	(601)
Reclassified as held for sale (note 15)	(2,454)	—	—	(1,089)	(3,543)
At 31 December 2013	37,053	1,120	10,326	20,941	69,440
Accumulated depreciation					
At 1 January 2012	8,822	—	8,258	7,414	24,494
Charge for year	372	31	930	1,928	3,261
At 1 January 2013	9,194	31	9,188	9,342	27,755
Charge for year	477	58	204	1,932	2,671
Disposals	—	—	—	(1)	(1)
Revision of cell capping provision (note 18)	—	—	(601)	—	(601)
Impairment	1,224	—	—	543	1,767
Reclassified as held for sale (note 15)	(1,623)	—	—	(720)	(2,343)
At 31 December 2013	9,272	89	8,791	11,096	29,248
Net book value					
At 31 December 2013	27,781	1,031	1,535	9,845	40,192
At 1 January 2013	30,011	917	887	7,746	39,561
At 1 January 2012	27,330	—	1,440	6,645	35,415

There were no outstanding contractual commitments for acquisitions of property, plant or equipment at 31 December 2013 (2012: £nil). Plant and machinery includes assets held under finance lease agreements with a carrying value at 31 December 2013 of £876,000 (2012: £1,062,000).

The movement in Engineered Cells relating to the revision of the cell capping provision has occurred as the company has revised the cost expected to be incurred in capping landfill cells at the end of their useful life. An equal reduction in cost and accumulated depreciation has been recognised.

Assets pledged as security for loans is disclosed in note 17.

Notes to the Financial Statements continued

for the year ended 31 December 2013

13 Property, plant and equipment continued

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

	2013 £'000	2012 £'000
Cost	1,560	1,722
Accumulated depreciation	(684)	(660)
Net book value	876	1,062

Company

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2012	778	393	1,171
Additions	—	134	134
At 1 January 2013	778	527	1,305
Additions	—	64	64
At 31 December 2013	778	591	1,369
Accumulated depreciation			
At 1 January 2012	84	320	404
Charge for year	13	71	84
At 1 January 2013	97	391	488
Charge for year	13	80	94
At 31 December 2013	110	471	582
Net book value			
At 31 December 2013	668	120	788
At 1 January 2013	681	136	817
At 1 January 2012	694	73	767

14 Trade and other receivables

Current assets

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Trade receivables	8,143	7,179	—	—
Amounts receivable from subsidiary	—	—	3,660	—
Prepayments and accrued income	1,663	1,689	1,095	916
	9,806	8,868	4,755	916

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 (2012: £75,000) has been recorded accordingly, see note 25.

15 Discontinued operations

On 24 September 2013 the Company announced the intention to dispose of the Waste Network division. The company subsequently entered into sale arrangement(s) to dispose of the sites at Worcester, Hinckley and Rochdale. The disposals were completed in March 2014 on which date the control of the sites passed to the acquirers.

The site at Cannock, which previously formed part of the Waste Network division has been retained within the Group. This site has been used from 1 January 2014 as the base for the newly-formed Augean Integrated Services division, distinct from the transfer operation which previously existed.

The Company retained a small number of existing customers which were previously served by the divested sites. The analysis below includes the closed site and the trading result for the customers who were not retained.

	2013 £'000	2012 £'000
Revenue	3,636	5,727
Operating Expenses	(4,895)	(7,063)
Loss before tax and exceptional items	(1,259)	(1,336)
Exceptional items	(4,043)	(131)
Loss before tax	(5,302)	(1,467)
Taxation	396	236
Loss after Tax	(4,906)	(1,231)

Notes to the Financial Statements continued

for the year ended 31 December 2013

15 Discontinued operations continued

The major classes of assets and liabilities comprising the operations classified as held for sale are:

	2013 £'000
Property, plant and equipment	1,200

During the year the division contributed £(1,159,000) (2012: £1,321,000) to the Group's net operating cash flow. There was an outflow of £177,000 (2012: £180,000) relating to investing activities. There was no cash flow associated with financing activities.

A impairment in carrying value of property, plant and equipment and attributable goodwill of £3,870,000 has been recognised in the financial statements as a result of re-measurement to fair value less costs to sell. This re-measurement has been recognised in the Statement of comprehensive income within the loss from discontinued operations.

16 Trade and other payables

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Current				
Trade payables	3,197	3,207	38	13
Amounts due to subsidiary undertakings	—	—	366	8,862
Other taxes and social security	2,316	1,769	239	223
Accruals and deferred revenue	3,517	3,303	185	340
	9,030	8,279	828	9,438

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

17 Financial liabilities

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

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Current				
Bank overdraft	—	549	7,625	3,260
Obligations under finance leases and hire purchase contracts	114	288	—	—
	114	837	7,625	3,260
Non-current				
Bank loans	8,909	5,175	8,909	5,175
Obligations under finance leases and hire purchase contracts	10	108	—	—
	8,919	5,283	8,950	5,175
Analysis of total financial liabilities				
Bank overdraft	—	549	7,625	3,260
Bank loans	8,909	5,175	8,909	5,175
Obligations under finance leases and hire purchase contracts	124	396	—	—
	9,033	6,120	16,534	8,435
Total financial liabilities are repayable as follows:				
– on demand or within one year	114	837	7,625	3,260
– in the second year	10	108	—	—
– in the third to fifth years inclusive	8,909	5,175	8,909	5,175
	9,033	6,120	16,534	8,435
Obligations under finance leases and hire purchase contracts are repayable as follows:				
– on demand or within one year	114	288	—	—
– in the second year	10	108	—	—
– in the third to fifth years inclusive	—	—	—	—
	124	396	—	—

The obligations under finance leases and hire purchase contracts are secured against the specific assets financed with a carrying amount of £876,000 (2012: £1,062,000). 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.

Notes to the Financial Statements continued

for the year ended 31 December 2013

18 Provisions

	Group			
	Restoration and after-care costs of landfill sites £'000	Capping provision £'000	Other provisions £'000	Total £'000
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 1 January 2013	2,692	4,277	76	7,045
Charged to profit or loss during the year				
– unwinding of discount	100	–	–	100
– other	19	112	–	131
Utilised during the year	(53)	–	–	(53)
Change in capping provision	–	(601)	–	(601)
At 31 December 2013	2,758	3,788	76	6,622

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 a 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 £601,000 has been released (2012: £222,000 provided) to reflect the latest 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.

The other provisions relate to a tyre provision which is anticipated to be utilised during the next landfill cell construction cycle.

19 Share capital

	2013 £'000	2012 £'000
Authorised – 103,000,000 (2012: 103,000,000) shares of 10p	10,300	10,300
Allotted, called up and fully paid – 99,699,414 (2012: 99,699,414) shares of 10p	9,970	9,970

20 Reserves

	Group		
	Special profit reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2013	32,076	6,913	38,989
Total comprehensive income for the year	—	(1,787)	(1,787)
Reserve transfer (note 20)	4,374	(4,374)	—
Dividend (note 7)	—	(249)	(249)
Acquisition of subsidiary	—	118	118
Share based payments (note 20)	—	88	88
Deferred tax on Share based payments	—	29	29
At 31 December 2013	36,450	738	37,188

	Company		
	Special profit reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2013	32,076	306	32,382
Total comprehensive income for the year	—	4,847	4,847
Reserve transfer (note 20)	4,374	(4,374)	—
Dividend (note 7)	—	(249)	(249)
Share based payments (note 20)	—	88	88
Deferred tax on Share based payments	—	25	25
At 31 December 2013	36,450	643	37,093

At the Annual General Meeting on 8 June 2012, the shareholders approved the capital reduction of Augean PLC (the Company). This was subsequently confirmed by the High Court 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 a Special profit reserve. In addition, profits of the Company which were realised prior to 4 July 2012 were transferred to the Special profit reserve.

During 2013 the group undertook an exercise to strike off dormant subsidiary entities. As part of that reorganisation, dividends of £4,374,000 were paid up from these subsidiaries to Augean PLC. In line with the terms of the High Court order, these amounts have been transferred to the Special profit reserve.

Notes to the Financial Statements continued

for the year ended 31 December 2013

21 Share based payments

At 31 December 2013 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 2013
Augean Share Option Schemes						
December 2004 – December 2014	180.0p	700,000	—	—	—	700,000
December 2013 – December 2019	39.5p	1,810,122	—	—	—	1,810,122
May 2011 – May 2021	29.0p	1,496,552	—	—	—	1,496,552
August 2013 – August 2023	40.0p	—	1,000,000	—	—	1,000,000
		4,006,674	1,000,000	—	—	5,006,674
Weighted average exercise price		60.1p	40.0p	—	—	56.1p
Of which exercisable		2,510,122				2,510,122
Weighted average exercise price		49.3p				49.3p

Outstanding awards at 31 December 2012 were as follows:

Exercise or vesting date	Exercise price	At 1 January 2012	Granted	Exercised	Lapsed	At 31 December 2013
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 12 August 2013, the Group established a share option programme that entitled the Group's Chief Executive to purchase shares in the Company. These options were granted on similar terms to the 12 May 2011 and 21 December 2009 grants, 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:

Our Financials

	2013 Share options	2011 Share options	2009 Share options
Grant date	12 August 2013	20 May 2011	21 December 2009
Exercise period	August 2016 – August 2023	May 2014 – May 2021	December 2014 – December 2019
Share price at grant date	40.0p	28.9p	39.5p
Exercise price	10.0p	29.0p	39.5p
Shares under option	1,000,000	1,496,552	1,810,112
Expected volatility	35%	35%	43%
Expected life (years)	4 years	4 years	4 years
Risk-free rate	1.87%	2.3%	2.5%
Expected dividend yield	0.59%	0.0%	0.0%
Fair value per option	£0.30	£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. 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 2013, the weighted average remaining contractual life is 6.46 years (2012: 6.66 years).

22 Operating lease commitments

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

	2013 £'000	2012 £'000
Plant and machinery		
Payments due:		
– within one year	456	263
– within two to five years	880	298
	1,336	561
Land and buildings		
Payment due:		
– within one year	414	444
– within two to five years	1,428	1,722
– after five years	3,242	1,670
	5,084	3,836

Notes to the Financial Statements continued

for the year ended 31 December 2013

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

	Group		Company	
	2013 £'000	2012 £'000 represented	2013 £'000	2012 £'000
Operating profit	4,891	4,355	966	900
Loss from discontinued operations	(5,302)	(1,467)	68	38
Amortisation of intangible assets	71	40	—	—
Depreciation	2,671	3,261	93	84
Impairment	3,870	—	—	—
Aftercare provisions	19	66	—	—
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	6,220	6,255	1,127	1,022
Share based payments	88	130	88	130
(Increase) in inventories	(78)	(1)	—	—
(Increase)/decrease in trade and other receivables	(1,262)	(565)	(501)	(550)
Decrease in net payables from subsidiary undertakings	—	—	(7,782)	635
(Decrease)/Increase in trade and other payables	930	(1)	(54)	(275)
(Decrease) in provisions	17	—	—	—
Loss on disposal of property, plant and equipment	(53)	—	—	—
Cash generated from/(used in) operations	5,862	5,818	(7,122)	962
Interest paid	(629)	(479)	(705)	(590)
Tax (paid)/refunded	(316)	(744)	187	(406)
Net cash generated from/(used in) operating activities	4,917	4,595	(7,640)	(34)

24 Analysis of changes in net debt

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

	31 December	Cash flow £'000	31 December
	2012 £'000		2013 £'000
Cash and cash equivalents	5	537	542
Overdraft	(549)	549	—
Bank loans due after one year	(5,175)	(3,734)	(8,909)
Finance leases	(397)	273	(124)
Net debt	(6,116)	(2,375)	(8,491)

Our Financials

25 Non Controlling Interest

On 22 May 2013 Augean PLC acquired an additional 11% of the share capital of Augean North Sea Services Limited (ANSS) by way of a debt for equity swap. The Group cancelled debts of £312k with Scomin Omnitools (Europe) Ltd in consideration for this share.

	£'000
Balance at 1 January 2012	—
Share of profit for year	14
Acquisition of subsidiary	1,105
Balance at 1 January 2013	1,119
Share of profit for year	108
Adjustment arising from change in Non Controlling Interest	(431)
Balance at 31 December 2013	796

26 Financial instruments

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

	Group			Company		
	Loans and receivables £'000	Non-financial assets £'000	Total £'000	Loans and receivables £'000	Non-financial assets £'000	Total £'000
As at 31 December 2013						
Goodwill	—	19,602	19,602	—	—	—
Other intangible assets	—	198	198	—	187	187
Investments in subsidiaries	—	—	—	—	57,943	57,943
Investment in jointly controlled entity	—	5	5	—	512	512
Property, plant and equipment	—	40,192	40,192	—	788	788
Deferred tax asset	—	1,143	1,143	—	104	104
Inventories	—	296	296	—	—	—
Trade and other receivables	8,218	1,588	9,806	—	4,755	4,755
Current tax asset	—	—	—	—	136	136
Cash and cash equivalents	542	—	542	—	—	—
	8,760	63,024	71,784	—	64,425	64,425

	Group			Company		
	Loans and receivables £'000	Non-financial assets £'000	Total £'000	Loans and receivables £'000	Non-financial assets £'000	Total £'000
As at 31 December 2012						
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
Assets held for resale	—	200	200	—	209	209
Cash and cash equivalents	5	—	5	—	—	—
	7,259	64,460	71,719	—	60,225	60,225

Notes to the Financial Statements continued

for the year ended 31 December 2013

26 Financial instruments continued

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

	Group			Company		
	Financial liabilities at amortised cost £'000	Liabilities not within scope of IAS 39 £'000	Balance sheet total £'000	Financial liabilities at amortised cost £'000	Liabilities not within scope of IAS 39 £'000	Balance sheet total £'000
As at 31 December 2013						
Trade and other payables – current	6,714	2,316	9,030	589	239	828
Current tax liabilities	—	345	345	—	—	—
Financial liabilities – current	114	—	114	7,625	—	7,625
Financial liabilities – non-current	8,919	—	8,919	8,909	—	8,909
Provisions	—	6,622	6,622	—	—	—
	15,747	9,283	25,030	17,123	239	17,362

	Group			Company		
	Financial liabilities at amortised cost £'000	Liabilities not within scope of IAS 39 £'000	Balance sheet total £'000	Financial liabilities at amortised cost £'000	Liabilities not within scope of IAS 39 £'000	Balance sheet total £'000
As at 31 December 2012						
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

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

Group

	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Total financial liabilities £'000
As at 31 December 2013			
Trade and other payables – current	9,030	—	9,030
Financial liabilities – current	114	—	114
Financial liabilities – non-current	—	8,960	8,960
Total	9,144	8,960	18,104

	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Total financial liabilities £'000
As at 31 December 2013			
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

Our Financials

Company

	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Total financial liabilities £'000
As at 31 December 2013			
Trade and other payables – current	828	–	828
Financial liabilities – current	–	7,625	7,625
Financial liabilities – non-current	–	8,909	8,909
	828	16,534	17,362

	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Total financial liabilities £'000
As at 31 December 2013			
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

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.

The majority of the Group's transactions take place in sterling. One contract is transacted in dollars and this small currency risk is managed using spot transactions.

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.

Notes to the Financial Statements continued

for the year ended 31 December 2013

26 Financial instruments continued

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 2013 the Group carried debt of £9,032,000 (2012: £6,296,000) and short term flexibility is achieved through bank facilities comprising a £10m revolving credit and overdraft facility.

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	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Cash and cash equivalents	542	5	—	—
Trade and other receivables	9,806	8,868	1,095	916
	10,348	8,873	1,095	916

At 31 December 2013 £4.6m (2012: £4.3m) of the Group's trade receivables were past due. A provision of £0.1m (2012: £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:

	2013 £'000	2012 £'000
Greater than one but not more than four months old	3,164	3,733
More than four months old	319	532
Total past due trade receivables	3,483	4,265
Trade receivables not yet past due – less than one month old	4,735	2,989
Total gross trade receivables	8,218	7,254
Bad debt provision	(75)	(75)
Total net trade receivables (note 14)	8,143	7,179

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.

Our Financials

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 2012	75
Amounts utilised	(54)
Amounts provided	54
Bad debt provision as at 31 December 2013	75

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 have 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 2013 was:

	Floating rate £'000	Total £'000
Group		
Bank loans	8,909	8,909
Finance leases	123	123
At 31 December 2013	9,032	9,032
At 31 December 2012	5,572	5,572

	Floating rate £'000	Total £'000
Company		
Bank loans	8,909	8,909
Finance leases	—	—
At 31 December 2013	8,909	8,909
At 31 December 2012	5,175	5,175

The interest rate on the floating rate borrowings was 2.7% (2013: 2.7%) above LIBOR. In March 2014 the Group renegotiated its overdraft and loan facilities with HSBC until 7 March 2017. The facility is structured as a £5m term loan which attracts an interest rate of 2.25% above LIBOR and a £10m revolving credit facility which attracts an interest charge which varies between 1.95% and 2.75% above LIBOR. A change in interest rate of 0.5% affects the annual interest cost for both the Group and Company by approximately £40,000 (2012: £25,000).

The hire purchase agreements of the Group under a floating rate contract have a weighted average interest rate of 3.5% (2013: 2.4%) and a weighted average duration of 1 (2012: 4) years. The Group no longer has any hire purchase agreements under a fixed rate contract.

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 they will be regularly assessed to ensure this remains the case.

Notes to the Financial Statements continued

for the year ended 31 December 2013

26 Financial instruments 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	2013 £'000	2012 £'000
Share capital	18	9,970	9,970
Financial liabilities	16	9,033	6,121
		19,003	16,091

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 (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 nil (2012: £549,000).

In 2012 the capital structure of the Group was altered by way of a capital reduction. 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 pay dividends from distributable reserves (note 8).

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 £1.5m of headroom at 31 December 2013 (2012: £4.7m). Under the facility in place with HSBC from 7 March 2014 this would be £6.1m of headroom.

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:

	2013 Actual	2013 Target	2012 £'000
Net debt to EBITDA	1.3	<2.5	0.9
EBIT to net debt costs	12.3	>2.5	13.3
Net debt to equity (%)	18.0%	—	12.5%
Free cash flow (£'000s)	(2,253)	—	674

Our Financials

The level of free cash flow for 2013 reflects a number of one off investments in the business which were required during the year. These included investment in cell construction at ENRMF and Port Clarence and in the development of the ITD plant.

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.

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.

	2013 £'000	2012 £'000
Net operating cash flow (note 22)	4,917	4,595
Purchase of property, plant and equipment	(6,898)	(3,585)
Repayments of obligations under finance leases	(272)	(336)
Free cash flow	(2,253)	674

27 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 £392,000 (2012: £280,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2013, contributions of £11,000 (2012: £30,000) due in respect of the current reporting period had not been paid over to the schemes.

28 Contingent liabilities and cross guarantees

In accordance with Pollution, Prevention and Control (PPC) permitting, the Group has to make such financial provision as is deemed adequate by the Environment Agency to discharge its obligations under the relevant site permits for its landfill sites. Consequently guarantees have been provided in favour of the Environment Agency in respect of the Group's landfill sites. Total guarantees outstanding at the year end were £8.1m (2012: £7.3m). 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. After investigation by the Environment Agency and Health and Safety Executive, both agencies have confirmed that they will take no further action as a result of their investigations.

The Group is involved in litigation with the previous owners of HiTech Limited, a business that Augean acquired during 2008. Augean has lodged a claim of up to £2.5m against the previous owners, based on breach of warranties contained in the sale and purchase agreement for the HiTech transaction. The defendants have lodged a counterclaim relating to non-payment of an earn-out of up to £0.7m following the transfer of the business.

Based on legal advice we remain confident in the strength of Augean's claim and defence, and on this basis no provision has been made in these accounts.

Notes to the Financial Statements continued

for the year ended 31 December 2013

29 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	2013 £'000	2012 £'000
Transactions with Terramundo Limited:		
– revenue	–	–
– costs	–	–
Amounts owed by Terramundo Limited:		
– more than one year	512	502
	512	502

The balance owed by Terramundo Limited to Augean is classified 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 12 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:

	2013 £'000	2012 £'000
Amounts owed to Terramundo Limited:		
– less than one year	–	–
Amounts owed by Terramundo Limited:		
– more than one year	512	502
	512	502

Transactions and balances with subsidiary undertakings – Company

Included within current trade and other payables (note 16) are amounts owed to 100% subsidiary undertakings of £0.4m (2013: £8.9m). These amounts are repayable on demand.

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

30 Post balance sheet events

On 7 March 2014, the sale of the site at Hinckley was completed, realising total proceeds of £400,000. On 21 March 2014, the sale of the sites at Rochdale and Worcester were completed, realising total proceeds of £800,000. There was no profit or loss on disposal subsequent to the impairment recognised in these financial statements.

On 7 March 2014, the Group's debt facility was renewed and increased, as described in note 26.

A black and white photograph of a beach. The foreground shows the wet sand of the beach. In the middle ground, waves are breaking onto the shore, creating white foam. The background is a vast ocean meeting a sky filled with large, dramatic clouds. The text 'SHAREHOLDER INFORMATION' is overlaid in the upper right quadrant of the image.

SHAREHOLDER INFORMATION

Notice of Annual General Meeting

We are pleased to write to you with details of our 2014 Annual General Meeting (AGM) which will be held at the offices of FTI Consulting, 9th Floor, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD on Thursday 5 June 2014 at 10.00am. The formal notice of Annual General Meeting is set out on pages 107 to 108 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 7)

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 7, 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 7 is passed to 30 June 2015 or the conclusion of the Company's next annual general meeting, whichever is earlier.

Disapplication of pre-emption rights (Resolution 8)

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 8, which will be proposed as a special resolution and which will only be effective if Resolution 7 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 8 is passed to 30 June 2015 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 108. 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 3 June 2014. 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

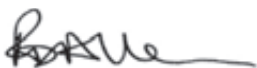
The Directors consider that the proposals set out above are in the best interests of the Company and its shareholders as a whole. They recommend that you vote in favour of the resolutions set out in the notice of meeting as they intend to do in respect of their own beneficial holdings.

Shareholder Information

NOTICE IS HEREBY GIVEN that the 2014 Annual General Meeting of Augean plc (the “Company”) will be held at the offices of FTI Consulting, 9th Floor, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD on Thursday 5 June 2014 at 10.00am for the purpose of considering and, if thought fit, passing the resolutions set out below. Resolution 8 will be proposed as a special resolution. All other resolutions will be proposed as ordinary resolutions.

1. THAT the reports of the directors and the auditors and the audited financial statements for the year ended 31 December 2013 be received.
2. THAT Jim Meredith be re-elected as a director of the Company.
3. THAT Dr Stewart Davies be elected as a director of the Company.
4. 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.
5. THAT the directors be authorised to determine the auditors’ remuneration.
6. THAT a dividend of 0.35 pence per share be declared.
7. 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 2015 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.
8. THAT, subject to the passing of resolution 7, 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 2015 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
25 March 2014

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West Yorkshire
LS23 7BF

Notice of Annual General Meeting continued

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 6.00pm on Tuesday 3 June 2014 (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 notari ally, 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 10.00am on Tuesday 3 June 2014.

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.

- (d) Electronic appointment of proxies: As an alternative to completing the hard-copy proxy form, you can appoint a proxy electronically by going to www.eproxyappointment.com. You will be asked to enter the Control Number, the Shareholder Reference Number and PIN all found on the front sheet your 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 10.00am on Tuesday 3 June 2014.
- (e) 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 10.00am 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.

- (f) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares. 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.
- (g) 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.
- (h) As at 24 March 2014 (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 24 March 2014 are 99,699,414.

Advisers and Company Information

Shareholder Information

Secretary

Richard Allen, ACMA

Registered office

4 Rudgegate 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

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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



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Contacting Augean

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

