



Specialist services focused on
managing hazardous wastes

Focused Strategies Delivering the Best Overall Environmental Outcomes



Annual Report & Accounts
for the year ended 31 December 2015

Stock Code: AUG

Welcome

Augean is one of the UK's leading waste management businesses, providing specialist services focused on managing hazardous wastes.

Overview	
Highlights	01
Our Organisation	04
Our Business Model	06
Chairman's statement	08

Strategic Report

Our Business and Strategy	
Marketplace	12
Our Strategy	16

Our Performance

Operating Review	20
– Energy & Construction (E&C)	22
– Radioactive Waste Services (RWS)	24
– Industry & Infrastructure (I&I)	26
– Augean Integrated Services (AIS)	28
– Augean North Sea Services (ANSS)	30
Financial performance	34
Corporate Social Responsibility (CSR) performance	38
How the Business Manages Risk	40

Our Governance

Board of Directors	46
Our Governance	48
Chairman's Corporate Governance letter	49
Corporate Governance Summary	50
Audit Committee Report	51
Nominations Committee Report	52
Remuneration Committee Report	53
Directors' Remuneration Report	54
Directors' Report	58

Our Financials

Independent Auditor's Report to the Members of Augean PLC	64
Consolidated Statement of Comprehensive Income	65
Statements of Financial Position	66
Statements of Cash Flow	67
Statements of Changes in Shareholders' Equity	68
Notes to the Financial Statements	70

Shareholder Information

Notice of Annual General Meeting	112
Advisers and Company Information	IBC

Getting around this report



For further information within this document and relevant page numbers



CSR report

We also produce a dedicated CSR report, available to download at www.augeanplc.com, containing a wide range of information including:

- How we interact with the local and wider community
- Our compliance with our environment obligations

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



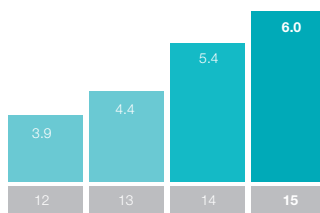
Financial Highlights



Profit before tax

(£m)

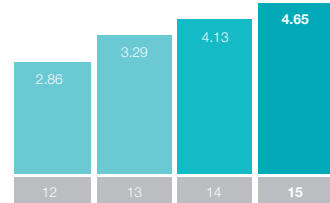
£6.0m



Earnings per share

(p)

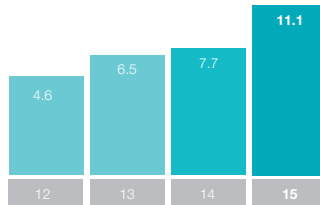
4.65p



Operating cash flows

(£m)

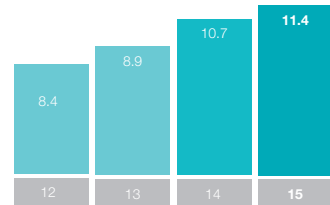
£11.1m



Return on capital employed

(%)

11.4%



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



See Financial Review on pages 34 to 37

Operational Highlights



“2015 was a year of significant progress for the Group resulting in double digit growth in revenue, operating cash flow and EBITDA”

Stewart Davies Chief Executive

Operating cashflow:

Net operating cashflows increased by 45% to £11.1m and were used to fund the future growth of the Group, pay an increased dividend and pay down debt.

Refinance

The Group's Bank facility has been renewed at £20m with an extra £10m specifically to fund acquisitions.

Strategic Investment

In 2015, the Group purchased the remaining 19% of shares in Augean North Sea Services from the minority shareholder for £1.05m.



See Operational Review on page 20 to 33



Our Values

We at Augean believe in...

As demonstrated by our behaviours

Respect

We show we value our people and others we work with

- Treating everyone how we would want to be treated
- Valuing every individual's contribution and voice
- Looking out for each other

Considerate
Recognition
Caring

Integrity

We demonstrate we can be trusted

- Being open and trustworthy
- Empowering people to do the right thing
- Taking responsibility for our actions

Trustworthy
Empowering
Responsible

Teamwork

We work better together

- Working better together to achieve more
- Effective, clear and consistent communication
- Creating opportunities for everyone to fulfil their potential

Collaborative
Communicative
Supportive

Excellence

We strive to achieve our ambition

- Challenging ourselves to continuously improve
- Proactively seeking and acting on feedback
- Being innovative and learning from experience

Challenging
Proactive
Learning

Our Cohesive Group

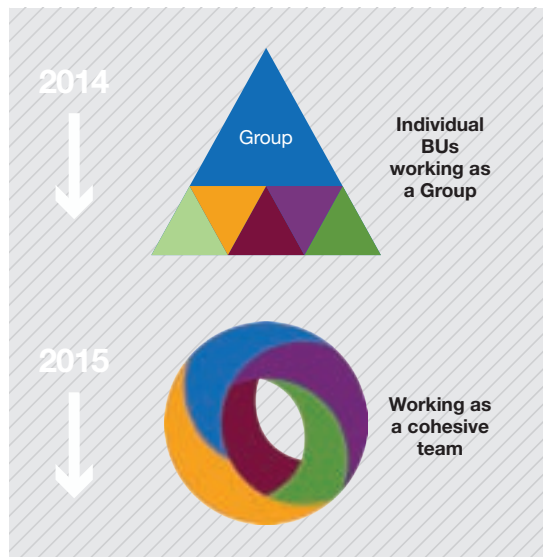
All Together Better is a framework of behaviours launched in 2015 and centred around Augean's four core values of 'Respect', 'Integrity', 'Teamwork' and 'Excellence'.

The development of the behaviours was led by a team of senior managers representing all of the Group's business units. This team facilitated workshops with colleagues and collated opinions, knowledge and attitudes representing the whole of the Augean Group. This information was then refined and distilled to become the values, beliefs and behaviours shown on this page.

These internally generated behaviours allow Augean colleagues, and the business units they serve, to work cohesively even when they have disparate roles. Everyone within Augean is able to understand how their work contributes to serving our customers and can be clear that the way in which we work is as important as the tasks we undertake.

All Together Better is key to achieving our Group strategy and ensuring we conduct ourselves appropriately whilst pursuing our vision of **"creating value for our customers through innovative services that protect future generations."**

Our Group Model



Our Organisation: Our Business Units



Assets: ENMRF, Port Clarence, Thornhaugh

Key services:

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

Waste treatment and disposal solutions



Assets: ENMRF, Port Clarence, East Kent

Key services:

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

Specialist treatment and disposal



Assets: Avonmouth, Paisley, Port Clarence WaRP

Key services:

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

Recovery of resources from wastes



Assets: Cannock, East Kent

Key services:

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

Integrated solutions for waste-producing clients



Assets: Aberdeen (x4), Lerwick, Great Yarmouth

Key services:

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

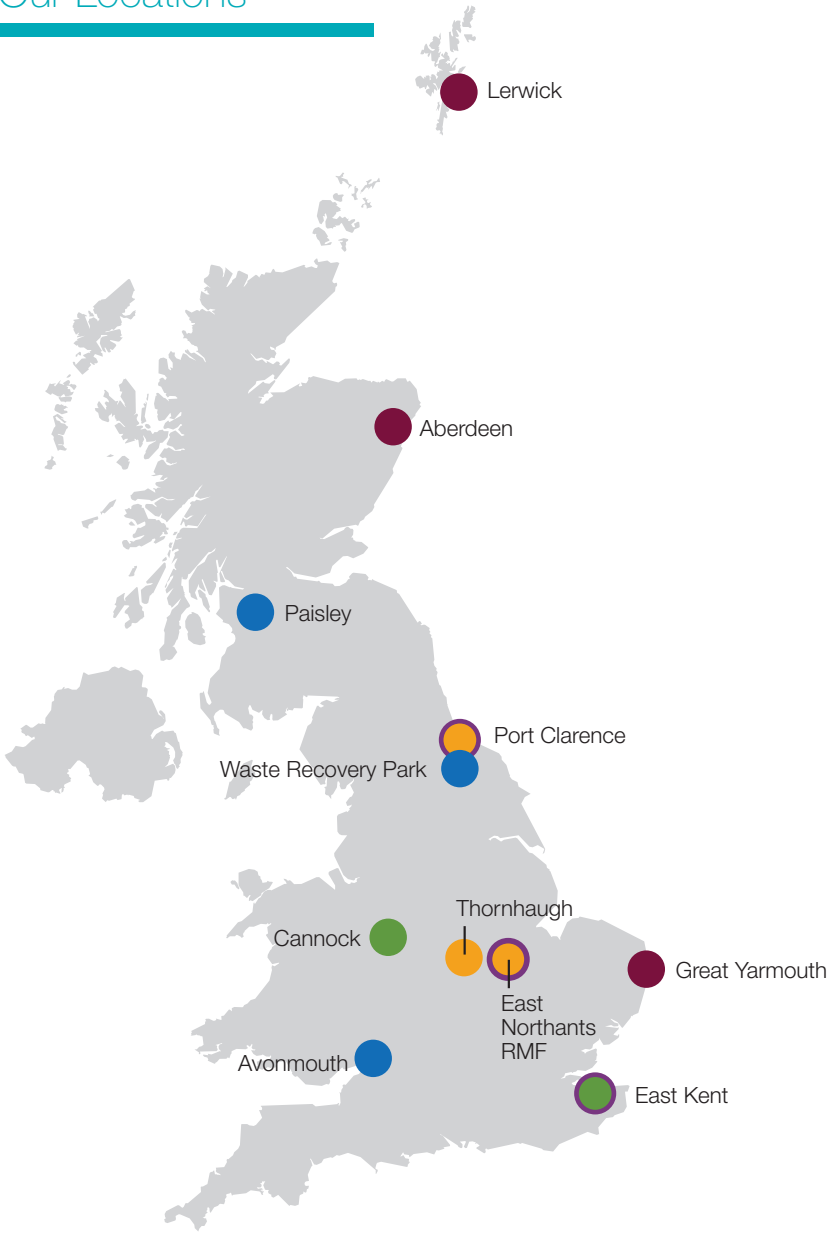
Complete waste services for North Sea operators



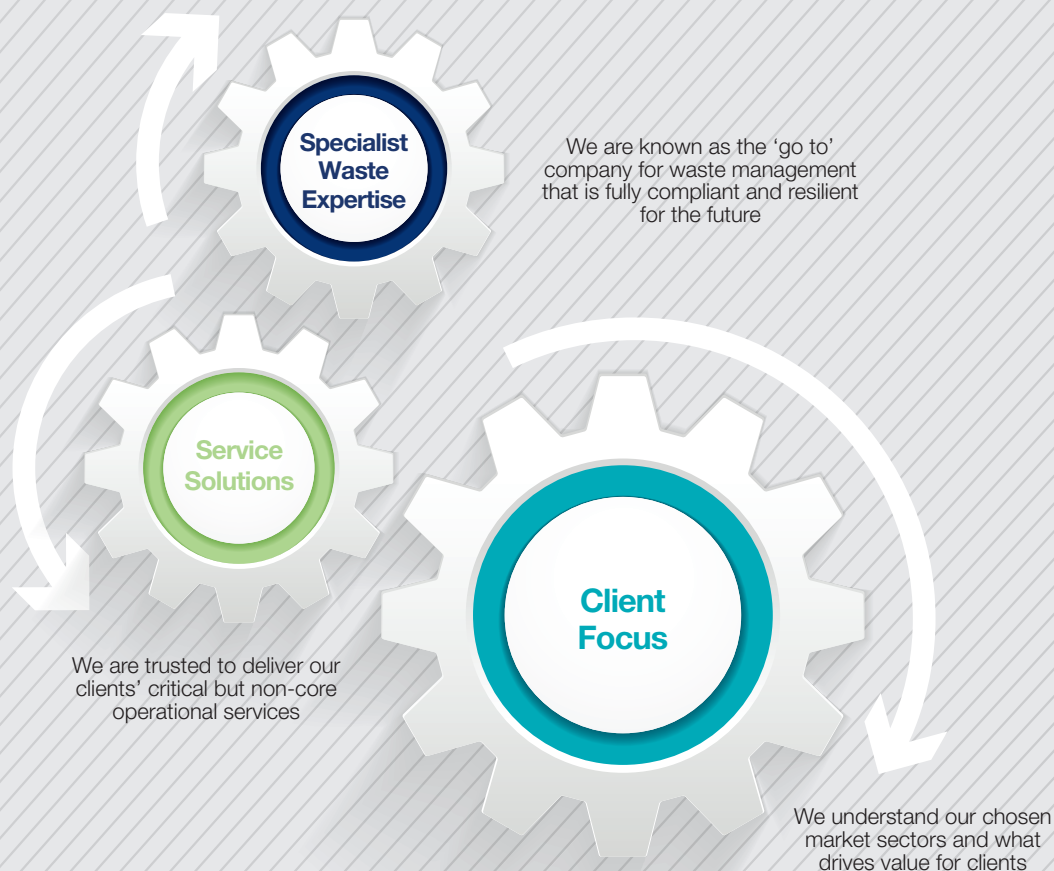


Our Locations

<p>Number of sites</p> <p>3</p> <p>Revenue</p> <p>£26.6m</p>
<p>Number of sites</p> <p>3</p> <p>Revenue</p> <p>£1.9m</p>
<p>Number of sites</p> <p>3</p> <p>Revenue</p> <p>£11.7m</p>
<p>Number of sites</p> <p>2</p> <p>Revenue</p> <p>£6.0m</p>
<p>Number of sites</p> <p>6</p> <p>Revenue</p> <p>£14.8m</p>



Our Business Model



Specialist waste expertise

- Auegan 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 Auegan'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

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
- Auegan has a successful growing track record in service solutions

Client focus

- We focus on market sectors which are attractive and where we can build competitive advantage
- Auegan 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

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

Chairman's Statement



“The Board continues to remain focused on improving the returns from capital employed for the Group”

2015 was another encouraging year for the Group, with year-on-year increases in revenue, profit, operating cash flows and return on capital employed, compared to 2014. The Group is currently trading in line with expectations in 2016.

The strategy for growth, developed and implemented by Stewart Davies and his team, is delivering tangible results with further evidence of traction across several areas of the business both commercially and in financial terms.

Total revenue, from continuing operations, increased to £61.0m (2014: £55.0m). Profit before tax from continuing operations and before exceptional items increased by 12% to £6.0m (2014: £5.4m), with an increase in basic earnings per share on the same basis of 13% to 4.65 pence (2014: 4.13 pence).

Operating cash flows, before exceptional items, increased from £7.7m to £11.1m. The Board continues to support reinvestment in strategic business growth, including £1.1m paid to purchase the remaining 19% of shares in Augean North Sea Services in March 2015. The Group has successfully refinanced its bank facility on improved commercial terms, increasing the available debt funding to £20m, with the option of a further £10m exclusively to fund potential acquisitions. All investments are made with the expectation of increasing levels of return and acceptable EBITDA¹ payback periods. Our return on capital employed² for the year increased to 11.4% (2014: 10.7%) and our total net debt fell by £1.4m during the year to £4.3m, after total capital expenditure of £7.5m.

Our Energy and Construction business had a strong year, with levels of material into landfill above initially anticipated input volumes. In 2016 we anticipate a more normalised level of inputs, subject to activity in the construction market. The impact of the revised Landfill Tax excise notice issued by HMRC in December 2015 on volumes of waste sent to landfill in England and Wales is not yet fully apparent. However the level of construction soils received by the business in 2016 to date has been in line with management expectations. Air pollution control residues (“APCR”) arising from the Energy-from-waste sector volumes were lower than last year, however significant volumes of other

waste streams contributed strongly to the growth in profit of that business as well as the significant operating cash flow generation of the Group in the year. There remains clear management focus on growing contracted APCR volumes into the business, as maintaining our share of this growth market is a key strategic imperative in the short and medium term. We continue to actively tender for APCR contracts, as they arise, with both existing and new customers.

The Radioactive Waste Services business saw a reduction in volumes in 2015 but was able to optimise pricing and deliver a pleasing increase in revenue and profit. Through 2015 and early 2016 we have seen reductions in the level of customer expenditure to treat the waste, in part due to UK Government spending reviews and we expect this theme to continue in 2016. However, the Group's site at East Northants remains a key element of national infrastructure for the disposal of low-level radioactive waste in the medium term. The Group remains actively engaged with customers to obtain further clarity regarding their predictions of output for the year. The Industry & Infrastructure business suffered a setback in the performance of its Avonmouth site during 2015, however a turnaround plan is under way to return it to profitability in 2016.

The second year of trading for the Augean Integrated Services business saw further progress, with increased revenues and a number of three year total waste management contracts won with blue-chip customers, the benefits of which will be seen in future years. This contributed to the growth seen in the contracted business which increased 44% over the prior year. The high temperature incinerator at the Group's East Kent site provided further unexpected challenges during the first half of 2015, which was frustrating. However, equipment replacement was undertaken in the second half of 2015 and subsequent management actions have been taken to improve the operational uptime of this asset, which remains of high strategic importance to the Group as more contracts are secured.

Augean North Sea Services (ANSS) responded positively to changes in its market by securing several new contract wins during 2015 and early 2016. This evidences the continued execution of the strategy to diversify this business away from exploration drilling waste management, on which the business was originally built, to an increased proportion of revenue generated from production waste management and onshore industrial services, while maintaining the high proportion of total revenues generated directly from major oil & gas operators. Subsequent to the year end, a strategic investment was made in a site at Great Yarmouth to support a new contract with a major operator. This represents a new location for the Group and opens up further potential commercial prospects from the southern North Sea. As previously anticipated, the Board expects 2016 to be a more challenging year for the ANSS business than 2015, particularly in light of further reductions in oil prices during 2015 and reducing drilling activity, but notes that management is broadening the service offering to customers and focus on cost control in the current conditions. The strategic move by ANSS to generate a lesser proportion of its revenues from exploration drilling waste management has led the Board to conclude that a write-down of certain thermal treatment assets on Teesside was necessary, based on our view of drill cuttings to be processed by those assets in the short to medium term. As previously announced, a non-cash impairment loss of £2.9m has been reflected as an exceptional item in our income statement for the 2015 financial year.

Health and safety continues to remain the highest priority for the Board, management and employees across the Group. Total accident levels remained at the same low level in 2015 as in 2014, underpinned by further improvement in positive indicators of safe behaviour. The Board continues to recognise the risks faced by our people, who work in environments moving, treating and disposing of hazardous wastes. In November 2015, the Group celebrated the achievement by ANSS of its tenth anniversary without a lost time incident in its offshore activities.

Protecting the environment is not only a matter of compliance with permits, 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. All sites in England are ranked by the Environment Agency as Category A or B and the Scottish Environmental Protection Agency rates all of the Group's sites in Scotland as Excellent.

The Board recognises that our business success 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 continued progress during the year.

As in previous years, I was pleased to note the addition of new shareholders to our register during the year and again I am thankful for the continued support from all of our investors.

The Board welcomed John Grant as a Non-executive Director in August 2015. I am pleased to see the Group benefiting from the extensive experience that John has brought. Rory Macnamara has declared his intention to step down from the Board at this year's AGM. I would like to thank Rory for his contribution to the Board over a period of almost ten years and for his diligent Chairmanship of the Audit Committee. In advance of Rory's departure, I also look forward to welcoming Rod Holdsworth to the Board on 23 March 2016. Rod will also assume the Chairmanship of the Audit Committee, upon Rory's departure, and I am confident that he will also add further qualities to the Board as a whole, given his current and past executive experience.

The Group's balance sheet and operating cash flow remain robust and the Board has proposed a 30% increase in the dividend payment to 0.65p per share. This reflects confidence in the prospects of the Group and the Board's ongoing commitment to pay a progressive dividend to its shareholders, with the dividend being covered⁹ 7.2 times (2014: 8.3 times).

The Board continues to remain focused on improving the returns from capital employed for the Group as a whole whilst being prepared to invest in opportunities for the future, to build on the progress delivered to date. I look forward to another year of profitable growth for the Group.



Jim Meredith
Non-executive Chairman
21 March 2016

1. EBITDA means Earnings before interest, tax and depreciation
2. Return on capital employed (ROCE) is defined as operating profit divided by average capital employed, where capital employed is net assets excluding net debt
3. Dividend cover based on earnings per share from continuing operations and excluding exceptional items

Strategic Report

Contents

Our Business and Strategy

Marketplace	12
Our Strategy	16

Our Performance

Operating Review	20
– Energy & Construction (E&C)	22
– Radioactive Waste Services (RWS)	24
– Industry & Infrastructure (I&I)	26
– Augean Integrated Services (AIS)	28
– Augean North Sea Services (ANSS)	30
Financial performance	34
Corporate Social Responsibility (CSR) performance	38
How the Business Manages Risk	40



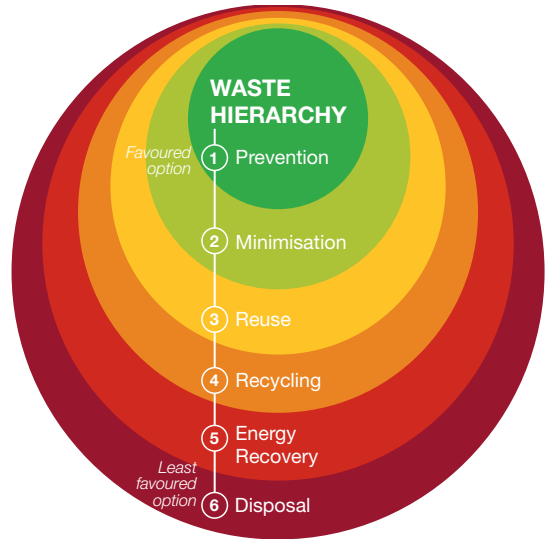


Marketplace

Augean operates in market sectors that have distinct strategic drivers and this is the rationale for the focus of the five business units of the Group to develop the customer focus relevant to each sector. There are certain regulatory matters that are common for all of the units, relating to hazardous waste and these are addressed first below.

Hazardous waste overview

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 adoption of the NPS in June 2013 confirmed the need for the portfolio of treatment and disposal facilities and services developed by Augean over the past few years. Importantly, the Group plays an active part in five of the eight sectors identified as essential for the management of hazardous wastes in the UK. The Waste Hierarchy provides a framework for waste management and implementation of infrastructure which will allow sustainable waste management solutions. However, for hazardous wastes there is a need to consider the fate of the persistent and toxic pollutants in the waste. In order to understand levels of opportunity to invest in activities than are not clearly defined under the NPS, the Group has asked the Department for Environment, Food & Rural Affairs (DEFRA) to clarify policy in respect of the management of these pollutants and the acceptability of the long term dispersion into the environment of such contaminants.



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, clinical and pharmaceutical waste, and other industrial producers.

Data published by the Environment Agency during 2014 (the most recent data available) on the production of hazardous waste indicated that approximately 1 million tonnes are disposed per annum to hazardous landfill sites and the total UK capacity for hazardous landfill was approximately 16 million tonnes (source: Environment Agency). 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

16m tonnes
TOTAL UK CAPACITY FOR
HAZARDOUS LANDFILL

Energy-from-Waste and Biomass market

Augean's treatment and disposal to landfill includes the management of certain by-products from energy-from-waste (EfW) plants, which are being constructed and operated to deliver the UK's obligation to significantly reduce the landfilling of municipal solid waste by 2020, and from biomass plants. These facilities produce air pollution control residues (APCR) and also incinerator bottom ash (IBA). 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 75,000 tonnes, representing approximately 35% of the total traded volume during 2015. This market, of approximately 250,000 tonnes per annum, is expected to double over the period 2013-2020, as the number of EfW and biomass 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. It is not currently anticipated that the final tranche of derogations will be removed before the end of 2017. 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 customers in the growing EfW and biomass market.



Construction waste market

Construction soils are a key input to the Group's landfill sites. In 2015, the Group has received high volumes of this waste into its sites at ENRMF and Port Clarence where contaminated soils are treated and disposed to landfill. The volume of these soils available to the Group is variable and linked to the construction macroeconomic cycle, including the progress of large-scale infrastructure projects. The market for these soils, by nature, is not operated on a long term contracted basis. It is sensitive to the prevailing market spot price, influenced by haulage costs and thus proximity to the disposal site.

**250,000m
tonnes**

OF APCR PRODUCED
BY UK EFW AND BIOMASS
INCINERATORS IN 2015

**APCR
market**

EXPECTED
TO DOUBLE BETWEEN
2013 AND 2020

HM Revenue & Customs issued a revised excise notice in respect of landfill tax in December 2015 which may impact the disposal or treatment route selected by the customer for contaminated materials including soils. This has caused market uncertainty and the impact of this notice on customer behaviour in the market will become evident in 2016.

Nuclear decommissioning market

The Group's key radioactive waste market is the nuclear decommissioning market, relating to the closure and dismantling of the UK's redundant nuclear power and research facilities. This is managed on behalf of the UK government by the Nuclear Decommissioning Authority (NDA). The disposal of naturally occurring radioactive material (NORM) generated principally from the Oil & Gas industry is the second key radioactive waste market for the Group. 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. The NDA publishes regular forecasts on the inventory of radioactive wastes requiring disposal and treatment, the latest of which was released in December 2015 and shows 42% year on year increase in LLW volumes from NDA sites to 3,930 cubic metres in 2016/17, albeit from a low base in 2015/16.

Oil recovery market

The significant reductions in market prices for oil, seen since the latter part of 2014, impacted upon the waste oil market throughout 2015. In particular, prices for processed waste oil reduced to approximately nil value by the end of 2015. The overall recovered and processed fuel market suffered from stagnation brought about by uncertainty surrounding the falling market. This exacerbated the global position, as trading effectively ceased for periods whilst markets adjustments took effect. At the same time, UK based outlets for waste oil derived heating fuels constricted in response to the falling price of heating oil. The market became more reliant on European off-takers, who, given the oversupply, were able to exert price pressure and be more discerning with regard to the material quality, which favoured the market in mainland Europe.

The effect on businesses specialising in waste oil recovery has been significant, with many facing challenges in the face of difficult trading conditions continuing for an extended period. During the course of 2015 and into 2016, there has been some rationalisation in this area of the industry, with those unable to adapt and diversify being pushed to exit and further streamlining expected in response to further reducing demand.

North Sea Oil & Gas market

The markets for waste produced in the exploration, appraisal, development, production and decommissioning of 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, with further activities in North West England, for the East Irish Sea. The Group provides a full range of services, equipment rental and manpower provision for the containment and treatment of offshore wastes, including the cuttings and slop waters from drilling of oil and gas wells, contaminated waters from the oil production process, production wastes, sludges, and equipment and water contaminated with low level naturally occurring radioactive material, as well as a more general range of industrial general and hazardous wastes.



“Augean can move up the supply chain in the Oil and Gas industry”

The oil & gas market has been adversely impacted as a result of reductions seen in oil prices, with oil & gas companies seeking efficiencies from the supply chain. Cost efficiencies are key to the sustainability of businesses in this area and, as such, Augean can offer the internal routes for oil & gas wastes, and move up the supply chain into manpower services and equipment rentals related to these wastes. This gives Augean North Sea Services a unique selling point and opportunities in the marketplace. The second half of 2015 saw a reduction in the size of the market for drilling wastes. However, the ANSS business continues to execute its strategy for diversification, based upon utilisation of the assets of the whole Group to provide total waste management and industrial cleaning capabilities to oil & gas production facilities.

The market for providing total waste management and industrial cleaning to oil & gas production facilities has different drivers, as the assets are already invested and therefore have seen more stable levels of activity than exploration and development over the period of oil price falls. The dependence of the UK's energy sector on oil & gas is anticipated to continue over several decades, leading to an expectation of stable levels of demand for waste management for production facilities and onshore industrial services. An additional sector of the market derives from the decommissioning of assets in the North Sea. NORM arises when various types of processing lines and equipment are cleaned and takes the form of scale or sludges. Decommissioning of assets would result in the need for treatment and disposal of NORM in the medium and long term. Whilst reliable statistics on the scale of the NORM market remain limited, we estimate that up to 1,000 tonnes of NORM may be released per annum, requiring treatment and disposal.

Our Strategy

“Augean is well positioned in attractive markets”

Core Strategy

The 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

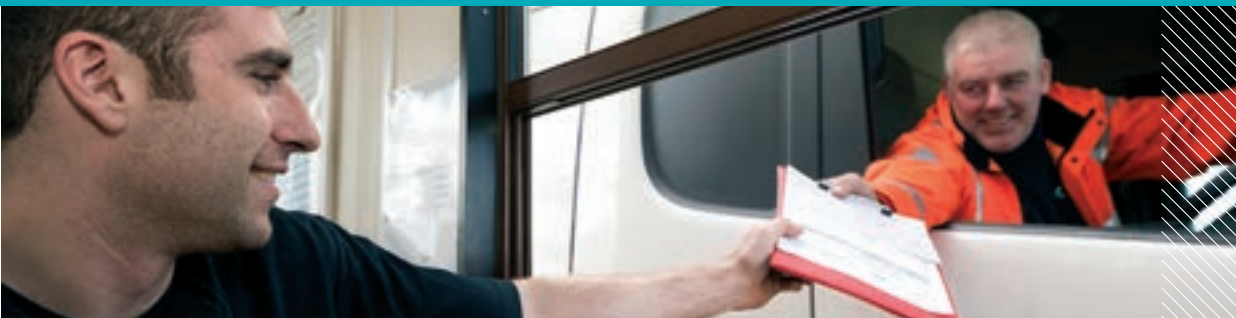
Augean is well positioned in attractive markets, both sectoral and regional, where we have expertise and assets, including treatment technologies that differentiate our service and reinforce barriers to entry. Understanding these markets enables us to progressively develop the capabilities required to 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 2015 we have built new relationships with customers and 95% 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 80% in 2014. With these customers representing 47% of total Group sales revenues for the year (2014: 50%), the transition to a contract-led business model continues and is evident in all of our business units.



See KPIs on pages 18 to 19





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.

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 £7.5m was spent on capital investment in 2015 (2014: £6.9m). The return on capital employed of the Group, from continuing operations and before exceptional items, was 11.4% for the year (2014: 10.7%) from an increased total asset base, which is consistent with this strategy.



Key Performance Indicators

KPI	Link to strategy	Applicable area(s) of the Group	2015 outcome	2014 outcome
Number of accidents⁽¹⁾ Health & safety is the highest priority of the Group	SMP	E&C, I&I, AIS, ANSS	E&C/ RWS: 8 I&I: 12 AIS: 10 ANSS: 4	E&C/ RWS: 10 I&I: 13 AIS: 5 ANSS: 7
Number of near misses reported⁽²⁾ Health & safety is the highest priority of the Group	SMP	E&C, I&I, AIS, ANSS	E&C/ RWS: 419 I&I: 747 AIS: 289 ANSS: 560	E&C/ RWS: 319 I&I: 670 AIS: 287 ANSS: 522
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 & permitting conditions	SMP	E&C, RWS, I&I, AIS, ANSS	E&C: A RWS: A I&I: A/ Excellent AIS: B ANSS: Excellent	E&C: C RWS: A I&I: B/ Excellent AIS: D ANSS: Excellent
Underlying profit before taxation⁽⁴⁾ This is the key measure of underlying profitability of the Group	GSV	Group	£6.0m	£5.4m
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	£5.6m	£5.0m
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	11.4%	10.7%
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	95% of top 20 Top 20 47% of Group revenue	80% of top 20 Top 20 50% of Group revenue

KPI	Link to strategy	Applicable area(s) of the Group	2015 outcome	2014 outcome
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: 434,000 t RWS: 3,200 t	E&C: 332,000 t RWS: 4,300 t
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	£2.3m	£1.6m
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	89% of ANSS revenue	75% 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.

Operating Review



“The Group remains committed to growth in all of its businesses and markets, through both organic and acquisitive means”

Stewart Davies Chief Executive

Introduction

The Group delivered a strong set of financial results in 2015.

The results of the Group, from continuing operations and excluding exceptional items, show that:

- Total revenue increased by 11% to £61.0m;
- Profit before taxation increased 12% to £6.0m;
- Net operating cash flows increased by 45% to £11.1m;
- Basic earnings per share increased by 13% to 4.65 pence; and
- Return on capital employed increased from 10.7% to 11.4%.

During 2015, the Group operated through five business units.

The operating cash flow of the Group was used to fund the future growth of the Group, with total capital expenditure investment of £7.5m. This comprised £5.5m of maintenance capital expenditure to lengthen the productive life of existing assets (including £1.3m on landfill cell engineering and £0.2m of cell capping) and £1.8m of development capital expenditure for targeted future growth, along with a £0.2m deferred consideration payment relating to the purchase of the East Kent site.

The Group remains committed to growth in all of its businesses and markets, through both organic and acquisitive means, where appropriate. Aside from its strong operating cash flows, the Group also had a £13.25m bank facility in place as at 31 December 2015, compared to net debt of £4.3m, equivalent to 0.4 times EBITDA, from continuing operations and before exceptional items. The Group has successfully completed the refinancing of its bank loan facility in March 2016, at an increased level of £20m, plus a further optional £10m facility increase exclusively to fund acquisitions. This facility leaves the Group well placed to take advantage of investment opportunities that accelerate the strategy and are value enhancing for shareholders.

As previously announced, during 2015 the Board took the strategic opportunity to purchase the remaining 19% of shares in the Augean North Sea Services business from the minority shareholder, for a cash consideration of £1.05m. This is equivalent to 2.7 times 2015 EBITDA and the transaction was accretive to earnings per share in the year. The business has performed well, despite challenging conditions in the North Sea oil & gas market. The Board continues to monitor this market very closely but remains confident that the market positioning of that business, including the ongoing execution of its diversification strategy, leave the business well placed in the medium to long term.

The Group employed an average of 345 staff (2014: 300) over the course of the year. The number of employees in the Group has increased during 2015 as the Group has continued to invest in high-quality employees who remain 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 2015 and 2014 (Energy & Construction, Radioactive Waste Services, Industry & Infrastructure, Augean Integrated Services and Augean North Sea Services). The performance of each of the five business units in 2015 is set on pages 22 to 31.



Operating Review continued

Energy & Construction (E&C)



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

Revenues, excluding landfill tax and intra-group trading, increased by 29% to £20.2m (2014: £15.6m), with the significant increase primarily due to high volumes of construction soils, which continued through the second half of the financial year, and compensated for a reduction in the volumes of APCR treated in 2015 compared to 2014.

The total volume of waste disposed by the E&C business increased by 31% to 434,000 tonnes in 2015, from 332,000 tonnes in 2014, with APCR volumes decreasing by 11% from 85,000 tonnes to 75,000 tonnes and other waste streams increasing by 45% from 247,000 tonnes to 359,000 tonnes. Average gate fees on APCR streams increased by 8% and decreased by 1% on soils and other waste streams with an overall decrease in APCR revenue of 5% and increase in other waste revenue of 42%, as a result of the changes in volumes on those waste streams, compared to 2014. Non-waste revenue streams, from mineral extraction royalties and energy generation from landfill gas, totalled £0.7m in the year (2014: £0.7m).

“EBITDA increasing by 15%... contributed to the strong operating cash flow of the Group”

The higher volumes of lower margin contaminated soils received by the business unit caused the operating profit and EBITDA of the business unit to grow at a lower rate than revenue, with EBITDA increasing by 15% to £9.5m (2014: £8.3m), against the 29% increase in revenue and this EBITDA growth contributing to the strong operating cash flow of the Group as a whole during 2015. Operating profit before exceptional items improved by 3% to £6.5m (2014: £6.3m), with depreciation in this business unit primarily driven by the input volume and thus the rate of engineered landfill cell capacity consumption, rather than the passage of time.

The high level of construction soils activity during the year was attributed to high levels of activity in the preparation of construction sites. It is not anticipated that volumes of construction soils will be as high in 2016 and beyond. In December 2015 HM Revenue & Customs issued a revised excise notice in respect of landfill tax, updating the landfill tax treatment of various waste streams, which could potentially impact the amount of landfill tax arising on the disposal of certain waste materials, including construction soils, and, in turn, the disposal or treatment route selected by the customer for those materials. The impact of the revised excise notice on customer behaviour in the market is not yet fully apparent. The early part of 2016 has seen a reduced level of construction soils received by Augean sites, albeit that the reduction is from the unusually high level of 2015, back to a more normalised level which, accordingly, is in line with management expectations.



APCR volumes in the second half of 2015 were similar to those seen in the first half (1% higher). An increase in the volume of APCR treated by the Group remains a key strategic objective in the short and medium term, with the business well positioned to utilise its additional investment in treatment capacity to service the growth in Energy from Waste and biomass capacity in the areas of the UK served by our sites.

Total capital investment in the E&C business was £3.8m in the year (2014: £2.3m), of which £2.8m was in respect of lengthening the productive life of existing assets (maintenance capital expenditure) and £1.0m was investment in the targeted future growth of the business (development capital expenditure). The maintenance capital expenditure included £1.3m in respect of landfill cell engineering and £0.2m in respect of the capping of full landfill cells. Excluding landfill cell-related capital expenditure, total capital spend was lower than 2014, due to certain one-off site infrastructure projects occurring in 2014.

Operating Review continued

Radioactive Waste Services (RWS)



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 (NDA) 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 total revenue from the disposal and treatment of low level radioactive waste, excluding landfill tax and intra-group trading, increased by 5% to £1.9m (2014: £1.8m). Operating profit increased by 9% to £1.1m (2014: £1.0m) and EBITDA increased 13% to £1.2m (2014: £1.1m). This was generated from a total volume of 3,186 tonnes, a decrease of 26% compared to 4,323 tonnes in 2014.

The revenue generated by RWS has historically been dominated by waste related to nuclear decommissioning, with revenues steadily increasing as activity on the Government-owned sites increased. In the final quarter of 2015, LLWR issued a revised projection, which indicated a 43% reduction in waste volumes for disposal to the market during the Government fiscal year 2015-16 (April 2015 to March 2016). This significant reduction was due to two main issues, being the latest status of individual decommissioning projects, including delays caused by changes in management companies for various NDA-controlled sites as previously communicated, and the outcome of the UK Government Spending Review. In line with those predictions, Augean has seen significantly lower volumes of waste from the NDA estate since May 2015 and this is now expected to continue during the first quarter of the Group's 2016 financial year.

“RWS has strategically sought to reduce its dependence upon the disposal of waste from LLWR...increasing the average price per tonne for waste into Augean facilities”

Throughout 2015, RWS has strategically sought to reduce its dependence upon the disposal of waste from LLWR, with actions taken including increasing the average price per tonne for waste into Augean facilities, diversification of its customer base, with 49% of revenue in 2015 generated from customers other than LLWR, compared to 31% in 2014; and widening the range of treatment options, with the first radioactive wastes received for thermal processing in late 2015.

LLWR predicts that volumes for the 2016-17 Government fiscal year (April 2016 to March 2017) will be 42% higher than the current 2015-16 forecasts, and should, therefore, lead to an increase in volumes in the second half of 2016 and early 2017, compared to late 2015 and early 2016.



Based on the forecast activity of the RWS business, taking into account the timing of the increased in volumes between late 2016 and early 2017, as well as the reduced activity seen in the first quarter of 2016 to date, it is now considered that this business unit will trade significantly below management expectations for the year ended 31 December 2016.

Focus remains on the medium term growth strategy for this business, whilst continuing discussions with key stakeholders within Government organisations, in an effort to obtain greater predictability and consistency in waste volumes for the Group, which operates a number of essential assets for the delivery of the Government's strategy for dealing with radioactive waste.

Operating Review continued

Industry & Infrastructure (I&I)



The principal activity of this business unit is the recovery and recycling of oil and solvents and the generation of secondary liquid and solid fuels from waste, 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 and gas 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 (PCWRP) on Teesside and providing industrial services on client sites.

I&I total revenue, excluding inter-segment sales, fell by 6% to £11.7m in 2015 (2014: £12.5m) and the business unit made an operating loss of £0.7m, compared to a £0.6m operating loss in 2014, although the performance of the business unit improved in the second half of the year with an operating loss of £0.2m, compared to a first half operating loss of £0.5m. The business generated a positive EBITDA of £0.4m, compared to a positive EBITDA of £0.5m in 2014, with the second half of 2015 generating a positive EBITDA of £0.5m compared to a negative EBITDA of £0.1m in the first half.

The disappointing overall outcome for the I&I business unit is primarily due to performance issues at the Avonmouth site, with the other areas of the business performing in line with management expectations for 2015. As noted in the interim results, measures have been taken at Avonmouth to improve the performance of the site. This has included the appointment of management to oversee improvements at the site, in order to execute an agreed plan to return the site to profitability during 2016. Avonmouth trading in 2016 to date is in line with management plans.

“Second half of 2015 EBITDA of £0.5m compared to a negative EBITDA of £0.1m in the first half”

The PCWRP site includes certain thermal treatment and recovery assets that have been substantially used for the treatment of drill cuttings from the North Sea in recent years. As explained below, the diversification strategy of Augean North Sea Services means that there is now an expectation of reduced activity by those assets on Teesside. Accordingly, the recoverable value of the relevant assets was determined to be lower than their carrying value and, as previously announced, an impairment loss of £2.9m has been recognised as an exceptional item in the consolidated income statement of the Group in 2015.

Industrial Services has been a service line of increasing importance to the I&I business, with a number of term contracts secured with customers, providing opportunities to leverage the Group's specialist waste knowledge with support services, in line with Company strategy. With an increasing scope of opportunity, the optimum means of resourcing the growth of this part of the business has been under active consideration during 2015, resulting in additional targeted sales resource, restructuring parts of the business to position it for growth in this specific area and modest capital investment in the business to increase scope and capability. Focus has been on broadening the range of services and increasing market penetration through new and existing customers using downstream I&I and other Augean-wide assets to support and provide end-to-end supply chain security. Several term contracts have been secured in the Infrastructure sector.

A total of £0.6m of capital investment was undertaken in the I&I business, of which c. £0.4m represented maintenance capital expenditure and £0.2m related to development capital expenditure.



Operating Review continued

Augean Integrated Services (AIS)



This business unit operates from a site in Cannock and a high temperature incinerator (HTI) in Sandwich, East Kent. It 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 specialist HTI asset in East Kent, which is designed to incinerate high-value, low volume goods, such as pharmaceutical or other specialist waste. The Group purchased the East Kent HTI in 2014, for a total of £1.9m. The purchase price included a deferred element of £0.4m, of which £0.2m was paid in 2015 and the remaining £0.2m was paid in early 2016.

Total revenue, excluding inter-segment sales, grew by 44% to £6.0m (2014: £4.2m). This included £3.9m from total waste management (2014: £2.5m), of which £2.3m was from contracted business (2014: £1.6m). The business reduced its operating loss by 22% to £0.6m (2014: £0.7m), and cut its negative EBITDA by 56% to negative £0.2m (2014: negative £0.4m).

The below-expectation profitability of this business unit was primarily due to the performance at the East Kent HTI which realised an operating loss of £0.3m (2014: loss of £0.5m). The disappointing performance of the HTI resulted from unplanned operational downtime, particularly in the first half of the financial year, which led to higher operating costs and a temporary reduction in processing capacity. Equipment replacement was carried out, during planned shutdowns in August 2015 and December 2015. This, along with an improved schedule of planned, preventative maintenance and the appointment of a new, experienced general manager at the plant in February 2016, will enable the HTI to deal with the increased commercial pipeline arising from new contract wins. The Board remains confident in the long term strategic value of this asset to the Group.

“Total revenue, excluding inter-segment sales, grew by 44%”

As previously noted, the AIS business has built a commercial team with sector-specific expertise, which has enabled the wider AIS business to secure further TWM contracts with high-value customers in 2015, the full year impact of which is expected to occur in 2016 and beyond. A number of TWM contracts have been extended to run until 2019 and all contracts won in 2015 were at least three years in length, with potential for further in-life revenue growth. The AIS business excluding East Kent made an operating loss of £0.3m (2014: £0.2m) as it continues to invest for growth.

Other than payments to purchase the HTI, a total of £0.8m of capital expenditure was undertaken in the AIS business in 2015, most of which related to the East Kent site, to address the plant reliability issues referred to above.



Operating Review *continued*

Augean North Sea Services (ANSS)



The ANSS business unit operates in the North Sea oil & gas market, primarily from four sites in Aberdeen, a site at Lerwick, in the Shetland Islands and, since February 2016, from a site in Great Yarmouth. The primary revenue streams are from drilling waste management, which includes drill cuttings management and the rental of offshore engineers and equipment to customers, with a diversification strategy under way, leading to growth in production waste management, onshore & marine industrial services and water treatment. Throughout 2014 and early 2015, the Augean Group owned 81% of the shares in ANSS. As previously announced, the Group purchased the remaining 19% of shares in March 2015 such that ANSS became a wholly owned subsidiary of the Group from that date.

ANSS revenue grew by 2% to £14.8m (2014: £14.5m) and saw an increase in operating profit of 32% to £1.3m (2014: £1.0m) and an increase in EBITDA of 34% to £2.0m (2014: £1.5m). The operating profit margin increased from 7% to 9% due to adverse weather conditions in 2014 which adversely impacted the margin at that time.

During 2015, ANSS outperformed expectations, despite increasingly challenging conditions in the North Sea Oil & Gas market which have been evident since the latter part of 2014. Key to this successful performance has been the continued strategic traction of the business in moving up the supply chain and dealing directly with oil & gas operators and tier-1 customers in this market, which increases the potential for the business to widen its service scope directly with those customers. 89% of total ANSS revenues were directly generated from those customers during 2015, compared to 75% in 2014. During 2015, the business maintained incumbency on an average of 4.6 rigs, compared to 4.3 in 2014.

“During 2015, ANSS outperformed expectations, despite increasingly challenging conditions”

During 2015 and the early part of 2016, ANSS has achieved the following noteworthy contract wins:

- As previously announced, in June and July 2015 ANSS was successful in winning three new contracts, with terms of between three and five years, all of which are with operators and tier-1 customers. Those contracts include production platform waste management, onshore waste management and decommissioning work, the latter of which includes NORM wastes and is delivered in conjunction with the Radioactive Waste Services business;
- As previously announced, in January 2016 ANSS entered into a contract to provide production waste management and onshore industrial services to a major oil & gas operator. This represents both further progress on the strategy of diversification and also a significant entry-point for the Group to the market which exists in the southern part of the North Sea. The contract, which is directly with the operator, is for a period of three years, with the customer having the option for further annual extensions, up to a maximum period of seven years. Linked to this contract, in February 2016, the Group purchased certain freehold land and assets in Great Yarmouth for £0.5m, plus associated taxes and fees. The site, which has been purchased from a waste management company, and already holds relevant planning and environmental permits, will enable the Group to supplement those services already provided to customers in the Northern and Central North Sea, which will continue to be mainly delivered from Aberdeen.



- In February 2016, ANSS entered into a new contract to provide onshore waste management and industrial cleaning services to a major oil & gas operator, in the North West of England. The contract is for a period of three years, with the option of further annual extensions, up to a maximum period of five years.

All of the above contract wins are strategically important in diversifying the ANSS business away from dependence on exploration drilling and further underpin existing management expectations for 2016 revenues and profits from this business. Going forward, it is expected that an increasing proportion of revenues will be generated from onshore and offshore waste-related industrial services work, rather than exploration drilling waste management.

Despite these strategic successes during 2015 and the early part of 2016, the Board remains mindful of the prevailing conditions in the North Sea oil & gas market. As previously stated, management continues to monitor events closely and ensures that costs are tightly controlled to match industry demands for cost efficiencies, whilst sufficient investment is made to allow the business to pursue its growth strategy and take advantage of the opportunities that continue to emerge, even in the current challenging environment. Capital expenditure totalled £1.6m during 2015 (2014: £1.6m).

ANSS is a support service business, with 2015 operating expenses comprising 68% of variable costs, 5% depreciation and 27% 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 has continued to earn the business increasing recognition from operators and tier-1 customers in the sector, which has been key to the successful award of the contracts referred to above.

The Board remains confident that the ANSS business has the capability and credibility in its core 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 but the Board continues to monitor events in the North Sea oil & gas market, given their potential impact on the ANSS business.

Long Term Contracts

The Group aims to increase the proportion of its customer base which is served through a formalised agreement, consisting of either a contract or framework agreement. In 2015, the top 20 customers of the Group made up 47% of total Group revenue (2014: 50%), of which 95% was through a formalised agreement (2014: 80%).

Transactions

On 10 March 2015, the Group purchased the 19% of shares in Augean North Sea Services Limited not already held by the Group, thereby making the company a wholly owned subsidiary of the Group at that date. The consideration paid for the shares was £1,050,000, excluding applicable stamp duty and fees, which was paid in cash on the same date.

On 2 July 2015, the Group purchased the entire issued share capital of ASB Environmental Limited (ASB) for a total consideration of £40,000, which was paid in cash on the same date, along with an acquired overdraft of £51,000. The acquisition of ASB does not have a material impact on the results of the Group.

Legislative environment

Regulation underpins the demand for Augean's services and accordingly the business follows closely the development of legislation and guidance and engages proactively with policy makers and regulators.

Of particular interest to the business in 2015 have been changes to the landfill tax regime, the revised classification of waste, WM3, and developments on the derogations for landfill acceptance criteria. The Finance Act 2015 introduced requirements for determining the landfill tax rate of screened wastes. From 1 June 2015, Augean smoothly implemented the transition to using the Global Harmonised System for classification of chemicals and the Environment Agency guidance WM3, which requires a change in the way we classify waste. DEFRA has recently circulated a discussion paper regarding the removal of derogations from the landfill acceptance criteria. A decision will be made later this year but the removal is considered unlikely until late 2017.

DEFRA is consulting its review of its 2010 Strategy for Hazardous Waste Strategy for England. Augean was directly involved in its formulation and has monitored its implementation since 2010. In general, Augean considers that, whilst the Strategy is fit for purpose, there are concerns now apparent regarding the implementation and application of the Strategy, particularly in respect of persistent and toxic pollutants, which need addressing urgently. The application of the strategy does not appear to substantially consider whether the Best Overall Environmental Outcome (BOEO) will be achieved, despite it being a requirement of the Strategy. Clear policy guidance is being sought from DEFRA to help direct investment in the sector.

On 16 December 2015, HM Revenue & Customs issued a revised excise notice in respect of landfill tax, updating the landfill tax treatment of various waste streams. This update potentially impacts the market served by the Energy & Construction business unit, as explained above.

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 2015, we gained planning permissions and subsequently made permit applications for the extension of the landfill sites at Thornhaugh and Port Clarence. The application for Thornhaugh enables 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 previous consent was due to terminate in 2016 and has now been extended for the remaining life of the site so we have secured planning permission for the landfill site for a future period estimated to exceed 50 years. 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 varied the Environmental Permits for the incinerator so that our hazardous and radioactive waste storage activities can be extended to Bloody Point.

In 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 was undertaken including environmental impact and risk assessments to ensure that the ongoing development would not cause harm to human health or pollution of the environment. Permits for the treatment and disposal of hazardous waste were granted in 2015 while the radioactive waste permit is expected to be issued during the first half of 2016. The business has continued to actively engage with local communities resulting in general acceptance of its proposals and no objections.



See Business Unit Performance on pages 22 to 31

Financial performance



“The post-maintenance free cash flow of the Group, from continuing operations and excluding exceptional items, increased by 12%.”

Richard Laker Group Finance Director

Group overview

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

£'m except where stated	2015	2014
Revenue	61.0	55.0
Operating profit	6.8	6.1
Profit before taxation	6.0	5.4
Profit after taxation	4.8	4.3
EBITDA (defined below)	12.1	10.0
Net operating cash flow	11.1	7.7
Basic earnings per share	4.65p	4.13p
Return on capital employed	11.4%	10.7%

Exceptional items are detailed below.

On a statutory basis for continuing operations, operating profit was £3.3m (2014: £6.7m), profit before tax was £2.5m (2014: £5.9m), profit after tax was £1.7m (2014: £4.8m), basic earnings per share were 1.60 pence (2014: 4.64 pence) and net operating cash flows were £10.5m (2014: £8.4m).

Trading, operating profit and EBITDA

Net revenue from continuing operations for the year ended 31 December 2015 increased by 11% to £61.0m (2014: £55.0m).

Operating profit before exceptional items from continuing operations increased by 11% to £6.8m (2014: £6.1m) and profit before tax increased by 12% to £6.0m (2014: £5.4m), on the same basis.

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

	2015	2014
Operating profit	6.8	6.1
Depreciation and amortisation	5.3	3.9
EBITDA	12.1	10.0

Exceptional items

Exceptional items in 2015 totalled a net charge of £3.5m before taxation, of which £2.9m related to the non-cash impairment of certain property, plant and equipment, as explained below, £0.5m related to restructuring charges and £0.1m related to business acquisition and other costs.

In 2014, 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 costs totalling £0.2m.

Finance costs

Total finance charges were £0.8m (2014: £0.8m) and include the payment of interest on bank debt and other financial liabilities, totalling. They also included non-cash unwinding of discounts on provisions totalling £0.1m (2014: £0.1m).

Taxation

The Group recognised an accounting tax charge of £0.8m (2014: £1.1m) for its continuing operations and a tax credit of £nil (2014: £0.6m) in respect of discontinued operations. This includes a credit of £0.4m (2014: £nil) in respect of exceptional items.

The accounting tax charge of £1.2m for continuing operations and excluding exceptional items (2014: £1.1m) represents 20.3% of profit before taxation on the same basis (2014: 20.4%). This compares against the headline rate of corporation tax of 20.25% for 2015 (2014: 21.5%).

The Group paid corporate tax of £1.1m during the year (2014: £0.8m), of which £0.4m was in respect of 2015 liabilities and £0.7m in respect of previous years. A current tax liability of £0.9m (2014: £0.6m) remains in the balance sheet at the year end.

A deferred tax asset of £2.3m (2014: £1.7m) is recognised in the balance sheet, which reflects the probability that the Board believes that the assets will be recovered in the short to medium term. A deferred tax asset of £0.8m is unrecognised (2014: £0.9m) as the expected usage is not sufficiently predictable. This asset is expected to eventually be recovered in the ordinary course of business and will, therefore, be re-recognised when its recovery is probable.

Earnings per share

Basic earnings per share (EPS), from continuing operations and excluding exceptional items, increased by 13% to 4.65 pence (2014: 4.13 pence).

Statutory basic EPS, from continuing and discontinued operations was 1.60 pence (2014: 4.92 pence).

The Group made a profit after taxation, from continuing operations and excluding exceptional items, of £4.8m (2014: £4.3m), of which £4.8m (2014: £4.1m) was attributable to equity shareholders.

The total number of ordinary shares in issue increased during the year from 101,991,380 to 102,249,083 with the weighted average number of shares in issue increasing from 100,053,156 to 102,139,647 for the purposes of basic EPS.

Dividend

The Board has recommended a dividend of 0.65p per share (2014: 0.50p), payable on or after 10 June 2016, following an ex-dividend date of 2 June 2016 and a record date of 3 June 2016, subject to shareholder approval at the Annual General Meeting. The dividend per share has increased by 30% 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 7.2 times (2014: 8.3 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:

	2015 £'000	2014 £'000
Net operating cash flows from continuing operations and before exceptional items	11.1	7.7
Net operating cash flows from exceptional items and discontinued operations	(0.6)	0.4
Total net operating cash flows	10.5	8.1
Maintenance capital expenditure	(5.5)	(2.7)
Post-maintenance free cash flow	5.0	5.4
Development capital expenditure	(1.8)	(2.7)
Purchase of remaining shares in ANSS	(1.1)	—
Acquisition of ASB Environmental	(0.1)	—
Purchase of East Kent freehold	(0.2)	(1.5)
Proceeds from sale of assets of discontinued operation	—	1.2
Free cash flow	1.8	2.4
Dividend payments	(0.5)	(0.4)
Proceeds from issuance of equity	0.1	0.8
Net cash generation	1.4	2.8

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 12% to £5.6m (2014: £5.0m), after excluding net operating cash flows from exceptional items and discontinued operations, of £0.6m outflow (2014: £0.4m inflow).

Financial performance continued

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

	2015 £'m	2014 £'m
EBITDA from continuing operations and before exceptional items	12.1	10.0
Net working capital movements	0.4	(1.3)
Interest and taxation payments	(1.8)	(1.3)
Other	0.4	0.3
Net operating cash flows from continuing operations and before exceptional items	11.1	7.7

Underlying net operating cash flow as a percentage of EBITDA was 92% in 2015 (2014: 77%).

The Group announced in March 2015 that it had purchased the remaining 19% of shares in Augean North Sea Services, not already held by the Group, for a total consideration of £1.05m.

The Group purchased the assets and site at the East Kent Waste Recovery Facility during the 2014 for a total consideration of £1.9m, with £1.5m paid in 2014 and £0.2m paid in each of January 2015 and January 2016.

During 2014, the Group sold certain residual assets from the closure of the Waste Network business, for net proceeds of £1.2m.

Capital investment in property, plant and equipment and intangible assets made by the Group totalled £7.3m (2014: £5.4m), excluding the payments to acquire East Kent, 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:

	2015 Maintenance £'m	2015 Development £'m	2015 Total £'m	2014 Total £'m
Energy & Construction	2.8	1.0	3.8	2.3
Radioactive Waste Services	—	—	—	0.1
Industry & Infrastructure	0.4	0.2	0.6	0.5
Augean Integrated Services	0.6	0.2	0.8	0.4
Augean North Sea Services	1.3	0.3	1.6	1.6
Other/corporate	0.4	0.1	0.5	0.5
	5.5	1.8	7.3	5.4

During the year, the Group received a total of £0.1m (2014: £0.8m) 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 borrowings less cash and cash equivalents, fell to £4.3m at 31 December 2015, from £5.7m at 31 December 2014. This represented gearing, defined as net debt divided by net assets, of 7.8% (2014: 10.6%). The ratio of net debt to EBITDA, from continuing operations and before exceptional items, was 0.4 times (2014: 0.6 times).

Financing

The activities of the Group are substantially funded by a bank facility, comprising a revolving credit facility and bank overdraft. That facility was renewed on 21 March 2016 with HSBC Bank plc at a level of £20m with the option of a further £10m exclusively to fund acquisitions. The maturity of the facility is October 2020 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. During 2015, the activities of the Group were substantially funded by a bank facility, comprising an amortising term loan, revolving credit facility and bank overdraft. That facility had amortised, in the ordinary course of business, to £13.25m by 31 December 2015 from an initial level of £15m. As at 31 December 2015, the undrawn funds available to the group totalled £5.5m, plus cash of £3.6m.

Both of the above facilities include 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 2015, the Group was in compliance with both covenants, with significant headroom.

Balance sheet and return on capital employed

Consolidated net assets were £54.4m on 31 December 2015 (2014: £53.8m) and net tangible assets, excluding goodwill and other intangible assets, were £34.4m (2014: £33.9m), of which £nil (2014: £1.0m) was not attributable to equity shareholders of the Group. Net assets and net tangible assets as at 31 December 2015 are both stated after the recognition of a £2.9m impairment loss, as explained further below. 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 11.4% in 2015 (2014: 10.7%). This outcome is not impacted by the £2.9m impairment loss recognised by the Group, which is recognised as at 31 December 2015 but does not form part of the calculation of average capital employed for 2015.

Impairment reviews

In accordance with IAS36 '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, the Augean North Sea Services business, as a result of the declining macroeconomic conditions seen in the North Sea Oil & Gas market in late 2014 and during 2015, and the Indirect Thermal Desorption (ITD) unit at Port Clarence Waste Recovery Park, due to the high proportion of revenues that it generates from the thermal treatment of North Sea

drilling muds and the consequent material impact on its expected future activity as a result of ongoing challenges in the North Sea Oil & Gas market. Those detailed reviews indicated that an impairment loss of £2.9m was to be recognised in respect of the ITD CGU as at 31 December 2015 and 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 2015.

Events since the end of the financial year

On 21 March 2016, the Group completed the refinancing of its bank loan facilities. Subsequent to this, the Group has a facility in place to provide a total level of funding of £20m with the option of a further £10m exclusively to fund acquisitions, maturing in October 2020.

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 below 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:

 See KPIs on pages 18 to 19



Richard Laker
Group Finance Director
21 March 2016

Corporate Social Responsibility (CSR) performance



“Augean is committed to conducting its business operations in an open and responsible manner”

Stewart Davies Chief Executive

The Board recognises the important role played by the Group in the environment and communities within which it operates. The health & 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 information available for 2015 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. Scores received 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 2015, 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 metallic 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. However, no general pay increase was awarded to staff or Directors in 2016, in view of general inflationary conditions approximating to zero in the UK.

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 2014 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.

Safety

To support commitment to health and safety improvements, reporting of near miss incidents continued to be a key part of the health and safety programme during the year, supplemented with safe act reporting designed to applaud and encourage safe working practice. Over 2,000 near misses and 540 safe acts were reported during 2015 (achieving the target of one report per operational employee per month) and at the same time we maintained a low level of accidents causing injury to a person or damage to property.

The community

Augean recognises the important role that it has within local communities and aims to maintain an open dialogue with its neighbours about its activities and plans. This is achieved through regular liaison committees, newsletters and open days. The establishment of new businesses, changes in the waste streams managed and active planning processes during the year led to a high level of interaction with local communities in some areas. As in previous years the Group maintained a programme of consultation in these localities to ensure that its plans were well known and understood. This included attending liaison meetings and hosting 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 £0.4m (2014: £0.4m) 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 Stockton Sea Cadets, local sports teams and local events.



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 simplistic 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. In addition, the importance of Best Overall Environmental Outcome (BOEO) in moderating the simplistic application of the waste hierarchy is being highlighted to policymakers.

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 in-depth quarterly 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 and gas investment

With a well-established business focused on providing waste management services to North Sea oil and gas operators, the Group has some exposure to any fall in investment for oil and gas exploration activity in the North Sea, 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 standard rate of landfill tax rose to £82.60 per tonne on 1 April 2015 and will continue to rise in line with 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 macroeconomic 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, invests selectively in development, 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 production 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 by the outsourcing of the majority of their haulage requirement, augmented with the use of the Group's own fleet where appropriate. The Group has 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.

Board appointment

Rod Holdsworth will join the Board on 23 March 2016 as a Non-executive Director.

Outlook

Trading in the early part of 2016 has started positively for the Group with the exception of Radioactive Waste Services, where the reduced volumes sent from the Nuclear Decommissioning Authority for disposal, seen in the second half of 2015, has continued into early 2016. Accordingly, the Group as a whole is trading in line with market expectations.

The Group remains focused on the execution of its strategy to deliver shareholder value and further direct contracts with tier-1 producers have been secured improving forward visibility of earnings. The portfolio effect of maintaining five businesses in diverse markets and the continued focus of the Group on increased returns on its investments means that the Board remains confident of maintaining its track record of year on year increases in profitability in 2016.

By order of the Board



Dr Stewart Davies
Chief Executive Officer
21 March 2016

Our Governance

Contents

Board of Directors	46
Our Governance	48
Chairman's Corporate Governance letter	49
Corporate Governance Summary	50
Audit Committee Report	51
Nominations Committee Report	52
Remuneration Committee Report	53
Directors' Remuneration Report	54
Directors' Report	58





Board of Directors



Jim Meredith
Chairman, Non-executive
Director and Chairman of the
Remuneration Committee

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, became Chairman in June 2012 and has Chaired the Remuneration Committee since 4 June 2015.



Dr Stewart Davies
Executive Director and Chief
Executive Officer

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

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.



John Grant
Non-executive Director

John has significant experience across a number of sectors. He is currently a Non-executive Director of Melrose Industries plc and MHP S.A. and the Chairman of The British Racing Drivers Club Limited and was, until January 2016, a Non-executive Director of Pace plc. He was Chief Executive of Ascot plc from 1997 to 2000 and Group Finance Director of Lucas Industries plc from 1992 to 1996, as well as holding a number of senior positions within Ford Motor Company.

He was appointed to the Board on 24 August 2015 and appointed as Senior Independent Director on 19 November 2015. He will become the Chairman of the Remuneration Committee in June 2016.



Rod Holdsworth
Non-executive Director

Rod has a significant breadth of financial expertise with more than 20 years' of board level experience gained in the support services, construction, manufacturing and healthcare sectors. Since 2008, Rod has been Group Finance Director of OCS Group, a privately owned, international facilities management business with 94,000 staff across 50 countries and revenue of approximately £1bn. He previously served as Finance Director at Morrison plc, the construction and support services division owned by Anglian Water Group plc, and has also held senior financial positions at Acertec plc, Alfred M²Alpine plc and Smiths Industries plc. Rod trained as a Civil Engineer before qualifying as a Chartered Accountant with Price Waterhouse in 1990. He is a fellow of the Institute of Chartered Accountants in England & Wales.

He was appointed to the Board on 23 March 2016 and will become the Chairman of the Audit Committee in June 2016.



Richard Laker
Executive Director and
Group Finance Director

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 in September 2014.



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

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. Rory is also a Non-executive Director of Mears Group plc and Alliance Trust plc and has a number of directorships and advisory roles with other organisations.

He was appointed to the Board of Augean in November 2006 and has indicated his intention to step down from the Board at the AGM on 2 June 2016.

Our Governance

The Board of Directors

The Board ordinarily comprises a Non-executive Chairman, three further independent Non-executive Directors, the Chief Executive Officer and a Group Finance Director. The number of Non-executive Directors, excluding the Chairman, will temporarily increase from three to four, as Rod Holdsworth will join the Board on 23 March 2016, ahead of Rory Macnamara stepping down from the Board at the AGM on 2 June 2016. During 2015, the Board determined that it was appropriate to appoint a Senior Independent Director. On 19 November 2015, John Grant was appointed as the Senior Independent Director. 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 reappointment by shareholders each year. Additionally, each Director is required to retire in the third calendar year following his last appointment and may stand for re-election. Any Director appointed to the Board during the year is subject to election by shareholders at the following 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. 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



“One of my principal concerns is to maintain excellent relationships with our shareholders”

Jim Meredith
Non-executive Chairman

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

Augean remains committed to high standards of corporate governance in all of 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 Adviser, and responds as appropriate. During 2015, the Board has appointed a Senior Independent Director for the first time.

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 Nominations) 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. During the year I continued to make myself available to shareholders to discuss strategy and governance matters and was pleased to again have individual meetings with some of the Group's major shareholders during 2015.

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.

A handwritten signature in blue ink that reads "J. MEREDITH."

Jim Meredith
Chairman and Non-executive Director
21 March 2016

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.



Chairman
Rory Macnamara

AUDIT COMMITTEE

“During the year the committee considered the adequacy and effectiveness of the risk management and control systems of the Group”



Members

Rory Macnamara
Andrew Bryce
Jim Meredith
John Grant

Meetings

Total number of Committee meetings: 5

The Audit Committee comprises the Non-executive Directors and is chaired by Rory Macnamara. Rod Holdsworth will join the Board on 23 March 2016 and has agreed to become Chairman of the Audit Committee, when Mr Macnamara steps down from the Board at the AGM on 2 June 2016. 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 five 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 annual financial statements for 2014 and other information included in the 2014 Annual Report, the 2014 full year results and 2015 interim results announcements 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

NOMINATIONS COMMITTEE

“During late 2015 and early 2016, the activities of the committee focused on the recruitment of two new Non-executive Directors”



Members
Andrew Bryce
Rory Macnamara
Jim Meredith
John Grant

Meetings
Total number of Committee meetings: 2

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 late 2015 and early 2016, the activities of the committee focused on the recruitment of two new Non-executive Directors. The committee chairman worked with recruitment consultants to identify suitable candidates and led the interview processes through to the appointment of John Grant, as announced in August 2015, and the forthcoming appointment of Rod Holdsworth, as announced in March 2016.

Remuneration Committee Report



**Chairman and
Non-executive
Director**
Jim Meredith

REMUNERATION COMMITTEE

“The principal objective of the committee is to attract, retain and motivate talented people”



Members

Jim Meredith
Rory Macnamara
Andrew Bryce
John Grant

Meetings

Total number of Committee meetings: 5

The Remuneration Committee comprises the Non-executive Directors and is chaired by Jim Meredith. The committee was previously chaired by Roger McDowell, until he stepped down from the Board on 4 June 2015 and subsequently has been chaired by Jim Meredith, between the departure of Mr McDowell and the expected appointment of John Grant as committee Chairman in June 2016. 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 five occasions during 2015, with business including reviews of the Remuneration for executive Directors, decisions relating to bonus awards and the attainment of targets relating to share options awarded under the 2014 Long Term Incentive Plan (LTIP). The Directors' Remuneration Report includes the outcome of these considerations.

During 2015, the committee also engaged Deloitte LLP as external advisers to assist in the development of the new LTIP, expected to be awarded to relevant participants during mid-2016. This work has continued into 2016 and has included the undertaking by the committee of a consultation exercise with certain significant shareholders prior to finalising the details of the scheme.

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.

In 2015, an inflationary pay rise of 1.8% was awarded to both Stewart Davies and Richard Laker, which was in line with the general inflationary pay rise given to other staff in the Company on 1 January 2015. The pay rise awarded to Mr Laker was deferred until 2 September 2015, being the first anniversary of his joining the Company. Subsequent to this pay review, it was determined that the date of annual pay review for Mr Laker should change to 1 January each year, in line with the other employees of the business.

(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 but the level of profit before tax achieved by the Group means that no bonuses are payable in respect of the 2015 financial year.

(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 were 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 were granted at an exercise price of 10 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 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 2015 was 10.2% compared to the minimum target of 9.6% set out above.

The actual ROCE of the Group for 2015 was 11.4%, 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

In the year ended 31 December 2015, the Company ranked between the 68th and 69th percentile, meaning that 93.12% attainment occurs for the Relative TSR element of the one-third of the 2014 LTIP relating to the 2015 performance.

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

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 2015 was 4.76 pence, meaning that 46.00% attainment occurs for the Underlying LTIP EPS element of the one-third of the 2014 LTIP relating to 2015 performance.

The overall attainment for the executive Directors, based on the weighting set out above, was 57.78% for the 2015 element of the 2014 LTIP, meaning that 42.22% of the share options relating to the 2015 element of the 2014 LTIP lapse.

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 2015 performance, was 83.80%, comprising 46.00% in respect of LTIP EPS and 100% in respect of Group EBITDA.

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 21 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 2015.

(vi) Service contracts

Executive directors have rolling service contracts with notice periods of not more than 12 months.

Directors' Remuneration Report continued

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 2015	Beneficial shares Number	Share options Number	LTIP Number	Total shares Number
Jim Meredith	500,000	—	—	500,000
Stewart Davies	155,000	1,000,000	828,207	1,983,207
Andrew Bryce	11,419	—	—	11,419
John Grant	—	—	—	—
Richard Laker	—	—	477,630	477,630
Rory Macnamara	15,224	—	—	15,224

The above LTIP numbers for Messrs Davies and Laker are stated after lapses during the year, as set out below.

Directors' emoluments

The emoluments of the directors during 2015 were as follows:

	2015 Basic fee/salary £'000	2015 Bonus £'000	2015 Pension contributions £'000	2015 Other emoluments £'000	2015 Total £'000	2014 Total £'000
Stewart Davies	228	—	23	13	264	280
Richard Laker	146	—	15	12	173	65
Jim Meredith	60	—	—	—	60	46
Roger McDowell (resigned 04/06/2015)	14	—	—	—	14	31
Andrew Bryce	33	—	—	3	36	34
John Grant (appointed 24/08/2015)	12	—	—	—	12	—
Rory Macnamara	33	—	—	—	33	31
Richard Allen (resigned 05/06/2014)	—	—	—	—	—	93
	526	—	38	28	592	580

Fees for Roger McDowell include £1,000 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 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 2014	Exercised in year	Number of shares 2015
Stewart Davies	12/08/2013	12/08/2016	40.25p	1,000,000	—	1,000,000

2014 LTIP	Award date	Earliest vesting date	Market price at award date	Number of shares 2015	Granted in year	Lapsed in year	Number of shares 2015
Stewart Davies	23/09/2014	24/03/2017	49.75p	963,855	—	(135,648)	828,207
Richard Laker	23/09/2014	24/03/2017	49.75p	555,859	—	(78,229)	477,630
				1,519,714	—	(213,877)	1,305,837

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.

Other than options held by Executive Directors of Augean plc, set out in the table above, there are also a further 757,003 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 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 1,622,693 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 2015 was 53.25p. The range of the share price during the year was 38.6p to 61.5p.

On behalf of the Remuneration Committee



Jim Meredith
Chairman of the Remuneration Committee
21 March 2016

Directors' Report

The Directors present their report and the audited financial statements for the Group and Company for the year ended 31 December 2015.

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 wholly within the United Kingdom.

The Strategic Report provides a review of the business of the Group, key performance indicators and an indication of future prospects.

Results and dividends

The profit after tax of the Group for the year was £1.7m (2014: £5.1m) from revenue of £61.0m (2014: £55.2m). The profit included exceptional items totalling a charge of £3.1m (2014: net credit of £0.9m, of which a credit of £0.4m related to discontinued operations).

The Board has recommended a dividend for the year of 0.65p per ordinary share, to be paid on or after 10 June 2016 for shareholders on the register at 3 June 2016 (2014: 0.50p).

Environmental policy

The quality of the environment is at the core of 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.

Further identified risks are presented within the Operating Review.

Employees

The Group's policy is to ensure the adequate provision for the health, safety and welfare of its employees and of other people who may be affected by its activities. Health and safety is the first priority of the Group and to support this all accidents are reported and thoroughly investigated and all employees are encouraged to contribute to reporting of 'near miss' incidents and 'safe acts' to promote greater awareness and 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 plans, 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 £374,000 (2014: £417,000) of its landfill tax liability to registered environmental bodies as permitted by Government regulations. No political donations were made during the year (2014: £nil).

Directors

The composition of the Board of Directors is shown on pages 46 and 47. Details of the directors' interests and remuneration are given in the directors' remuneration report on pages 54 to 57. John Grant was appointed as a Non-executive Director with effect from 24 August 2015 and offers himself for election to the Board at the Annual General Meeting (AGM). On 21 March 2016, the Group announced that Rory Macnamara would be stepping down from the Board and that Rod Holdsworth will join the Board on 23 March 2016. Mr Macnamara will resign from the Board and Mr Holdsworth will offer himself for election to the Board, both at the AGM. In accordance with the articles of association of the Company, Andrew Bryce will retire from the Board and will offer himself for re-election at the AGM.

Substantial shareholdings

The number of shares issued by the Company increased during the year, from 101,991,380 as at 1 January 2015 to 102,249,083 at 31 December 2015. The Company had been notified of the following interests of more than 3% in its shares as at 14 March 2016:

	Number of shares	% of total
Utilico Investments Ltd	21,164,442	20.70%
Schroder Investment Management	19,409,000	18.98%
JO Hambro Capital Management	11,370,000	11.12%
Henderson Group	10,184,346	9.96%
Charles Stanley	7,447,959	7.28%
Hargreave Hale	3,875,000	3.79%
Unicorn Asset Management	3,173,731	3.10%

Corporate governance

A separate corporate governance report is included within the annual report.

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

Contact with investors

All shareholders have access to the interim and annual reports and are invited to attend the Annual General Meeting (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 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 2015 through an overdraft and revolving loan facility (the Facility), which was renewed and increased with HSBC Bank plc in March 2014, providing access to a term loan and revolving loan facility for an extended period to July 2017 (the Existing Facility). The overdraft is reviewed annually. The Existing Facility provided debt funding to the Group of up to £15.0m at the point of commencement of the Existing Facility, which had subsequently amortised to £13.25m in accordance with the New Facility agreement by 31 December 2015. The provision of the Existing Facility was subject to certain covenants, focused on the cover of interest costs and the ratio of net debt to EBITDA.

On 21 March 2016, the Group renewed its facility with HSBC Bank plc to provide a revolving credit facility and bank overdraft to a total level of £20m (the New Facility). The maturity of the New Facility is October 2020 and the overdraft is reviewed annually. The New 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.

Cash flow forecasts for the 12 months from the date of approval of the financial statements indicate the Group's ability to operate within these covenants.

During 2015, 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 2015 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 indicated that an impairment was to be recognised against certain tangible assets as at 31 December 2015, as set out in notes 10 and 13. The impairment loss was recognised as an exceptional item in the Consolidated Income Statement of the Group for the year ended 31 December 2015 but is not considered to materially impact upon 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 12 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. The 2015 financial year is the second year for the current lead partner, Mark Overfield.

Auditor

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

Annual General Meeting

At the Annual General Meeting (AGM) on 2 June 2016, Andrew Bryce 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. John Grant was appointed to the Board on 24 August 2015 and Rod Holdsworth will be appointed to the Board on 23 March 2016. Being eligible, both will offer themselves for election as Non-executive Directors at the AGM. Rory Macnamara will resign from the Board at the AGM. No Director has a contract with an unexpired notice period of more than 12 months.

By order of the Board



Richard Laker
Company Secretary
21 March 2016

Our Financials

Contents

Independent Auditor's Report to the Members of Augean PLC	64
Consolidated Statement of Comprehensive Income	65
Statements of Financial Position	66
Statements of Cash Flow	67
Statements of Changes in Shareholders' Equity	68
Notes to the Financial Statements	70



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 2015 which comprise the Group and parent Company statements of financial position, the Group statement of comprehensive income, the Group and parent Company statements of cash flow, the Group and parent Company statement of changes in shareholders' equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 61, 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 2015 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

21 March 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

Our Financials

	Note	Before exceptional items 2015 £'000	Exceptional items 2015 £'000	Total 2015 £'000	Before exceptional items 2014 £'000	Exceptional items 2014 £'000	Total 2014 £'000
<i>Continuing operations</i>							
Revenue		61,005	—	61,005	54,993	—	54,993
Operating expenses		(54,185)	(3,508)	(57,693)	(48,847)	543	(48,304)
Operating profit	3	6,820	(3,508)	3,312	6,146	543	6,689
Net finance charges	4	(788)	—	(788)	(759)	—	(759)
Share of loss of jointly controlled entity	9	—	—	—	—	(5)	(5)
Profit before tax		6,032	(3,508)	2,524	5,387	538	5,925
Taxation	6	(1,227)	390	(837)	(1,097)	(28)	(1,125)
Profit from continuing operations		4,805	(3,118)	1,687	4,290	510	4,800
<i>Discontinued operations</i>							
(Loss)/profit from discontinued operations	15	—	—	—	(94)	374	280
Profit for the year and total comprehensive income	3	4,805	(3,118)	1,687	4,196	884	5,080
Profit and total comprehensive income attributable to:							
Equity shareholders of Augean plc		4,753	(3,118)	1,635	4,037	884	4,921
Non-controlling interest		52	—	52	159	—	159
Earnings per share							
<i>From continuing and discontinued operations</i>							
Basic	8			1.60p			4.92p
Diluted	8			1.56p			4.78p
<i>From continuing operations</i>							
Basic	8			1.60p			4.64p
Diluted	8			1.56p			4.51p

The notes on pages 70 to 110 form an integral part of these financial statements.


Statements of Financial Position

As at 31 December 2015

	Note	Group		Company	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Non-current assets					
Goodwill	10	19,757	19,602	—	—
Other intangible assets	11	214	296	202	284
Investments in subsidiaries	12	—	—	50,807	51,478
Property, plant and equipment	13	42,918	43,317	1,189	1,077
Deferred tax asset	6	2,316	1,688	259	80
		65,205	64,903	52,457	52,919
Current assets					
Inventories		306	410	—	—
Trade and other receivables	14	11,829	12,785	697	14,922
Current tax asset		—	—	1,396	797
Cash and cash equivalents		3,553	1,502	103	27
		15,688	14,697	2,196	15,746
Current liabilities					
Trade and other payables	16	(10,838)	(11,213)	(7,227)	(1,824)
Current tax liabilities		(940)	(579)	—	—
Borrowings	17	(1,054)	(1,045)	(4,250)	(19,212)
Provisions	18	(25)	—	—	—
		(12,857)	(12,837)	(11,477)	(21,036)
Net current assets/(liabilities)		2,831	1,860	(9,281)	(5,290)
Non-current liabilities					
Borrowings	17	(6,764)	(6,169)	(3,500)	(6,169)
Provisions	18	(6,874)	(6,839)	—	—
		(13,638)	(13,008)	(3,500)	(6,169)
Net assets		54,398	53,755	39,676	41,460
Shareholders' equity					
Share capital	19	10,225	10,199	10,225	10,199
Share premium account	20	612	542	612	542
Retained earnings	20	43,561	42,059	28,839	30,719
Equity attributable to owners of Augean plc		54,398	52,800	39,676	41,460
Non-controlling interest	25	—	955	—	—
Total equity		54,398	53,755	39,676	41,460

The notes on pages 70 to 110 form an integral part of these financial statements.

The financial statements were approved by the Board on 21 March 2016 and authorised for issue 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 2015

Our Financials

	Note	Group		Company	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Operating activities					
Cash generated from/(used in) operations	23	12,348	9,416	21,337	(7,035)
Finance charges paid		(715)	(516)	(711)	(738)
Tax paid		(1,105)	(801)	(972)	(801)
Net cash generated from/(used in) operating activities		10,528	8,099	19,654	(8,575)
Investing activities					
Proceeds from disposal of property, plant and equipment		—	30	—	—
Purchases of property, plant and equipment		(7,474)	(6,741)	(389)	(474)
Purchases of intangible assets		(51)	(192)	(54)	(193)
Proceeds from disposal of discontinued operation	15	—	1,161	—	—
Purchase of business (net of overdraft acquired)		(91)	—	(40)	—
Net cash used in investing activities		(7,616)	(5,742)	(483)	(667)
Financing activities					
Dividends paid	7	(511)	(349)	(511)	(349)
Issue of equity		96	771	96	771
Acquisition of non-controlling interest		(1,050)	—	(1,050)	—
Drawdown/(repayment) of loan facilities		626	(1,785)	(17,631)	8,847
Repayments of obligations under finance leases		(22)	(34)	—	—
Net cash (used in)/generated from financing activities		(861)	(1,397)	(19,096)	9,269
Net increase in cash and cash equivalents		2,051	960	75	28
Cash and cash equivalents at beginning of year		1,502	542	28	—
Cash and cash equivalents at end of year		3,553	1,502	103	28

Statements of Changes in Shareholders' Equity

For the year ended 31 December 2015

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 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	—	—	—	(349)	(349)	—	(349)
Issue of equity	229	542	(771)	771	771	—	771
Reserve transfer	—	—	(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 1 January 2015	10,199	542	—	42,059	52,800	955	53,755
Total comprehensive income for the year							
Retained profit	—	—	—	1,635	1,635	52	1,687
Total comprehensive income for the year	—	—	—	1,635	1,635	52	1,687
Transactions with the owners of the Company							
Dividend	—	—	—	(511)	(511)	—	(511)
Issue of equity	26	70	—	—	96	—	96
Acquisition of non-controlling interest	—	—	—	(43)	(43)	(1,007)	(1,050)
Share-based payments	—	—	—	421	421	—	421
Total transactions with the owners of the Company	26	70	—	(133)	(37)	(1,007)	(1,044)
At 31 December 2015	10,225	612	—	43,561	54,398	—	54,398

During the year, the Group acquired the remaining 19% of the share capital of Augean North Sea Services Limited. As at 31 December 2015, the Group has no non-controlling interest.

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 determined that this condition was met and the reserve was deemed distributable at 31 December 2014. Accordingly, the balance on this reserve was transferred to Retained earnings.

Statements of Changes in Shareholders' Equity

For the year ended 31 December 2015

Company	Share capital £'000	Share premium account £'000	Special profit reserve £'000	Retained earnings £'000	Shareholders' equity £'000
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	—	—	—	(349)	(349)
Issue of equity	229	542	(771)	771	771
Reserve transfer	—	—	(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 1 January 2015	10,199	542	—	30,719	41,460
Total comprehensive income for the year					
Retained loss	—	—	—	(1,790)	(1,790)
Total comprehensive income for the year	—	—	—	(1,790)	(1,790)
Transactions with the owners of the Company					
Dividend	—	—	—	(511)	(511)
Issue of equity	26	70	—	—	96
Share-based payments	—	—	—	421	421
Total transactions with the owners of the Company	26	70	—	(90)	6
At 31 December 2015	10,225	612	—	28,839	39,676

Notes to the Financial Statements

For the year ended 31 December 2015

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

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences to the date on which control ceases.

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

(ii) Non-controlling Interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group interest in a subsidiary that do not result in a loss in control are accounted for as equity transactions.

(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 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.

Revenue relating to services provided, royalties and other types of income is recognised as the right to invoice a customer for that revenue is met. Landfill Tax revenue is recognised as revenue at the point of acceptance and an appropriate liability is recognised at the same time.

(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 fixed assets and non-recurring income or expenditure.

(d) Goodwill

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

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

(e) Other intangible assets

Intangible assets purchased separately, such as software licences that do not form an integral part of related hardware, are capitalised at cost and amortised on a straight-line basis. This is charged to 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.

Notes to the Financial Statements continued

For the year ended 31 December 2015

1 Accounting policies continued

(f) Investments

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

(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
Leasehold land and buildings	– 20 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.

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.

Notes to the Financial Statements continued

For the year ended 31 December 2015

1 Accounting policies continued

(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 Monte Carlo 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 remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on revaluation are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

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

(o) Cash and cash equivalents

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

(p) Financial instruments

(i) Financial assets

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

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

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

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.

Notes to the Financial Statements continued

For the year ended 31 December 2015

1 Accounting policies continued

(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 12 months are set out below.

Impairment of goodwill and fixed assets

The Group has property, plant and equipment with a carrying value of £42,918,000 (note 13) and goodwill with a carrying value of £19,757,000 (note 10). These assets are reviewed annually for impairment as described on 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. An impairment loss of £2,888,000 was recorded in the income statement. Further detail is explained in 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 2015, the net liability relating to current income tax is £940,000 (2014: £579,000). A deferred tax asset of £2,317,000 (2014: £1,688,000) 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.

(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 2018)
- 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 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.

Notes to the Financial Statements continued

For the year ended 31 December 2015

2 Operating segments

The Group has five reportable segments which are the Group's strategic business units. In 2014, a sixth business segment was shown as discontinued. 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: 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.
- 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 which became a 100% owned subsidiary during the current year; this business unit provides waste management and waste processing services to offshore oil and gas operators in the North Sea.
- Industry and Infrastructure: 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.

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.

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

Information about reportable segments

	2015					Group £'000
	Energy and Construction £'000	Radioactive Waste Services £'000	Augean Integrated Services £'000	Industry and Infrastructure £'000	Augean North Sea Services £'000	
Assets						
Segment assets	48,189	1,006	5,237	12,224	8,367	75,023
Unallocated segment assets						
Deferred tax asset						2,317
Cash and cash equivalents						3,553
Group total assets						80,893
Liabilities						
Segment liabilities	(11,302)	(163)	(1,333)	(2,578)	(2,429)	(17,805)
Unallocated segment liabilities						
Bank overdraft and loans						(7,750)
Current tax liabilities						(940)
Group total liabilities						(26,495)

	2014					Group £'000
	Energy and Construction £'000	Radioactive Waste Services £'000	Augean Integrated Services £'000	Industry and Infrastructure £'000	Augean North Sea Services £'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)

Notes to the Financial Statements continued

For the year ended 31 December 2015

2 Operating segments continued

	2015					Group £'000
	Energy and Construction £'000	Radioactive Waste Services £'000	Augean Integrated Services £'000	Industry and Infrastructure £'000	Augean North Sea Services £'000	
Revenue						
Hazardous landfill activities	12,331	—	—	—	—	12,331
Non-hazardous landfill activities	2,048	—	—	—	—	2,048
Waste treatment activities	—	—	2,356	14,201	1,323	17,880
Total waste management activities	—	—	3,871	—	—	3,871
Energy generation	65	—	—	—	—	65
APCR management	6,630	—	—	—	—	6,630
Radioactive waste management	—	1,911	—	—	—	1,911
Processing of offshore waste	—	—	—	—	8,400	8,400
Rental of offshore equipment and personnel	—	—	—	—	5,177	5,177
Total revenue net of landfill tax	21,074	1,911	6,227	14,201	14,900	58,313
Landfill tax	6,357	—	—	—	—	6,357
Total revenue including inter-segment sales	27,431	1,911	6,227	14,201	14,900	64,670
Inter-segment sales	(834)	—	(245)	(2,473)	(113)	(3,665)
Revenue	26,597	1,911	5,982	11,728	14,787	61,005
Result						
Operating profit/(loss) before exceptional items	6,528	1,110	(558)	(695)	1,340	7,725
Exceptional items	(119)	(119)	(144)	(3,007)	(119)	(3,508)
Operating profit/(loss)	6,409	991	(702)	(3,702)	1,221	4,217
Net finance charges						(788)
Central costs						(905)
Profit before tax						2,524
Tax (note 6)						(837)
Profit after tax						1,687
Attributable to: Equity shareholders of the parent company						1,635
Non-controlling interest						52
Other information						
Capital expenditure	4,128	154	958	709	1,622	7,571
Depreciation and amortisation	2,976	113	380	1,091	676	5,236
Impairment loss	—	—	—	2,888	—	2,888

Central costs relate to the costs of operating as a plc and are not allocated between the business units.

	2014					
	Energy and Construction £'000	Radioactive Waste Services £'000	Augean Integrated Services £'000	Industry and Infrastructure £'000	Augean North Sea Services £'000	Group £'000
Revenue						
Hazardous landfill activities	8,605	—	—	—	—	8,605
Non-hazardous landfill activities	1,550	—	—	—	—	1,550
Waste treatment activities	—	—	2,075	14,883	—	16,958
Total waste management activities	—	—	2,458	—	—	2,458
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	878
Total revenue net of landfill tax	17,285	1,827	4,533	14,883	14,606	53,134
Landfill tax	6,319	—	—	—	—	6,319
Total revenue including inter-segment sales	23,604	1,827	4,533	14,883	14,606	59,453
Inter-segment sales	(1,638)	—	(370)	(2,377)	(75)	(4,460)
Revenue	21,966	1,827	4,163	12,506	14,531	54,993
Result						
Operating profit/(loss) before exceptional items	6,341	1,019	(714)	(597)	1,016	7,065
Exceptional items	(77)	(77)	(85)	861	(79)	543
Operating profit/(loss)	6,264	942	(799)	264	937	7,608
Finance charges						(759)
Central costs						(919)
Share of loss of jointly controlled entity						(5)
Profit before tax						5,925
Tax (note 6)						(503)
Profit after tax						5,422
Loss from discontinued operations						(342)
Profit for the period and total comprehensive income						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

Notes to the Financial Statements continued

For the year ended 31 December 2015

3 Operating profit

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

	2015 £'000	2014 £'000
Fees payable to the Company's auditor for the audit of the annual financial statements	63	62
Fees payable to the Company's auditor for other services:		
– audit of the financial statements of the Company's subsidiaries pursuant to legislation	10	8
– other services	—	34
	73	104
Amortisation of intangible assets	133	95
Depreciation of property, plant and equipment:		
– owned assets	5,039	3,751
– assets held under finance leases and hire purchase contracts	64	36
Operating leases:		
– land and buildings	243	290
– plant and machinery	827	580
Loss on sale of property, plant and equipment	6	6
Exceptional items:		
Impairment of property, plant and equipment (note 10)	2,888	—
Net settlement of legal case	—	(939)
Restructuring charges	474	214
Refinancing charges	—	33
Acquisition related costs	117	—
Other	29	149
Exceptional charge/(income) from continuing operations	3,508	(543)
Loss on disposal of asset held for sale and other charges (discontinued)	—	218

Exceptional income from settlement of legal case in 2014 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 held for sale in 2014 relates to the closure and sale of the Waste Network business.

4 Net finance charges

	2015 £'000	2014 £'000
Interest payable		
Interest and charges payable on bank loans and overdrafts	682	643
Interest on finance leases and hire purchase contracts	7	14
Unwinding of discount on provisions (note 18)	99	102
	788	759

5 Group and Company employees

The average monthly number of employees analysed by function was:

	2015 Number	2014 Number
Sales	32	27
Operations	258	225
Administration	55	48
	345	300
	2015 £'000	2014 £'000
Wages and salaries	12,825	11,401
Social security costs	1,462	1,291
Other pension costs	394	431
	14,681	13,123

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 Company employed 228 (2014: 197) people in the year.

The total remuneration of the Directors of the Company was £592,000 (2014: £580,000). The highest paid Director received total emoluments of £264,000 including pension contributions of £23,000 (2014: total emoluments of £280,000 including pension contributions of £22,000).

No Directors exercised share options during the year (2014: none). The Group believes that the Directors of Augean plc are the only key management personnel under the definition of IAS 24 "Related party disclosures".

The Directors have identified 15 (2014: 15) key management personnel. The total key management personnel compensation, including the Non-executive Directors, presented below, was as follows:

	2015 £'000	2014 £'000
Short term employment benefits	1,237	1,224
Post-employment benefits	85	105
Share-based payments	332	101
	1,654	1,430

Notes to the Financial Statements continued

For the year ended 31 December 2015

6 Taxation

Group

	2015			2014		
	£'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	1,463	—	1,463	899	(26)	873
Adjustments in respect of prior years	2	—	2	162	—	162
	1,465	—	1,465	1,061	(26)	1,035
Deferred tax						
Charge in respect of the current year	(430)	—	(430)	132	—	132
Adjustments in respect of prior years	(198)	—	(198)	(68)	(596)	(664)
	(628)	—	(628)	64	(596)	(532)
Tax charge/(credit) on the result for the year	837	—	837	1,125	(622)	503

Tax reconciliation for continuing operations

	2015		2014	
	£'000	%	£'000	%
Profit before tax from continuing operations	2,524		5,925	
Tax at theoretical rate	511	20.3	1,274	21.5
Effects of:				
– expenses/(income) not deductible for tax purposes	162	6	(136)	(2)
– change in tax rate	169	7	(80)	(1)
– effect of share options	24	1	(27)	(1)
– adjustments in respect of prior years	2	—	94	2
– other	(31)	(1)	—	—
Tax charge on results	837	33.2	1,125	19.0

The main rate of corporation tax in the UK was 21% from 1 January 2015 and fell to 20% on 1 April 2015, such that the weighted average headline rate for 2015 was 20.25%.

Deferred tax

	2015 £'000	2014 £'000
Group		
Deferred tax asset	2,316	1,688
	2,316	1,688
	2015 £'000	2014 £'000
Company		
Deferred tax asset	259	80
	259	80

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.

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

	2015 £'000	2014 £'000
Group		
At beginning of the year	1,688	1,143
Charged to the income statement during the year	655	(132)
De-recognition of asset	(225)	—
Credited directly to equity	—	13
Adjustment in respect of prior years	198	664
At end of the year	2,316	1,688

	2015 £'000	2014 £'000
Company		
At beginning of the year	80	104
Credited/(charged) to the income statement during the year	179	(24)
At end of the year	259	80

The reduction in the main rate of corporation tax from 21% to 20%, effective from 1 April 2015, and 20% to 18% from 1 April 2020 has been substantively enacted at the balance sheet date. Accordingly, deferred tax balances have been valued at the lower rate of 18% in these accounts to the extent that timing differences are expected to reverse after this date. £169,000 charge (2014: £80,000 credit) relates to changes in tax rates during the year.

No deferred tax has been recognised during the year in respect of certain temporary differences of £4,400,000 (2014: £3,615,000). In the judgement of management, it is not probable that taxable income will be generated against which those deductions may be recovered. The potential deferred tax assets in respect of those temporary differences are analysed as follows:

	2015 £'000	2014 £'000
Depreciation in excess of capital allowances	225	—
Other temporary differences	567	924
Unrecognised deferred tax asset	792	924

In 2015 the Group has re-recognised £265,000 of previously de-recognised assets as management's view of the probability of recovery of those assets became more certain, and has de-recognised £225,000 of deferred tax asset arising on the impairment of property, plant and equipment during the year.

There are no unrecognised deferred tax assets in the Company (2014: nil).

Notes to the Financial Statements continued

For the year ended 31 December 2015

7 Dividends

	2015 £'000	2014 £'000
Proposed final dividend for the year ended 31 December 2015 of 0.65p pence per share (2014: 0.5 pence per share)	665	511
Total	665	511

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 2015. 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 £1,635,000 (2014: £4,921,000) and a weighted average number of ordinary shares outstanding of 102,139,647 (2014: 100,053,156), calculated as follows:

	2015 £'000	2014 £'000
Earnings for the purposes of basic and diluted EPS	1,635	4,921
Exceptional items	3,118	(884)
Earnings for the purposes of adjusted basic and diluted EPS	4,753	4,037
Discontinued operations	—	94
Earnings for the purposes of basic and diluted adjusted EPS for continuing operations only	4,753	4,131

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.

	2015 £'000	2014 £'000
Number of shares		
Weighted average number of shares for basic earnings per share	102,139,647	100,053,156
Effect of dilutive potential ordinary shares from share options	2,795,165	2,894,941
Weighted average number of shares for diluted earnings per share	104,934,812	102,948,097
Earnings per share		
Basic	1.60p	4.92p
Diluted	1.56p	4.78p
Adjusted earnings per share		
Basic	4.65p	4.03p
Diluted	4.53p	3.92p
Earnings per share – Continuing operations		
Basic	1.60p	4.64p
Diluted	1.56p	4.51p
Adjusted earnings per share – Continuing operations		
Basic	4.65p	4.13p
Diluted	4.53p	4.01p
Earnings per share – Discontinued operations		
Basic	—	(0.09)p
Diluted	—	(0.09)p

9 Investment in jointly controlled entity

Terramundo Limited ('Terramundo') was a 50:50 jointly controlled entity between Augean plc and DEC NV. No trading has taken place during the current or previous year. This company was dissolved in September 2015.

The Group's investment in the jointly controlled entity was considered to be impaired and was written down to its recoverable amount of £nil in the year ended 31 December 2014. Additionally, a receivable from the jointly controlled entity was fully provided against. No further gains or losses have been recognised in the year ended 31 December 2015 (2014: £5,000 loss).

During the year ended 31 December 2015 the jointly controlled entity generated £nil profit or loss (2014: £5,000 loss).

At 31 December 2014 the jointly controlled entity held net liabilities of £1,032,000, of which the Group's 50% share was £nil.

The cost of investment held by Augean plc, in its 50% interest at 31 December 2015, was £nil (2014: £nil).

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

	2015 £'000	2014 £'000
Non-current assets	—	—
Current assets	—	10
Current liabilities	—	—
Non-current liabilities	—	(1,042)
Net liabilities	—	(1,032)

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

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Investment in the long term future of the venture	—	512	—	—
Share of net liabilities of the jointly controlled entity	—	(512)	—	—
Investment in jointly controlled entity	—	—	—	—

10 Goodwill

	£'000
Cost	
At 1 January 2014	103,768
At 1 January 2015	103,768
Acquisition (note 25)	155
At 31 December 2015	103,923
Provision for impairment	
At 1 January 2014	(84,166)
At 1 January 2015	(84,166)
At 31 December 2015	(84,166)
Net book value	
At 31 December 2015	19,757
At 1 January 2015	19,602
At 1 January 2014	19,602

Notes to the Financial Statements continued

For the year ended 31 December 2015

10 Goodwill continued

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 (CGUs) which are defined as the Group's reportable segments, with the exception of AIS and the Industry and Infrastructure business units which are each considered to comprise two separate CGUs.

Previously the Group's Industry and Infrastructure business unit had been considered as a single CGU. The Group therefore has five reportable segments and seven CGUs as at 31 December 2015. The change in the Group's CGUs relates to the decoupling of the Indirect Thermal Desorption plant (ITD) from the remainder of the Industry and Infrastructure business. The Group's management has taken this decision as it has concluded that this is a separately identifiable asset and generator of cash flows for which the associated risks have diverged from the other assets in the business unit. The conditions antecedent in the North Sea Oil & Gas market during 2015, combined with the ongoing strategic diversification of the ANSS business, which has recently provided the majority of the plant inputs, has caused management to make this decision and consider the ITD as a separate CGU in its own right. The ITD was purchased as an asset, independently of any business combination and consequently there is no goodwill allocated to it.

The increase in goodwill in the year arose on the acquisition of 100% of the issued share capital of ASB Environmental Limited.

The allocation of goodwill by CGU is as follows:

	2015 £'000	2014 £'000
Energy and Construction business unit	12,575	12,420
Industry and Infrastructure business unit	7,182	7,182
Total	19,757	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. ASB Environmental Limited is not considered material or a separate CGU.

Value in use calculations have also been carried out for the following assets or investments which do not contain goodwill and which were carried out in the prior year, with the exception of the ITD plant where a value in use calculation was not carried out in the prior year:

- the High Temperature Incinerator at East Kent (EKHTI), 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; and
- the ITD Plant, due to the deterioration in the North Sea Oil & Gas market, as explained above.

Discounted cash flows have been prepared separately for each CGU tested. The cash flows for all CGUs have been discounted using a pre-tax discount rate of 10.5% (2014: 10.5%), 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.

The key assumptions for the Energy & Construction CGU's cash flows are:

- based on approved budgets and plans for 2016 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 2017 onwards; and
- 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 described above there is no indication of impairment with headroom of £7.6m (2014: £10.8m). Sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	Impact in 2015	Impact in 2014
Discount factor	1%	£3.2m	£3.4m
EBITDA margin	1%	£1.8m	£1.5m
Revenue growth rate	1%	£0.9m	£1.3m

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 2016 and, beyond this period, have been forecast for a total period of 20 years;
- revenue growth of 3% per annum in 2017, decreasing to 1% in 2022 and remaining constant at 1% from that date;
- 1% increase in maintenance capital expenditure from 2017 onwards;
- EBITDA margin growth of 0.3% per annum in 2017, decreasing to nil in 2021 and remaining constant thereafter.

Using the discount rate described above there is no indication of impairment with headroom of £1.0m (2014: £1.2m). Sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	Impact in 2015	Impact in 2014
Discount factor	1%	£0.7m	£0.9m
EBITDA margin	1%	£1.4m	£1.4m
Revenue growth rate	1%	£1.2m	£1.2m

If the assumed revenue growth rate decreased by 0.75%, the recoverable amount for the I&I business unit would be equivalent to its carrying amount.

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

- based on approved budgets and plans for 2016 and, beyond this period, have been forecast for a total period of 20 years;
- revenue growth of 3% per annum in 2017, decreasing to 1% in 2022 and remaining constant at 1% from that date;
- 1% increase in maintenance capital expenditure from 2017 onwards;
- EBITDA margin growth of 0.3% per annum in 2017, decreasing to nil in 2021 and remaining constant thereafter.

Notes to the Financial Statements continued

For the year ended 31 December 2015

10 Goodwill continued

Using the discount rate described above there is no indication of impairment with headroom of £0.7m (2014: £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 2015	Impact in 2014
Discount factor	1%	£0.2m	£0.3m
EBITDA margin	1%	£0.3m	£0.3m
Revenue growth rate	1%	£0.2m	£0.2m

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

- based on approved budgets and plans for 2016 and, beyond this period, have been forecast for a total period of 20 years;
- no revenue or operating margin growth from 2017 onwards;
- 1% increase in maintenance capital expenditure from 2017 onwards.

Using the discount rate described above there is no indication of impairment with headroom of £8.3m (2014: £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 2015	Impact in 2014
Discount factor	1%	£0.9m	£0.6m
EBITDA margin	1%	£1.3m	£1.4m
Revenue growth rate	1%	£1.2m	£1.2m

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

- based on approved budgets and plans for 2016 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 2017 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 above, the ITD CGU has a negative value in use. This asset comprises operating equipment, with a control room and control system. The asset could not be sold without moving it elsewhere, as it is located within the Port Clarence Waste Recovery Park site, which enjoys the benefits of specific Environment Agency permits and is operated by the Group.

Further, given the highly specialised nature of the asset, it is not considered practicable to reasonably determine a resale value for that asset as a discrete chattel. Given current market prices for steel in particular, it is not considered that it would have a significant scrap value, that would be readily determinable.

Consequently, the Directors have concluded that the fair value less costs of disposal (net resale value) is the nominal sum of one pound. This is higher than the Value in Use of the asset, which is calculated to be a negative amount. Accordingly, the net recoverable amount is determined as one pound at the balance sheet date and an impairment loss of £2,888,000 has been recognised in relation to the asset.

Based on the assumptions above and consideration of appropriate sensitivity analysis, management is satisfied that no further 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
	Computer software and total £'000	Computer software and total £'000
Cost		
At 1 January 2014	610	555
Additions	193	192
At 1 January 2015	803	747
Additions	51	51
At 31 December 2015	854	798
Amortisation		
At 1 January 2014	412	368
Charge for the year	95	95
At 1 January 2015	507	463
Charge for the year	133	133
At 31 December 2015	640	596
Net book value		
At 31 December 2015	214	202
At 1 January 2015	296	284
At 1 January 2014	198	187

Notes to the Financial Statements continued

For the year ended 31 December 2015

12 Investments in subsidiaries

	£'000
Cost	
At 1 January 2014	132,393
At 1 January 2015	132,393
Additions	1,090
At 31 December 2015	133,483
Provision for impairment	
At 1 January 2014	(74,450)
Charge	(6,465)
At 1 January 2015	(80,915)
Charge	(1,761)
At 31 December 2015	(82,676)
Net book value	
At 31 December 2015	50,807
At 1 January 2015	51,478
At 1 January 2014	57,943

The 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	Scotland	100	Waste treatment
Augean Integrated Services Limited	England and Wales	100	Waste treatment
ASB Environmental Limited	England and Wales	100	Waste treatment
Tueart Limited	England and Wales	100	Dormant
RNA Investments Limited	England and Wales	100	Dormant
Hitech Equipment Limited	Scotland	100	Dormant

These companies are owned directly by Augean plc except for Tueart Limited which is owned by Augean Treatment Limited. In addition to the above, the Company held 50% of the issued share capital of Terramundo Limited, a jointly controlled entity with DEC NV (note 9), until the company was dissolved in September 2015.

During 2014 and 2015, impairment charges were recognised by the Company in respect of its investment in Augean Treatment Limited. There was no impact on the results of the Group. Additions to investments in the year relate to the purchase of 100% of the share capital of ASB Environmental Limited and the purchase of the remaining 19% of Augean North Sea Services Limited not already held by the Company at 1 January 2015.

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 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 1 January 2015	40,214	1,163	10,455	23,152	74,984
Additions	2,871	202	1,028	3,470	7,571
Acquisitions (note 25)	—	—	—	27	27
Disposals	—	—	—	(9)	(9)
At 31 December 2015	43,085	1,365	11,483	26,640	82,573
Accumulated depreciation					
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 1 January 2015	9,907	156	9,433	12,171	31,667
Charge for year	1,136	76	1,143	2,748	5,103
Impairment loss (note 10)	—	—	—	2,888	2,888
Disposals	—	—	—	(3)	(3)
At 31 December 2015	11,043	232	10,576	17,804	39,655
Net book value					
At 31 December 2015	32,042	1,133	907	8,836	42,918
At 1 January 2015	30,307	1,007	1,022	10,981	43,317
At 1 January 2014	27,781	1,031	1,535	9,845	40,192

There were outstanding contractual commitments for acquisitions of property, plant or equipment of £nil at 31 December 2015 (2014: £175,000). Plant and machinery includes assets held under finance lease agreements with a carrying value at 31 December 2015 of £91,000 (2014: £102,000).

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:

	2015 £'000	2014 £'000
Cost	196	143
Accumulated depreciation	(105)	(41)
Net book value	91	102

Notes to the Financial Statements continued

For the year ended 31 December 2015

13 Property, plant and equipment continued

Company

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2014	778	591	1,369
Additions	—	476	476
At 1 January 2015	778	1,067	1,845
Additions	—	390	390
At 31 December 2015	778	1,457	2,235
Accumulated depreciation			
At 1 January 2014	110	472	582
Charge for year	11	175	186
At 1 January 2015	121	647	768
Charge for year	11	267	278
At 31 December 2015	132	914	1,046
Net book value			
At 31 December 2015	646	543	1,189
At 1 January 2015	657	420	1,077
At 1 January 2014	668	120	788

14 Trade and other receivables

Current assets

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade receivables	9,691	10,937	26	—
Amounts receivable from subsidiary undertakings	—	—	—	10,244
Prepayments and accrued income	2,138	1,848	671	4,678
	11,829	12,785	697	14,922

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 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, in the early part of 2014.

	2015 £'000	2014 £'000
Revenue	—	211
Operating expenses	—	(335)
Loss before tax and exceptional items	—	(124)
Exceptional items	—	(218)
Loss before tax	—	(342)
Taxation	—	622
Profit after tax	—	280

During the year the business unit contributed a net cash outflow of £nil (2014: outflow of £342,000) to the Group's net operating cash flow. There was no cash flow associated with financing, investing or operating activities (2014: £1,161,000 disposal proceeds).

16 Trade and other payables

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Current				
Trade payables	2,277	2,021	265	152
Amounts due to subsidiary undertakings	—	—	6,064	—
Other taxes and social security	2,885	2,544	254	343
Accruals and deferred revenue	5,676	6,648	644	1,329
	10,838	11,213	7,227	1,824

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

Notes to the Financial Statements continued

For the year ended 31 December 2015

17 Borrowings

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

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Current				
Bank overdraft	—	—	4,250	18,167
Bank loans	1,000	1,000	—	1,000
Obligations under finance leases and hire purchase contracts	54	45	—	45
	1,054	1,045	4,250	19,212
Non-current				
Bank loans	6,750	6,124	3,500	6,124
Obligations under finance leases and hire purchase contracts	14	45	—	45
	6,764	6,169	3,500	6,169
Analysis of total borrowings				
Bank overdraft	—	—	4,250	18,167
Bank loans	7,750	7,124	3,500	7,124
Obligations under finance leases and hire purchase contracts	68	90	—	90
	7,818	7,214	7,750	25,381
Total borrowings are repayable as follows:				
– on demand or within one year	1,054	1,045	4,250	19,212
– in the second year	6,764	1,045	1,000	1,045
– in the third to fifth years inclusive	—	5,124	2,500	5,124
	7,818	7,214	7,750	25,381
Obligations under finance leases and hire purchase contracts are repayable as follows:				
– on demand or within one year	54	45	—	45
– in the second year	14	45	—	45
	68	90	—	90

The obligations under finance leases and hire purchase contracts are secured against the specific assets financed with a carrying amount of £91,000 (2014: £102,000). The bank overdraft, bank loan and guarantees are secured by way of a first legal charge over certain freehold properties, debentures, cross guarantees and indemnities across the Group.

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

18 Provisions

	Group			
	Restoration and after-care costs of landfill sites £'000	Capping provision £'000	Other provisions £'000	Total £'000
At 1 January 2014	2,758	3,788	76	6,622
Charged to profit or loss during the year				
– unwinding of discount	102	—	—	102
– provision in the year	51	129	—	180
Utilised during the year	(65)	—	—	(65)
At 1 January 2015	2,846	3,917	76	6,839
Charged to profit or loss during the year				
– unwinding of discount	99	—	—	99
– provision in the year	142	163	—	305
Utilised during the year	(141)	(203)	—	(344)
At 31 December 2015	2,946	3,877	76	6,899

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. £25,000 of this provision is expected to be utilised within 12 months of the balance sheet date.

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

19 Share capital

	2015 £'000	2014 £'000
Authorised – 103,000,000 (2014: 103,000,000) shares of 10p	10,300	10,300
Allotted, called up and fully paid – 102,249,083 (2014: 101,991,380) shares of 10p	10,225	10,199

During the year, 257,703 shares (2014: 2,291,966) were issued as a result of the exercise of share options. The total proceeds were £96,000 (2014: £771,000).

Notes to the Financial Statements continued

For the year ended 31 December 2015

20 Reserves

	Group		
	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2015	542	42,059	42,601
Total comprehensive income for the year	—	1,635	1,635
Issue of equity	70	—	70
Dividend (note 7)	—	(511)	(511)
Acquisition of non-controlling interest (note 25)	—	(43)	(43)
Share-based payments	—	421	421
At 31 December 2015	612	43,561	44,173

	Company		
	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2015	542	30,719	31,261
Total comprehensive income for the year	—	(1,790)	(1,790)
Issue of equity	70	—	70
Dividend (note 7)	—	(511)	(511)
Share-based payments	—	421	421
At 31 December 2015	612	28,839	29,451

21 Share-based payments

At 31 December 2015, 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 2015	Granted	Exercised	Lapsed	At 31 December 2015
Augean Share Option Schemes						
December 2013 – December 2019	39.5p	797,466	—	(202,531)	—	594,934
May 2011 – May 2021	29p	217,242	—	(55,172)	—	162,069
August 2016 – August 2023	40.25p	1,000,000	—	—	—	1,000,000
Augean LTIP Scheme						
April 2017 – September 2024	10p	3,239,894	—	—	(311,364)	2,928,530
		5,254,602	—	(257,703)	(311,364)	4,685,535
Weighted average exercise price		22.0p	—	37.3p	10.0p	20.9p
Of which exercisable		1,014,708				757,003
Weighted average exercise price		37.0p				37.3p

Outstanding awards at 31 December 2014 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 2015	180p	700,000	–	–	(700,000)	–
December 2013 – December 2019	39.5p	1,810,122	–	(1,012,656)	–	797,466
May 2011 – 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

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. No performance conditions are attached to these shares.

LTIP Scheme

In 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 method 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	162,070	594,935
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

Notes to the Financial Statements continued

For the year ended 31 December 2015

21 Share-based payments continued

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 2015, the weighted average remaining contractual life is 8.1 years (2014: 9.1 years).

The Group recognised a total expense of £421,000 (2014: £286,000) related to equity settled share-based payment transactions, of which £290,000 (2014: £155,000) related to LTIP schemes.

22 Operating lease commitments

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

	2015 £'000	2014 £'000
Plant and machinery		
Payments due:		
– within one year	780	511
– within two to five years	678	733
	1,458	1,244
Land and buildings		
Payment due:		
– within one year	221	221
– within two to five years	559	646
– after five years	791	803
	1,571	1,670

The operating lease commitments relating to Land and buildings leases have been discounted at a rate of 3%.

23 Reconciliation of operating profit/(loss) to net cash generated from/(used in) operating activities

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Operating profit/(loss)	3,312	6,689	(885)	(5,447)
Loss from discontinued operations (note 2)	—	(342)	—	—
Amortisation of intangible assets	133	95	133	95
Depreciation	5,103	3,787	278	186
Impairment charge	2,888	5	1,761	6,976
Earnings before interest, tax, depreciation and amortisation (EBITDA)	11,436	10,234	1,287	1,810
Share-based payments	421	286	421	286
Decrease/(increase) in inventories	105	(114)	—	—
Decrease/(increase) in trade and other receivables	956	(2,940)	3,981	(3,583)
Decrease/(increase) in net receivables from subsidiary undertakings	—	—	16,308	(6,950)
(Decrease)/increase in trade and other payables	(312)	1,959	(660)	1,402
Decrease in provisions	(264)	(15)	—	—
Loss on disposal of property, plant and equipment	6	6	—	—
Cash generated from/(used in) operations	12,348	9,416	21,337	(7,035)
Finance charges paid	(715)	(516)	(711)	(738)
Tax paid	(1,105)	(801)	(972)	(801)
Net cash generated from/(used in) operating activities	10,528	8,099	19,654	(8,575)

The above EBITDA includes a total net cash outflow of £620,000 relating to exceptional items and discontinued operations (2014: inflow of £201,000).

The above net cash generated from operating activities includes a net cash outflow of £620,000 relating to exceptional items and discontinued operations (2014: inflow of £416,000).

24 Analysis of changes in net debt

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

	31 December	Cash flow £'000	Acquisitions £'000	31 December
	2014 £'000			2015 £'000
Cash and cash equivalents	1,502	2,102	(51)	3,553
Bank loans	(7,124)	(626)	—	(7,750)
Finance leases	(90)	22	—	(68)
Net debt	(5,712)	1,498	(51)	(4,265)

Notes to the Financial Statements continued

For the year ended 31 December 2015

25 Non-controlling Interests and business combinations

a) Augean North Sea Services Limited

On 10 March 2015 Augean plc increased its holding in the share capital of Augean North Sea Services Limited from 81% to 100%. The consideration was £1,050,000 and was paid in cash on the same date.

Non-controlling interest	£'000
Balance at 1 January 2014	796
Share of profit for year	159
Balance at 1 January 2015	955
Share of profit for year	52
Adjustment arising from change in Non-controlling Interest	(1,007)
Balance at 31 December 2015	—

b) ASB Environmental Limited

On 2 July 2015 the Group acquired 100% of the issued share capital of ASB Environmental Limited, a licensed asbestos removal contractor. The company was acquired in order to create a direct market interface to the asbestos removal market, the output of which is a direct input into the Group's landfill sites.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	2015 Book Value £'000	2015 Fair Value adjustments £'000	2015 Fair Value £'000
Financial assets	76	(71)	5
Property, plant and equipment	54	(27)	27
Financial liabilities	(147)	—	(147)
Total identifiable liabilities	(17)	(98)	(115)
Goodwill			155
Total consideration			40
Satisfied by:			
Cash			40
Net cash outflow arising on acquisition:			
Cash consideration			(40)
Add: overdraft balances acquired			(51)
			(91)

Fair value adjustments were made in respect of the trade receivables and property, plant and equipment of the acquired assets.

The transaction was accounted for by the acquisition method of accounting. Goodwill relates to the excess of purchase consideration over the net consideration paid.

Financial liabilities comprise £51,000 bank overdraft, as indicated above, and £96,000 of other liabilities.

ASB Environmental contributed £45,000 revenue and £71,000 loss to the Group's profit for the period between the date of acquisition and the balance sheet date.

26 Financial instruments

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

	Group			Company		
	Loans and receivables £'000	Non-financial assets £'000	Total £'000	Loans and receivables £'000	Non-financial assets £'000	Total £'000
As at 31 December 2015						
Goodwill	—	19,757	19,757	—	—	—
Other intangible assets	—	214	214	—	202	202
Investments in subsidiaries	—	—	—	—	50,807	50,807
Property, plant and equipment	—	42,918	42,918	—	1,189	1,189
Deferred tax asset	—	2,316	2,316	—	259	259
Inventories	—	306	306	—	—	—
Trade and other receivables	11,829	—	11,829	697	—	697
Current tax asset	—	—	—	—	1,396	1,396
Cash and cash equivalents	3,553	—	3,553	103	—	103
	15,382	65,511	80,893	800	53,853	54,653

	Group			Company		
	Loans and receivables £'000	Non-financial assets £'000	Total £'000	Loans and receivables £'000	Non-financial assets £'000	Total £'000
As at 31 December 2014						
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	14,950	53,716	68,666

Notes to the Financial Statements continued

For the year ended 31 December 2015

26 Financial instruments continued

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

	Group			Company		
	Financial liabilities at amortised cost £'000	Liabilities not within scope of IAS 39 £'000	Balance sheet total £'000	Financial liabilities at amortised cost £'000	Liabilities not within scope of IAS 39 £'000	Balance sheet total £'000
As at 31 December 2015						
Trade and other payables – current	7,953	2,885	10,838	909	6,318	7,227
Current tax liabilities	–	940	940	–	–	–
Borrowings – current	1,054	–	1,054	4,250	–	4,250
Borrowings – non-current	6,764	–	6,764	3,500	–	3,500
Provisions	–	6,899	6,899	–	–	–
	15,771	10,724	26,495	8,659	6,318	14,633
As at 31 December 2014						
Trade and other payables – current	8,669	2,544	11,213	1,482	343	1,825
Current tax liabilities	–	579	579	–	–	–
Borrowings – current	1,045	–	1,045	19,212	–	19,212
Borrowings – 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

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

Group

	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Total financial liabilities £'000
As at 31 December 2015			
Trade and other payables – current	10,838	–	10,838
Borrowings – current	1,054	–	1,054
Borrowings – non-current	–	6,764	6,764
Total	11,892	6,764	18,656
As at 31 December 2014			
Trade and other payables – current	11,213	–	11,213
Borrowings – current	1,045	–	1,045
Borrowings – non-current	–	6,169	6,169
Total	12,258	6,169	18,497

Company

	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Total financial liabilities £'000
As at 31 December 2015			
Trade and other payables – current	7,227	–	7,227
Borrowings – current	–	4,250	4,250
Borrowings – non-current	–	3,500	3,500
	7,227	7,750	14,977
	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Total financial liabilities £'000
As at 31 December 2014			
Trade and other payables – current	1,825	–	1,825
Borrowings – current	–	19,212	19,212
Borrowings – non-current	–	6,169	6,169
	1,825	25,381	27,206

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 euros, and US dollars not considered significant.

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

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

Notes to the Financial Statements continued

For the year ended 31 December 2015

26 Financial instruments continued

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group seeks to maintain a balance between continuity of funding and flexibility. The objective is to maintain sufficient resources to meet the Group's funding needs for the foreseeable future. At 31 December 2015, the Group carried net debt of £4,265,000 (2014: £5,712,000) and short term flexibility is achieved through bank facilities comprising of a £13.25m 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	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Cash and cash equivalents	3,553	1,502	103	28
Trade and other receivables	9,691	10,937	26	—
	13,244	12,439	129	28

At 31 December 2015, £4.1m (2014: £2.6m) of the Group's trade receivables were past due. A provision of £0.3m (2014: £0.3m) 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:

	2015 £'000	2014 £'000
Not more than four months past due	3,217	2,276
More than four months past due	210	294
Total past due trade receivables	3,427	2,570
Trade receivables not yet past due	6,463	8,621
Total gross trade receivables	9,980	11,191
Bad debt provision	(289)	(254)
Total net trade receivables (note 14)	9,691	10,937

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 2014	254
Amounts utilised	(40)
Amounts provided	75
Bad debt provision as at 31 December 2015	289

Interest rate risk

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

The interest rate profile of the Group and Company's borrowings at 31 December 2015 was:

	Floating rate £'000	Total £'000
Group		
Bank loans	7,750	7,750
Finance leases	68	68
At 31 December 2015	7,818	7,818
At 31 December 2014	7,214	7,214

	Floating rate £'000	Total £'000
Company		
Bank loans	7,750	7,750
Finance leases	—	—
At 31 December 2015	7,750	7,750
At 31 December 2014	25,381	25,381

The Group met its short term working capital requirements during 2015 through an overdraft and revolving loan facility, which was renewed and increased with HSBC Bank plc in March 2014, providing access to a term loan and revolving loan facility for an extended period to July 2017. The facility was structured as a £5m term loan and a £10m revolving credit facility which attract an interest charge varying between 1.95% and 2.75% above LIBOR. The term loan had amortised to £3.25m from £5.0m at the balance sheet date.

On 21 March 2016, the Group renewed its facility with HSBC Bank plc to provide a new facility. The new facility was structured as a £20m revolving credit facility which attracts an interest charge varying between 1.75% and 2.5% above LIBOR and matures in October 2020. This renewal also makes available an additional £10m facility subject to certain conditions set out in the agreement. A change in interest rate of 0.5% affects the annual interest cost for both the Group and Company by approximately £25,000 (2014: £30,000).

The hire purchase agreements of the Group under a floating rate contract have a weighted average interest rate of 3.7% (2014: 3.4%) and a weighted average remaining duration of one year (2014: two years). The Group has no hire purchase agreements under a fixed rate contract.

Notes to the Financial Statements continued

For the year ended 31 December 2015

26 Financial instruments continued

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

The Board has determined 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	2015 £'000	2014 £'000
Share capital	19	10,225	10,199
Share premium	20	612	542
Borrowings	17	7,818	7,214
		18,655	17,955

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 £1,000,000 (2014: £1,000,000). 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 loan facility, which has £9.0m of headroom at 31 December 2015 (2014: £8.3m).

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:

	2015 Actual	2015 Target	2014 £'000
Net debt to EBITDA*	0.3	<2.5	0.6
EBIT* to net bank debt cash costs	23.4	>3.5	24.6
Net debt to equity ("gearing") (%)	7.8%	prior year	10.8%
Free cash flow (£'000s)	3,054	prior year	1,358

* 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.

	2015 £'000	2014 £'000
Net operating cash flow (note 23)	10,528	8,099
Purchase of property, plant and equipment	(7,474)	(6,741)
Free cash flow	3,054	1,358

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 £394,000 (2014: £431,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2015, contributions of £27,000 (2014: £26,000) 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 £8.2m (2014: £8.4m). Future site restoration costs for each landfill site have been provided as disclosed in note 18.

The Group is involved in a commercial dispute with a customer, which has arisen in the normal course of business and relates, in part, to events which took place in 2015. The customer has indicated that it intends to bring a legal claim against the Group in relation to this matter, although no such claim has yet been received. It is possible that an obligation may eventually arise in respect of this matter. However, given that no legal claim has been received, it is not possible to reliably estimate the likelihood or value of any future cash outflows in respect of this issue.

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	2015 £'000	2014 £'000
Transactions with Terramundo Limited:		
– revenue	–	–
– costs	–	–
	2015 £'000	2014 £'000
Amounts owed by Terramundo Limited:		
– more than one year	–	512
	–	512

Notes to the Financial Statements continued

For the year ended 31 December 2015

29 Related party disclosures continued

Further details regarding Terramundo Limited are disclosed in note 9.

Related party transactions of the Company are noted below:

	2015 £'000	2014 £'000
Amounts owed to Terramundo Limited:		
– less than one year	–	–
Amounts owed by Terramundo Limited:		
– more than one year	–	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 receivable from 100% subsidiary undertakings of £6.2m (2014: £14.9m receivables). 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

On 21 March 2016, the Group completed the refinancing of its bank loan facilities. Subsequent to this, the Group has a facility in place to provide a total level of funding of £20m, maturing in October 2020.

Shareholder information



Notice of Annual General Meeting

We are pleased to write to you with details of our 2016 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 2 June 2016 at 10.00am. The formal notice of Annual General Meeting is set out on page 114 of this document.

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

Authority to allot shares (Resolution 8)

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 8, which will be proposed as an ordinary resolution, seeks to renew the allotment authority so that the Section 551 amount shall be £3,408,302 (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 8 is passed to 30 June 2017 or the conclusion of the Company's next annual general meeting, whichever is earlier.

Authority to purchase own shares (Resolution 9)

Article 4.4 of the Company's Articles of Association provides that the Company may, subject to statutory requirements and the resolution of the Company's shareholders in general meeting, purchase its own shares.

Resolution 9, which will be proposed as a special resolution, seeks to grant the directors the authority, for the period from the date Resolution 9 is passed to the conclusion of the Company's next annual general meeting (unless such authority is revoked or renewed prior to such time), to make market purchases of the Company's own Ordinary shares, up to a maximum amount of 10,224,908 Ordinary shares, being an amount equal to approximately 10% of the issued share capital of the Company (as at the 21 March 2016, being the latest practicable date prior to publication of this document). The directors consider that it is in the best interests of the Company and its shareholders to have the ability to make market purchases of the Company's own shares in appropriate circumstances, without the cost and delay of calling a separate general meeting. The authority will be kept under review and the directors will only exercise the power of purchase after careful consideration and when the directors are satisfied that the purchase would be in the best interests of the Company and its shareholders. The Directors intention is to use this facility only to purchase shares to satisfy the exercise of share options granted under employee share schemes.

Disapplication of pre-emption rights (Resolution 10)

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 10, which will be proposed as a special resolution and which will only be effective if Resolution 8 is passed, seeks to renew the disapplication authority so that the Section 561 amount shall be £511,245 (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 10 is passed to 30 June 2017 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 114. 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 31 May 2016. 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 (other than in respect of those resolutions in which they are interested).

Notice of Annual General Meeting continued

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2016 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 2 June 2016 at 10.00am for the purpose of considering and, if thought fit, passing the resolutions set out below. Resolutions 9 and 10 will be proposed as special resolutions. 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 2015 be received.
2. THAT Andrew John Bryce be re-elected as a director of the Company.
3. THAT John Albert Martin Grant be elected as a director of the Company.
4. THAT Roderick Antony Holdsworth be elected as a director of the Company.
5. THAT Grant Thornton UK LLP be re-appointed auditors of the Company, to hold office until the next meeting at which accounts are laid before the Company.
6. THAT the directors be authorised to determine the auditors’ remuneration.
7. THAT a dividend of 0.65 pence per share be declared.
8. 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 2017 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 £3,408,302.
9. THAT the Company be generally and unconditionally authorised, pursuant to section 701 of the Companies Act 2006, to make market purchases (within the meaning of s693 of that Act) of Ordinary shares of 10p each in the capital of the Company on such terms and in such manner as the directors may from time to time determine, provided that:
 - a. the maximum number of Ordinary shares hereby authorised to be acquired is 10,224,908;
 - b. the minimum price (excluding expenses) which may be paid for any such Ordinary share is its nominal value of 10p;
 - c. the maximum price (excluding expenses) which may be paid for any such Ordinary share is an amount equal to 105% of the average of the middle market quotations for an Ordinary share in the Company (as derived from The London Stock Exchange’s Daily Official List) for the five business days immediately preceding the day on which such share is contracted to be purchased or, in the case of a tender offer, the terms of the tender offer are announced;
 - d. the authority hereby conferred shall expire at the end of the next Annual General Meeting of the Company after the passing of this resolution unless previously renewed, varied or revoked by the Company in general meeting; and
 - e. the Company may make a contract to purchase its Ordinary shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and which contract will or may require a purchase of its Ordinary shares in pursuance of any such authority to be completed after such expiry.

10. THAT, subject to the passing of resolution 8, 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 2017 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 £511,245.

By order of the Board



R S Laker, ACA

Company Secretary
21 March 2016

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

Notice of Annual General Meeting continued

Notes:

- (a) Only those shareholders entered on the relevant register of members (the "Register") for certificated or uncertificated shares of the Company (as the case may be) at 6.00p.m. on Tuesday 31 May 2016 (the "Specified Time") will be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at the time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend and vote at the AGM.
- (b) Any member may appoint a proxy to attend, speak and vote on his/her behalf. A member may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares of the member, but must attend the meeting in person. A proxy need not be a member. Completion of a proxy appointment form does not prevent a member from attending and voting in person if he/she is entitled to do so and so wishes.
- (c) Hard copy appointment of proxies: A hard copy proxy appointment form is enclosed for use at the AGM. To be valid, it must be completed in accordance with the instructions that accompany it and delivered, together with any authority under which it is executed or a copy of the authority certified notari ally, by post or (during normal business hours only) by hand to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received no later than 10.00a.m. on Tuesday 31 May 2016.

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 of your hard copy proxy form. For an electronic proxy appointment to be valid, your electronic message confirming the details of the appointment in accordance with the relevant instructions must be transmitted so as to be received by Computershare Investor Services plc no later than 10.00a.m. on Tuesday 31 May 2016.

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 31 May 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

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

- (e) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares. Any such representative should bring to the meeting written evidence of his appointment, such as a certified copy of a Board resolution of, or a letter from, the corporation concerned confirming the appointment.
- (f) Website giving information regarding the AGM is available from www.augeanplc.com. A member may not use any electronic address provided by the Company in this document or with any Proxy Form or in any website for communicating with the Company for any purpose in relation to the AGM other than as expressly stated in it.

Shareholder Notes

Advisers and Company Information

Shareholder Information

Secretary

Richard Laker, ACA

Registered office

4 Rudgate Court
Walton
Wetherby
West Yorkshire
LS23 7BF

Registered number

5199719
(incorporated and registered in England and Wales)

Website

www.augeanplc.com

Broker and nominated adviser

N+1 Singer Capital Markets

One Bartholomew Lane
London
EC2N 2AX

Auditor

Grant Thornton UK LLP

No 1 Whitehall Riverside
Whitehall Road
Leeds
LS1 4BN

Solicitors

Walker Morris LLP

Kings Court
12 King Street
Leeds
LS1 2HL

Bankers

HSBC Bank PLC

City Point
29 King Street
Leeds
LS1 2HL

Registrars

Computershare Investor Services PLC

The Pavilions
Bridgwater Road
Bristol
BS13 8AE



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corporate
communications



Augean PLC

4 Rudgate Court

Walton

Wetherby

West Yorkshire

LS23 7BF

Tel: 01937 844980

www.augeanplc.com

contact@augeanplc.com

Contacting Augean

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