Augean PLC

Specialist services focused on managing hazardous wastes

Focused Strategies Delivering the Best Overall Environmental Outcomes

Annual Report & Accounts

for the year ended 31 December 2014

Stock Code: AUG

Specialist services focused on managing hazardous wastes

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 sustainable 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.

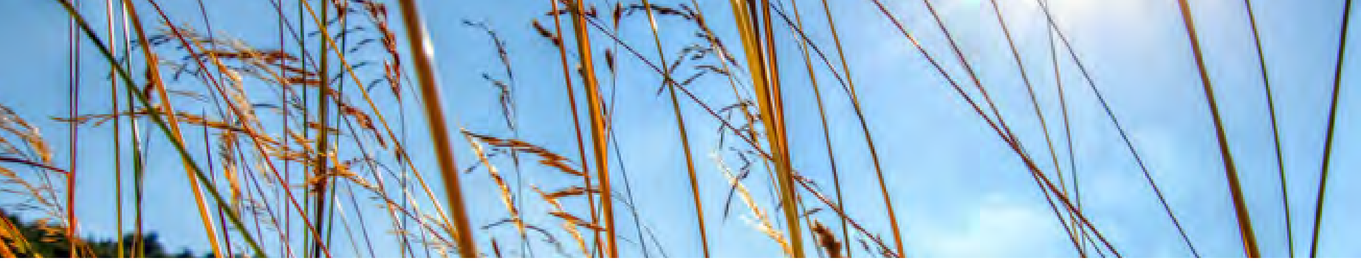
Investor website

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

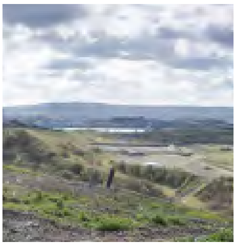
STRATEGY

Augean builds competitive advantage by working with customers to provide solutions delivering specialist services focused on hazardous waste.

Read more on pages 14 and 15

PERFORMANCE

All five Augean businesses grew revenue and profit in 2014. Four of these businesses continue to face growth markets.



Read more on pages 16 to 41

CSR

Augean is committed to conducting its business operations in an open and responsible manner and we recognise the need to continually improve our operations.

Read more on pages 30 and 31

Strategic Report

Contents

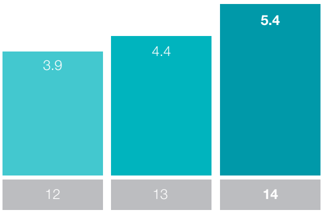

TANK T-002 PROCESS

Highlights

Financial highlights

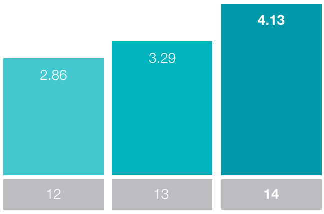
Profit before tax
(£'000)

£5.4m



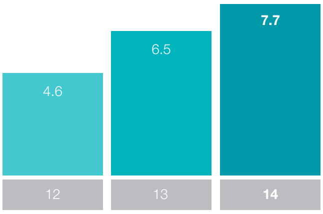
Earnings per share
(p)

4.13p



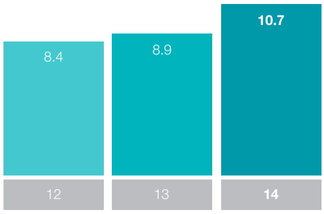
Operating cash flows
(£'000)

£7.7m

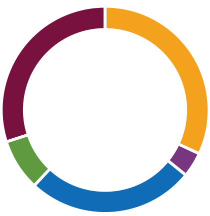


Return on capital employed
(%)

10.7%

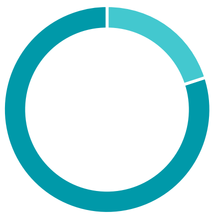


Group revenue by business unit



- Energy & Construction 32%
- Radioactive Waste Services 4%
- Industry & Infrastructure 26%
- Integrated Services 8%
- North Sea Services 30%

Group revenue (top 20 customers)



- Not contracted 20%
- Contracted or framework 80%

All the above graphs show results from continuing operations before exceptional items.

See Financial Review on page 32 to 37

"Augean is well placed in strategic markets…where we have expertise and assets."

Stewart Davies Chief Executive

Operational highlights

Growth
During 2014, the Group operated through five business units and the above Group results were achieved as a result of underlying growth in all five businesses in the year.

Operating cashflow
Net operating cashflows increased by 18% to £7.7m and were used to fund the future growth of the Group, pay increased dividend and pay down debt.

Long term contracts
In 2014, revenue from the top-20 customers of the Group made up 50% of total Group revenue (2013: 47%), of which 80% was through a formalised agreement (2013: 68%).

Our Organisation

Augean
ENERGY & CONSTRUCTION
Waste treatment & disposal solutions

Assets: ENMRF, Port Clarence, Thornhaugh

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

Waste treatment and disposal solutions

Augean
RADIOACTIVE WASTE SERVICES
Specialist treatment & disposal

Assets: ENMRF, Port Clarence, East Kent

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

Specialist treatment and disposal

Augean
INDUSTRY & INFRASTRUCTURE
Recovery of resources from wastes

Assets: Avonmouth, Paisley, Port Clarence WaRP

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

Recovery of resources from wastes

Augean
INTEGRATED SERVICES
Integrated solutions for waste-producing clients

Assets: Cannock, East Kent

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

Integrated solutions for waste-producing clients

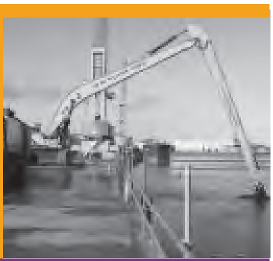
Augean
NORTH SEA SERVICES
Complete waste services for North Sea operators

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

Number of sites
3
Revenue
£22.0m



Number of sites
3
Revenue
£1.8m

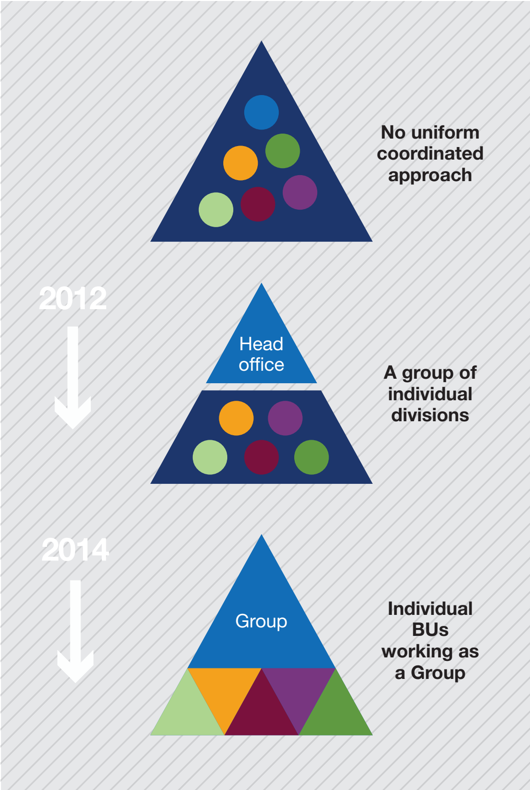
Number of sites
3
Revenue
£12.5m

Number of sites
2
Revenue
£4.2m

Number of sites
5
Revenue
£14.5m

Read more about waste hierarchy in the Marketplace review on page 10

Our Group Model



To deliver our strategy, Augean has re focused the internal organisation of the company. Previously a group of companies who made individual decisions, the group has transitioned to a sophisticated organisation with its constituent business units working together for the optimum group outcome.

Learn more about how our new Group Model is delivering performance in the Operating Review on page 16 and 17

Chairman's Statement

"OPERATING CASH FLOWS, FROM OUR CONTINUING OPERATIONS AND BEFORE EXCEPTIONAL ITEMS, INCREASED FROM £6.5M TO £7.7M."

It is pleasing to note the Group's solid progress during 2014, evidenced by increasing revenues, profit and operating cash flows, from growth across our key markets.

The foundation for this performance is a clear strategy, developed and implemented by Stewart Davies and his management team, focusing and organising the business into five sectors of activity and ensuring the appropriate management is in place to deliver the plan.

Total revenue, from continuing operations, increased by 26% to £55.0m (2013: £43.5m). Profit before tax from continuing operations and before exceptional items increased to £5.4m (2013: £4.4m) with an increase in basic earnings per share on the same basis to 4.13 pence (2013: 3.29 pence).

Operating cash flows, from our continuing operations and before exceptional items, increased from £6.5m to £7.7m. The Board continues to support reinvestment of this cash in business growth, including £1.5m paid to purchase the high temperature incinerator at East Kent in May 2014. All investments are made with the expectation of increasing levels of return and acceptable EBITDA[1] payback periods. Our return on capital employed for the year increased to 10.7% (2013: 8.9%) and our total net debt fell by £2.8m during the year, after total capital expenditure of £6.9m.

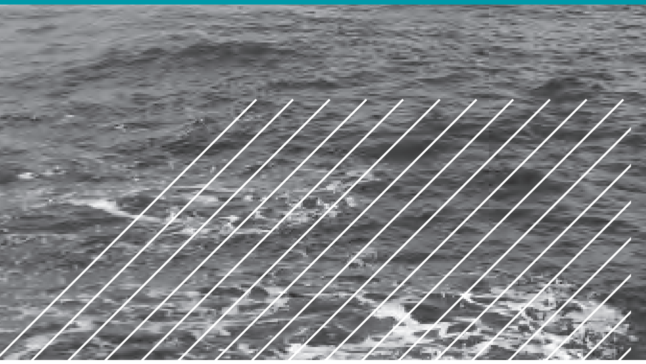
Augean Integrated Services (AIS) had its first full year of trading as a business formed from the retained elements of the Waste Network business. AIS spearheads the Group's expansion of its Total Waste Management offering, notably in high-value manufacturing sectors, delivering customer value through a combination of consultative expertise, client-site services and the specific capabilities of our East Kent facility, including incineration.

Radioactive Waste Services, having been extracted and grown from our Energy & Construction business, had its first full year of trading. This business is well positioned to take advantage of the leading sector expertise of its management team and has attained a place on the Low Level Waste Repository Waste Treatment Services Framework, whose ultimate customer is a Government agency, and has benefited from growth in the volumes arising from nuclear decommissioning.

Augean North Sea Services performed well during the year and has continued that performance during the early part of 2015. We recognise the potential impact

that the recent fall in oil prices could have on this business, but note the success of management in increasing the proportion of business transacted directly with operators and tier-1 customers, which positions the business well to increase its service offering to those customers. Furthermore, we support the diligence of management, who have already implemented a pay freeze and maintain a comparatively low level of operational gearing, resulting in the business being able to adjust its cost base quickly in the event that a significant reduction in revenues were to occur.

Health and safety remains the highest priority for the Board, management and employees across the Group, so it was pleasing to see yet further reduction in accident levels of 12% during 2014, as well as the positive indicators of safe behaviour.



"the board remains focused on continuing to improve the returns from capital employed for the Group as a whole"

The Board continues to recognise the risks faced by our people, who work in environments moving, treating and disposing of hazardous wastes. Augean North Sea Services completed a ninth consecutive year without a lost time incident in its offshore activities. The Group remains absolutely committed to the highest standards of safety and compliance and, in that regard, the Board maintains additional scrutiny of executive management of safety and compliance, through a Non-executive Director who attends certain executive safety and compliance meetings during the year.

Protecting the environment is not just a matter of compliance with permits, which provides business protection, but encompasses our broader responsibilities to society and future generations. The Group diligently monitors its performance in this regard, the results of which are regularly reported to the Board.

The Board recognises that business is dependent on the quality, diligence and hard work of all Augean's employees and I would like to take this opportunity on behalf of the Board to thank everyone who has contributed to the Group's progress during the year.

As in 2013, I was pleased to note the addition of new shareholders to our register during the year and I remain thankful for the continued support from many of our longer-holding investors.

The Board welcomed Richard Laker as Group Finance Director in September 2014, and I am pleased to see the Group benefiting from the B2B experience and financial expertise that Richard brings.

Roger McDowell has declared his intention to step down from the Board at this year's AGM. The Board would like to thank Roger for his diligent service to the Group as variously Non-executive Director, interim CEO and Chairman during his ten years on the Board.

I believe that Augean has achieved positions of increased strength in its key markets during 2014. Accordingly, the Board has proposed a 43% increase in the dividend payment to 0.50p per share, which reflects confidence in the prospects of the Group and continues the Board's commitment to pay a progressive dividend to its shareholders, with the dividend being covered 8.3 times (2013: 9.4 times).

The Board remains focused on continuing to improve the returns from capital employed for the Group as a whole and being prepared to invest in opportunities for the future, to build on the progress delivered during 2014. I look forward to another year of profitable growth for the Group.

J. MEREDITH.

Jim Meredith
Non-executive Chairman
23 March 2015

1 EBITDA means earnings before interest, tax and depreciation.

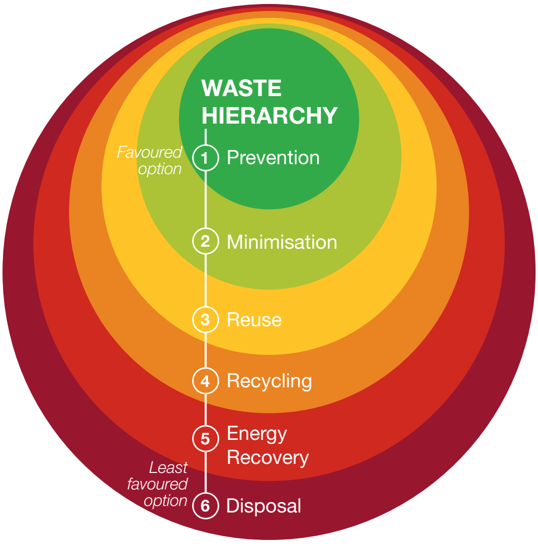
2 Dividend cover based on earnings per share from continuing operations and excluding exceptional items.

3 Return on capital employed (ROCE) is defined as operating profit divided by average capital employed, where capital employed is net assets excluding net debt.

Marketplace

The five business units of the Group operate across three primary UK-based markets, being the broad hazardous waste market, waste from nuclear decommissioning and services related to waste from North Sea Oil & 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. 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 mainly within the narrower segment of clinical and pharmaceutical wastes.

Data published by the Environment Agency during 2014 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) and the total UK capacity for hazardous landfill was approximately 16 million tonnes. Augean's Energy & Construction business continues to be a leading provider within this market, holding approximately 40% of the UK's remaining hazardous landfill capacity.

4m tonnes

OF HAZARDOUS WASTE HANDLED IN THE UK EACH YEAR

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 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 2014. This market, of approximately 250,000 tonnes per annum, is expected to double over the period 2013-2020, 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 specific contaminants. These derogations are being progressively removed as the waste industry develops new treatment methods for the control of these

substances prior to landfilling, or indeed their complete diversion from landfill disposal. The majority of derogations have now been removed but the remaining few are being reviewed by DEFRA which has indicated they will make a decision in the third quarter of 2015. It is understood that the final tranche of derogations will not be removed before the end of 2016. Augean has anticipated the 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 4,400 tonnes of LLW/VLLW are generated in the UK each year. We also estimate that up to 2,000 tonnes of NORM may be produced per annum.

The markets for waste produced in the exploration for North Sea Oil & 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. 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. The market for drill cuttings represents 44,000 tonnes per annum and for slops a further 55,000 tonnes per annum.

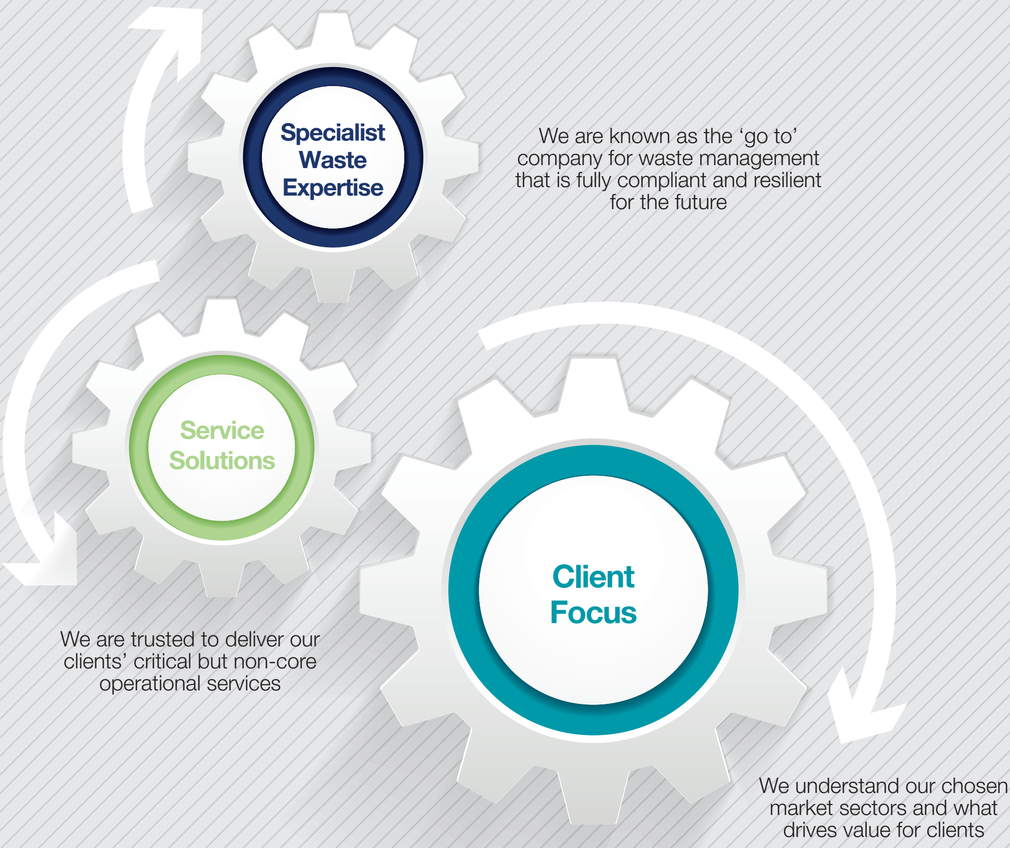
16m tonnes

TOTAL UK CAPACITY FOR HAZARDOUS LANDFILL

2,000 tonnes

OF NORM ESTIMATED TO BE PRODUCED PER ANNUM

Our Business Model



Developing sustainable market positions...

Client 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

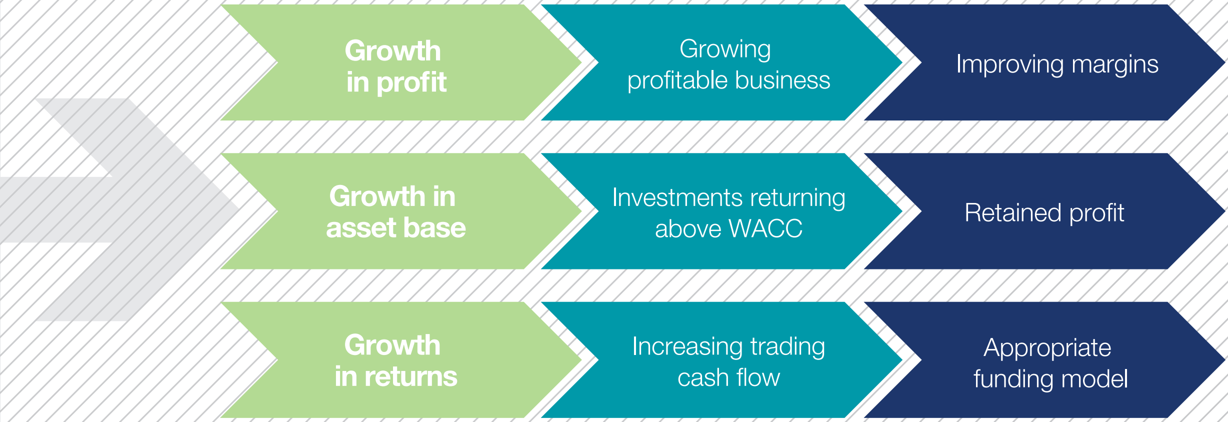
Service solutions

- 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 grow 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 > WACC 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 Strategy

SPECIALIST SERVICES FOCUSED ON MANAGING HAZARDOUS WASTES.

Core strategy

The core strategy of the Group set out in March 2014 is focused on growing shareholder value by developing sustainable market positions. Augean builds competitive advantage by working with customers to provide solutions whereby Augean delivers specialist services focused on hazardous waste. The three core elements of the strategy are described below.

Develop sustainable market positions

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 reinforce barriers to entry. Understanding these markets enables us to progressively develop the capabilities required to maintain and build our position, often against the background of changing environmental regulation or client requirements. These capabilities require timely investments that are anticipated through inclusion in the business planning process.

Progressively moving more of the Group's revenues from 'spot' or short-term contracts to long-term contracts and frameworks is vital to improving the forward visibility of the order book. Growing the proportion of our revenues that come from service offerings to our hazardous waste customers is driving further profitable revenue growth. During 2014 we have built new relationships with customers and 80% of our top 20 customers (by sales revenue) are now serviced through a formalised agreement, either in the form of a contract or other framework agreement. This compares to 68% in 2013. With these customers representing 50% of total Group sales revenues for the year (2013: 47%), the transition to a contract-led business model is well underway and is evident in all of our business units.

Grow through client-focused solutions

Instilling a culture of understanding our clients' needs, in order to develop solutions for them, by leveraging the knowledge of sector experts, has been identified as a fundamentally important focus for the Group. Bringing our hazardous and radioactive waste management capability together with expertise in offering associated support services, we can target the critical but non-core needs of clients requiring specialist waste management.

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. Examples of our progress in this element of the strategy are set out in case studies on pages 18 to 27.

Grow shareholder value

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. Any such investments, whether organic or potential acquisitions, are undertaken to grow the asset base of the Group and provide superior returns for shareholders. A total of £6.9m was spent on capital investment in 2014, including the purchase of the high temperature incinerator in East Kent, one of the few commercial high temperature incinerators in the UK. The return on capital employed of the Group, from continuing operations and before exceptional items, was 10.7% for the year (2013: 8.9%) from an increased asset base, which is consistent with this strategy.

Operating Review

"THE GROUP REMAINS COMMITTED TO GROWTH IN ALL OF ITS BUSINESSES AND MARKETS, THROUGH BOTH ORGANIC AND ACQUISITIVE MEANS."

Introduction

The Group delivered a strong set of financial results in 2014.

Having taken the decision to close the underperforming Waste Network business in late 2013, the results of the Group, from continuing operations and excluding exceptional items, show that:

- Total revenue increased by 26% to £55.0m;
- Profit before taxation increased 22% to £5.4m;
- Net operating cash flows increased by 18% to £7.7m;
- Basic earnings per share increased by 26% to 4.13 pence; and
- Return on capital employed increased from 8.9% to 10.7%.

During 2014, the Group operated through five business units and the above Group results were achieved as a result of underlying growth in all five businesses in the year.

Having transferred part of the legacy Waste Network business into a new business, Augean Integrated Services, the remaining discontinued business was closed in early 2014, with certain residual assets sold for a cash consideration of £1.2m in March 2014.

2014 was also the first full year of trading for the new Radioactive Waste Services business, which was decoupled from the Land Resources business (now Energy & Construction) and achieved notable strategic successes during the year.

The operating cash flow of the Group was used to fund the future growth of the Group, with £1.5m spent on the purchase of the high temperature incinerator at East Kent, which had previously been leased, and other total capital expenditure[1] investment of £5.2m, of which £2.5m was incurred to lengthen the productive life of existing assets (maintenance capital expenditure) and £2.7m was for other future growth (development capital expenditure).

The Group operates a business in the North Sea Oil & Gas market, Augean North Sea Services in which Augean held an 81% equity share throughout 2014. This business performed well in 2014, a performance which has continued into 2015, despite the recent reductions in world oil prices. With this in mind, the Board continues to monitor this market very closely and prudently but remains confident that the positioning of that business and the capability of its management team leave the business well placed in the medium to long term. Consequently, in March 2015, the Board took the strategic opportunity to purchase the remaining 19% of shares in the business from the minority shareholder, for a cash consideration of £1.05m, equivalent to 3.7 times 2014 EBITDA[1]. This transaction is expected to be immediately accretive to earnings per share.

The Group remains committed to growth in all of its businesses and markets, through both organic and acquisitive means. Aside from its strong operating cash flows, the Group also successfully refinanced its banking facilities during 2014, with a £14.25m facility in place as at 31 December 2014, compared to net debt of £5.7m, equivalent to 0.6 times EBITDA, from continuing operations and before exceptional items. This leaves the Group well placed to take advantage of investment opportunities that accelerate the strategy and are value enhancing for shareholders.

[1] Excluding intangible asset payments of £0.2m.

The Group employed an average of 300 staff (2013: 292) over the course of the year. The number of employees in the Group initially fell in early 2014 following redundancies associated with the sale of the Waste Network business, but has increased steadily during 2014 as the Group has invested in high-quality employees who are key to the future growth plans and continuing execution of the strategy of the Group.

Business performance

The Group operated through five business units during the year (Energy & Construction, Radioactive Waste Services, Industry & Infrastructure, Augean Integrated Services and Augean North Sea Services), having operated through four businesses in 2013.

At the end of 2013, the radioactive waste operation of the Group was split from the Land Resources business to form a separate business unit, Radioactive Waste Services. The remaining business was renamed from Land Resources to Energy & Construction.

In late 2013, the Waste Network business was closed, with certain elements of that business transferred to a new business unit, Augean Integrated Services, and the remaining business shown as a discontinued operation in the 2013 annual report.

The performance of each of the five business units in 2014 is set out below. All revenues are stated net of landfill tax and intra-group trading.

Energy & Construction (E&C)

The principal activity of this business unit is the disposal of air pollution control residues (APCR), furnace bottom ash, asbestos and other contaminated waste materials and soils, mainly from Energy-from-waste facilities and the construction industry. This is primarily achieved through treatment and ultimate landfill in permitted hazardous and non-hazardous sites at Port Clarence, East Northants Resource Management Facility (ENRMF) and a permitted non-hazardous site at Thornhaugh, near Peterborough.

Revenues, excluding landfill tax and intra-group trading, were £15.6m. The 2013 revenue of £15.2m included £1.6m of revenue from treatment of radioactive waste, recognised in the separate Radioactive Waste Services business in 2014. The 2014 E&C revenue, therefore, represents an increase of £2.1m (16%) on a like-for-like basis.

Operating profit before exceptional items improved to £6.3m (2013: £6.2m excluding operating profit from radioactive waste), driven by increasing volumes of APCR and other wastes, with an increase in average gate fees seen for APCR and a modest reduction in average gate fees for other wastes. EBITDA increased by 17% to £8.4m (2013: £7.1m) on the same basis.

The total volume of waste disposed by the E&C business increased to 331,998 tonnes in 2014, from 290,754 tonnes in 2013, with the 2013 volume excluding 4,718 tonnes of radioactive waste.

This total volume increase of 14% included a 35% growth in APCR to 85,000 tonnes (2013: 63,000), primarily from new contracts in the year. This, together with an improvement in the average gate fee of 1.8%, contributed to an increase of £1.9m in revenues from this waste stream.

Non-APCR waste streams showed a total volume increase of 8% to 247,000 tonnes, with a net reduction in revenue of £0.2m. The revenue from these waste streams includes costs recharged to customers for moving certain wastes from a customer site to our landfill sites, on which

"OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS IMPROVED TO £6.3M"

the Group makes negligible profit. The total amount of haulage recharged fell by £0.4m in 2014, compared to 2013, due to the mix of wastes and customers dealt with in the year. Excluding haulage, underlying revenue from the treatment and disposal of these wastes increased by £0.2m (8% increase) compared to 2013, with a reduction in the average gate fee of 4.5% abating the total revenue increase to 5%, as average gate fee increases in respect of construction material and soils were offset by gate fee reductions in asbestos contaminated and other wastes.

Non-waste revenue streams, from mineral extraction royalties and energy generation from landfill gas, totalled £0.7m (2013: £0.3m) in the year.

Having made significant investment in the APCR treatment capability of the business in 2013, a further £0.1m of capital investment was also made during 2014 to ensure that the business remains well-placed to take advantage of this key growth market for this business, with outputs from Energy-from-waste forecast to double between 2013 and 2020.

Total capital investment in the E&C business was £2.2m in 2014, of which £1.3m was in respect of lengthening the productive life of existing assets (i.e. maintenance capital expenditure) and £0.9m was investment in the future growth of the business (development capital expenditure). The total capital spend is lower than 2013, which included significant investment in the construction of two new hazardous landfill cells at both Port Clarence and ENRMF.

The investment was augmented in 2014 with additional ash storage and treatment capacity at ENRMF, with those works due to be completed in 2015. Investment was also made in the storage facilities for liquid wastes and, to ensure that the business remains well-invested to take advantage of the growth markets that it now faces.

Case Study

AV Dawson has successfully attracted several offshore support companies to set up a permanent marine base at its quays, situated on the River Tees. The growing demand for this business led to a £3.2 million deep-water quay development project which, once completed, will be 150 metres long and 14 metres deep at high tide.

The Augean Energy & Construction waste management site at Port Clarence has the capability to handle and treat the materials removed from the riverbed and Augean provided specialist support for the removal and treatment of dredgings from the site during the project.

The project required Augean to coordinate transport and achieve efficient turnaround times when handling the off-loading of the materials. This involved constant communication with the site staff, specialist haulage and the client to adapt to the varying characteristics of the materials excavated. With Augean E&C's support, AV Dawson removed over 5,000 tonnes of dredging waste and completed the project on time, with the Chairman of AV Dawson praising the positive "can-do" attitude of the Augean team.

Radioactive Waste Services (RWS)

This business unit was created in November 2013, with radioactive waste having previously been managed by the Energy & Construction business (formerly Land Resources).

The principal activity of this business unit is the treatment and disposal of low level radioactive waste generated from the UK nuclear estate. The disposal of the waste is facilitated by the Nuclear Decommissioning Authority as the waste is generated primarily from the decommissioning of redundant power plants and research facilities, with the RWS business bidding to dispose of the waste through a framework with Low Level Waste Repository Limited (LLWR). The ultimate primary customer is a Government agency and the volume of waste dealt with is seasonal, with significant volumes ordinarily seen in the period from January to March each year, such that the majority of revenue and profits from this business are generally expected to occur in the first half of the Augean financial year.

The RWS business also generates revenues from the treatment of naturally occurring radioactive material (NORM). During 2014, this revenue stream fell to £0.12m compared to 2013 revenues of £0.24m, with more of the waste in the market in 2014 being suitable for treatment via incineration. This market remains an area for potential high growth in future, in particular as the market for decommissioning of North Sea oil and gas platforms develops in the medium term.

"DURING 2014, THE BUSINESS WAS SUCCESSFUL IN OBTAINING A PLACE ON AN ADDITIONAL LLWE FRAMEWORK FOR WASTE TREATMENT SERVICES"

The total revenue from the disposal and treatment of low level radioactive waste, excluding landfill tax and intra-group trading, increased by 12% to £1.8m (2013: £1.6m), with an increase in operating profit of 12% to £1.0m (2013: £0.9m) and an increase in EBITDA of 19% to £1.1m (2013: £0.9m). This was generated from a total volume of 4,323 tonnes, a decrease of 8% compared to 4,718 tonnes in 2013.

During 2014, the business was successful in obtaining a place on an additional LLWR framework for Waste Treatment Services, which opened up the potential for additional waste streams and associated revenues in future years. Pleasingly, this business was also able to offer advisory services to several customers, demonstrating the value of the Group's waste management and disposal expertise, which was a key factor in the increase in the average fee charged per tonne of radioactive waste in the year. This maintains the possibility that the business can extend the range of services it offers, in line with the strategy of the Group.

Case Study

The UK Atomic Energy Authority (UKAEA) is at the forefront of international research on nuclear fusion, the importance of which is widely recognised given the challenges of global climate change. Augean Radioactive Waste Services (RWS) engaged with UKAEA throughout their Environmental Permitting Regulations (EPR) permit process for the accumulation and disposal of radioactive waste from their research facilities at Culham.

Through this process, including collaborative work with the customer, it was apparent that a new route for their Low Activity – Low Level Waste was required.

Whilst assessing their planned approach, the UKAEA team visited Augean's East Northants Resource Management Facility (ENRMF) where the staff demonstrated their professional, safe and compliant disposal methods, as well as delivering best available technique (BAT), as required by Culham's permit.

Augean's facility at ENRMF is an important UK asset which helps the research and decommissioning industries manage the least harmful active waste. In opening this route, Augean has provided a service to the UK and set a standard of excellence for working with their local community stakeholders.

The first movements of UKAEA's Culham waste for disposal at Augean's ENRMF facility were completed in late 2014.

Industry & Infrastructure (I&I)

This business unit was formerly called Oil & Gas Services and its principal activity is the recovery and recycling of oil and solvents, as well as the provision of specialist industrial cleaning and other waste management services to a range of markets, including chemical processing & manufacturing, port & shipping operations, water treatment & supply and onshore demolition & clean up. This includes the treatment of drill cuttings from the North Sea Oil & Gas market, which are supplied through the Augean North Sea Services business, with oil rig operators the end customer of the Group. The business primarily operates from sites in Avonmouth and Paisley, as well as operating the Port Clarence Waste Recovery Park on Teesside and providing industrial services solutions on client sites.

This business has high operational gearing, with increased levels of throughput and associated revenue being achieved in order to increase margins and drive improvements in profitability. The business achieved a significant increase in revenue of 30% to £12.5m (2013: £9.6m), primarily as a result of organic growth from the existing client base.

Notable strategic achievements in the year included partnering with technical industrial services operators, the provision of 24/7 solutions to the water industry and the continuation and strengthening of support to the Augean North Sea Services business.

"THE BUSINESS ACHIEVED A SIGNIFICANT INCREASE IN REVENUE AS A RESULT OF ORGANIC GROWTH FROM THE EXISTING CLIENT BASE"

The increased level of revenue throughput led to a reduced operating loss of £0.6m in the year (2013: loss of £1.0m). Improved profitability was seen during the year, such that the operating loss for the year comprised a loss of £0.5m related to the first half of 2014 and a loss of £0.1m related to the second half. The business generated a positive EBITDA of £0.5m in the year, having reached its short-term target of EBITDA break-even in 2013. With improved profitability and margins achieved in 2014, as well as positive EBITDA, management remains confident of further progress in 2015.

A total of £0.5m of capital investment was undertaken in the I&I business, of which c. £0.4m represented maintenance capital expenditure and £0.1m related to development capital expenditure.

Case Study

Our customer is a leading UK-based naval support business and Tier-1 partner to the Ministry of Defence. Operating 'round-the-clock', Augean Industry & Infrastructure (I&I) provides tank cleaning, waste collection and transport & waste treatment services at two of the country's key operational bases.

The contract is operated in accordance with the client's exacting specifications and requirements and demonstrates a collaborative approach to working. Specialist equipment and staff are supported from I&I's operational sites, which provide resilient support to the contract and access to downstream waste treatment capability.

Serving the two bases and their users, the contract requires the highest levels of service capability to satisfy significant fluctuations in demand, assisting in the smooth running of key strategic vessel maintenance and repair activities and in support of NATO naval exercises.

In successfully executing the contract over a number of years, Augean has been able to apply knowledge, expertise and capabilities to provide the high level of response needed by the customers. I&I has brought innovative solutions to some key and challenging issues, as well as providing access to waste treatment and recovery solutions, which help achieve 99.9% diversion from landfill.

Augean Integrated Services (AIS)

The AIS business was newly formed at the start of 2014, having been initially formed from certain of the assets and direct customers from the continuing element of the legacy Waste Network business.

The business operates from a site in Cannock and a high temperature incinerator (HTI) in Sandwich, East Kent. The HTI was previously held under a ten-year lease, which commenced in 2012. In May 2014, the Group purchased the HTI, along with related freehold land and buildings for a total price of £1.9m, of which £1.5m was paid upon completion of the purchase and £0.4m of the consideration was deferred, with £0.2m due in each of January 2015 and January 2016, saving rental costs of £0.3m per annum on the remaining eight years of the lease.

AIS offers a total waste management (TWM) service, through a team of highly knowledgeable experts, who work with customers on a consultative basis to address their waste management and compliance needs, as well as leveraging the niche HTI asset in East Kent, which is designed to incinerate high-value low volume goods, such as pharmaceutical or other specialist waste, in a secure fashion.

Having experienced some operational issues with the East Kent HTI during 2013, the 2014 financial year benefited from improved operating reliability, with increased asset availability compared to 2013, but saw the loss of two key contracts which hindered the ability of the business to maintain an optimal level of volume through the incinerator. During 2014, the business recruited commercial resource with sector-specific expertise, enabling the business to secure new TWM contracts with high-value customers in the latter part of the year, the full year impact of which is expected to occur in 2015 and beyond.

"AIS OFFERS A SERVICE THROUGH A TEAM OF HIGHLY KNOWLEDGEABLE EXPERTS AS WELL AS LEVERAGING THE NICHE HTI ASSET IN EAST KENT"

The AIS business generated revenue of £4.2m, a 60% increase compared to equivalent revenue of £2.6m in 2013 from the continuing element of the Waste Network business, which subsequently became the AIS business. This revenue included £1.6m from contracted TWM business (2013: £1.2m).

The business made an operating loss of £0.7m (2013: operating loss £1.1m) and a negative EBITDA of £0.5m (2013: negative EBITDA £0.9m). This reflects an improvement in the second half of the financial year; with a second half operating loss of £0.25m compared to £0.45m in the first half, as a result of the additional new contracted work secured.

A total of £0.4m of maintenance capital expenditure was undertaken in the AIS business, most of which was at the East Kent site.

Case Study

Eaton Aerospace embarked on a waste reduction programme at one of its key UK sites to eliminate all wastes sent to landfill. When Augean Integrated Services (AIS) commenced services at the site they had already achieved 85% recycling diversion from landfill, which was impressive for a manufacturing site of its size but fell short of Eaton's global CSR targets.

Eaton is an exemplar of the high value manufacturing sector that is one of AIS's key markets. The employees working at this facility manufacture, assemble and test aerospace fuel, air, actuation, electrical, hydraulic and composite components and sub-systems for military, commercial aviation, general aviation and motorsport markets.

By working closely on site with the Eaton staff and understanding their disposal challenges, AIS was able to leverage its operational and market knowledge and experience to establish recycling routes for the remaining 15% of landfill waste. This has resulted in the site achieving 100% landfill diversion. Further progress has also been made in valorising waste material streams, in line with Eaton's corporate goals. This demonstrates a passion by AIS to understand a client's strategic drivers and deliver benefits via incremental improvements through a partnership approach.

Augean North Sea Services (ANSS)

2014 was the second full year of trading of the ANSS business as a subsidiary of the Group, which operates in the North Sea Oil & Gas market, primarily from four sites in Aberdeen but also from a site at Lerwick, in the Shetland Islands. The primary revenue streams are from drilling waste management, which includes drill cuttings management and the rental of offshore engineers and equipment to customers, as well as onshore and marine industrial services and water treatment.

In 2014, the business saw significant revenue growth of 57% to £14.5m, with an increase in operating profit of 49% to £1.0m and an increase in EBITDA of 44% to £1.5m. This significantly exceeded management expectations and was despite an extremely poor start to 2014 due to adverse weather conditions in the North Sea in the first quarter of the year. During 2014, the business maintained incumbency on an average of 4.3 rigs, compared to 3.0 in 2013.

The business has seen strategic traction in its aim to move up the supply chain and deal directly with oil & gas operators and tier-1 customers in this market, with a total of 75% of revenues directly generated from those customers in 2014 (2013: 67%). This increases the potential for the business to widen its service scope directly with those customers in the future.

Given the high growth seen in 2014, the Board continued its position from 2013 of reinvesting all of the EBITDA of the business into its future development. A total of £1.6m of capital investment was made, compared to EBITDA of £1.5m, of which £0.9m related to investment in skips to contain and transport drilling waste, which had previously been rented by the business.

The ANSS business delivered an impressive 2014 full year performance with high activity levels continuing into 2015. However, the significant decline in world oil prices, seen in the latter part of 2014 and in 2015, means that there is increased risk surrounding the future profitability of this business. In view of these market conditions, ANSS has implemented a pay freeze for staff with effect from 1 January 2015 and is in the process of multi-skilling some of its employees to optimise operational efficiency for key customers and support the broadening of service scope. These measures, combined with leveraging direct relationships with oil & gas operators and tier-1 customers, will further increase competitiveness for the commercial opportunities which continue to arise.

As a support service business, 2014 operating expenses included 74% variable costs, with the remainder comprising 4% depreciation and 22% other fixed costs.

The low proportion of fixed operating expenses gives the business the agility to effectively adjust its cost base should a reduction in current activity levels occur or commercial opportunities not come to fruition. The cost base of this business is monitored closely by management, alongside the continuous improvement in safety and service delivery performance that is earning the business increasing recognition from operators and tier-1 customers in the sector.

The Board remains confident that the ANSS management team has the capability and credibility in the North Sea Oil market to maintain high levels of operational efficiency in the short term and to position the business for continued profitable growth in the medium and long term. This confidence is signalled by the decision, subsequent to the year end, to take the opportunity to purchase the remaining 19% of shares in ANSS, not already held by the Group, from the minority shareholder, at a price which is equivalent to less than four times 2014 EBITDA and would still be considered to represent an attractive equivalent multiple of future EBITDA, even in the event of a modest reduction in financial performance in the short to medium term. Based on latest management expectations, this transaction is expected to be immediately accretive to earnings per share.

Following the announcement of support for the UK Continental Shelf Oil & Gas industry in the 2015 Budget, it is anticipated that this will assist operators in their investments, including drilling activity which is an important sector for ANSS.

The Board continues to monitor events in the North Sea Oil & Gas market, given their potential impact on the ANSS business.

Case Study

Perenco, the independent oil & gas company, awarded a specialist industrial services contract to Augean North Sea Services (ANSS), to clean a separator, including ultra-high pressure (UHP) cleaning and management of naturally occurring radioactive material (NORM). ANSS took responsibility for controlled access to the separator, as well as the cleaning and decontamination scope, including the removal of internal parts in preparation for an upgrade project.

The proactive approach adopted by the ANSS team allowed for the wide range of potential conditions and requirements to be overcome, with the ANSS crew safely and successfully removing over 16 tonnes of contaminated sands and 130 separate internal components during 24/7 operations.

ANSS contained all of the material in vacuum-rated skips, for safe transportation of the material to the Augean permitted facility at Port Clarence, where the material was repackaged for final disposal at its permitted ENRMF facility.

The ANSS crew worked well with the Perenco team, achieving successful, early completion of the project, which was safe, compliant and within budget. The work undertaken during the shutdown has provided Perenco with a greatly improved performance.

Waste Network

The Waste Network business was earmarked for closure in late 2013, at which time the business was split into a continuing element, which formed the basis of the new Augean Integrated Services business explained above, and an element which was subsequently closed and shown as discontinued in the 2013 Group results. Certain assets of the closed business were held for sale as at 31 December 2013 and were subsequently sold in March 2014, generating cash of £1.2m for the Group.

Long term contracts

The Group has continued to increase the proportion of its customer base which is served through a formalised agreement, consisting of either a contract or framework agreement. In 2014, revenue from the top-20 customers of the Group made up 50% of total Group revenue (2013: 47%), of which 80% was through a formalised agreement (2013: 68%).

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 operation and future development of the business. During 2014, we have prepared planning and permit applications for extension of the landfill sites at Thornhaugh and Port Clarence. The application for Thornhaugh will enable Augean to re-engineer part of the landfill site and remove historic liabilities while creating new void and prolonging the life of the site to 2034. At Port Clarence, the current consent comes to an end in 2016 so we are seeking to secure long term planning permission for the landfill site. It is anticipated that the applications will be determined during 2015. In May 2014, the business acquired the East Kent HTI, with additional contiguous land known as Bloody Point. We immediately sought, and obtained from Kent County Council, planning permission to develop the asset for waste use. In parallel, we have varied the Environmental Permits for the incinerator so that our hazardous and radioactive waste storage activities can be extended to Bloody Point. The permits were granted in early 2015.

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. To fully exploit the DCO it is necessary to vary the permits for LLW and hazardous wastes. Extensive technical work has been undertaken including environmental impact and risk assessments to ensure that the on going development will not cause harm to human health or pollution of the environment. It is anticipated that the revised permits will be issued by the end of 2015.


CASE
CX300C

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 (financial 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, which will be published alongside the Annual Report & Accounts.

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 reports are 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 HEALTH & SAFETY OF OUR EMPLOYEES AND COMPLIANCE WITH REGULATIONS ARE THE TOP TWO BUSINESS PRIORITIES."

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 sustained high standards and low environmental impact.

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 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 for hazardous waste (NPS), directly engaging with Government departments and giving evidence at the Parliamentary Select Committee inquiry. In 2014 we engaged actively and extensively in policy development in a wide range of areas affecting the business including Landfill Tax, landfill acceptance criteria, the development of strategic BAT for organic low level wastes and the review of low level waste 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 1.8% pay award for all management and staff from 1 January 2015, with the exception of Augean North Sea Services where pay rises were not granted due to the macroeconomic conditions currently being seen in the North Sea Oil & Gas market. We also introduced a

living wage policy and made adjustments accordingly in respect of legacy pay from one of our acquisitions. The pay awards seek 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.

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 2013, 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 used in the induction 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 1,800 near misses and 300 safe acts were reported during 2014 (achieving the target of one report per operational employee per month) and at the same time there was a 12% reduction from the previous year in the number of accidents causing injury to a person or damage to property, continuing the year on year improvement.

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 public exhibitions, 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 and the Low Level Waste Fund. A total of £417,000 was contributed through these schemes 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 local events.

Financial performance

"RETURN ON CAPITAL EMPLOYED INCREASED TO 10.7% IN 2014."

Group overview

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

£'m except where stated	2014	2013
Revenue	55.0	43.5
Operating profit	6.1	5.1
Profit before taxation	5.4	4.4
Profit after taxation	4.3	3.4
EBITDA (defined below)	10.0	7.8
Net operating cash flow	7.7	6.5
Basic earnings per share	4.13p	3.29p
Return on capital employed	10.7%	8.9%

Exceptional items are detailed below.

On a statutory basis for continuing operations, operating profit was £6.7m (2013: £4.9m), profit before tax was £5.9m (2013: £4.2m), profit after tax was £4.8m (2013: £3.2m), basic earnings per share were 4.64 pence (2013: 3.13 pence) and net operating cash flows were £8.4m (2013: £6.3m).

Trading, operating profit and EBITDA

Net revenue from continuing operations for the year ended 31 December 2014 increased by 26% to £55.0m (2013: £43.5m).

Operating profit before exceptional items from continuing operations increased by 20% to £6.1m (2013: £5.1m) and profit before tax increased by 22% to £5.4m (2013: £4.4m), on the same basis.

Discontinued operations relate to the former Waste Network business, which was substantially closed by the end of 2013, with residual assets sold in 2014. Discontinued operations recorded an operating loss of £0.3m (2013: £5.3m loss).

Earnings before interest, taxation, depreciation and amortisation (EBITDA), from continuing operations and before exceptional items, is determined as follows:

	2014 £'m	2013 £'m
Operating profit	6.1	5.1
Depreciation and amortisation	3.9	2.7
EBITDA	10.0	7.8

Exceptional items

Exceptional items totalled a net credit of £0.3m before taxation, of which a charge of £0.2m related to the closure of the Waste Network business and is accordingly classified as discontinued.

Exceptional items from continuing operations totalled a net credit of £0.5m and comprised an amount from the settlement of litigation, with the previous owners of an acquired subsidiary of the Group, of £1.6m less associated professional fees of £0.7m, restructuring costs of £0.2m and other items totalling £0.2m.

Finance costs

Total finance charges reflected the payment of interest on bank debt and other financial liabilities, totalling £0.8m (2013: £0.7m). This included the non-cash unwinding of discounts on provisions totalling £0.1m (2013: £0.1m).

Taxation

The Group recognised an accounting tax charge of £1.1m (2013: £1.0m) for its continuing operations and a tax credit of £0.6m (2013: £0.4m credit) in respect of discontinued operations.

The accounting tax charge of £1.1m for continuing operations represents 19.0% of profit before taxation, on the same basis. This compares against the headline rate of corporation tax of 21.5%.

The Group paid corporate tax of £0.8m during the year, £0.5m in respect of 2014 liabilities and £0.3m in respect of previous years. A current tax liability of £0.6m (2013: £0.3m) remains in the balance sheet at the year end.

A deferred tax asset of £1.7m (2013: £1.1m) is recognised in the balance sheet, which reflects the extent to which the Board believes that the assets will be recovered in the short to medium term. A deferred tax asset of £0.9m is unrecognised (2013: £nil) as the expected usage is not sufficiently predictable. This asset is expected to be recovered in the ordinary course of business and will, therefore, be re-recognised when its recovery is foreseeable.

Earnings per share

Basic earnings per share (EPS), from continuing operations and excluding exceptional items, increased by 26% to 4.13 pence (2013: 3.29 pence).

Statutory basic EPS, from continuing and discontinued operations was 4.92 pence (2013: loss per share of 1.79 pence).

The Group made a profit after taxation, from continuing operations and excluding exceptional items, of £4.3m (2013: £3.4m), of which £4.1m (2013: £3.3m) was attributable to equity shareholders.

The total number of ordinary shares in issue increased during the year from 99,699,414 to 101,991,380 with the weighted average number of shares in issue increasing from 99,699,414 to 100,053,156, for the purposes of basic EPS.

Dividend

The Board has recommended a dividend of 0.50p per share (2013: 0.35p), payable on or after 12 June 2015, following an ex-dividend date of 4 June 2015 and a record date of 5 June 2015, subject to shareholder approval at the Annual General Meeting. The dividend per share has increased by 43% from the previous year, which continues to reflect increased confidence over future prospects and maintains the Board's commitment to pay a progressive dividend to shareholders. The proposed dividend is covered 8.3 times (2013: 9.4 times) from the continuing operations of the Group, before exceptional items.

Cash flow and net debt

The cash flow of the Group is summarised as follows:

	2014 £'m	2013 £'m
Net operating cash flows from continuing operations and before exceptional items	**7.7**	6.5
Net operating cash flows from exceptional items and discontinued operations	**0.4**	(1.6)
Total net operating cash flows	**8.1**	4.9
Maintenance capital expenditure	**(2.7)**	(3.2)
Post-maintenance free cash flow	**5.4**	1.7
Development capital expenditure	**(2.7)**	(3.8)
Purchase of East Kent freehold	**(1.5)**	—
Proceeds from sale of assets of discontinued operation	**1.2**	—
Free cash flow	**2.4**	(2.1)
Dividend payments	**(0.4)**	(0.3)
Proceeds from issuance of equity	**0.8**	—
Net cash generation	**2.8**	(2.4)

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

The post-maintenance free cash flow of the Group, from continuing operations and excluding exceptional items, increased by 49% to £5.0m (2013: £3.3m), after excluding net operating cash flows from exceptional items and discontinued operations, of £0.4m inflow (2013: £1.6m outflow).

Net operating underlying cash flows were generated from continuing trading as follows:

	2014 £'m	2013 £'m
EBITDA from continuing operations and before exceptional items	**10.0**	7.8
Net working capital movements	**(1.3)**	(0.4)
Interest and taxation payments	**(1.3)**	(1.0)
Other	**0.3**	0.1
Net operating cash flows from continuing operations and before exceptional items	**7.7**	6.5

Net operating cash flow as a percentage of EBITDA worsened to 77% in 2014 (2013: 83%), primarily as a result of an increase of £3.1m in trade and other receivables, from continuing operations, during the year.

This was impacted by the decision of three major customers to defer their December 2014 payments into early January 2015, which accounted for £0.8m of the increase. Excluding this, total receivables increased by £2.3m, equivalent to 24% against the 31 December 2013 position, which reflects an increase of 26% in total revenue from continuing operations from 2013 to 2014.

The Group announced the purchase of the assets and site at the East Kent Waste Recovery Facility during the year for a total consideration of £1.9m, with £1.5m paid in 2014 and £0.2m payable in each of January 2015 and January 2016. The purchase of the freehold saves annual rental expenses on the remaining eight years of the lease of £0.3m per annum.

During the year, the Group sold certain residual assets from the closure of the Waste Network business, for net proceeds of £1.2m.

Excluding the East Kent and Waste Network transactions, capital investment in property, plant and equipment made by the Group totalled £5.4m (2013: £6.9m) and is shown in the table below. This is split between maintenance investment, focused on upgrading existing facilities and development investment on new activities, with planning investment to secure permissions to operate split between maintenance and development, dependent upon the specific nature of that capital expenditure:

	Maintenance £'000	Development £'000	Total £'000
Energy & Construction	1,345	930	2,275
Radioactive Waste Services	—	84	84
Industry & Infrastructure	376	146	522
Augean Integrated Services	402	9	411
Augean North Sea Services	278	1,334	1,612
Other/corporate	105	231	336
Total	**2,506**	**2,734**	**5,240**

During the year, the Group received a total of £0.8m (2013: £nil) of equity proceeds from the exercise of share options by current and former employees.

As a result of the above net cash generation, net debt, defined as total financial liabilities less cash and cash equivalents, fell to £5.7m at 31 December 2014, from £8.5m at 31 December 2013. This represented gearing, defined as net debt divided by net assets, of 10.6% (2013: 17.7%). The ratio of net debt to EBITDA, from continuing operations and before exceptional items, was 0.6 times (2013: 1.1 times).

Financing

The activities of the Group are substantially funded by a bank facility, comprising an amortising term loan, revolving credit facility and bank overdraft. That facility was renewed in March 2014 with HSBC Bank plc, at an initial total level of £15m, which had amortised, in the ordinary course of business, to £14.25m by 31 December 2014. The maturity of the term loan and amortising facility is July 2017 and the overdraft is reviewed annually. This facility, along with the underlying cash generation of the Group, is expected to provide the required funds to support further growth of the business over that period. As at 31 December 2014, the undrawn funds available to the group totalled £7.1m, excluding cash of £1.5m.

The bank facility includes the following two financial covenants, which are tested on a quarterly basis:

Ratio of net debt to EBITDA	not more than 2.5 times
Ratio of operating profit to cash interest costs (interest cover)	not less than 3.0 times

As at 31 December 2014, the Group was in compliance with both covenants, with significant headroom.

Balance sheet and return on capital employed

Consolidated net assets were £53.8m on 31 December 2014 (2013: £48.0m) and net tangible assets, excluding goodwill and other intangible assets, were £33.9m (2013: £28.2m), of which £1.0m (2013: £0.8m) was not attributable to equity shareholders of the Group.

Return on capital employed, from continuing operations and excluding exceptional items, defined as operating profit divided by average capital employed, where capital employed is net assets excluding net debt, increased to 10.7% in 2014 (2013: 8.9%).

Impairment reviews

In accordance with IAS 36 'Impairment of Assets', an annual impairment review was carried out for each cash-generating unit (CGU) to which significant goodwill is allocated and also any other CGU where management believed there may have been an indication of potential impairment to the carrying values of assets in those CGUs.

For the continuing operations of the Group, this exercise was completed for the Energy & Construction and Industry & Infrastructure CGUs, which both contain significant levels of goodwill, as well as the Augean Integrated Services High Temperature Incinerator, as a result of performance levels and the Augean North Sea Services business, and as a result of the declining macroeconomic conditions seen in the North Sea Oil & Gas market in late 2014 and early 2015. Those detailed reviews indicated that no change was required to the carrying value of the goodwill, nor were any other impairment losses to be recognised in the consolidated balance sheet, in respect of the continuing operations of the Group, at 31 December 2014.

In the prior year, an impairment loss of £3.9m was recognised in respect of the Waste Network CGU, which is reported as a discontinued operation and has now been closed. That charge was recognised in the 2013 income statement as an exceptional item and included £2.1m related to goodwill for this CGU.

Note 10 contains further details of the reviews performed and the results for each CGU.

Key Performance Indicators

The Augean PLC Board of Directors, Group Management Board and local management teams regularly review the performance of the Group as a whole along with the performance of individual business units. This includes the use of a balanced scorecard for applicable key performance indicators (KPIs) to monitor progress towards delivery of the Group's principal targets.

The focus of the Group is in three priority areas.

1. Health & safety, monitored through near miss incidents and the number of accidents incurred;
2. Compliance with regulations, in particular Environment Agency and Scottish Environment Protection Agency audit results; and
3. Financial performance.

Certain KPIs are set out in the table overleaf for continuing operations, each relating to these priorities and showing the equivalent result for the previous year. An explanation as to why these KPIs are important to the Group is also included and where appropriate, KPIs are linked to the core areas of the Group's strategy, using the key shown underneath the following table:

KPI	Link to strategy	Applicable area(s) of the Group	2014 outcome	2013 outcome
Number of accidents[1] Health & safety is the highest priority of the Group	SMP	E&C, I&I, AIS, ANSS	E&C: 10 I&I: 13 AIS: 5 ANSS: 7	E&C: 17 I&I: 7 AIS: n/a ANSS: 3
Number of near misses reported[2] Health & safety is the highest priority of the Group	SMP	E&C, I&I, AIS, ANSS	E&C: 319 I&I: 670 AIS: 287 ANSS: 522	E&C: 732 I&I: 818 AIS: n/a ANSS: 343
Compliance scores[3] Augean operates in a highly regulated environment and aims to carry on the highest levels of compliance with relevant regulations and planning and permitting conditions	SMP	E&C, RWS, I&I, AIS, ANSS	E&C: C RWS: A I&I: B/ Excellent AIS: D ANSS: Excellent	E&C: B RWS: B I&I: A/ Excellent AIS: n/a ANSS: Excellent
Underlying profit before taxation[4] This is the key measure of underlying profitability of the Group	GSV	Group	£5.4m	£4.4m
Post-maintenance free cash flow[5] This shows the efficiency of the Group in converting its profits into cash, in a steady state, which is then available to reinvest for future growth and distribute to our shareholders	GSV	Group	£5.0m	£3.3m
Return on capital employed[6] The Group has several capital intensive business units and aims to generate a superior return for its shareholders from its investments.	GSV	Group	10.7%	8.9%
Proportion of revenue from contracts or framework agreements[7] This is a measure of the relative certainty of future cash flow	SMP, CFS, GSV	Group	80% of top 20 Top 20: 50% of Group revenue	68% of top 20 Top 20: 47% of Group revenue
Volumes of waste disposed to our landfill sites This is a prima facie indicator of successful growth in the highly regulated markets in which we operate	SMP, CFS, GSV	E&C, RWS	E&C: 332,000 te RWS: 4,300 te	E&C: 290,800 te RWS: 4,700 te

KPI	Link to strategy	Applicable area(s) of the Group	2014 outcome	2013 outcome
Level of contracted revenue from Total Waste Management We aim to deliver a total solution to the marketplace, which allows us to use our specialist sector expertise to add value to our customers and grow our returns in this capital-light, service-led business area	SMP, CFS, GSV	AIS	£1.6m	£1.2m
Amount of North Sea Oil & Gas revenue generated directly from operators and Tier-1 customers We aim to generate an increasing proportion of our revenues from these companies, moving up the supply chain, increasing our credibility in the marketplace and reducing both credit risk and the risk of intermediary margin erosion	SMP, CFS, GSV	ANSS	75% of ANSS revenue	67% of ANSS revenue

Strategic key
SMP Develop sustainable market positions
CFS Grow through client-focused solutions
GSV Grow shareholder value

1 The number of total reported accidents, including those resulting in damage to plant or equipment. This is an absolute figure which has not been normalised for changes in employee numbers. The RWS business uses the assets of other businesses in the Group and, therefore, separate site results are not applicable for RWS.

2 The total number of incidents reported which could have resulted in an accident or injury or damage to property. The RWS business uses the assets of other businesses in the Group and, therefore, separate site results are not applicable for RWS. Result excludes corporate near misses reported.

3 The average of audit scores notified during the year by the Environment Agency (EA) in England or the Scottish Environment Protection Agency (SEPA) in Scotland. The EA notifies results on the scale A-F and SEPA notifies on the scale Excellent-Very Poor.

4 Group profit before taxation, from continuing operations and excluding exceptional items.

5 Net operating cash flows, from continuing operations and excluding exceptional items, less maintenance capital expenditure.

6 Calculated as operating profit, from continuing operations and excluding exceptional items, divided by average capital employed, where capital employed is the consolidated net assets of the Group excluding net debt.

7 Total revenue from top 20 customers, arising from commercial arrangements under contract or other framework agreement, divided by the total revenue of those customers in the year.

Events since the end of the financial year

On 10 March 2015, the Group completed the purchase of the remaining 19% of shares, not already held by the Group, in its subsidiary company, Augean North Sea Services Limited (ANSS), thereby making ANSS a wholly-owned subsidiary of the Group. The consideration for the shares was £1,050,000, which was paid in cash on the same date.

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 as far as possible and by linking gate fees and other customer charges, 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 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 the Environment Agency, the Scottish Environment Protection Agency (SEPA), the Department for Environment, Food & Rural Affairs (DEFRA) and the Department of Energy & Climate Change (DECC).

Environmental compliance

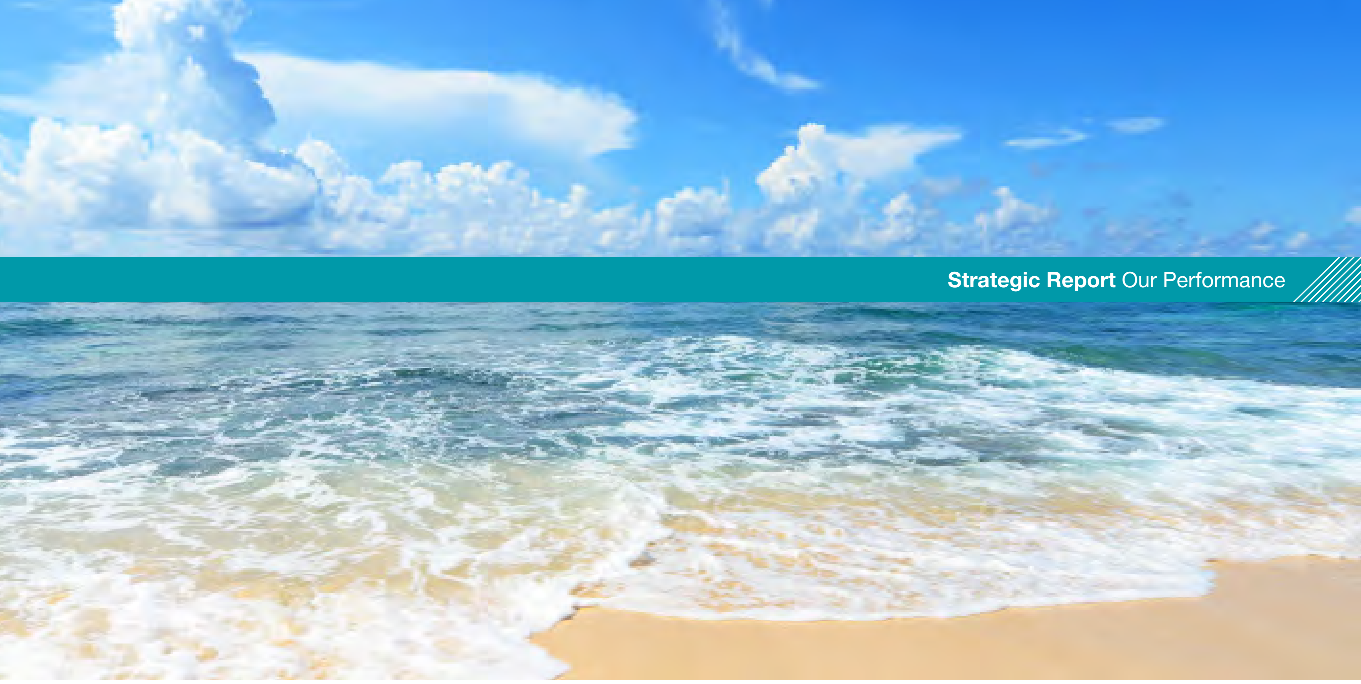
All operating sites and activities are regulated by environmental authorities in line with the requirements set out within licences and permits. These licences and permits are required to carry on the business of the Group and compliance with their terms is essential to its success. Withdrawal or temporary 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 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. The Group is mitigating this threat by developing treatment solutions for customers which utilise landfill when this is the most appropriate commercial and environmental solution, but provide alternative approaches whenever they are suitable.

The Group mitigates this risk through the employment of technical experts, by working to well-established policies and procedures described in its Integrated Management System, through the provision of training to develop the knowledge and competence of its staff and through regular monitoring and review of compliance performance. Further details of how the Group monitors and controls environmental compliance are set out in the Group's Corporate Social Responsibility (CSR) report.

Health and safety performance is constantly monitored and reviewed, including formal reviews at each Augean PLC Board meeting and monthly reviews by the Group's Management Board. These mechanisms also include detailed reviews of any relevant incidents, which allow the lessons learnt from such incidents to be fed back to local teams, in order to reduce the likelihood of recurrence.

The Group reviews its pricing policies on an ongoing basis to ensure that it influences and stabilises the market, whilst responding to emerging trends and customer needs. As part of the Group's established sales infrastructure, specialist roles exist to assess and price waste consignments in line with market rates and available disposal solutions. All services are kept under review to ensure that price changes in the market do not lead to uneconomic activities being undertaken by the Group.

How the Business Manages Risk continued

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. Any downturn in the UK economy may restrict the volume of hazardous wastes produced and therefore constrain the Group's revenues.

Technological factors
Technological risk factors may cause treatment technology in use to become obsolete or too costly to maintain.

North Sea oil & gas investment
With a well-established business focused on providing waste management services to North Sea oil & gas operators, the Group has some exposure to any fall in investment for oil & gas exploration activity in the North Sea, such as those announced by certain major oil companies in early 2015. This may in turn reduce the volume of waste available for management by Augean North Sea Services (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 full rate of landfill tax rose to £80/tonne on 1 April 2014 and the UK Government announced in the 2014 Budget that those tax rates would not be reduced in the medium term, with near term future increases being based on the retail price index. 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

Such macro economic risks 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.

The Group monitors the development and application of the waste hierarchy and employs strategic planning to make timely investments in existing and new equipment. Full evaluation of operational costs and market environment is made before investment.

To mitigate this risk, the ANSS business maintains a comparatively low level of operational gearing, with the business therefore able to adjust its significant direct cost base in the event of a significant and permanent reduction in revenues. Our North Sea activities are also diversified across a number of revenue-generating streams, with services provided to customers offshore and onshore. The future growth of North Sea decommissioning volumes may provide new market opportunities for ANSS that would 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.

Outlook

There has been a strong start to 2015 in each of our five businesses, including Augean North Sea Services, and the Board believes that the Group's customer-focused, service-led approach positions it to capitalise on opportunities in the markets that it serves. The Group will continue to leverage the expertise of our people and the targeted capital investment that has been undertaken in pursuit of double-digit profit growth. The Board notes the prevailing conditions in the North Sea oil & gas market and the measures in the Budget announced this month to stimulate investment by the oil & gas operators, including exploration.

The continued execution of the strategy of the wider Augean Group and the portfolio effect of maintaining five businesses in diverse markets, along with an expectation of continuing general UK economic recovery, means that the Board remains confident of another year of increasing profitability and cash flows in 2015.

By order of the Board

Dr Stewart Davies
Chief Executive Officer
23 March 2015

Directors' Report

The Directors present their report and the audited financial statements for the Group and Company for the year ended 31 December 2014.

Principal activity and business review

The principal activity of the Group is the provision of specialist services focused on hazardous waste. These services include waste treatment, recovery, recycling and secure disposal. The Group operates substantially entirely 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 profit after tax for the year was £5.1m (2013: £1.7m loss) from revenue of £55.2m (2013: £47.1m). The profit included exceptional items of £0.9m net credit (2013: charge of £4.2m), of which a credit of £0.4m relates to discontinued operations, which are now disposed.

The Board has recommended a dividend for the year of 0.50p per ordinary share, to be paid on or after 12 June 2015 for shareholders on the register at 5 June 2015 (2013: 0.35p).

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 Corporate Social Responsibility (CSR) report.

Management of risks

The Group has developed procedures for the management of risks relating to price, credit, liquidity and cash flow.

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. A risk register is maintained and regularly reviewed by the Board.

The Group has maintained its policy that no trading in financial instruments shall be undertaken. The Group's principal financial instruments during the period comprised bank loans, cash and cash equivalents and finance leases. The main purpose of these financial instruments is to finance the Group's operations. The Group's other financial instruments include short-term receivables and payables which arise directly from its operations. There was no material difference between the fair value of the financial assets and financial liabilities and their book value.

Liquidity risk 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.

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, with longer terms granted to certain customers. Invoices older than agreed terms are assessed.

Employees

The Group's policy is to ensure the adequate provision for the health, safety and welfare of its employees and 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 proactive safety behaviours 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 Group 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.

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 Group'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 £417,000 (2013: £359,000) of its landfill tax liability to registered environmental bodies as permitted by Government regulations. No political donations were made during the year (2013: £nil).

Directors

The composition of the Board of Directors is shown on page 48 and 49. Details of the Directors' interests and remuneration are given in the Directors' Remuneration Report on pages 56 to 58. Richard Laker was appointed as Group Finance Director with effect from 2 September 2014 and offers himself for election to the Board at the Annual General Meeting. On 23 March 2015, the Group announced that Roger McDowell would be stepping down from the Board. Mr McDowell will resign from the Board at the Annual General Meeting. In accordance with the articles of association of the Company, Rory Macnamara will retire from the Board and will offer himself for re-election at the Annual General Meeting.

Substantial shareholdings

The number of shares issued by the Company increased during the year, from 99,699,414 as at 1 January 2014 to 101,991,380 at 31 December 2014. The Company had been notified of the following interests of more than 3% in its shares as at 12 March 2015:

	Number of shares	% of total
Ingot Capital Management	19,764,442	19.38
Cazenove Capital Management	19,534,000	19.15
J O Hambro Capital Management	11,475,000	11.25
Henderson Global Investors	10,949,965	10.74
UBS Investment Bank	5,782,173	5.67
Unicorn Asset Management	3,173,431	3.11

Corporate governance

A separate corporate governance report follows this Directors' report.

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

Contact with investors

All shareholders have access to the interim and annual reports and are invited to attend the Annual General Meeting (AGM) at which all Board Directors are present. The Group periodically hosts presentations at its sites and capital markets events for the investor community and provides detailed information for shareholders and the general public on its website at 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.

As highlighted in note 26, the Group met its short term working capital requirements during 2014 through an overdraft and revolving loan facility (the Facility), which was renewed and increased with HSBC Bank plc on 7 March 2014, providing access to a term loan and revolving loan facility for an extended period to July 2017 (the New Facility). The overdraft is reviewed annually. The New Facility provided debt funding to the Group of up to £15.0m at the point of commencement of the New Facility, which had subsequently amortised to £14.25m in accordance with the New Facility agreement by 31 December 2014. The provision of the New Facility 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 2014 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 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. Landfill cell engineering is aligned with cash flows through a comprehensive capital planning process. 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 in the financial review shows expenditure during 2014 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 in the Group results 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 Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have 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 and Group 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.

The Directors' confirm that:

- so far as each Director 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. Having extended the term of the lead audit partner to a sixth year for the year ended 31 December 2013, due to the business being in a transitional phase, the lead audit partner has duly changed in advance of the 2014 financial year end, in accordance with ES3.

Auditor

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

Annual General Meeting

At the Annual General Meeting on 4 June 2015, Rory Macnamara 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. Richard Laker joined the Company and was appointed to the Board on 2 September 2014. Being eligible, he will offer himself for election as an executive Director at the AGM. Roger McDowell 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

Richard Laker
Company Secretary
23 March 2015

Our Governance

Contents

Board of Directors

Jim Meredith

Chairman and Non-executive Director

Age 54

Jim has significant experience of the waste industry, having held several senior roles within the sector. He was formerly Chief Executive of FCC's UK asset base with revenues of approx. £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, he was an executive Director of Shanks plc. More recently, Jim was CEO of SCAID Capital, whose main business was Willerby Holiday Homes, the UK market leader in the manufacture of holiday homes.

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

Dr Stewart Davies

Executive Director and Chief Executive Officer

Age 54

Stewart joined Augean 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 Innovate UK (formerly the Technology Strategy Board), the UK's national innovation agency which aims to accelerate economic growth by stimulating and supporting business-led innovation. In October 2013, he was appointed as a Director of Decom North Sea, the industry forum of offshore decommissioning in the North Sea.

He was appointed to the Board and became Chief Executive in August 2013.

Andrew Bryce

Non-executive Director and Chairman of the Nominations Committee

Age 67

Andrew has had a long career in environmental law in the UK and currently runs his own law firm, Andrew Bryce & Co, which specialises in regulatory defence and board level advice on environmental management, strategy and liability issues. He was previously an equity partner and head of environmental services at City law firm Cameron Markby Hewitt (now part of CMS Cameron McKenna). He has held the chairmanship of the United Kingdom Environmental Law Association, of which he is an honorary life member.

He was appointed to the Board of Augean in June 2005 and carries on liaison between the Board of Directors and the Safety & Compliance Committees that operate at an executive level within the business.

Richard Laker

Executive Director and Group Finance Director

Age 38

Richard joined Augean in September 2014 from Northgate plc, where he had held a number of senior finance roles since 2004, including Group Financial Controller and, since May 2011, UK Finance Director. As Finance Director of Northgate's £400m revenue UK and Irish business, Richard oversaw the delivery of significant efficiencies through its finance function and was a key member of the management team during a period when the business executed a number of operational and commercial improvements to help maintain its position as market leader in the UK B2B light commercial vehicle rental sector.

Prior to Northgate, Richard worked for PricewaterhouseCoopers LLP from 1998 until 2004, where he qualified as a Chartered Accountant in 2001.

He was appointed to the Board and became Group Finance Director on 2 September 2014.

Rory Macnamara

Non-executive Director and Chairman of the Audit Committee

Age 60

Rory is a Chartered Accountant with a wide range of corporate finance transaction experience. He was previously head of mergers and acquisitions at Deutsche Morgan Grenfell and then became a Managing Director at Lehman Brothers. He is Chairman of Dunedin Income Growth Investment Trust plc and Essenden plc. Rory is also a non-executive Director of Mears Group plc and has a number of Directorships and advisory roles with other organisations.

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

Roger McDowell

Non-executive Director and Chairman of the Remuneration Committee

Age 59

Roger is currently Chairman of Alkane Energy plc, a role he has held since 2012, and since 2008 of Avingtrans plc. He was appointed as Senior Independent Director of Servelec Group prior to its flotation on the main market in December 2013. His other current non-executive roles include IS Solutions plc, Inspired Capital plc, Proteome Sciences plc, PTSG Group plc and Swallowfield plc. His duties include chairing several board committees.

Having been appointed to the Board of Augean in 2004, he acted as interim Chief Executive Officer during 2006-2007 and Chairman from 23 March 2010 until 8 June 2012. He has indicated his intention to step down from the Board at the AGM on 4 June 2015.

The Board of Directors

The Board currently comprises a Non-executive Chairman, three further independent Non-executive Directors, the 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 and 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 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 Annual General Meeting.

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 auditor. The Company has established procedures for ensuring that the Board's powers for authorising Directors' conflicts of interest are operated effectively.

As explained in the Directors' report, qualifying third party indemnity provisions have been entered into by the Company for the benefit of all Directors.

Chairman’s Corporate Governance 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 traded on the Alternative Investment Market of 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) continued to be active during the year. A report from each Committee Chairman follows, and I am grateful to each for their diligence and skill in ensuring 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 again made myself available to shareholders to discuss strategy and governance matters and was pleased to have individual meetings with some of the Group’s major shareholders during December 2014.

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 again during the year ahead. In the meantime further information is available from the Group’s website at www.augeanplc.com.

J. MEREDITH.

Jim Meredith
Chairman and Non-executive Director
23 March 2015

Corporate Governance Summary

Corporate governance summary

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 the Director of each of the Group's operating business units. The Management Board meets to formally review performance and risk once 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, the Management Board 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

AUDIT COMMITTEE

Chairman
Rory Macnamara

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 and 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 2013 and other information included in the 2013 Annual Report were reviewed. The Committee made recommendations on the content of each of these documents before recommending them to the Board for publication.

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.

Nominations Committee Report

Chairman
Andrew Bryce

NOMINATION COMMITTEE

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 2014 the activities of the Committee focused on the recruitment of a new Group Finance Director. The Committee Chairman worked with a recruitment consultant to identify suitable candidates and led the interview process through to the appointment of Richard Laker, as announced in May 2014.

Remuneration Committee Report

REMUNERATION COMMITTEE

Chairman
Roger McDowell

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 2014, with business including reviews of the remuneration for the new Group Finance Director, decisions relating to bonus awards and the granting of share options under the 2014 Long Term Incentive Plan (LTIP) as detailed below. The Directors' Remuneration Report includes the outcome of these considerations.

During the final quarter of 2013 the Committee engaged Deloitte LLP as external advisors to assist in the development of the new LTIP. This work continued into the first quarter of 2014 and 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 year vesting 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 undertook a consultation exercise with shareholders prior to finalising the details of the scheme, which delayed the final issuance of awards to participants until September 2014.

Directors' Remuneration Report

Non-executive Directors

Remuneration of the Non-executive Directors, including the Chairman, is determined by the Board as a whole, including both base fees and fees for acting as Chair of a relevant Committee.

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 2014, an inflationary pay rise of 2% was awarded to Stewart Davies. This was in line with the general inflationary pay rise given to other staff in the Company in January 2014, but was deferred to 13 August 2014, being the first anniversary of him joining the Company. Subsequent to this pay review, it was determined that the date of annual pay review for Dr Davies should change to 1 January each year, in line with the other employees of the business.

No inflationary pay rise was given to Richard Laker as he is not entitled to a salary review until 2 September 2015, being the first anniversary of his joining the Company.

(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, as well as minimum targets in respect of safety and compliance. The achievement of these targets would result in a bonus of up to 50% of basic salary. Safety and compliance targets were met during the year and the level of profit before tax achieved by the Group in the year ended 31 December 2014 means that bonuses are payable as follows:

Stewart Davies	£24,848
Richard Laker	£8,283

(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

During 2014, a new Long Term Incentive Plan ("2014 LTIP") was implemented. The 2014 LTIP was prepared in conjunction with Deloitte LLP and was awarded after the revised strategy for the Group was published and after consultation with major shareholders as to the most appropriate long term incentive mechanism.

Under the 2014 LTIP, participants are eligible to receive options over shares in the Company, up to the following maximum percentages of basic salary:

Chief Executive	200%
Group Finance Director	175%
Other senior management	100%

The options are granted at an exercise price of ten pence, being the nominal value of each of the Ordinary shares in the Company, with subsequent vesting subject to the attainment of pre-determined financial performance conditions over the three year period from 1 January 2014 to 31 December 2016. All financial performance conditions relate to continuing operations.

In the case of all participants in the 2014 LTIP, no awards can vest unless minimum return on capital employed ("ROCE") targets are met.

The ROCE used in the 2014 LTIP calculation ("LTIP ROCE") is determined as operating profit, excluding exceptional items, divided by average LTIP capital employed, where LTIP capital employed is the net assets of the Group, excluding net debt and non-current liabilities in respect of capping and restoration.

The minimum LTIP ROCE targets for each of the three years are as follows:

	2014	2015	2016
Minimum LTIP ROCE target	8.2%	9.6%	10.6%

The definition of LTIP ROCE differs from the traditional definition of ROCE, used in the operational and financial reviews, due to the exclusion of long term capping provisions from the definition of capital employed.

The actual LTIP ROCE for 2014 was 9.5% compared to the minimum target of 8.2% set out above.

The actual ROCE of the Group for 2014 was 10.7%, as set out in the operating review and financial review.

Once minimum LTIP ROCE targets are met, the performance conditions for the executive Directors are as follows:

Total shareholder return relative to the FTSE AIM All-Share ("Relative TSR")	25% weighting
Basic earnings per share, before exceptional items and intangible amortisation ("Underlying LTIP EPS")	75% weighting

Relative TSR element (in each of the three years)

Below median	Nil attainment
Between median and 70th percentile	Straight line attainment from 30% to 100%
Above 70th percentile	100% attainment

In the year ended 31 December 2014, the Company ranked between the 74th and 75th percentile, meaning that 100% attainment occurs for the Relative TSR element of the one-third of the 2014 LTIP relating to 2014 performance.

Underlying LTIP EPS element

	2014	2015	2016
Minimum	3.9 pence	4.6 pence	5.5 pence
Maximum	4.2 pence	5.3 pence	6.3 pence
Between minimum and maximum	Straight line attainment from 30% to 100%		

The actual Underlying LTIP EPS result for 2014 was 4.20 pence, meaning that 100% attainment occurs for the Underlying LTIP EPS element of the one-third of the 2014 LTIP relating to 2014 performance.

The targets for other senior management comprise Underlying LTIP EPS and Group earnings before interest, taxation, depreciation and amortisation (EBITDA), excluding exceptional items. The overall level of attainment noted for these participants, in respect of the one-third of the 2014 LTIP relating to 2014 performance, was 100%.

In all cases, attained share options will vest on the date of the announcement of the results of the Group for the year ended 31 December 2016, expected to be no later than 31 March 2017.

The expected costs of the scheme are given in note 20 to the financial statements.

(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. No awards were made during 2014.

(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 2014	Beneficial shares Number	Share options Number	LTIP Number	Total shares Number
Jim Meredith	500,000	—	—	500,000
Stewart Davies	105,000	1,000,000	963,855	2,068,855
Andrew Bryce	11,419	—	—	11,419
Richard Laker	—	—	555,859	555,859
Rory Macnamara	15,224	—	—	15,224
Roger McDowell	691,342	—	—	691,342

Directors' emoluments

The emoluments of the Directors during 2014 were as follows:

	2014 Basic fee/salary £'000	2014 Bonus £'000	2014 Pension contributions £'000	2014 Other emoluments £'000	2014 Total £'000	2013 Total £'000
Stewart Davies	222	25	22	11	280	99
Richard Allen (resigned 05/06/2014)	71	9	7	6	93	201
Richard Laker (appointed 02/09/2014)	48	8	5	4	65	—
Jim Meredith	46	—	—	—	46	43
Roger McDowell	31	—	—	—	31	28
Andrew Bryce	31	—	—	3	34	31
Rory Macnamara	31	—	—	—	31	31
Paul Blackler (resigned 08/04/2013)	—	—	—	—	—	54
	480	42	34	24	580	487

Fees for Roger McDowell include £3,000 for acting as Chair of the Remuneration Committee.

Fees for Andrew Bryce include £3,000 for acting as Chair of the Nomination Committee.

Fees for Rory Macnamara include £3,000 for acting as Chair of the Audit Committee.

Other emoluments for Stewart Davies, Richard Allen and Richard Laker include a car allowance and other benefits such as medical insurance. For Andrew Bryce they relate to fees for acting as liaison between the Board of Directors and the Safety & Compliance Committees that operate at an executive level within the business.

Directors’ share plans

Share Option Scheme	Award date	Earliest vesting date	Market price at award date	Number of shares 2013	Exercised in year	**Number of shares 2014**
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)	**—**
				1,603,448	(603,448)	**1,000,000**

2014 LTIP	Award date	Earliest vesting date	Market price at award date	Number of shares 2013	Granted in year	Lapsed in year	**Number of shares 2014**
Stewart Davies	23/09/2014	24/03/2017	49.75p	—	963,855	—	**963,855**
Richard Laker	23/09/2014	24/03/2017	49.75p	—	555,859	—	**555,859**
				—	1,519,714	—	**1,519,714**

Options outstanding under the Share Option Scheme are exercisable, once the vesting date is reached, at the market price set out in the table above.

Richard Allen was allowed to retain his options, set out above, for a period of one year after his departure from the Company on 4 June 2014, under “good leaver” status. He subsequently exercised his options in November 2014.

Other than options held by executive Directors of Augean PLC, set out in the table above, there are also a further 1,014,706 options held by other participants in the Share Option Scheme, none of whom are Directors of Augean PLC.

Options outstanding under the 2014 LTIP are exercisable, once the vesting date is reached and subject to the attainment of financial performance targets as described above, at a price of ten pence per share, being the nominal value of the ordinary shares in the Company.

The number of options granted under the 2014 LTIP in the year was based on the mean closing mid-market share price of the Company in the thirty business days preceding 1 January 2014, being the start of the performance period of the 2014 LTIP.

Other than options held by executive Directors of Augean PLC, set out in the table above, there are also a further 1,715,320 options held by other participants in the 2014 LTIP, none of whom are Directors of Augean PLC.

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 2014 was 55.50p. The range of the share price during the year was 42.50p to 56.25p.

On behalf of the Remuneration Committee

Roger McDowell
Chairman of the Remuneration Committee
23 March 2015

Our Financials

Contents

Independent Auditor's Report to the Members of Augean PLC

We have audited the financial statements of Augean PLC for the year ended 31 December 2014 which comprise the Group and parent Company statements of financial position, the Group statements of comprehensive income, the Group and parent Company statements of cash flow, the Group and parent Company statements of changes in shareholders' equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 44 and 45, 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 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/auditscopeukprivate.

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 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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.

Mark Overfield
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
23 March 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	Before exceptional items 2014 £'000	Exceptional items 2014 £'000	Total 2014 £'000	Before exceptional items 2013 £'000	Exceptional items 2013 £'000	Total 2013 £'000
Continuing operations							
Revenue		**54,993**	**—**	**54,993**	43,488	—	43,488
Operating expenses		**(48,847)**	**543**	**(48,304)**	(38,370)	(227)	(38,597)
Operating profit	3	**6,146**	**543**	**6,689**	5,118	(227)	4,891
Net finance charges	4	**(759)**	**—**	**(759)**	(674)	—	(674)
Share of loss of jointly controlled entity	9	**—**	**(5)**	**(5)**	(13)	—	(13)
Profit before tax		**5,387**	**538**	**5,925**	4,431	(227)	4,204
Taxation	6	**(1,097)**	**(28)**	**(1,125)**	(1,040)	63	(977)
Profit from continuing operations		**4,290**	**510**	**4,800**	3,391	(164)	3,227
Discontinued operations							
(Loss)/profit from discontinued operations	15	**(94)**	**374**	**280**	(911)	(3,995)	(4,906)
Profit/(loss) for the year and total comprehensive income	3	**4,196**	**884**	**5,080**	2,480	(4,159)	(1,679)
Profit/(loss) attributable to :							
Equity shareholders of Augean PLC		**4,037**	**884**	**4,921**	2,372	(4,159)	(1,787)
Non-controlling interest		**159**	**—**	**159**	108	—	108
Earnings per share							
From continuing and discontinued operations							
Basic	8			**4.92p**			(1.79)p
Diluted	8			**4.78p**			(1.79)p
From continuing operations							
Basic	8			**4.64p**			3.13p
Diluted	8			**4.51p**			3.13p

The notes on pages 68 to 108 form an integral part of these financial statements.

Statements of Financial Position

As at 31 December 2014

		Group		Company	
	Note	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Non-current assets					
Goodwill	10	**19,602**	19,602	**—**	—
Other intangible assets	11	**296**	198	**284**	187
Investments in subsidiaries	12	**—**	—	**51,478**	57,943
Investment in jointly controlled entity	9	**—**	5	**—**	512
Property, plant and equipment	13	**43,317**	40,192	**1,077**	788
Deferred tax asset	6	**1,688**	1,143	**80**	104
		64,903	61,140	**52,919**	59,534
Current assets					
Inventories		**410**	296	**—**	—
Trade and other receivables	14	**12,785**	9,806	**14,922**	4,755
Current tax asset		**—**	—	**797**	136
Cash and cash equivalents		**1,502**	542	**27**	—
		14,697	10,644	**15,746**	4,891
Non-current assets classified as held for sale	15	**—**	1,200	**—**	—
		14,697	11,844	**15,746**	4,891
Current liabilities					
Trade and other payables	16	**(11,213)**	(9,030)	**(1,824)**	(828)
Current tax liabilities		**(579)**	(345)	**—**	—
Financial liabilities	17	**(1,045)**	(114)	**(19,212)**	(7,625)
		(12,837)	(9,489)	**(21,036)**	(8,453)
Net current assets/(liabilities)		**1,860**	2,355	**(5,290)**	(3,562)
Non-current liabilities					
Financial liabilities	17	**(6,169)**	(8,919)	**(6,169)**	(8,909)
Provisions	18	**(6,839)**	(6,622)	**—**	—
		(13,008)	(15,541)	**(6,169)**	(8,909)
Net assets		**53,755**	47,954	**41,460**	47,063
Shareholders' equity					
Share capital	19	**10,199**	9,970	**10,199**	9,970
Share premium account	20	**542**	—	**542**	—
Special profit reserve	20	**—**	36,450	**—**	36,450
Retained earnings	20	**42,059**	738	**30,719**	643
Equity attributable to owners of Augean PLC		**52,800**	47,158	**41,460**	47,063
Non-controlling interest	25	**955**	796	**—**	—
Total equity		**53,755**	47,954	**41,460**	47,063

The notes on pages 68 to 108 form an integral part of these financial statements.

The financial statements were approved by the Board on 23 March 2015 and signed on its behalf by:

R S Laker
Group Finance Director
Augean PLC Registered number: 5199719

Statements of Cash Flow

For the year ended 31 December 2014

	Note	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Operating activities					
Cash generated from/(used in) operations	23	**9,416**	5,862	**(7,035)**	(7,122)
Finance charges paid		**(516)**	(629)	**(738)**	(705)
Tax (paid)/refunded		**(801)**	(316)	**(801)**	187
Net cash generated from/(used in) operating activities		**8,099**	4,917	**(8,574)**	(7,640)
Investing activities					
Proceeds from disposal of property, plant and equipment		**30**	—	**—**	—
Purchases of property, plant and equipment		**(6,741)**	(6,898)	**(474)**	(64)
Purchases of intangible assets		**(192)**	(146)	**(193)**	(146)
Proceeds from disposal of discontinued operation	15	**1,161**	—	**—**	—
Net cash used in investing activities		**(5,742)**	(7,044)	**(667)**	(210)
Financing activities					
Dividends paid	7	**(349)**	(249)	**(349)**	(249)
Issue of equity		**771**	—	**771**	—
Repayments of borrowings		**—**	(549)	**—**	—
(Repayment)/drawdown of loan facilities		**(1,785)**	3,734	**8,847**	8,099
Repayments of obligations under finance leases		**(34)**	(272)	**—**	—
Net cash (used in)/generated from financing activities		**(1,397)**	2,664	**9,269**	7,850
Net increase in cash and cash equivalents		**960**	537	**28**	—
Cash and cash equivalents at beginning of year		**542**	5	**—**	—
Cash and cash equivalents at end of year		**1,502**	542	**28**	—

Statements of Changes in Shareholders' Equity

For the year ended 31 December 2014

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 2013	9,970	—	32,076	6,913	48,959	1,119	50,078
Total comprehensive income for the year							
Retained (loss)/profit	—	—	—	(1,787)	(1,787)	108	(1,679)
Total comprehensive income for the year	—	—	—	(1,787)	(1,787)	108	(1,679)
Transactions with the owners of the Company							
Dividend (note 7)	—	—	—	(249)	(249)	—	(249)
Acquisition of non-controlling interest in subsidiary	—	—	—	118	118	(431)	(313)
Reserve transfer	—	—	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 1 January 2014	9,970	—	36,450	738	47,158	796	47,954
Total comprehensive income for the year							
Retained profit	—	—	—	4,921	4,921	159	5,080
Total comprehensive income for the year	—	—	—	4,921	4,921	159	5,080
Transactions with the owners of the Company							
Dividend (note 7)	—	—	—	(349)	(349)	—	(349)
Issue of equity	229	542	(771)	771	771	—	771
Reserve transfer (note 20)	—	—	(35,679)	35,679	—	—	—
Share-based payments	—	—	—	286	286	—	286
Tax on items charged to equity	—	—	—	13	13	—	13
Total transactions with the owners of the Company	229	542	(36,450)	36,400	721	—	721
At 31 December 2014	**10,199**	**542**	**—**	**42,059**	**52,800**	**955**	**53,755**

The Special Profit reserve was created in June 2012 upon a court order which ordered the cancellation of the share premium account at that time and the creation of the Special profit reserve, to which part of the share premium account was transferred. The Special profit reserve was determined to be non-distributable until all liabilities of the Company that existed as at the date of the court order had been extinguished. The Board has determined that this condition has been met during the year and the reserve was deemed distributable at 31 December 2014. Accordingly, the balance on this reserve has been transferred to retained earnings.

Statements of Changes in Shareholders' Equity

For the year ended 31 December 2014

Company	Share capital £'000	Share premium account £'000	Special profit reserve £'000	Retained earnings £'000	Shareholders' equity £'000
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 the owners of the Company					
Reserve transfer	—	—	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 1 January 2014	**9,970**	**—**	**36,450**	**643**	**47,063**
Total comprehensive income for the year					
Retained loss	—	—	—	(6,324)	(6,324)
Total comprehensive income for the year	—	—	—	(6,324)	(6,324)
Transactions with the owners of the Company					
Dividend (note 7)	—	—	—	(349)	(349)
Issue of equity	229	542	(771)	771	771
Reserve transfer (note 20)	—	—	(35,679)	35,679	—
Share-based payments	—	—	—	286	286
Tax on items charged to equity	—	—	—	13	13
Total transactions with the owners of the Company	229	542	(36,450)	36,400	721
At 31 December 2014	**10,199**	**542**	**—**	**30,719**	**41,460**

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 currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; less
- the net recognised amount of the identifiable assets acquired and liabilities assumed, measured at their fair value.

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

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 the 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 Business Review.

(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.

1 Accounting policies continued

(d) Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised as an intangible asset. On capitalisation, the goodwill is allocated to the specific Cash Generating Unit (CGU) to which it relates. It is tested for impairment at least annually by reference to this CGU and is carried at cost less accumulated impairment losses. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

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

(e) Other intangible assets

Intangible assets purchased separately, such as software licences that do not form an integral part of related hardware, are capitalised at cost and amortised on a straight-line basis. This is charged to 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 economic life of the cell. Useful life is assessed by reference to the usage of the void space available and the rate at which the void space is filled.

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

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

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

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

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

Finance leases and hire purchase arrangements

Where the Group enters into a lease which entails taking on substantially all of the risks and rewards of ownership of an asset, the lease is treated as a finance lease and the asset is capitalised. Future instalments under such leases, net of finance charges, are recognised as a liability. Rentals payable are apportioned between the finance element, which is charged to profit or loss so as to give an approximate constant rate of charge on the outstanding obligation and the capital element which reduces the outstanding obligation for future instalments.

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

Depreciation is calculated in accordance with the above depreciation policies.

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

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.

1 Accounting policies continued

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

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

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

(i) Leases

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

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

(j) Inventories

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

(k) Tax

Current tax

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

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

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

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

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

Current and deferred tax are recognised in profit or loss except when they relate to items recognised in other comprehensive income 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 are 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 expenses relating to financial assets are recognised in profit or loss.

1 Accounting policies continued

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.

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
Free cash flow is a measure defined as net operating cash flow less purchase of property, plant and equipment. 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 approximating operating cash flows. It represents Earnings before Interest, Tax, Depreciation, Amortisation and impairment. 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. The Special profit reserve was created in June 2012 upon a Court order which ordered the cancellation of the share premium account at that time and the creation of the Special profit reserve, to which part of the Share premium account was transferred. The Special profit reserve was determined to be non-distributable until all liabilities of the Company that existed as at the date of the court order had been extinguished. The Board has determined that this condition has been met and the reserve was deemed distributable at 31 December 2014. Accordingly, the balance on this reserve has been transferred to Retained earnings. 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.

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 £43,317,000 (note 13) and goodwill with a carrying value of £19,602,000 (note 10). These assets are reviewed annually for impairment as described in these financial statements 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 18 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 2014, the net liability relating to current income tax is £579,000 (2013: £345,000). A deferred tax asset of £1,688,000 (2013: £1,143,000) has also been recognised. Estimates may be required in determining the level of current and deferred income tax assets and liabilities, which the Directors believe are reasonable and adequately recognise any income tax related uncertainties. Various factors may have favourable or adverse effects on the income tax assets or liabilities. These include changes in tax legislation, tax rates and allowances, future levels of spending and the Group's level of future earnings.

1 Accounting policies continued

(s) New IFRS standards and interpretations not applied

The following new standards, amendments to standards and interpretations will be mandatory for the first time in future financial years.

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017)
- IFRIC Interpretation 21 Levies (IASB effective 1 January 2014)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (IASB effective date 1 July 2014)
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (IASB effective date 1 January 2016)
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016)
- Annual Improvements to IFRSs 2010-2012 Cycle (IASB effective date generally 1 July 2014)
- Annual Improvements to IFRSs 2011-2013 Cycle (IASB effective date 1 July 2014)
- Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)
- Amendments to IAS 16 and IAS 41: Bearer Plants (effective 1 January 2016)
- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective 1 January 2016)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective 1 January 2016)

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

2 Operating segments

The Group has six reportable segments, one of which is discontinued, which are the Group's strategic business units. These business units are monitored and strategic decisions are made on the basis of each business unit's operating performance. The Group's business units provide different services to their customers and are managed separately as they are subject to different risks and returns. The Group's internal organisation and management structure and its system of internal financial reporting are based primarily on these operating business units. For each of the business units, the Group's 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:

- Energy and Construction (2013: Land Resources): 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 on Teesside, providing waste remediation, treatment and disposal services to its customers. The business unit includes a site at Cooks Hole in Northamptonshire where minerals are extracted and also generates energy as electricity from closed landfill cells.
- Radioactive Waste Services: Augean provides waste disposal services of low level radioactive wastes and naturally occurring radioactive material produced in the UK. 2013 activities were previously reported as part of the Land Resources segment.
- Augean Integrated Services (AIS): Augean operates a High Temperature Incinerator at Sandwich, East Kent and a site in Cannock focused on Total Waste Management solutions.
- Augean North Sea Services: An 81% owned subsidiary company during the year; this business unit provides waste management and waste processing services to offshore oil and gas operators in the North Sea.
- Industry and Infrastructure (2013: Oil & Gas Services): Augean operates three waste processing sites across the UK, with activities focused on the management of oil-contaminated waste. The business unit also provides specialist industrial cleaning services.
- Waste Network (discontinued): Augean operated four waste transfer sites across the UK, transporting, recovering, recycling and disposing of hazardous wastes on behalf of its customers. This business unit no longer exists and the sites operated at Hinckley, Worcester and Rochdale were sold in March 2014. The site at Cannock became part of the AIS operation in January 2014.

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

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

2 Operating segments continued
Information about reportable segments

	2014						
	Energy and Construction £'000	Radioactive Waste Services £'000	Augean Integrated Services £'000	Industry and Infrastructure £'000	Augean North Sea Services £'000	Waste Network Discontinued £'000	Group £'000
Assets							
Segment assets	**53,258**	**787**	**5,048**	**8,254**	**9,063**	**—**	**76,410**
Unallocated segment assets							
Deferred tax asset							**1,688**
Cash and cash equivalents							**1,502**
Group total assets							**79,600**
Liabilities							
Segment liabilities	**(10,071)**	**(203)**	**(1,104)**	**(3,016)**	**(3,748)**	**—**	**(18,142)**
Unallocated segment liabilities							
Bank overdraft and loans							**(7,124)**
Current tax liabilities							**(579)**
Group total liabilities							**(25,845)**

	2013						
	Energy and Construction £'000	Radioactive Waste Services £'000	Augean Integrated Services £'000	Industry and Infrastructure £'000	Augean North Sea Services £'000	Waste Network Discontinued £'000	Group £'000
Assets							
Segment assets	43,605	680	1,311	17,533	6,285	1,880	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	(10,478)	(160)	(1,078)	(2,262)	(1,269)	(519)	(15,766)
Unallocated segment liabilities							
Bank overdraft and loans							(8,919)
Current tax liabilities							(345)
Group total liabilities							(25,030)

	2014						
	Energy and Construction £'000	Radioactive Waste Services £'000	Augean Integrated Services £'000	Industry and Infrastructure £'000	Augean North Sea Services £'000	Waste Network (discontinued) £'000	Group £'000
Revenue							
Hazardous landfill activities	8,605	—	—	—	—	—	8,605
Non-hazardous landfill activities	1,550	—	—	—	—	—	1,550
Waste treatment activities	—	—	2,075	—	—	—	2,075
Total waste management activities	—	—	2,458	14,883	—	—	17,341
Energy generation	141	—	—	—	—	—	141
APCR management	6,989	—	—	—	—	—	6,989
Radioactive waste management	—	1,827	—	—	—	—	1,827
Processing of offshore waste	—	—	—	—	6,312	—	6,312
Rental of offshore equipment and personnel	—	—	—	—	7,416	—	7,416
Waste transfer activities	—	—	—	—	878	218	1,096
Total revenue net of landfill tax	17,285	1,827	4,533	14,883	14,606	218	53,352
Landfill tax	6,319	—	—	—	—	—	6,319
Total revenue including inter-segment sales	23,604	1,827	4,533	14,883	14,606	218	59,671
Inter-segment sales	(1,638)	—	(370)	(2,377)	(75)	(7)	(4,467)
Revenue	21,966	1,827	4,163	12,506	14,531	211	55,204
Result							
Operating profit/(loss) before exceptional items	6,341	1,019	(714)	(597)	1,016	(124)	6,941
Exceptional items	(77)	(77)	(85)	861	(79)	(218)	325
Operating profit/(loss)	6,264	942	(799)	264	937	(342)	7,266
Finance charges							(759)
Central costs							(919)
Share of loss of jointly controlled entity							(5)
Profit before tax							5,583
Tax (note 6)							(503)
Profit after tax							5,080
Attributable to: Equity shareholders of the parent company							4,921
Non-controlling interest							159
Other information							
Capital expenditure	2,332	55	2,366	578	1,617	—	6,948
Depreciation and amortisation	1,920	62	314	1,101	485	—	3,882

2 Operating segments continued

	2013						
	Energy and Construction £'000	Radioactive Waste Services £'000	Augean Integrated Services £'000	Industry and Infrastructure £'000	Augean North Sea Services £'000	Waste Network (discontinued) £'000	Group £'000
Revenue							
Hazardous landfill activities	8,831	—	—	—	—	—	8,831
Non-hazardous landfill activities	1,063	—	—	—	—	—	1,063
Waste treatment activities	—	—	1,463	12,574	—	—	14,037
Energy generation	128	—	—	—	—	—	128
APCR management	5,089	—	—	—	—	—	5,089
Radioactive 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	—	—	1,147	—	452	3,982	5,581
Total revenue net of landfill tax	15,111	1,625	2,610	12,574	9,350	3,982	45,252
Landfill tax	6,849	—	—	—	—	—	6,849
Total revenue including inter-segment sales	21,960	1,625	2,610	12,574	9,350	3,982	52,101
Inter-segment sales	(1,574)	—	—	(2,981)	(77)	(346)	(4,978)
Revenue	20,386	1,625	2,610	9,593	9,273	3,636	47,123
Result							
Operating profit/(loss) before exceptional items	6,182	908	(1,117)	(993)	682	(1,259)	4,403
Exceptional items	(26)	—	(25)	(151)	(25)	(4,043)	(4,270)
Operating profit/(loss)	6,156	908	(1,142)	(1,144)	657	(5,302)	133
Finance charges							(674)
Central costs							(544)
Share of loss of jointly controlled entity							(13)
Loss before tax							(1,098)
Tax							(581)
Loss after tax							(1,679)
Attributable to: Equity shareholders of the parent company							(1,787)
Non-controlling interest							108
Other information							
Capital expenditure	3,292	—	612	1,154	1,051	177	6,286
Depreciation and amortisation	956	—	229	1,044	360	82	2,671

3 Operating profit

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

	2014 £'000	2013 £'000
Fees payable to the Company's auditor for the audit of the annual financial statements	62	61
Fees payable to the Company's auditor for other services:		
– audit of the financial statements of the Company's subsidiaries pursuant to legislation	8	8
– other services	34	72
	104	141
Amortisation of intangible assets	95	71
Depreciation of property, plant and equipment:		
– owned assets	3,751	2,481
– assets held under finance leases and hire purchase contracts	36	189
Operating leases:		
– land and buildings	290	525
– plant and machinery	580	484
Loss on sale of property, plant and equipment	6	—
Exceptional items:		
Net settlement of legal case	(939)	—
Restructuring charges	214	218
Refinancing charges	33	—
Legal and professional due diligence charges	—	9
Other	149	—
Exceptional (income)/charge from continuing operations	(543)	227
Loss on disposal of asset held for sale and other charges	218	—
Impairment of Waste Network business unit	—	3,870
Restructuring charges	—	173

Exceptional income from settlement of legal case relates to the settlement of litigation with the former owners of HiTech Limited, a business Augean acquired during 2008. The above figure is stated net of £661,000 of legal and professional charges associated with the litigation.

The loss on disposal of asset and impairment losses relate to the closure and sale of the Waste Network business.

4 Net finance charges

	2014 £'000	2013 £'000
Interest payable		
Interest and charges payable on bank loans and overdrafts	**643**	559
Interest on finance leases and hire purchase contracts	**14**	20
Unwinding of discount on provisions	**102**	100
	759	679
Interest receivable		
Bank and other interest receivable	**–**	(5)
	–	(5)
Net finance charges	**759**	674

5 Group and Company employees

The average monthly number of employees analysed by function was:

	2014 Number	2013 Number
Sales	**27**	49
Operations	**225**	213
Administration	**48**	30
	300	292

	2014 £'000	2013 £'000
Wages and salaries	**11,401**	10,126
Social security costs	**1,291**	1,112
Other pension costs	**431**	442
	13,123	11,680

Details of other statutory Directors' remuneration disclosures, as required by the AIM rules, are given in the Directors' remuneration report under Directors' emoluments and Directors' share plans.

The Directors have identified 15 (2013: 16) key management personnel. The total key management personnel compensation, including the Non-executive Directors, presented below, was as follows:

	2014 £'000	2013 £'000
Short term employment benefits	**1,224**	1,265
Post employment benefits	**105**	99
Share-based payments	**101**	88
	1,430	1,452

6 Taxation

Group

	2014			2013		
	£'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 year	**899**	**(26)**	**873**	708	(300)	408
Adjustments in respect of prior years	**162**	**—**	**162**	85	—	85
	1,061	**(26)**	**1,035**	793	(300)	493
Deferred tax						
Charge in respect of the current year	**132**	**—**	**132**	185	(96)	89
Adjustments in respect of prior years	**(68)**	**(596)**	**(664)**	(1)	—	(1)
	64	**(596)**	**(532)**	184	(96)	88
Tax charge/(credit) on the result for the year	**1,125**	**(622)**	**503**	977	(396)	581

Tax reconciliation for continuing operations

	2014		2013	
	£'000	%	£'000	%
Profit before tax from continuing operations	**5,925**		4,204	
Tax at theoretical rate	**1,274**	**21.5**	978	23.3
Effects of:				
– (income)/expenses not deductible for tax purposes	**(136)**	**(2)**	140	3
– other	**—**	**—**	(337)	(5)
– change in tax rate	**(80)**	**(1)**	144	3
– effect of share options	**(27)**	**(1)**	(33)	1
– adjustments in respect of prior periods	**94**	**2**	85	2
Tax charge on results	**1,125**	**19.0**	977	23.2

Deferred tax

	2014 £'000	2013 £'000
Group		
Deferred tax asset	**1,688**	1,169
Deferred tax liability	**—**	(26)
	1,688	1,143

	2014 £'000	2013 £'000
Company		
Deferred tax asset	**80**	104
	80	104

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.

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.

6 Taxation continued

The movement in the net deferred tax asset during the year was as follows:

	2014 £'000	2013 £'000
Group		
At beginning of the year	**1,143**	1,231
Charged to the income statement during the year	**(132)**	(89)
Credited directly to equity	**13**	—
Adjustment in respect of prior years	**664**	1
At end of the year	**1,688**	1,143

	2014 £'000	2013 £'000
Company		
At beginning of the year	**104**	41
(Charged)/credited to the income statement during the year	**(24)**	85
Adjustment in respect of prior years	**—**	(22)
At end of the year	**80**	104

The reduction in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 and 21% to 20% from 1 April 2015 has been substantively enacted at the balance sheet date. Accordingly, deferred tax balances have been valued at 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 £3,615,000 (2013: £145,000) to the extent that the expected benefit will occur more than two years into the future, as there is uncertainty over the extent and timing of their recovery. The potential deferred tax assets in respect of those temporary differences are analysed as follows:

	2014 £'000	2013 £'000
Depreciation in excess of capital allowances	**—**	—
Other temporary differences	**924**	29
Unrecognised deferred tax asset	**924**	29

There are no unrecognised deferred tax assets in the Company (2013: £29,000).

7 Dividends

	2014 £'000	2013 £'000
Proposed final dividend for the year ended 31 December 2014 of 0.5 pence per share (2013: 0.35 pence per share)	**510**	349
Total	**510**	349

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 2014. This has not been included as a liability in these financial statements.

The payment of the dividend will not have corporation tax consequences for the Group.

8 Earnings per share

The calculation of basic earnings per share (EPS) is based on the profit attributable to ordinary shareholders of £4,921,000 (2013: £1,787,000 loss) and a weighted average number of ordinary shares outstanding of 100,053,156 (2013: 99,699,414), calculated as follows:

	2014 £'000	2013 £'000
Earnings for the purposes of basic and diluted EPS	**4,921**	(1,787)
Exceptional items	**(884)**	4,159
Earnings for the purposes of adjusted basic and diluted EPS	**4,037**	2,372
Discontinued operations	**94**	911
Earnings for the purposes of basic and diluted adjusted EPS for continuing operations only	**4,131**	3,283

The exceptional items (note 3) have been adjusted, in the adjusted earnings per share, to better reflect the underlying performance of the business, when presenting the basic and diluted earnings per share.

	2014 £'000	2013 £'000
Number of shares		
Weighted average number of shares for basic earnings per share	**100,053,156**	99,699,414
Effect of dilutive potential ordinary shares from share options	**2,894,941**	—
Weighted average number of shares for diluted earnings per share	**102,948,097**	99,699,414
Earnings per share		
Basic	**4.92p**	(1.79)p
Diluted	**4.78p**	(1.79)p
Adjusted earnings per share		
Basic	**4.03p**	2.38p
Diluted	**3.92p**	2.38p
Earnings per share – Continuing operations		
Basic	**4.64p**	3.13p
Diluted	**4.51p**	3.13p
Adjusted earnings per share – Continuing operations		
Basic	**4.13p**	3.29p
Diluted	**4.01p**	3.29p
Earnings per share – Discontinued operations		
Basic	**(0.09)p**	(0.91)p
Diluted	**(0.09)p**	(0.91)p

9 Investment in jointly controlled entity

Terramundo Limited ('Terramundo') is a 50:50 jointly controlled entity between Augean PLC and DEC NV. No trading has taken place during the current or previous year.

During the year ended 31 December 2014 the jointly controlled entity generated the following revenue and costs:

	2014 £'000	2013 £'000
Revenue	—	—
Costs	(10)	(26)
Loss for the year	(10)	(26)
Augean PLC's share of the loss for the year	(5)	(13)

At 31 December 2014 the jointly controlled entity held net liabilities of £1,032,000 (2013: £1,013,000), of which the Group's 50% share was £516,000 (2013: £507,000).

The liabilities of the jointly controlled entities related entirely to amounts due from the joint venture partners. Subsequent to the period end it was agreed by both joint venture shareholders to begin proceedings to close the joint venture company. The Group therefore considers the investment to be impaired and has written the investment down to its recoverable amount. The recoverable amount is expected to be nil. The receivable from Terramundo has been fully provided against. A loss of £5,000 was realised.

The cost of investment held by Augean PLC, in its 50% interest at 31 December 2014 was £nil (2013: £100).

The net liabilities of the jointly controlled entity are analysed below, for information purposes:

	2014 £'000	2013 £'000
Non-current assets	—	—
Current assets	10	14
Current liabilities	—	—
Non-current liabilities	(1,042)	(1,027)
Net liabilities	(1,032)	(1,013)

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

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Investment in the long term future of the venture	512	512	—	512
Share of net liabilities of the jointly controlled entity	(512)	(507)	—	—
Investment in jointly controlled entity	—	5	—	512

10 Goodwill

	£'000
Cost	
At 1 January 2013	103,768
At 1 January 2014	103,768
At 31 December 2014	**103,768**
Provision for impairment	
At 1 January 2013	(82,063)
Impairment charge	(2,103)
At 1 January 2014	103,768
At 31 December 2014	**(84,166)**
Net book value	
At 31 December 2014	**19,602**
At 1 January 2014	19,602
At 1 January 2013	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, with the exception of AIS which is considered as two separate CGUs, one of which is the East Kent High Temperature Incinerator (EKHTI). This is the lowest level at which CGUs are monitored for internal management purposes.

The goodwill previously held against the Waste Network has been written down as a result of the closure of this business unit (note 15).

The allocation of goodwill by CGU is as follows:

	2014 £'000	2013 £'000
Energy and Construction business unit	**12,420**	12,420
Industry and Infrastructure business unit	**7,182**	7,182
Total	**19,602**	19,602

Goodwill is tested for impairment annually at the balance sheet date and as and when other events or changes in circumstance indicate that the carrying amount may not be fully recoverable. The goodwill impairment test is performed by comparing the net book value of the goodwill and other non-current assets for a particular CGU to its value in use estimated on a discounted cash flow basis.

Value in use calculations have also been carried out for the following assets or investments which do not contain goodwill and which were not carried out in the prior year:

- The High Temperature Incinerator at East Kent, due to the level of performance being lower than management's initial expectation.
- Augean North Sea Services, due to the significant decline in world oil prices, seen in the latter part of 2014 and in 2015, leading to an increased risk surrounding the profitability of this business, in light of those macroeconomic factors

10 Goodwill continued

The discounted cash flows have been prepared separately for each CGU tested. The key assumptions for the Energy & Construction CGU's cash flows are:

- based on approved budgets and plans for 2015 and, beyond this period, have been forecast for a total period of 20 years;
- revenue growth over the time horizon is expected to achieve 1% per annum;
- 1% increase in maintenance capital expenditure from 2016 onwards;
- cash operating costs and maintenance capital expenditure are expected to increase by 1% per annum, 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 £10.8m (2013: £7.5m). Sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	**Impact in 2014**	Impact in 2013
Discount factor	1%	**£3.4m**	£3.4m
EBITDA margin	1%	**£1.5m**	£0.3m
Revenue growth rate	1%	**£1.3m**	£1.2m

EBITDA is as described in note 1.

The key assumptions for the Industry and Infrastructure CGU's cash flows are:

- based on approved budgets and plans for 2015 and, beyond this period, have been forecast for a total period of 20 years;
- revenue growth of 3% per annum in 2016, decreasing to 1% in 2021 and remaining constant at 1% from that date;
- 1% increase in maintenance capital expenditure from 2016 onwards;
- EBITDA margin growth of 1% per annum in 2016, decreasing to nil in 2020 and remaining constant thereafter.

Using the discount rate below there is no indication of impairment with headroom of £1.2m (2013: £2.7m). Sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	**Impact in 2014**	Impact in 2013
Discount factor	1%	**£0.9m**	£1.8m
EBITDA margin	1%	**£1.4m**	£2.0m
Revenue growth rate	1%	**£1.2m**	£5.5m

The key assumptions for the EKHTI CGU's cash flows are:

- based on approved budgets and plans for the three year period 2015-2017 and, beyond this period, have been forecast for a further period of 17 years;
- revenue growth of 2% per annum until from 2018 until 2022, decreasing to 1% in 2023 and remaining constant at 1% from that date;
- 1% increase in maintenance capital expenditure from 2016 onwards;
- operating margin growth of nil per annum from 2018 onwards.

Using the discount rate below there is no indication of impairment with headroom of £0.7m. Sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	**Impact in 2014**	Impact in 2013
Discount factor	1%	**£0.3m**	—
EBITDA margin	1%	**£0.3m**	—
Revenue growth rate	1%	**£0.2m**	—

The key assumptions for the Augean North Sea Services CGU's cash flows are:

- based on approved budgets and plans for 2015, and subsequently adjusted downwards to reflect the increased macroeconomic risk in the North Sea oil and gas market; and beyond this period, have been forecast for a total period of 20 years;
- no revenue or operating margin growth from 2016 onwards;
- 1% increase in maintenance capital expenditure from 2016 onwards.

Using the discount rate below there is no indication of impairment with headroom of £3.9m. Sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	**Impact in 2014**	Impact in 2013
Discount factor	1%	**£0.6m**	—
EBITDA margin	1%	**£1.4m**	—
Revenue growth rate	1%	**£1.2m**	—

The cash flows for all CGUs have been discounted using a pre-tax discount rate of 10.5% (2013: 13.0%), 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. The same discount rate has been used for all CGUs as any risks, specific to those CGUs, are reflected in the projected cash flows.

The discount rate has been determined using the Capital Asset Pricing Model and has reduced compared to 2013 due to, inter alia, reduced relative volatility of the share price of the Company and reduced long term risk free rates in the UK.

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, or of the other relevant assets of the CGUs identified for testing, set out above.

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

11 Other intangible assets

	Group			Company
	Customer contracts £'000	Computer software £'000	Total £'000	Total £'000
Cost				
At 1 January 2013	374	464	838	409
Additions	—	146	146	146
Disposals	(374)	—	(374)	—
At 1 January 2014	—	610	610	555
Additions	—	193	193	192
At 31 December 2014	**—**	**803**	**803**	**747**
Amortisation				
At 1 January 2013	374	341	715	300
Charge for the year	—	71	71	68
Disposal	(374)	—	(374)	—
At 1 January 2014	—	412	412	368
Charge for the year	—	95	95	95
At 31 December 2014	**—**	**507**	**507**	**463**
Net book value				
At 31 December 2014	**—**	**296**	**296**	**284**
At 1 January 2014	—	198	198	187
At 1 January 2013	—	123	123	109

12 Investments in subsidiaries

	£'000
Cost	
At 1 January 2013	132,081
Additions	312
At 1 January 2014	132,393
At 31 December 2014	**132,393**
Provision for impairment	
At 1 January 2013	(74,450)
At 1 January 2014	(74,450)
Charge for the year	(6,465)
At 31 December 2014	**(80,915)**
Net book value	
At 31 December 2014	**51,478**
At 1 January 2014	57,943
At 1 January 2013	57,631

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 or non-trading.

During 2014, an impairment charge was recognised by the Company in respect of its investment in Augean Treatment Limited. There is no impact on the results of the Group.

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 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 1 January 2014	37,053	1,120	10,326	20,941	69,440
Additions	3,161	43	129	3,615	6,948
Disposals	—	—	—	(1,404)	(1,404)
At 31 December 2014	**40,214**	**1,163**	**10,455**	**23,152**	**74,984**
Accumulated depreciation					
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 1 January 2014	9,272	89	8,791	11,096	29,248
Charge for year	635	67	642	2,443	3,787
Disposals	—	—	—	(1,368)	(1,368)
At 31 December 2014	**9,907**	**156**	**9,433**	**12,171**	**31,667**
Net book value					
At 31 December 2014	**30,307**	**1,007**	**1,022**	**10,981**	**43,317**
At 1 January 2014	27,781	1,031	1,535	9,845	40,192
At 1 January 2013	30,011	917	887	7,746	39,561

There were outstanding contractual commitments for acquisitions of property, plant or equipment of £175,000 at 31 December 2014 (2013: £nil). Plant and machinery includes assets held under finance lease agreements with a carrying value at 31 December 2014 of £102,000 (2013: £876,000).

The movement in engineered cells in 2013 relating to the revision of the cell capping provision occurred as the Company had 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 was recognised.

Certain assets are pledged as security for loans as disclosed in note 17.

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

	2014 £'000	2013 £'000
Cost	**143**	1,560
Accumulated depreciation	**(41)**	(684)
Net book value	**102**	876

Company

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2013	778	527	1,305
Additions	—	64	64
At 1 January 2014	778	591	1,369
Additions	—	476	476
At 31 December 2014	**778**	**1,067**	**1,845**
Accumulated depreciation			
At 1 January 2013	97	391	488
Charge for year	13	81	94
At 1 January 2014	110	472	582
Charge for year	11	175	186
At 31 December 2014	**121**	**647**	**768**
Net book value			
At 31 December 2014	**657**	**420**	**1,077**
At 1 January 2014	668	120	788
At 1 January 2013	681	136	817

14 Trade and other receivables

Current assets

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade receivables	**10,937**	8,143	**—**	—
Amounts receivable from subsidiary undertakings	**—**	—	**10,244**	3,660
Prepayments and accrued income	**1,848**	1,663	**4,678**	1,095
	12,785	9,806	**14,922**	4,755

All amounts are anticipated to be recoverable in the short term. All trade and other receivables have been reviewed for indicators of impairment and the carrying amount of trade receivables is considered a reasonable approximation of fair value.

15 Discontinued operations

In September 2013 the Company announced the intention to dispose of the Waste Network business unit. The Company subsequently entered into sale arrangements 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 business unit, 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 business, 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.

	2014 £'000	2013 £'000
Revenue	**211**	3,636
Operating expenses	**(335)**	(4,895)
Loss before tax and exceptional items	**(124)**	(1,259)
Exceptional items	**(218)**	(4,043)
Loss before tax	**(342)**	(5,302)
Taxation	**622**	396
Profit/(Loss) after Tax	**280**	(4,906)

During the year the division contributed a net cash outflow of £(342,000) (2013: outflow of £1,350,000) to the Group's net operating cash flow. There was no cash flow associated with financing or investing activities except disposal proceeds for these operations were £1,161,000 in 2014, net of disposal costs.

At 31 December 2013, assets held for resale relating to this operation were held at £1,200,000 in the Group Statement of Financial Position.

In 2013, an impairment in carrying value of property, plant and equipment and attributable goodwill of £3,870,000 was recognised in the financial statements as a result of remeasurement to fair value less costs to sell. This remeasurement was recognised in the statement of comprehensive income within the loss from discontinued operations.

16 Trade and other payables

	Group		Company	
Current	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Trade payables	**2,021**	3,197	**152**	38
Amounts due to subsidiary undertakings	**—**	—	**—**	366
Other taxes and social security	**2,544**	2,316	**343**	239
Accruals and deferred revenue	**6,648**	3,517	**1,329**	185
	11,213	9,030	**1,824**	828

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	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Current				
Bank overdraft	**—**	—	**18,167**	7,625
Bank loans	**1,000**	—	**1,000**	—
Obligations under finance leases and hire purchase contracts	**45**	114	**45**	—
	1,045	114	**19,212**	7,625
Non-current				
Bank loans	**6,124**	8,909	**6,124**	8,909
Obligations under finance leases and hire purchase contracts	**45**	10	**45**	—
	6,169	8,919	**7,169**	8,909
Analysis of total financial liabilities				
Bank overdraft	**—**	—	**18,167**	7,625
Bank loans	**7,124**	8,909	**7,124**	8,909
Obligations under finance leases and hire purchase contracts	**90**	124	**90**	—
	7,214	9,033	**25,381**	16,534
Total financial liabilities are repayable as follows:				
– on demand or within one year	**1,045**	114	**19,212**	7,625
– in the second year	**1,045**	10	**1,045**	—
– in the third to fifth years inclusive	**5,124**	8,909	**5,124**	8,909
	7,214	9,033	**25,381**	16,534
Obligations under finance leases and hire purchase contracts are repayable as follows:				
– on demand or within one year	**45**	114	**45**	—
– in the second year	**45**	10	**45**	—
	90	124	**90**	—

The obligations under finance leases and hire purchase contracts are secured against the specific assets financed with a carrying amount of £102,000 (2013: £876,000). 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.

During the year, the Company refinanced its bank debt, as explained in note 26.

For more information about the Group's exposure to interest rate, credit risk and liquidity risk, see note 26.

18 Provisions

	Group			
	Restoration and after-care costs of landfill sites £'000	Capping provision £'000	Other provisions £'000	Total £'000
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 1 January 2014	2,758	3,788	76	6,622
Charged to profit or loss during the year				
– unwinding of discount	102	—	—	102
– other	51	129	—	180
Utilised during the year	(65)	—	—	(65)
At 31 December 2014	**2,846**	**3,917**	**76**	**6,839**

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. 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

	2014 £'000	2013 £'000
Authorised – 103,000,000 (2013: 103,000,000) shares of 10p	**10,300**	10,300
Allotted, called up and fully paid – 101,991,380 (2013: 99,699,414) shares of 10p	**10,199**	9,970

During the year, 2,291,966 shares (2013: nil) were issued as a result of the exercise of share options. The total proceeds were £771,000 (2013: £nil).

20 Reserves

	Group			
	Share premium £'000	Special profit reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2014	—	36,450	738	37,188
Total comprehensive income for the year	—	—	4,921	4,921
Issue of equity	542	—	—	542
Reserve transfer (below)	—	(771)	771	—
Dividend (note 7)	—	—	(349)	(349)
Reserves transfer	—	(35,679)	35,679	—
Share-based payments	—	—	286	286
Deferred tax on share-based payments	—	—	13	13
At 31 December 2014	**542**	**—**	**42,059**	**42,061**

	Company			
	Share premium £'000	Special profit reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2014	—	36,450	643	37,093
Total comprehensive income for the year	—	—	(6,324)	(6,324)
Issue of equity	542	—	—	542
Reserve transfer (below)	—	(771)	771	—
Dividend (note 7)	—	—	(349)	(349)
Reserves transfer	—	(35,679)	35,679	—
Share-based payments	—	—	286	286
Deferred tax on share-based payments	—	—	13	13
At 31 December 2014	**542**	**—**	**30,719**	**31,261**

At the 2012 Annual General Meeting, 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. 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 or £4,374,000 were paid up from these subsidiaries to Augean PLC. In line with the terms of the High Court order, these amounts were transferred to the Special profit reserve.

During 2014 a transfer of £771,000 was made from the special profit reserve representing an amount equal to the increase in Share capital and Share premium during the year, as permitted by the court order.

The Special profit reserve was determined to be non-distributable until all liabilities of the Company that existed as at the date of the court order had been extinguished. The Board has determined that this condition has been met during the year and the reserve was deemed distributable at 31 December 2014. Accordingly, the balance on this reserve has been transferred to Retained earnings.

21 Share-based payments

At 31 December 2014 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 date	Exercise price	At 1 January 2014	Granted	Exercised	Lapsed	At 31 December 2014
Augean Share Option Schemes						
December 2004 – December 2014	180p	**700,000**	—	—	(700,000)	**—**
December 2013 – December 2019	39.5p	**1,810,122**	—	(1,012,656)	—	**797,466**
May 2014 – May 2021	29p	**1,496,552**	—	(1,279,310)	—	**217,242**
August 2016 – August 2023	40.25p	**1,000,000**	—	—	—	**1,000,000**
Augean LTIP Scheme		**5,006,674**	—	(2,291,966)	(700,000)	**2,014,708**
April 2017 – September 2024	10p	**—**	3,239,894	—	—	**3,239,894**
		5,006,674	3,239,894	(2,291,966)	(700,000)	**5,254,602**
Weighted average exercise price		**56.1p**	10.0p	33.6p	180.0p	**22.0p**
Of which exercisable		**2,510,122**				**1,014,708**
Weighted average exercise price		**49.3p**				**37.0p**

Outstanding awards at 31 December 2013 were as follows:

Exercise date	Exercise price	At 1 January 2013	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	40.25p	**—**	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**

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.

LTIP Scheme

On 23 September 2014, the Group established an LTIP which entitled executive Directors and senior managers in the Company to purchase shares in the Company. The options granted to executive Directors have total shareholder return and EPS conditions attached to them, as set out in the remuneration report. The options granted to senior management have EBITDA and EPS performance conditions associated with them.

The fair value of remaining share options has been calculated using the Monte Carlo for the LTIP and the Black Scholes model for the Share Option Schemes. The assumptions used in the calculation of the fair value of the share options outstanding during the year were:

	2014 LTIP	2013 Share options	2011 Share options	2009 Share options
Grant date	**23 September 2014**	12 August 2013	20 May 2011	21 December 2009
Exercise period	**April 2017 – September 2024**	August 2016 – August 2023	May 2014 – May 2021	December 2014 – December 2019
Share price at grant date	**49.5p**	40.0p	28.9p	39.5p
Exercise price	**10.0p**	40.25p	29.0p	39.5p
Shares under option	**3,239,894**	1,000,000	217,242	797,466
Expected volatility	**24.80%**	35%	35%	43%
Expected life (years)	**2.6 years**	4 years	4 years	4 years
Risk-free rate	**0.78%**	1.87%	2.3%	2.5%
Expected dividend yield	**0.70%**	0.59%	0.0%	0.0%
Fair value per option	**£0.22 – £0.39**	£0.30	£0.09	£0.14

Expected volatility was determined by reviewing the historical volatility of the Company's share price over a period commensurate with the expected life of the options.

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 2009, 2011 and 2013 grants of share options have a vesting period of three years but no market or non-market performance criteria attached to them.

The 2014 LTIP has performance conditions associated with it as detailed in the Directors' Remuneration Report.

For options outstanding at 31 December 2014, the weighted average remaining contractual life is 9.11 years (2013: 6.46 years).

22 Operating lease commitments

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

	2014 £'000	2013 £'000
Plant and machinery		
Payments due:		
– within one year	**400**	456
– within two to five years	**471**	880
	871	1,336
Land and buildings		
Payment due:		
– within one year	**44**	414
– within two to five years	**88**	1,428
– after five years	**–**	3,242
	132	5,084

The significant reduction in lease commitments relating to land and buildings has mainly arisen due to the incinerator and surrounding land at East Kent being purchased by the Group during 2014, which was leased during 2013.

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

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Operating profit	**6,689**	4,891	**(5,447)**	966
Loss from discontinued operations (note 2)	**(342)**	(5,302)	**—**	68
Amortisation of intangible assets	**95**	71	**95**	—
Depreciation	**3,787**	2,671	**186**	93
Impairment charge	**5**	3,870	**6,976**	—
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**10,234**	6,201	**1,810**	1,127
Share-based payments	**286**	88	**286**	88
Increase in inventories	**(114)**	(78)	**—**	—
Increase in trade and other receivables	**(2,940)**	(1,262)	**(3,583)**	(501)
Increase in net receivables from subsidiary undertakings	**—**	—	**(6,950)**	(7,782)
Increase/(decrease) in trade and other payables	**1,959**	930	**1,402**	(54)
(Decrease)/increase in provisions	**(15)**	36	**—**	—
Loss/(gain) on disposal of property, plant and equipment	**6**	(53)	**—**	—
Cash generated from/(used in) operations	**9,416**	5,862	**(7,035)**	(7,122)
Interest paid	**(516)**	(629)	**(738)**	(705)
Tax (paid)/refunded	**(801)**	(316)	**(801)**	187
Net cash generated from/(used in) operating activities	**8,099**	4,917	**(8,575)**	(7,640)

The above EBITDA includes a total net cash inflow of £201,000 relating to exceptional items and discontinued operations (2013: outflow of £1,577,000).

The above net cash generated from operating activities includes a net cash inflow of £416,000 relating to exceptional items and discontinued operations (2013: outflow of £1,577,000).

24 Analysis of changes in net debt

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

	31 December 2013 £'000	Cash flow £'000	**31 December 2014 £'000**
Cash and cash equivalents	542	960	**1,502**
Bank loans	(8,909)	1,785	**(7,124)**
Finance leases	(124)	34	**(90)**
Net debt	(8,491)	2,779	**(5,712)**

25 Non-controlling interest

In May 2013 Augean PLC increased its holding in the share capital of Augean North Sea Services Limited (ANSS) from 70% to 81% by way of a debt for equity swap. The Group cancelled debts of £312,000 with Scomi Oiltools (Europe) Ltd in consideration of this share.

	£'000
Balance at 1 January 2013	1,119
Share of profit for year	108
Adjustment arising from change in Non-controlling Interest	(431)
Balance at 1 January 2014	**796**
Share of profit for year	159
Balance at 31 December 2014	**955**

As explained in note 30, the equity holding in ANSS increased to 100% after the balance sheet date.

26 Financial instruments

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

	Group			Company		
As at 31 December 2014	**Loans and receivables £'000**	**Non-financial assets £'000**	**Total £'000**	**Loans and receivables £'000**	**Non-financial assets £'000**	**Total £'000**
Goodwill	**—**	**19,602**	**19,602**	**—**	**—**	**—**
Other intangible assets	**—**	**296**	**296**	**—**	**283**	**283**
Investments in subsidiaries	**—**	**—**	**—**	**—**	**51,479**	**51,479**
Property, plant and equipment	**—**	**43,317**	**43,317**	**—**	**1,077**	**1,077**
Deferred tax asset	**—**	**1,688**	**1,688**	**—**	**80**	**80**
Inventories	**—**	**410**	**410**	**—**	**—**	**—**
Trade and other receivables	**10,937**	**1,848**	**12,785**	**—**	**14,922**	**14,922**
Current tax asset	**—**	**—**	**—**	**—**	**797**	**797**
Cash and cash equivalents	**1,502**	**—**	**1,502**	**—**	**28**	**28**
	12,439	**67,161**	**79,600**	**—**	**68,666**	**68,666**

	Group			Company		
As at 31 December 2013	Financial assets £'000	Non-financial assets £'000	Total £'000	Financial assets £'000	Non-financial assets £'000	Total £'000
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

26 Financial instruments continued

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

	Group			Company		
As at 31 December 2014	**Financial liabilities at amortised cost £'000**	**Liabilities not within scope of IAS 39 £'000**	**Balance sheet total £'000**	**Financial liabilities at amortised cost £'000**	**Liabilities not within scope of IAS 39 £'000**	**Balance sheet total £'000**
Trade and other payables – current	**8,669**	**2,544**	**11,213**	**1,482**	**343**	**1,825**
Current tax liabilities	**—**	**579**	**579**	**—**	**—**	**—**
Financial liabilities – current	**1,045**	**—**	**1,045**	**19,212**	**—**	**19,212**
Financial liabilities – non-current	**6,169**	**—**	**6,169**	**6,169**	**—**	**6,169**
Provisions	**—**	**6,839**	**6,839**	**—**	**—**	**—**
	15,883	**9,962**	**25,845**	**26,863**	**343**	**27,206**

	Group			Company		
As at 31 December 2013	Financial liabilities at amortised cost £'000	Liabilities not within scope of IAS 39 £'000	Balance sheet total £'000	Financial liabilities at amortised cost £'000	Liabilities not within scope of IAS 39 £'000	Balance sheet total £'000
Trade and other payables – current	6,714	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

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

As at 31 December 2014	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Total financial liabilities £'000
Trade and other payables – current	11,213	—	11,213
Financial liabilities – current	1,045	—	1,045
Financial liabilities – non-current	—	6,169	6,169
Total	12,258	6,169	18,497

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

Company

As at 31 December 2014	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Total financial liabilities £'000
Trade and other payables – current	1,824	—	1,824
Financial liabilities – current	—	19,212	19,212
Financial liabilities – non-current	—	6,169	6,169
	1,824	25,381	27,205

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

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 Pounds Sterling, with levels of transactions in Euro and US Dollars not considered significant.

26 Financial instruments continued

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

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

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group seeks to maintain a balance between continuity of funding and flexibility. The objective is to maintain sufficient resources to meet the Group's funding needs for the foreseeable future. At 31 December 2014, the Group carried debt of £7,214,000 (2013: £9,032,000) and short term flexibility is achieved through bank facilities comprising of a £14.25m revolving credit, term loan 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 but non-standard terms may be agreed with certain customers. Invoices greater than agreed terms 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	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Cash and cash equivalents	**1,502**	542	**28**	—
Trade and other receivables	**12,785**	9,806	**14,922**	1,095
	14,287	10,348	**14,950**	1,095

At 31 December 2014, £2.6m (2013: £1.1m) of the Group's trade receivables were past due. A provision of £0.3m (2013: £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:

	2014 £'000	2013 £'000
Greater than one but not more than four months past due	**2,276**	803
More than four months past due	**294**	319
Total past due trade receivables	**2,570**	1,122
Trade receivables not yet past due	**8,621**	7,096
Total gross trade receivables	**11,191**	8,218
Bad debt provision	**(254)**	(75)
Total net trade receivables (note 14)	**10,937**	8,143

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

The Company has no trade receivables.

The movement on the bad debt provision in the year 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 2013	75
Amounts utilised	(40)
Amounts provided	219
Bad debt provision as at 31 December 2014	**254**

Interest rate risk

The Group finances its operations through a mixture of free cash flow, overdraft facilities, bank borrowings and hire purchase leasing. Due to the relatively low level of the Group's borrowings no interest rate swaps or other forms of interest risk management has been undertaken. The Group regularly reviews its exposure to fluctuations in underlying interest rates and will take appropriate action if required to minimise any impact on the performance and financial position of the Group.

The interest rate profile of the Group and Company's financial liabilities at 31 December 2014 was:

Group	Floating rate £'000	Total £'000
Bank loans	7,124	7,124
Finance leases	90	90
At 31 December 2014	**7,214**	**7,214**
At 31 December 2013	9,032	9,032

Company	Floating rate £'000	Total £'000
Bank loans	7,124	7,124
Finance leases	—	—
At 31 December 2014	**7,124**	**7,124**
At 31 December 2013	8,909	8,909

26 Financial instruments continued

The interest rate on the floating rate borrowings was 2.25% (2013: 2.7%) above GBP LIBOR. In March 2014 the Group renegotiated its overdraft and loan facilities with HSBC Bank plc until 7 July 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 above 1.95% and 2.75% above LIBOR. The term loan had amortised to £4.25m from £5.0m at the balance sheet date. A change in interest rate of 0.5% affects the annual interest cost for both the Group and Company by approximately £30,000 (2013: £40,000).

The hire purchase agreements of the Group under a floating rate contract have a weighted average interest rate of 3.4% (2013: 3.5%) and a weighted average duration of two (2013: one) years. The Group has no hire purchase agreements under a fixed rate contract.

The maturity profile of the Group's financial liabilities is shown in note 17.

The Board feels that the current risk management policies described above continue to be appropriate but that they will be regularly assessed to ensure this remains the case.

Capital management policies and procedures

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

	Note	**2014 £'000**	2013 £'000
Share capital	19	**10,199**	9,970
Share premium	20	**542**	—
Financial liabilities	17	**7,214**	9,033
		17,955	19,003

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) and bank debt (note 17) 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 (2013: £nil).

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 £8.3m of headroom at 31 December 2014 (2013: £1.5m).

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:

	2014 Actual	2014 Target	2013 £'000
Net debt to EBITDA*	**0.6**	<2.5	1.4
EBIT* to net bank debt cash costs	**24.6**	>3.5	5.1
Net debt to equity ("gearing") (%)	**10.8%**	prior year	18.0%
Free cash flow (£'000s)	**1,358**	prior year	(1,981)

* from continuing operations and excluding exceptional items.

The value of net debt and free cash flow is monitored on a daily basis.

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

	2014 £'000	2013 £'000
Net operating cash flow (note 23)	**8,199**	4,917
Purchase of property, plant and equipment	**(6,841)**	(6,898)
Free cash flow	**1,358**	(1,981)

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 £431,000 (2013: £392,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2014, contributions of £26,000 (2013: £11,000) due in respect of the current reporting period had not been paid over to the schemes.

28 Contingent liabilities

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, by certain subsidiaries of the Company, in favour of the Environment Agency in respect of the Group's landfill sites. Total guarantees outstanding at the year end were £8.4m (2013: £8.1m). Future site restoration costs for each landfill site have been provided as disclosed in note 18.

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	**2014 £'000**	2013 £'000
Transactions with Terramundo Limited:		
– revenue	**–**	–
– costs	**–**	–
Amounts owed by Terramundo Limited:		
– more than one year	**512**	512
	512	512

Further details regarding Terramundo Limited are disclosed in note 9.

Related party transactions of the Company are noted below:

	2014 £'000	2013 £'000
Amounts owed to Terramundo Limited:		
– less than one year	**–**	–
Amounts owed by Terramundo Limited:		
– more than one year	**512**	512
	512	512

There are no related party transactions within the Group which are not eliminated on consolidation.

Transactions and balances with subsidiary undertakings – Company

Included within current trade and other receivables (note 14) are amounts due from 100% subsidiary undertakings of £14.9m (2013: £0.4m payables). These amounts are repayable on demand.

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

30 Post balance sheet events

As referenced in note 9, after the year end, Augean PLC and their joint venture partner in the Terramundo entity agreed to close the venture.

On 10 March 2015, Augean completed the purchase of the remaining 19% of shares, not already held by the Company, in its subsidiary company, Augean North Sea Services Limited (ANSS), thereby making ANSS a wholly-owned subsidiary of the Group. The consideration for the shares was £1,050,000, which was paid in cash on the same date.

Shareholder information

Notice of Annual General Meeting

We are pleased to write to you with details of our 2015 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 4 June 2015 at 10.00am. The formal notice of Annual General Meeting is set out on pages 111 to 113 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 £3,399,712.67 (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 2016 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 £509,957 (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 2016 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 112 and 113. 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 2 June 2015. The completion and return of a proxy appointment form will not preclude you from attending and voting at the meeting, should you so wish. A hard copy proxy appointment form is enclosed for your use.

Recommendation

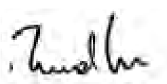
The Directors consider that the proposals set out above are in the best interests of the Company and its shareholders as a whole. They recommend that you vote in favour of the resolutions set out in the notice of meeting as they intend to do in respect of their own beneficial holdings.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2015 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 4 June 2015 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 2014 be received.
2. THAT Rory Patrick Macnamara be re-elected as a Director of the Company.
3. THAT Richard Stephen Laker 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 0.5 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 30 June 2016 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 £3,399,712.67.
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 30 June 2016 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 £509,957.

By order of the Board



R S Laker, ACA
Company Secretary
23 March 2015

Registered Office
4 Rudgate Court
Walton
Near Wetherby
West Yorkshire
LS23 7BF

NOTES:

(a) Only those shareholders entered on the relevant register of members (the "Register") for certificated or uncertificated shares of the Company (as the case may be) at 6.00p.m. on Tuesday 2 June 2015 (the "Specified Time") will be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at the time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend and vote at the AGM.

(b) Any member may appoint a proxy to attend, speak and vote on his/her behalf. A member may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares of the member, but must attend the meeting in person. A proxy need not be a member. Completion of a proxy appointment form does not prevent a member from attending and voting in person if he/she is entitled to do so and so wishes.

(c) Hard copy appointment of proxies: A hard copy proxy appointment form is enclosed for use at the AGM. To be valid, it must be completed in accordance with the instructions that accompany it and delivered, together with any authority under which it is executed or a copy of the authority certified notarially, by post or (during normal business hours only) by hand to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received no later than 10.00a.m. on Tuesday 2 June 2015.

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.investorcentre.co.uk/eproxy. 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 10.00a.m. on Tuesday 2 June 2015.

(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 10.00a.m. on Tuesday 2 June 2015. 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.

Shareholder Notes

Advisers and Company Information

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R S Laker, ACA

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