Augean PLC

Specialist services focused on managing hazardous wastes

Creating Value for Our Customers Through Innovative Services to Protect Future Generations

Annual Report & Accounts

for the year ended 31 December 2016

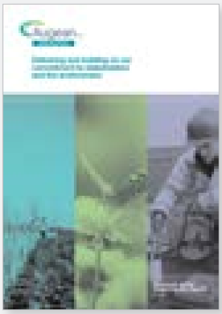
Stock Code: AUG

Welcome

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

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

Augean PLC

Specialist services focused on managing hazardous wastes

Our Value Proposition

Specialist waste expertise

Service solutions

Client focus

Enabled by Our Key Resources

Competent and committed people

Experienced leadership team

Unique asset base

Read more in Our Business Model on **page 14**

Underpinned by Our Values, Beliefs and Behaviours Framework

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

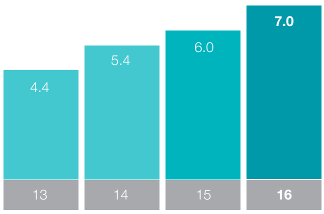
Read more in our CSR section on **page 44**

Highlights

Financial

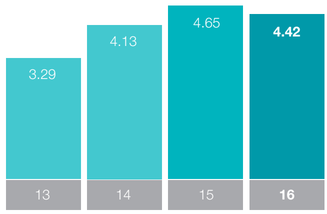
Profit before tax
(£m)

£7.0m



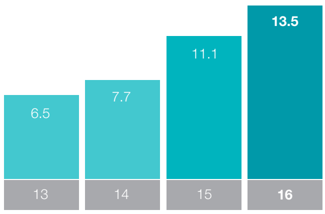
Earnings per share
(p)

4.42p



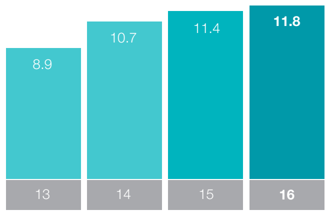
Operating cash flows
(£m)

£13.5m



Return on capital employed
(%)

11.8%



Operational

Operating cashflow
Operating cash flows, before exceptional items, increased from £11.1m to £13.5m.

Earnings visibility
Continued progress on moving Group revenues to long-term contracts and frameworks with 88% of top 20 customers engaged on this basis.

Strategic Investment
The Board continues to support investment in strategic business growth. £8m invested in capital expenditure in 2016.

Our Organisation:
Our Business Units

Waste treatment and disposal solutions

Assets: **ENMRF, Port Clarence, Thornhaugh**

Key services:

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

Read more on page 24

Specialist treatment and disposal

Assets: **ENMRF, Port Clarence, East Kent**

Key services:

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

Read more on page 26

Recovery of resources from wastes

Assets: **Avonmouth, Paisley, Port Clarence WaRP, Hull**

Key services:

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

Read more on page 28

Integrated solutions for waste-producing clients

Assets: **Cannock, Corby, East Kent, Client Sites**

Key services:

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

Read more on page 30

Complete waste services for North Sea operators

Assets: **Aberdeen (x4), Lerwick,Great Yarmouth, Port of Dundee**

Key services:

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

Read more on page 32

Number of sites
3
Revenue
£35.4m

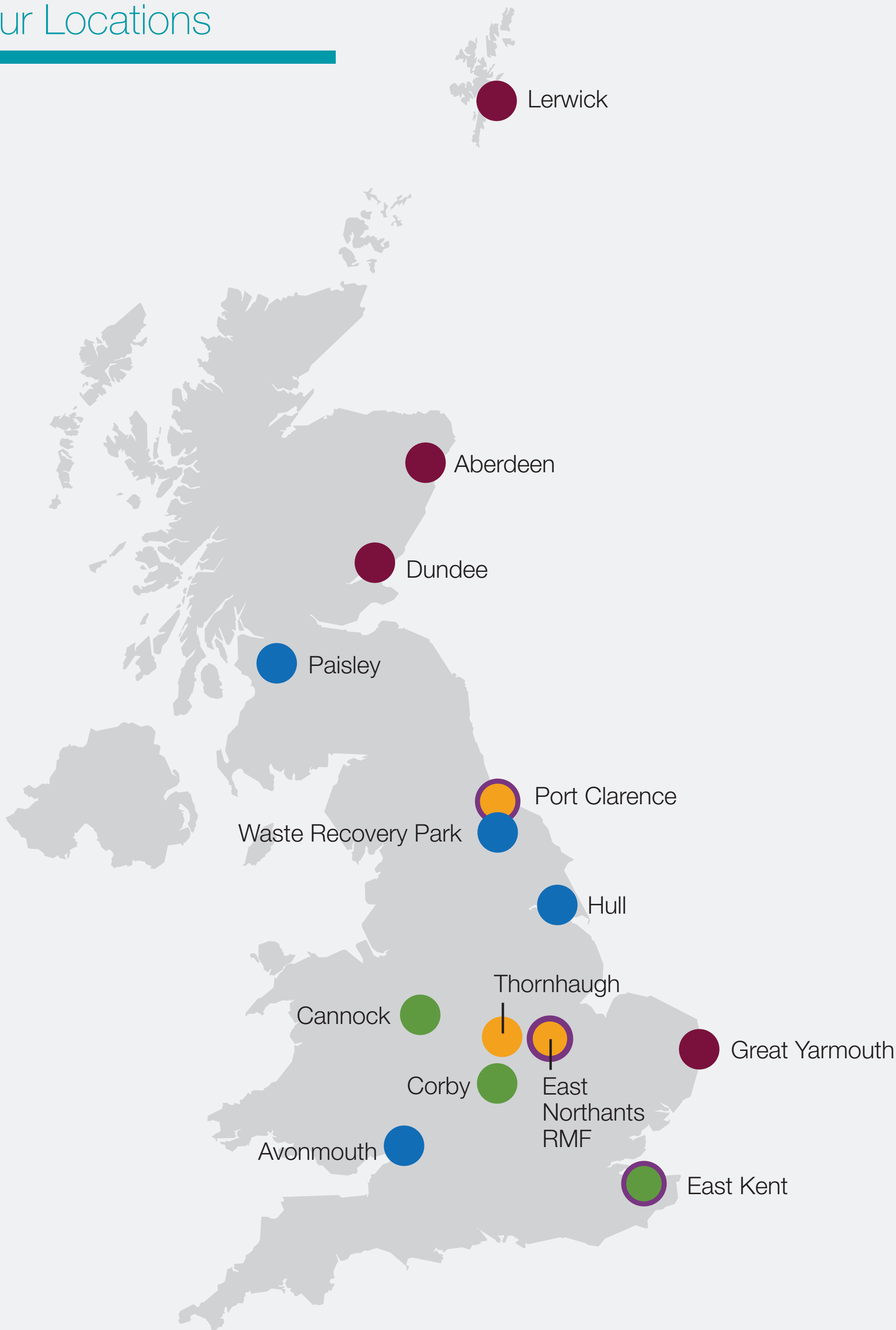
Number of sites
3
Revenue
£1.2m

Number of sites
4
Revenue
£7.6m

Number of sites
3
Revenue
£18.8m

Number of sites
7
Revenue
£13.0m

Our Locations



Chairman's Statement

"The Board continues to support investment in strategic business growth"

Non-executive Chairman **Jim Meredith**

During 2016, the Group again produced year-on-year double digit increases in revenue, adjusted profit before tax and operating cash flows, compared with 2015. The Group is currently trading in line with expectations for 2017, evidencing the strategy for growth, developed and implemented by the executive management team.

Revenue from continuing operations increased by 25% to £76.0m (2015: £61.0m). Profit before tax from continuing operations, before exceptional items and amortisation of acquired intangible assets increased by 18% to £7.1m (2015: £6.0m). Statutory profit before tax reduced to £1.3m (2015: £2.5m) after exceptional items of £5.7m.

Operating cash flows, before exceptional items, increased from £11.1m to £13.5m. Net debt increased by £6.5m during the year to £10.8m, after capital expenditure of £8.3m.

The Board continues to support investment in strategic business growth and, in May 2016, £8.9m net was paid to purchase the share capital of Colt Holdings Limited. Significant headroom remains on the Group's banking facility of £20m, with a further £10m available exclusively to fund potential acquisitions. All investments are made with the expectation of acceptable payback periods and increasing levels of return. The Group's return on capital employed[1] for the year increased to 11.8% (2015: 11.4%).

Our Energy and Construction business had another strong year, with input volumes of material into landfill above initially anticipated levels. Volumes of construction-related materials, which had the potential to be impacted by the update to landfill tax guidance, declined on 2015. As previously announced, volumes of Air pollution control residues ("APCR") arising from the Energy-from-waste sector grew strongly in 2016; maintaining our share of this growth market is a key strategic imperative in the short and medium term. It was particularly pleasing to see the 3x Waste Acceptance Criteria (WAC) derogation unchanged by DEFRA following almost four years of review and consultation. This decision validates the Group's successful investment in processing solutions to generate the most environmentally beneficial outcomes for our customers.

The Radioactive Waste Services business saw a reduction in volumes in 2016 because of UK Government spending reviews although we expect to see a modest recovery in the second half of 2017. Cost in this division remains under close scrutiny whilst volumes remain depressed. The Group's site at East Northants remains a key element of the UK's national infrastructure for the disposal of low-level radioactive waste in the medium and long term. The Group has made progress in diversifying its range of treatments to protect its investments in this sector.

The Industry & Infrastructure business has had a pleasing year, with the turnaround plan at Avonmouth successfully completed. The addition of the Colt business to the Group bolsters our specialist Industrial Services capacity and although this business has had a slower than expected start there are positive signs of improved performance and a growing sales pipeline. It is currently trading to plan.

The third year of trading for the Augean Integrated Services (AIS) business saw further progress, with revenues increased by 28% and a number of three-year term total waste management contracts won with blue-chip customers. The sales pipeline has grown substantially over the year. This contributed to the growth seen in the contracted business which increased 65% over the prior year. The high temperature incinerator at the Group's East Kent site continued to experience challenges during 2016 which has led the Board to take the decision to impair the asset. Despite this, it does remain of high importance to AIS and the team continues to work to improve performance.

Augean North Sea Services (ANSS) responded positively to changes in its market by securing several new contract wins during 2016 and delivering the cost reduction plan announced in the Interim Statement. 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 share of revenue generated from production waste management and onshore industrial services, maintaining the high proportion of total revenues generated directly from major Oil & Gas operators. During the year a strategic investment was made in a site at Great Yarmouth to support a new contract with a major operator which has opened up further potential commercial prospects from the southern North Sea.

Health and safety continues to remain the highest priority for the Board, management and employees across the Group. The management team has responded to an increase in accidents in 2016 by enhancing hazard recognition, risk evaluation and learning from incidents. The Board continues to recognise the risks faced by our people, who work in environments moving, treating and disposing of hazardous waste.

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. The majority of our sites in England are ranked by the Environment Agency as Category A 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.

Following Mark Fryer's appointment as Group Finance Director in December 2016, I am delighted to welcome Mark to the Board of Augean. He is a highly experienced Finance Director with a strong track record across a number of sectors and I look forward to working with him as the Group continues to build on its successful strategy for growth.

Rod Holdsworth joined the Board on 23 March 2016 and has assumed the Chairmanship of the Audit Committee. After 11 years with the Group Andrew Bryce has indicated that he will stand down from the Board at the Annual General Meeting in June 2017. The Group is meeting potential replacements and an announcement will be made at the appropriate time. I would like to thank Andrew for the legal and environmental expertise he has brought our Board and for his long service. I offer him best wishes for the future.

The Group's balance sheet and operating cash flow remain robust and the Board has proposed a 54% increase in the dividend payment to 1.0p 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 covered[2] 4.4 times (2015: 7.2 times).

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 continues to remain focused on improving shareholder returns for the Group and building on the progress delivered to date. I look forward to another year of profitable growth for the Group.

J. MEREDITH.

Jim Meredith
Non-executive Chairman
20 March 2017

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

Strategic Report

Contents

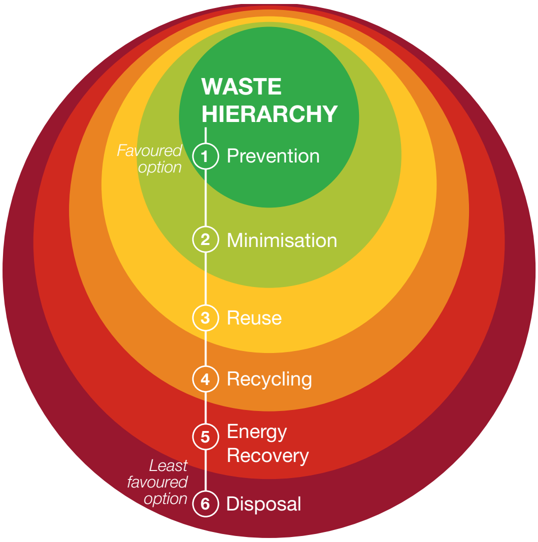
Marketplace

Augean operates in market sectors that have distinct strategic drivers and these form the rationale for the focus of the five business units of the Group to develop the appropriate customer focus and growth strategy 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. 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, the Waste Hierarchy is a simplification of Best Overall Environmental Outcome, which is the goal of environmental strategy, policy and regulation, and for hazardous wastes there is a particular need to consider the fate of the persistent and toxic pollutants in the waste.

The hazardous waste market is highly segmented with a total volume of approximately five 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, Oil & Gas, energy from waste operators, specialist manufacturers, clinical and pharmaceutical waste, and other industrial producers.



Hazardous landfill

Data published by the Environment Agency for 2015 (the most recent data available) on the production of hazardous waste indicated that approximately 0.9 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 in excess of 40% of the UK's remaining hazardous landfill capacity.

5m tonnes

OF HAZARDOUS WASTE HANDLED IN THE UK EACH YEAR

16m tonnes

TOTAL UK CAPACITY FOR HAZARDOUS LANDFILL

SOURCE: ENVIRONMENT AGENCY

Energy-from-Waste and Biomass Energy waste market

Augean's treatment and disposal to landfill includes the management of certain by products from energy-from-waste (EfW) plants, required to deliver the UK's obligation to significantly reduce the landfilling of municipal solid waste by 2020, and from biomass energy plants. These facilities produce air pollution control residues (APCR). 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 111,000 tonnes, representing an approximate 40% market share (2015: approximate 35% share). This market, of approximately 300,000 tonnes per annum excluding EfW operators who treat and dispose of their own APCR arisings, is expected to grow at 9% compound average growth rate from 2016 to 2022. The Group actively monitors technological developments in the treatment and recycling of this material to ensure its long-term competitive position in this market.

Construction waste market

Construction soils are a key input to the Group's landfill sites. In 2016, the Group 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 activity in the construction sector, 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.

HM Revenue & Customs issued a revised excise notice in respect of landfill tax in December 2015. Volumes of these waste streams into the Group's sites have reduced compared to 2015 but exceeded the Group's expectations for 2016. The Group invested in a trial of soil washing and treatment equipment to promote recycling of a proportion of such materials, the results of which will become apparent during 2017.

Radioactive waste 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 and 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

300,000 tonnes
OF APCR PRODUCED PER ANNUM

APCR market
EXPECTED TO GROW AT 9% COMPOUND AVERAGE GROWTH RATE FROM 2016 TO 2022

low level waste (LLW), very low level waste (VLLW) and NORM. The NDA publishes regular forecasts on the volumes of radioactive wastes requiring disposal and treatment, the latest of which was released in December 2016 and shows 120% year-on-year increase in LLW volumes from NDA sites to 8,000 cubic metres in 2017/18, albeit from a low base in 2016/17. We do not expect to see this increase impacting the Group until the second half of 2017.

Industrial waste market

The waste market has remained stable as a result of shutdown and maintenance work being carried out across a broad range of sectors and overall growth in the UK manufacturing sector.

Conditions in the mainland European recovered oil and waste organic fuels market have remained similar to 2015 with continued downward pressure on pricing in the recovered fuel oil market continuing throughout 2016.

As large energy-intensive industries have reduced production in the UK, the demand for organic waste derived fuels in the UK market has reduced. The market is reliant on facilities in mainland Europe for the recovery of energy from these fuels. The opportunity to send waste to energy recovery routes within mainland Europe continued to reduce with capacity being taken up by volume generated within the region, further displacing UK waste. This has resulted in an increase in costs and a decrease in rebates associated with these disposal routes. A resultant upward price pressure has been experienced in the UK kiln fuel market.

The waste oil market has experienced an upward price pressure although a shortage of available routes has led to stagnation in this market. Activity across both areas was dynamic as the markets responded to the fluctuations and the business reacted accordingly.

North Sea Oil & Gas waste services 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. The southern sector is centred on Great Yarmouth, with further activities in North West England, for the East Irish Sea. Augean North Sea Services (ANSS) provides a full range of services, equipment rental and manpower

provision for the containment and treatment of offshore wastes. These include the cuttings and slop waters from drilling of oil and gas wells, contaminated waters from the oil production process, production wastes, oil sludges, including those contaminated with low level naturally occurring radioactive material (NORM), wellbore and topside production equipment & water contaminated with NORM as well as a more general range of industrial general and hazardous wastes.

The Oil & Gas market has been adversely impacted since Q3 2015 as a result of significant reductions seen in oil prices, with Oil & Gas companies cutting capital expenditure and seeking efficiencies at all levels from the supply chain. Cost efficiencies are key to the sustainability of businesses in this area. 2015 saw a downturn in drilling activity which continued into 2016 and resulted in a significant reduction in the size of the market for drilling wastes, while there was an upturn in decommissioning (DECOM) related plug and abandonment activities and associated waste containments and treatment.

The market for providing total waste management and industrial cleaning to Oil & Gas production facilities and the resultant decommissioning has different drivers, as the Oil & Gas operators' assets are already invested, with stable levels of activity seen compared to drilling exploration and development since the oil price dropped in mid-2015. The dependence of the UK's energy sector on oil and gas is anticipated to continue over several decades, leading to an expectation that levels of demand for specialised industrial service related waste management for production facilities and onshore industrial services will be stable. The growth sector of the market derives from the decommissioning of assets in the North Sea.

NORM builds up over time, and before maintenance or decommissioning the downhole production equipment, processing lines and topside equipment may require decontamination with specialised industrial cleaning, resulting in the generation of NORM scale and sludges. Reliable statistics on the scale of the NORM market remain limited although the Group estimate that typically 1,000 tonnes of NORM may be released per annum, requiring specialised decontamination, treatment and disposal.

Our Business Model

The Group's business model can be summarised as follows:

Enabled by Our Key Resources...

Competent and committed people

Our people are vital to the Group's success and we ensure that as a Group we provide our employees with the right tools and culture in order to succeed.

Read more in Corporate Social Responsibility on **page 45**

Experienced leadership team

The Group's experienced leadership team is responsible for ensuring the business decisions taken are achievable and the best outcomes for Augean's stakeholders.

Read more about our Board of Directors on **page 50**

Unique asset base

The Group's strong asset base ensures that we are in a position to assist our customers in achieving their objectives. As a key enabler of the business, our asset base is a source of competitive advantage within the marketplace.

Read more in Key Performance Indicators on **page 18**

Sustainable market position:

Specialist waste expertise

- Augean has the know-how, assets and permissions that make us a 'go to' company for hazardous and radioactive waste management
- Our strategic perspective on regulatory and market developments provides clients with assurance that Augean's treatment and final disposal is fully compliant and resilient for the future
- Resource efficiency is a growing part of the solutions we provide, through treatment, 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
- Augean 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
- Augean has the expertise to understand these markets and what drives value for specific customers
- We start with customer needs and address these innovatively, taking a long term perspective

Growing shareholder value

Growth in profit

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

Growth in asset base

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

Growth in returns

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

Our Strategy

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.

Strategic focus	Description
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.
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.
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.

Highlights	KPIs
○ During 2016 we have built new relationships with customers and 88% 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 is a small reduction on the 95% reported in 2015 as a result of some large one-off pieces of work during the year and the increase in turnover of the Group. ○ The transition to a contract-led business model is evident in all of our business units.	➤ Proportion of revenue from contracts or framework agreements ➤ Level of contracted revenue from Total Waste Management ➤ Amount of North Sea Oil & Gas revenue generated directly from operators and Tier-1 customers
○ 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. ○ The group have grown the revenue value of contracted TWM contracts by 45% during the year.	➤ Proportion of revenue from contracts or framework agreements ➤ Level of contracted revenue from Total Waste Management ➤ Amount of North Sea Oil & Gas revenue generated directly from operators and Tier-1 customers ➤ Compliance scores ➤ Number of accidents
○ A total of £8.3m was spent on capital investment in 2016 (2015: £7.5m). The return on capital employed by the Group, from continuing operations and before exceptional items, was 11.8% for the year (2015: 11.4%) from an increased total asset base, which is consistent with this strategy. This return is well in excess of the Group weighted average cost of capital.	➤ Return on capital employed ➤ Underlying profit before taxation ➤ Post-maintenance free cash flow

See Key Performance Indicators on **page 18**

See Managing Risk on **page 40**

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.

KPI	Link to strategy	Applicable area(s) of the Group
Number of accidents(1) Health & safety is the highest priority of the Group		E&C I&I AIS ANSS
Number of near misses reported(2) Health & safety is the highest priority of the Group		E&C I&I AIS ANSS
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		E&C RWS I&I AIS ANSS
Underlying profit before taxation(4) This is the key measure of underlying profitability of the Group		Group
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		Group
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		Group

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:

2016 Outcome	2015 Outcome
59	34
2,331	2,015
E&C: A **RWS**: A **I&I**: B/Excellent **AIS**: B **ANSS**: Excellent	**E&C**: A **RWS**: A **I&I**: A/Excellent **AIS**: B **ANSS**: Excellent
£7.0m	£6.0m
£9.6m	£5.6m
11.8%	11.4%

Strategic Key

Develop sustainable market positions

Grow through client-focused solutions

Grow shareholder value

E&C	Energy & Construction
RWS	Radioactive Waste Services
AIS	Augean Integrated Services
I&I	Industry & Infrastructure
ANSS	Augean North Sea Services

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.
2. The total number of incidents reported which could have resulted in an accident or injury or damage to property.
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.

Key Performance Indicators continued

KPI	Link to strategy	Applicable area(s) of the Group
Proportion of revenue from contracts or framework agreements[7] This is a measure of the relative certainty of future cash flow		Group
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		E&C RWS
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		AIS ANSS
Amount of North Sea Oil & Gas revenue generated directly from operators and Top-Tier 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		ANSS

2016 Outcome	2015 Outcome
88% of top 20 Top 20 43% of Group revenue	95% of top 20 Top 20 42% of Group revenue
E&C: 574,000 t **RWS**: 2,000 t	**E&C**: 434,000 t **RWS**: 3,200 t
£7.4m	£4.8m
84% of **ANSS** revenue	89% of **ANSS** revenue

Strategic Key

Develop sustainable market positions

Grow through client-focused solutions

Grow shareholder value

E&C	Energy & Construction
RWS	Radioactive Waste Services
AIS	Augean Integrated Services
I&I	Industry & Infrastructure
ANSS	Augean North Sea Services

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.
2. The total number of incidents reported which could have resulted in an accident or injury or damage to property.
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"

Chief Executive Officer Stewart Davies

Introduction

The Group delivered a strong set of financial results in 2016.

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

- Total revenue increased by 25% to £76.0m;
- Profit before taxation increased 16% to £7.0m;
- Net operating cash flows increased 22% to £13.5m;
- Post maintenance cashflow increased 44% to £7.3m;
- Basic earnings per share decreased 5% to 4.42 pence; and
- Return on capital employed increased from 11.4% to 11.8%.

The results of the Group show a profit before tax of £1.3m after exceptional items of £5.7m and a profit after tax of £0.4m.

During 2016, the Group operated through five business units, the results of which were:

	Adjusted revenues		Adjusted operating profit		GAAP basis operating profit		Adjusted EBITDA	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Energy and Construction	**25.3**	20.2	**8.3**	6.5	**8.1**	6.4	**12.0**	9.5
Radioactive Waste Services	**1.2**	1.9	**0.3**	1.1	**0.1**	1.0	**0.4**	1.2
Industry and Infrastructure	**18.8**	11.7	**0.5**	(0.7)	**0.2**	(3.7)	**1.5**	0.4
Augean Integrated Services	**7.6**	6.0	**(0.7)**	(0.6)	**(4.2)**	(0.7)	**–**	(0.2)
Augean North Sea Services	**12.9**	14.8	**0.5**	1.3	**(1.0)**	1.2	**1.3**	2.0

Adjusted revenues exclude intra segment trading and landfill tax, adjusted operating profit excludes exceptional items and adjusted EBITDA[1] represents earnings before exceptional items, interest, tax, amortisation and depreciation.

The operating cash flow of the Group was used to fund the future growth of the Group, with total capital expenditure investment of £8.3m. This comprised £3.9m of maintenance capital expenditure to lengthen the productive life of existing assets (including £1.7m on landfill cell engineering) and £4.4m of development capital expenditure for targeted future growth.

The Group remains committed to growth in all of its businesses and markets, through both organic and acquisitive means, as appropriate. Aside from its strong operating cash flows, the Group also had a £20m bank facility in place as at 31 December 2016, compared with net debt of £10.8m, equivalent to 0.8 times EBITDA, from continuing operations and before exceptional items. The current facility, refinanced in March 2016, allows application for 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.

1. EBITDA means Earnings before interest, tax and depreciation

As previously announced, during 2016 the Board took the strategic opportunity to purchase the entire share capital of Colt Holdings Limited ("Colt"), a specialist industrial services provider, for an initial net cash consideration of £8.9m. This has enhanced Augean's Industry & Infrastructure business unit by adding UK-wide industrial services coverage that complements the Group's existing service, treatment and disposal infrastructure. The acquisition has not traded as expected in 2016 as a result of the delay in certain contracts which were anticipated. Colt has traded in line with management expectations in the first months of 2017 and has developed a strong sales pipeline.

The Group employed an average of 377 staff (2015: 345) over the course of the year. The number of employees in the Group has increased during 2016 by acquisition and 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 2016 and 2015 (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 2016 is set out overleaf.

Energy & Construction (E&C)

"The total volume of waste disposed by the E&C business increased by 32% in 2016."

The principal activity of this business unit is the disposal of air pollution control residues (APCR), 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 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, increased by 25% to £25.3m (2015: £20.2m), with the significant increase being primarily the growth in volumes of APCR treated in 2016 compared with 2015.

The total volume of waste disposed by the E&C business increased by 32% to 574,000 tonnes in 2016, from 434,000 tonnes in 2015, with APCR volumes increasing by 48% from 75,000 tonnes to 111,000 tonnes and other waste streams increasing by 29% from 359,000 tonnes to 463,000 tonnes. Average gate fees on APCR streams fell by 3% and decreased by 5% on soils and other waste streams. The overall increase in APCR revenue was 41% and the increase in other waste revenue was 17%, compared with 2015.

Volumes of construction soils, which had the potential to be impacted by the update to landfill tax guidance, issued by HMRC in December 2015, experienced a 20% reduction in volumes compared with the high levels in 2015.

The operating profit of the business unit grew at 28% compared with revenue growth of 25%, with EBITDA increasing to £12.0m (2015: £9.5m), and this EBITDA growth contributing to the strong operating cash flow of the Group as a whole during 2016. Operating profit before exceptional items improved to £8.3m (2015: £6.5m), with depreciation in this business unit primarily driven by the input volume and hence the rate of engineered landfill cell capacity consumption, rather than the passage of time.

APCR volumes have shown strong growth as a result of major contract wins for the Group, as announced in April 2016. 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 energy capacity in the areas of the UK served by our sites.

Total capital investment in the E&C business was £3.7m in the year (2015: £3.8m), of which £2.6m was invested to lengthen the productive life of existing assets (maintenance capital expenditure) and £1.1m was investment in the targeted future growth of the business (development capital expenditure). The maintenance capital expenditure included £1.7m in respect of landfill cell engineering.

Case Study:
Infrastructure Project
CONTAMINATED SOIL MANAGEMENT

The requirement
Augean were engaged to process and cleanse 10,000 tonnes of contaminated soils from a major infrastructure project in London. Where possible the customer required recovery of materials from the soil, ensuring a better overall environmental outcome.

Our Innovation
The soil treatment technology and operational infrastructure at the East Northants Resource Management Facility (ENRMF) enabled the Group to manage over 50 loads of contaminated soils per day without disrupting regular deliveries of other wastes to the site.

Our achievements
The soils from this London based project were treated in a processing plant at ENRMF which used a self-contained physico-chemical treatment process to remove the soil contaminants, leaving a clean fraction comprising silt and aggregate that can be re-used. The hazardous treatment residue is prepared for appropriate landfill disposal. The project was completed with all contaminated soils removed from the contractor's site within the 4 week timeframe.

Radioactive Waste Services (RWS)

"Further medium-term opportunities exist for the RWS business."

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 decreased by 37% to £1.2m (2015: £1.9m). Operating profit before exceptional items decreased by 72% to £0.3m (2015: £1.1m) and EBITDA decreased 67% to £0.4m (2015: £1.2m). This was generated from a total volume of 2,200 tonnes, a decrease of 31% compared with 3,186 tonnes in 2015.

The revenue generated by RWS has historically been dominated by waste related to nuclear decommissioning, with revenues steadily increasing between 2012 and 2015 as activity on the Government-owned sites increased. Since the final quarter of 2015 there has been a significant decrease in waste volumes consigned for disposal to the market. The total volume of waste disposed by the VLLW framework was 3,600 cubic metres in 2016 compared with 5,700 cubic meters in 2015. This significant reduction was caused by delays in changes in management companies for various NDA-controlled sites, and the outcome of the UK Government Spending Review resulting in individual planned waste movements being delayed.

LLWR predicts that volumes for the 2017-18 Government fiscal year (April 2017 to March 2018) will be 120% higher than the current 2016-17 forecasts, and should lead to an increase in volumes in either or both of 2017 and 2018, dependent on the phasing of release.

Aside from the potential recovery of NDA volumes, further medium-term opportunities exist for the RWS business through anticipated growth in the market for treatment and disposal of naturally occurring radioactive material (NORM) and low level radioactive waste from other sectors.

Throughout 2016, RWS has strategically sought to reduce its dependence upon the disposal of waste from LLWR. 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. The Group will continue to monitor the investment made in RWS to ensure appropriate returns are generated.

Case Study:

Low Level Waste Repository

DISPOSAL OF THE NUCLEAR LEGACY

Introduction

There are currently 17 nuclear sites across the UK which have reached the end of their active lives and are being decommissioned. These sites include nuclear power stations, research centres, legacy defence-related installations and fuel-related facilities. During the decommissioning of these sites, low level radioactive waste (LLW) can be produced.

The requirement

Augean's customer, Low Level Waste Repository Limited (LLWR) coordinate the disposal and treatment of LLW as part of their responsibility for the National LLW strategy. This waste stream requires specialist incineration, as provided by Augean's East Kent facility or careful disposal as at Augean's ENRMF.

Our achievements

Since 2011 Augean Radioactive Waste Services have played a pivotal role in the clean-up and disposal of the UK nuclear legacy, providing safe disposal and treatment options for LLWR. Augean's compliance led approach and additional engagement with the regulator have been praised by the client who have also highlighted the Group's "excellent customer focus".

Industry & Infrastructure (I&I)

"I&I total revenue increased by 61% to £18.8m in 2016 and the business unit made an operating profit before exceptional items of £0.5m."

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. This business also provides specialist industrial cleaning and other waste management services to a range of markets, including refinery chemical processing & manufacturing, port & shipping operations and water treatment. The business primarily operates from sites in Avonmouth, Paisley, Hull, the Port Clarence Waste Recovery Park (PCWRP) on Teesside as well as providing industrial services on client sites.

The business continues to pursue an integrated business model in respect of aligning its treatment and disposal assets with off-site capability to provide its customers with value-adding services. This generates waste volumes for treatment and disposal which are directed through its existing network of treatment activities. Further integration in this business unit is facilitated as increased industrial services work allows the business unit to process more resultant waste within their infrastructure.

I&I total revenue increased by 61% to £18.8m in 2016 (2015: £11.7m) and the business unit made an operating profit before exceptional items of £0.5m, compared to a £0.7m operating loss before exceptional items in 2015. The improvement in profitability was attributable to good performances across all of the I&I sites, including the Avonmouth site where a plan has been successfully executed to return the site to profitability during 2016.

Industrial Services is a service line of increasing importance to the growth of the I&I business, with progress also made in moving away from spot and third party business to a number of term contracts secured with customers, providing opportunities to leverage the Group's specialist waste knowledge with support services. The strategy continues to be broadening the range of services and increasing market penetration through new and existing customers using Group treatment and disposal facilities to support and provide end-to-end supply chain security.

On 18 May 2016, the Group acquired Colt Industrial Services, which now forms part of the I&I business unit. This business improves the Group's Industrial Services capacity and expertise as well as bringing new customer relationships and synergy opportunities into the Group. The Colt business has had a slower than anticipated start and contributed £3.5m of sales and broke even in 2016. Based on recent trading and the strengthened sales pipeline, management remain confident in the medium-term prospects for this business and expect the business to trade in line with expectations at the time of acquisition during 2017.

Realising the full value of Colt to the Group relies on a comprehensive integration into the I&I business to benefit from broader national opportunities and synergies with the Group to service complex contracts. It is therefore unlikely that Colt will remain as a separately identifiable financial entity for the future, although the trading and brand name will sustain as required. With the financial and legal integration into the Group, it is not expected that Colt will be treated as a separate CGU in the future.

A total of £0.4m of capital investment was undertaken in the I&I business, of which £0.3m represented maintenance capital expenditure and £0.1m related to development capital expenditure.

Case Study:
Refinery Operator
OIL TANK CLEANING

Introduction
In 2016 Augean were asked to clean two large contaminated heavy oil tanks for the operator of the largest refinery in the UK. Both tanks were to be emptied of the oil they contained and the contamination was to be removed allowing the cleaned oil to be returned to the client for further processing or sale. The tanks were then to be cleaned prior to inspection and return to productive use.

The requirement
In order to scope the requirements of the job Augean worked closely with the client to understand the required specification of the returned product and the operational restrictions in place on a site which is considered high consequence.

Innovations
After carrying out on site trials the team determined the best engineering solution to deal with the client's material which was then designed and built in-house. The process was designed to ensure all safety and process controls were in place and the operation complied with the stringent safety management systems at the site. External verification and certification was applied where necessary and the Augean team installed the process on the client's site delivering an engineered process solution which was tailored specifically to the requirements of the contract scope. In total 10,000 cubic metres of oil was returned to the client for sale or further refining on site.

Our achievements
Augean carried out the work to the clients' specification. All separated waste was disposed of through the Augean treatment network. Materials identified as having recovery value were directed to downstream processes where their energy value could be recovered as a replacement solid fuel.

Augean Integrated Services (AIS)

"The AIS business has built a commercial team with sector-specific expertise."

This business unit services client sites around the UK, operating from a site in Cannock and a high temperature incinerator (HTI) in Sandwich, East Kent. In early 2017 a customer service centre was opened in Corby. AIS offers a total waste management (TWM) service, through a team of highly knowledgeable experts who work with customers on a consultative basis to address their waste management and compliance needs, as well as leveraging the specialist HTI asset in East Kent, which is designed to incinerate high-value, low volume waste, such as pharmaceutical or other specialist waste.

Total revenue grew by 28% to £7.6m (2015: £6.0m). This included £5.5m from total waste management (2015: £3.9m), 41% growth, of which £3.8m was from contracted business (2015: £2.3m). The operating loss attributable to this business increased by 17% to £0.7m (2015: £0.6m), although its EBITDA improved to break even (2015: negative £0.2m).

The below-expectation profitability of this business unit was primarily caused by the performance at the East Kent HTI which realised an operating loss of £0.8m (2015: loss of £0.3m). The disappointing performance of the HTI resulted from fixed and variable cost increases during periods of commissioning and sub optimal operation. Uptime and throughput increased through the second half of the year due to the improvement programme and overall tonnage processed in 2016 increased 12% on 2015.

Although the Group has impaired the East Kent HTI asset during the year it remains a key point of differentiation in the pharmaceutical and high tech market segments which this business unit targets. The Board remains confident in the strategic value of this asset to the AIS business unit.

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 total waste management (TWM) contracts with high-value customers in 2016, the full year impact of which is expected to occur in 2017 and beyond. New customers from the manufacturing, life sciences and pharmaceutical sectors have been won during the year and management are positive about continuing strong revenue growth for this business. Headway has been made in the manufacturing sectors with a number of large international companies contracting AIS on term contracts (typically three years) to manage their wastes across the UK. In addition, work has commenced on building up a prospect base in the food manufacturing and civil engineering sectors which represent significant new growth areas. The first contract wins from these sectors will be rolled out in early 2017.

The AIS business, excluding East Kent, made an operating profit before exceptional items of £0.1m (2015: £0.3m loss) as it continues to invest in the commercial expertise required for accelerated growth.

Other than the final deferred payment to purchase the HTI in early 2016 (£0.2m), a total of £1.2m of capital expenditure was undertaken in the AIS business in 2016, most of which related to the East Kent site, to address the plant reliability issues referred to above.

£7.6m
TOTAL REVENUE

Case Study:
Bombardier Transportation
TOTAL WASTE
MANAGEMENT CONTRACT

Introduction
Augean provides a total waste management service for Bombardier at seven of its UK sites. At two of these, Augean has operatives working to manage all waste streams. All Bombardier sites produce broadly similar waste streams which include: hazardous waste, WEEE (Waste Electrical and Electronic Equipment), paints, resins, general waste, recycling and bulk liquids. In addition, we provide and manage equipment such as compactors and balers.

The requirement
Augean was awarded the waste contract in 2015 and given a wide range of objectives. These included the management of existing contractors to increase their efficiency and reduce costs, as well as introducing services to increase recycling, deliver rebates and offer more control to Bombardier.

In conjunction with the in-house Environmental Team, Augean were successful in maintaining compliance and developing a suite of meaningful management information.

Our achievements
These objectives were achieved at our initial Bombardier site in Derby within the first two months of the contract. As a result of this we were invited to audit other UK locations and deliver site-specific waste proposals. Augean has been rolling out bespoke services to Bombardier sites since the start of the contract with the same standards and objectives. These locations have challenges in terms of access, space, restrictions and what we can and cannot do regarding on-site treatment. This is a challenge we are facing head on.

Innovations
In order to help with the segregation of waste streams, we utilise a range of 1100L wheelie bins with different coloured lids to designate individual waste streams. We supplied a tug and trailer to allow our onsite operatives to move waste material and containers efficiently on site. This solution has saved hundreds of man hours and has realised a significant increase in recycling at site.

We have designed and built a dedicated waste compound at the Derby site. This provides for increased health & safety for the storage and handling of all site wastes and has enabled waste movements to be controlled and coordinated to meet specific site requirements.

Augean North Sea Services (ANSS)

"Continued strategic traction in moving up the supply chain increases the potential for the business."

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 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, production waste management, onshore & marine industrial services, decommissioning and water treatment.

ANSS revenue fell by 13% to £12.9m (2015: £14.8m) and saw a decrease in operating profit to £0.5m (2015: £1.3m) and a decrease in EBITDA to £1.3m (2015: £2.0m). These reductions are partly attributable to additional central overhead being charged against this business due to 2016 being the first year of 100% ownership by the Group. On the prior year basis EBIT would have decreased 14% and EBITDA decreased 4% against 2015.

The ANSS business continues to execute its strategic imperative of diversification to reduce the share of drilling waste services, towards production-based waste streams which are less impacted by reduced oil prices. Key to this has been the continued strategic traction of the business in moving up the supply chain, dealing directly with Oil & Gas operators and top-tier customers in this market, which increases the potential for the business to widen its service scope directly with those customers. Over 84% of total ANSS revenues were directly generated from those customers during 2016, compared with 89% in 2015. During 2016, the business maintained incumbency on an average of 3.7 rigs, compared to 4.6 in 2015. This fall in activity is in line with the North Sea drilling market contraction from the fourth quarter of 2015.

In January and February 2016 ANSS was successful in winning two new contracts, with terms of three years plus options, for major Oil & Gas customers. These are large total waste management contracts covering drilling and production platform waste management, onshore gas terminal industrial cleaning and waste management and related decommissioning works.

The Group purchased certain freehold land and assets in Great Yarmouth for £0.5m in February 2017. The site, which already holds relevant planning and environmental permits, has enabled the business to provide in the Southern North Sea those services already provided to customers in the Northern and Central North Sea from its Aberdeen and Lerwick sites.

As part of its strategic development, the business has entered into a partnership with Forth Ports Ltd to establish a facility at the Port of Dundee for the management of waste arising onshore from the decommissioning of offshore assets. This facility will enhance the opportunity for Augean to service the growing North Sea decommissioning market, a multi-billion pound programme decommissioning hundreds of offshore assets, which is expected to be active for over 20 years.

The business has been successful in broadening scope in the decommissioning market to encompass offshore work. A top-tier operator which initially engaged ANSS to provide plug and abandonment waste management containment services has now widened the engagement to provide offshore radiation protection supervision work.

A further framework contract was secured to provide drill cuttings, industrial services and total waste management services. The client's marine logistics are based in Peterhead and, with their support, ANSS is now operating in this location for the first time. All these contract wins represent strategic traction in diversifying the ANSS business away from dependence on exploration and

development drilling into production waste management, full scope industrial service work and decommissioning, and further underpin existing management expectations for 2017 revenues and profits from this business.

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 top tier 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 reputation in its core market to position the business for continued profitable growth. The Board continues to monitor events in the North Sea Oil & Gas market, given their potential impact.

Case Study: **Shell** HIGH PRESSURE CLEANING SERVICES

The requirement

Shell required Augean North Sea Services to provide an innovative and supportive approach to the end of well OBM (Oil Based Mud) clean-up on-board the Noble Hans Deul drilling rig. Previous attempts at cleaning the built-up residues inside the mud pump's 16" pipework had not resulted in success. These efforts had been both time consuming and labour intensive and resulted in additional rig time.

Innovations

The ANSS offshore team proposed a new approach utilising high pressure jetting to clean the built-up residues. Following agreement from Shell, ANSS quickly planned and mobilised the required equipment and personnel and the cleaning was undertaken in a compliant, safe and controlled manner.

Our achievements

The operation of this equipment by the competent Augean crew in conjunction with the containment equipment already on-board saved 12 hours of rig time for Shell compared with the previous cleaning times.

This learning was captured by Shell and has become standard methodology for this activity during the end of well OBM clean-up on-board Noble Hans Deul.

Operating Review continued

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 2016, the top 20 customers of the Group made up 43% of total Group revenue at £33.0m (2015: 42% and £25.8m), of which 88% was through a formalised agreement (2015: 95%).

Legal case

The Group was involved in a commercial dispute with a customer during the year, which arose in the ordinary course of business. The matter was settled in the year, without a legal claim being made, the detailed terms of which are subject to a confidentiality agreement. The total cost of the settlement, including amounts paid to the customer, adviser fees and other related costs, is £1.2m and is recognised as an exceptional item in the income statement of the Group. A cash outflow of £1.0m occurred during 2016 and £0.1m of cash outflow has occurred in the first half of 2017 in respect of this settlement.

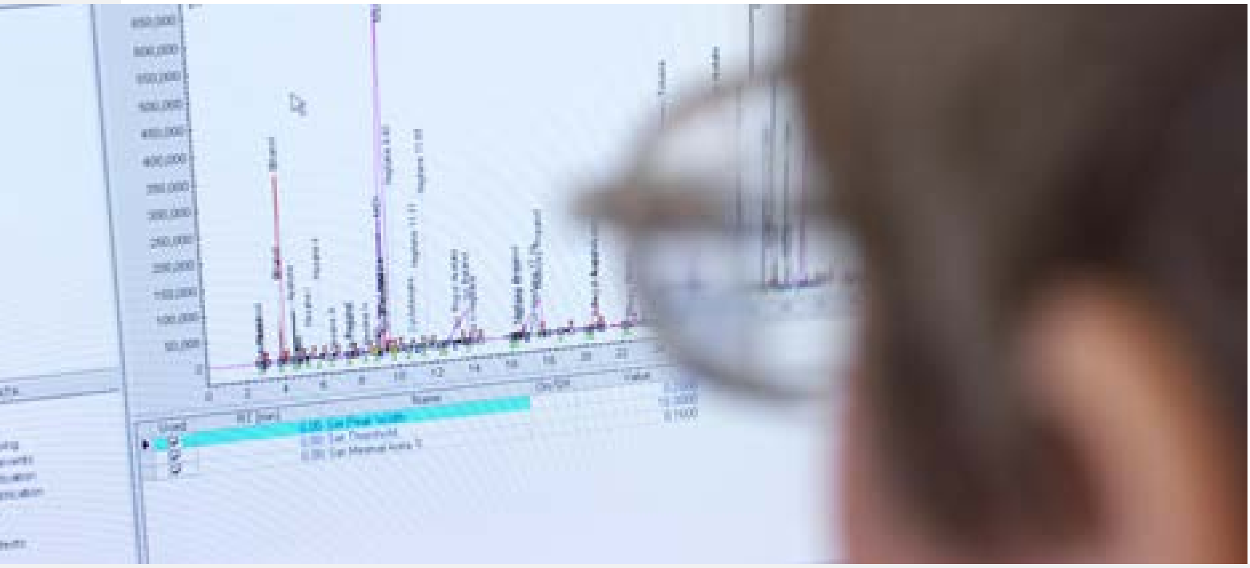
Transactions

On 18 May 2016, the Group purchased the entire issued share capital of Colt Holdings Limited (Colt) for a total consideration of £13.8m which was paid in cash on the same date. The consideration was offset by acquired cash of £4.9m.

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 2016 have been the implications of Brexit and developments on the derogations for landfill acceptance criteria. The Department for Environment, Food and Rural Affairs (DEFRA) has recently confirmed that there is no clear justification or environmental benefit for removal of the derogations supporting the Augean practice for safe treatment of air pollution control residues.

During 2016 DEFRA undertook a light review of its 2010 Strategy for Hazardous Waste Strategy for England. Augean was directly involved in consultation on its original formulation and has monitored its implementation since 2010. In general, the Group considers that, whilst the DEFRA Strategy is fit for purpose, there are concerns apparent regarding the implementation and application of the Strategy, particularly in respect of persistent and toxic pollutants. The application of the Strategy does not appear to effectively take into consideration whether the Best Overall Environmental Outcome (BOEO) will be achieved, despite it being a requirement of the Strategy.



HM Revenue & Customs has continued to develop proposals relating to the application of Landfill Tax. Whilst these proposals do not directly affect the business, they seem piecemeal and the Group is seeking a review of the taxation objectives of these proposals to ensure that clarity of purpose is apparent.

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 on going operation and future development of the business. The key permitting work in 2016 has been development of an Oil & Gas decommissioning hub and waste transfer station at Port of Dundee. A suite of applications has been submitted for a wide range of wastes, including NORM, hazardous and scrap, specifically to provide total waste management services to the oil and gas industry working with Forth Ports Limited. It is anticipated that the permits will be issued in the first quarter of 2017.

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 make full use of the DCO it has been 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 on going 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 and the radioactive waste permit was issued during the first half of 2016. The Group has continued to actively engage with local communities resulting in general acceptance of its proposals and no objections.

The current planning permission time limits allow a life for the Group's ENRMF site to 2026, Thornhaugh to 2034 and over 50 years for Port Clarence.

Financial Performance

> **"Operating profit before exceptional items from continuing operations increased by 14% to £7.8m"**
>
> Group Finance Director Mark Fryer

Group overview

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

£'m except where stated	2016	2015
Revenue	**76.0**	61.0
Operating profit	**7.8**	6.8
Profit before taxation	**7.0**	6.0
Profit after taxation	**4.5**	4.8
EBITDA (defined below)	**14.1**	12.1
Net operating cash flow	**13.5**	11.1
Basic earnings per share	**4.42p**	4.65p
Return on capital employed	**11.8%**	11.4%

Exceptional items are detailed below

On a statutory basis for continuing operations, operating profit was £2.1m (2015: £3.3m), profit before tax was £1.3m (2015: £2.5m), profit after tax was £0.4m (2015: £1.7m), basic earnings per share were 0.40 pence (2015: 1.60 pence) and net operating cash flows were £11.2m (2015: £10.5m).

Trading, operating profit and EBITDA

Revenue from continuing operations for the year ended 31 December 2016 increased by 25% to £76.0m (2015: £61.0m).

Operating profit before exceptional items from continuing operations increased by 14% to £7.8m (2015: £6.8m) and profit before tax increased by 16% to £7.0m (2015: £6.0m), on the same basis.

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

	2016	2015
Operating profit	**7.8**	6.8
Depreciation and amortisation	**6.3**	5.3
EBITDA	**14.1**	12.1

Exceptional items

Exceptional items in 2016 totalled a net charge of £5.7m before taxation, of which £3.3m related to the non-cash impairment of the incinerator at East Kent, £0.8m related to the costs of acquisition of Colt, £1.2m relates to the settlement of a trade-related dispute, which arose in the normal course of trade, and £0.4m related to restructures and other costs.

In 2015, exceptional items 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, £0.5m related to restructuring charges and £0.1m related to business acquisition and other costs.

Finance costs

Total finance charges were £0.8m (2015: £0.8m) including the interest on bank debt and other financial liabilities of £0.4m (2015: £0.3m). They also included non-cash unwinding of discounts on provisions totalling £0.1m (2015: £0.1m).

Taxation

The Group recognised an accounting tax charge of £0.9m (2015: £0.8m) including a credit of £1.6m (2015: £0.4m) in respect of exceptional items.

The accounting tax charge of £2.5m for continuing operations and excluding exceptional items (2015: £1.2m) represents 35.3% of profit before taxation on the same basis (2015: 20.3%). This compares against the headline

rate of corporation tax of 20% for 2016 (2015: 20.25%). The increase in tax charge in the current year reflects a higher level of disallowable costs due to acquisition and a reduction in the recognised deferred tax asset subsequent to a review of the Group's non-qualifying asset base. These factors are not expected to recur.

The Group paid corporate tax of £0.9m during the year (2015: £1.1m), of which £0.8m was in respect of 2016 liabilities and £0.1m in respect of previous years. A current tax liability of £0.7m (2015: £0.9m) remains in the balance sheet at the year end.

A deferred tax asset of £1.1m (2015: £2.3m) 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 potential deferred tax asset of £0.8m is unrecognised (2015: £0.8m) 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, decreased by 5% to 4.42 pence (2015: 4.65 pence) due to the high tax charge in the year.

Statutory basic EPS was 0.40 pence (2015: 1.60 pence).

The Group made a profit after taxation, from continuing operations and excluding exceptional items, of £4.5m (2015: £4.8m), all of which was attributable to equity shareholders.

The total number of ordinary shares in issue increased during the year from 102,249,083 to 102,748,383 with the weighted average number of shares in issue increasing from 102,139,647 to 102,420,517 for the purposes of basic EPS.

Dividend

The Board has recommended a dividend of 1.0p per share (2015: 0.65p), payable on or after 29 June 2017, following an ex-dividend date of 15 June 2017 and a record date of 16 June 2017, subject to shareholder approval at the Annual General Meeting. The dividend per share has increased by 54% from the previous year, which reflects the Board's confidence in the outlook and maintains the Board's commitment to a progressive dividend policy. The proposed dividend is covered 4.4 times (2015: 7.2 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:

	2016 £'000	2015 £'000
Net operating cash flows from continuing operations	13.5	11.1
Net operating cash flows from exceptional items	(2.3)	(0.6)
Total net operating cash flows	11.2	10.5
Maintenance capital expenditure	(3.9)	(5.5)
Post-maintenance free cash flow	7.3	5.0
Development capital expenditure	(4.1)	(1.8)
Purchase of remaining shares in ANSS	–	(1.1)
Acquisition of businesses	(8.9)	(0.1)
Purchase of East Kent freehold	(0.2)	(0.2)
Free cash flow	(5.9)	1.8
Dividend payments	(0.7)	(0.5)
Proceeds from issuance of equity	0.1	0.1
Net cash generation	(6.5)	1.4

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

The post-maintenance free cash flow of the Group, from continuing operations and excluding exceptional items, increased by 70% to £9.5m (2015: £5.6m), after excluding net operating cash flows from exceptional items and discontinued operations, of £2.2m outflow (2015: £0.6m outflow).

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

	2016 £'m	2015 £'m
EBITDA from continuing operations and before exceptional items	**14.1**	12.1
Net working capital movements	**0.8**	0.4
Interest and taxation payments	**(1.7)**	(1.8)
Other	**0.3**	0.4
Net operating cash flows from continuing operations and before exceptional items	**13.5**	11.1

Underlying net operating cash flow as a percentage of EBITDA was 96% in 2016 (2015: 92%).

The Group purchased the issued share capital of Colt Holdings Limited ("Colt") in 2016 for a headline consideration of £9.2m in May 2016. The associated net cash outflow was £8.9m.

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 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.

Capital investment in property, plant & equipment and intangible assets made by the Group totalled £8.3m (2015: £7.3m), 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:

	2016 Maintenance £'m	2016 Development £'m	2016 Total £'m	2015 Total £'m
Energy & Construction	**2.6**	**1.1**	**3.7**	3.8
Radioactive Waste Services	**–**	**–**	**–**	–
Industry & Infrastructure	**0.3**	**0.1**	**0.4**	0.6
Augean Integrated Services	**0.3**	**1.1**	**1.4**	0.8
Augean North Sea Services	**0.1**	**1.9**	**2.0**	1.6
Other/ corporate	**0.6**	**0.2**	**0.8**	0.5
	3.9	**4.4**	**8.3**	7.3

During the year, the Group received a total of £0.1m (2015: £0.1m) of equity proceeds from the exercise of share options by current and former employees. As a result of the above net cash outflow, net debt, defined as total borrowings less cash and cash equivalents, increased to £10.8m at 31 December 2016, from £4.3m at 31 December 2015. This represented gearing, defined as net debt divided by net assets, of 19.9% (2015: 7.8%). The ratio of net debt to EBITDA, from continuing operations and before exceptional items, was 0.8 times (2015: 0.4 times).

Financing

During 2016, the activities of the Group were 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 additional £10m is structured as an accordion facility and therefore is uncommitted and would require bank approval to draw down. 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. As at 31 December 2016, the net debt is £10.8m with headroom available to the Group totalling £19.2m including the £10.0m undrawn accordion.

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

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

As at 31 December 2016 the Group was in compliance with both covenants.

Balance sheet and return on capital employed

Consolidated net assets were £54.6m on 31 December 2016 (2015: £54.4m) and net tangible assets, excluding goodwill and other intangible assets, were £28.3m (2015: £34.4m), of which all was attributable to equity shareholders of the Group in both years. Net assets and net tangible assets as at 31 December 2016 are both stated after the recognition of a £3.3m 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 11.8% in 2016 (2015: 11.4%). This outcome is not impacted by the £3.3m impairment loss recognised by the Group, which is recognised as at 31 December 2016 but does not form part of the calculation of average capital employed for 2016.

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. Reviews were completed for the Augean North Sea Services business as a result of the prevailing macroeconomic conditions seen in the market and the Colt business given its level of performance.

Those detailed reviews indicated that an impairment loss of £3.3m was to be recognised in respect of the East Kent CGU as at 31 December 2016. No change was required to the carrying value of the goodwill, nor were any other impairment losses or reversals to be recognised in the consolidated balance sheet, in respect of the continuing operations of the Group, at 31 December 2016.

The cash flows for all CGUs were discounted using a pre-tax discount rate of 9.7%.

Outlook

2016 saw the Group deliver double digit growth in revenue, operating cash flow and EBITDA. At an operational level, the Group has achieved a number of key strategic goals, including securing further contracts with top-tier customers and a significant increase in APCR volumes, reaffirming our integrated waste management proposition with our customers.

We have seen good momentum across our portfolio of businesses and remain well positioned to take advantage of opportunities across a broad number of sectors. The Group's cash generation and balance sheet remain robust and the Board remains confident of maintaining its track record of year-on-year increases in profitability in 2017.

Managing Risk

Risk description	Mitigation	Trend
General Economic 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.	○ Diversification of customer base. ○ 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.	⇔
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 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.	○ Employ high quality technical management to interpret the evolving legislative framework and its potential and current impact on the Group's operations. ○ Maintain a presence on a number of industry groups to influence the shaping of policy and liaise regularly with relevant regulators and legislative bodies, including the Environment Agency (EA), the Scottish Environment Protection Agency (SEPA), the Department for Environment, Food & Rural Affairs (DEFRA) and the Department for Business Energy and Industrial Strategy (BEIS). ○ Develop 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. ○ Highlight the importance of Best Overall Environmental Outcome (BOEO) in moderating the simplistic application of the waste hierarchy by regulators.	⇔

Key

↑ Increase ↓ Decrease ⇔ No change

Risk description	Mitigation	Trend
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 risk in all time horizons. Landfill tax regulations (LFT1) were last updated in December 2015. LFT is not totally prescriptive on the tax treatment of the many alternate types of waste received by the group. This could lead to differences in opinion on the treatment and the applicable tax rate. The standard rate of landfill tax rose to £84.40 per tonne on 1 April 2016 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.	○ Develop a range of waste treatment solutions for customers. ○ Broaden capabilities to ensure the Group's sites are able to accept all those wastes which do require landfill disposal. ○ Maintain specialist testing facilities and seek appropriate external chemical, engineering, taxation and legal advice. ○ Modelling of the financial impact under different external legislative positions.	↑
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. ○ 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. ○ Employment of technical experts who work to well-established policies and procedures described in the Group's Integrated Management System. ○ Provision of training to develop the knowledge and competence of its staff. ○ Regular monitoring and review of compliance performance. ○ Production of the Group's corporate social responsibility (CSR) report.	↔

Risk description	Mitigation	Trend
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. ○ Investments in relevant assets and resources are made on an on going basis to ensure that the highest health and safety standards are applied. ○ 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.	
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.	○ Review pricing policies on an on going basis to ensure that the Group influences and stabilises the market. ○ Respond to emerging trends and customer needs. ○ Specialist in-house resource to assess and price waste consignments in line with market rates and available disposal solutions. ○ Regular review of all services to ensure that price changes in the market do not lead to uneconomic activities being undertaken by the Group.	
Economic growth The Group relies on economic activity in the UK, which in turn leads to production of the hazardous wastes which form the basis of its sales revenues. Any downturn in the UK economy may restrict the volume of hazardous wastes produced and therefore constrain the Group's revenues.	○ Develop positions in a range of markets requiring specialist waste management capabilities and which have high barriers to entry. ○ 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.	
Technological factors Technological risk factors may cause treatment technology in use to become obsolete or too costly to maintain.	○ Monitor the development and application of the waste hierarchy vs Best Overall Environmental Outcome. ○ Invest selectively in development. ○ Employ strategic planning to make timely investments in existing and new equipment. ○ Evaluation of operational costs and market environment is made before investment.	

Risk description	Mitigation	Trend
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.	○ Maintain 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. ○ Diversify North Sea activities across a number of revenue-generating streams, with services provided to production customers offshore and onshore. ○ Pursue North Sea decommissioning as new market opportunities for ANSS that would further mitigate risk.	↓
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.	○ Outsourcing of the majority of the Group's haulage requirement, augmented with the use of the Group's own fleet where appropriate. ○ Maintenance of ability to accept wastes into sites in different geographical locations before onward transfer to their final treatment or disposal destination.	↔
Brexit risk Although the group is focused on wastes arising in Britain and uses disposal infrastructure almost entirely based in the UK, the Group may fail to anticipate and manage the potential impact of Britain leaving the European Union, notably potential increases in interest rate.	○ Engage with trade association (Environmental Services Association) to anticipate and attempt to influence Government plans. ○ Monitor market conditions to allow appropriate investment in infrastructure and management of costs. ○ Maintenance of ability to accept wastes into sites in different geographical locations before onward transfer to their final treatment or disposal destinations. ○ Modelling of the financial impact of different scenarios which could result from this external change.	↑

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.

Key

↑ Increase   ↓ Decrease   ↔ No change

Corporate Social Responsibility

"The Board recognises the important role played by the Group in the environment and communities within which it operates"

Chief Executive Officer **Stewart Davies**

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; Value 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

Consistently demonstrating these behaviours will deliver our commitment to:
Putting Safety and Compliance before Profit

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 Group's top three business priorities. 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 2016 indicates that the Group's operations do not result in a significant impact on the local environment and, in general, our environmental performance has improved significantly over the past five years. The results of inspections and audits received from the Environment Agency (EA) in England and the Scottish Environmental Protection Agency (SEPA) in Scotland demonstrate 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 profile of 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 2016, we engaged actively and extensively in policy development in a wide range of areas affecting the business, including Landfill Tax, landfill acceptance criteria and hazardous 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. A 1.5% general pay increase was awarded to staff and Directors in 2017, in view of general inflationary conditions 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.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MOTOR NEURONE DISEASE ASSOCIATION


Augean PLC
THINK SAFETY, SAFETY BEGINS HERE
Safety helmets must be worn
Eye protection must be worn
Safety footwear must be worn
High visibility clothing must be worn
DANGER fork-lift trucks
NO MOBILE

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 2015 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. During 2016, in anticipation of the ongoing growth of the business, we have been preparing a competency framework underpinned by leadership development programmes for all levels in the business which will be rolled out in 2017.

Safety

Health and safety and compliance are priorities for the business and it is therefore disappointing that there was a rise in accidents in 2016 compared with 2015. The management team has responded by enhancing hazard recognition, risk evaluation and learning from incidents. 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 2,400 near misses and 730 safe acts were reported during 2016, exceeding the Group's internal targets.

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.

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 £0.5m (2015: £0.4m) was contributed through these schemes during the year, providing funds for community projects including a sports facilities and a wildlife reserve. Charitable donations made during the year included ongoing support for the Underground Youth Club at Kings Cliffe, local sports teams and local events.

By order of the Board

Dr Stewart Davies
Chief Executive Officer
20 March 2017


SULPHATE

Our Governance

Contents

Board of Directors

Jim Meredith
Non-executive Chairman

Jim is currently Non-Executive Chairman of Augean plc and since September 2016 of RiverRidge Recycling, an investment supported by the Business Growth Fund. He has also been a non-executive Director of Mar City Homes since July 2016. Jim has considerable experience in the waste sector (since circa 1997) and has also worked within manufacturing, having held several senior roles within these sectors. He was CEO of the UK business of FCC, a leading Spanish construction business, following its acquisition of Waste Recycling Group (WRG) in 2006 from TerraFirma Capital Partners whom Jim worked with from 2003 during their initial acquisition of WRG. Jim was an Executive Director of Shanks plc and also CEO of SCAID Capital, whose main business was Willerby Holiday Homes, a manufacturer of holiday homes for the leisure sector.

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

Dr Stewart Davies
Executive Director and
Chief Executive Officer

Stewart joined Augean from Romec Ltd, where he was managing Director for three years. Prior to this he held managing Director roles at Serco, Rugby Cement and Corus, following ten years at ICI in operations, commercial and strategic 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 and a Member of the Chartered Institute of Waste Management. Stewart was appointed Chairman of the Innovation Advisory Board (IAB) of the Natural Environment Research Council (NERC) in April 2016. The IAB advises NERC on its strategy for strengthening the delivery of economic growth and other societal benefits from its research and innovation investments. Stewart was elected as Chairman of the Environmental Services Association (ESA) in November 2016. ESA is the trade association representing the UK's resource and waste management industry and is leading the transformation of how the UK's waste is managed. From 2009 to 2015, Stewart was a member of the Governing Board 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. From 2013 to 2016, he was a Director of Decom North Sea, the industry forum of Oil & Gas operators and supply chain companies involved in offshore decommissioning in the North Sea.

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

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

Andrew has had a long career and established reputation as a leading UK environmental lawyer 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. Andrew has extensive experience in both regulatory and transactional work and was previously an equity partner and head of environmental services at City law firm Cameron Markby Hewitt (now part of CMS Cameron McKenna). A Founder Member of the UK Environmental Law Association (UKELA) and its Chairman for three years, Andrew is now an Honorary Life Member. He has continued his involvement with the UKELA by both leading and contributing to working parties of the Association and is Co-Chair of its BREXIT Task Force.

He was appointed to the Board of Augean in June 2005 and became Chairman of the Nominations Committee shortly after.

John Grant

Non-executive Director and Chairman of the Remuneration Committee

John has significant experience across a number of sectors, including working for Ford for 25 years, holding a number of senior positions including Director of corporate strategy in the USA, and then Executive Deputy Chairman at Jaguar after it was purchased by Ford in 1990. John later joined Lucas Industries plc from 1992-1996 as Group Finance Director and was Chief Executive of Ascot plc from 1997-2000. He is currently Senior Independent Director of Melrose Industries plc, a FTSE 350 acquisitive international engineering group and of MHP S.A., a UK listed Ukrainian agro-industrial group, and is the Chairman of the British Racing Drivers Club Limited.

He was appointed to the Board in August 2015, became Senior Independent Director in November 2015, and became Chairman of the Remuneration Committee in June 2016.

Rod Holdsworth

Non-executive Director and Chairman of the Audit Committee

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. Rod was most recently Global Chief Financial Officer of OCS Group, a privately-owned, international facilities management business with 94,000 staff across 50 countries and revenue of approximately £1 billion. 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, Whitby Bird, Alfred McAlpine 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 in March 2016 and become Chairman of the Audit Committee in June 2016.

Mark Fryer

Executive Director and Group Finance Director

Mark joined Augean in December 2016 and brings a significant breadth of financial expertise across a broad range of both listed and private companies, having been Group Finance Director of Dialight plc from 2010 to 2014, an innovative LED technology company, and previously of Manganese Bronze Holdings plc from 2002 to 2010, the company that built London taxis. For the past three years Mark has been Interim Chief Finance Officer of two private equity-owned businesses, Bridon International Ltd, the global technology leader in the manufacture of wire and fibre rope, and Nualight Limited, a specialist LED technology company. Prior to this, Mark held senior finance positions at GKN plc and Cable & Wireless plc after qualifying as a Chartered Accountant with Ernst & Young in 1991. Whilst at GKN plc, Mark gained specialist waste experience having been Finance Director for GKN Industrial Services division which included Cleanaway waste management.

He was appointed to the Board and became Group Finance Director on 14 December 2016.

Chairman's Corporate Governance Letter

"The Board has a proactive investor relations programme and believes in maintaining good communication with all stakeholders"

Non-executive Chairman Jim Meredith

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 fully with the UK Corporate Governance Code. However, the Board recognises the value of the Code and has regard to its requirements as far as is practicable and appropriate for a public company of its size and nature. The Board regularly reviews guidance from regulatory bodies, supported by its Nominated Advisor, and responds as appropriate. As a business traded on the Alternative Investment Market of the London Stock Exchange and operating in markets based on regulatory frameworks, the Group is familiar with the benefits and challenges associated with maintaining strong and effective governance. In this regard the Board remains focused on the need for a system of corporate governance which delivers compliance with regulation whilst enhancing the performance of the Group. This includes recognising the need to manage and mitigate the risks faced by the business across all of its activities.

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

As Chairman, one of my principal concerns is to maintain excellent relationships with our shareholders. 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.

The Board has a proactive investor relations programme and believes in maintaining good communication with all stakeholders, including institutional and private shareholders, analysts and the press. This includes making the executive Directors available to meet with institutional shareholders and analysts following the announcement of interim and final results. The Board receives feedback from these meetings and uses this to refine its approach to investor relations.

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

J. MEREDITH.

Jim Meredith
Chairman and Non-executive Director
20 March 2017

Our Governance

The Board of Directors

The Board of Directors is responsible for ensuring that the Group is appropriately governed and to hold the Executive to account in their delivery of the formulated business strategy. This includes oversight of relevant control mechanisms within the business together with values and behaviours to ensure the business performance is sustainable within its sector. At 31 December 2016 the Board comprised six members: a Non-executive chairman; three further independent Non-executive Directors, including John Grant as the Senior Independent Director; and two executive Directors being the Chief Executive Officer and the Group Finance Director. The Chairman has responsibility for the overall leadership, effectiveness and governance of the Board. The Chief Executive Officer is responsible for the effective leadership and development of the executive management and strategic and operational running of the Group. The Senior Independent Director supports the Chairman and leads the Non-executive Directors in reviewing the performance of the Chairman. The Non-executive Directors have been appointed to the Board for their specific areas of knowledge and expertise, are considered to be independent of management and exercise their duties in good faith based on judgements informed by their professional and personal experience to provide rigour to Board decisions.

The composition and effectiveness of the Board and its committees are regularly reviewed to reflect skills and resources needed to assist the Group in delivering its strategic plan. Appropriate training, briefings and inductions are available to all Directors on appointment and subsequently where necessary, taking into account the existing qualifications and experience of each individual Director. All Directors have access to the Group Company Secretary, who is responsible for ensuring that Board procedures are followed and that the Group complies with all applicable rules, regulations and obligations governing its operations. The Directors also have access to the advice and services of the Group's company secretarial partner, Addleshaw Goddard LLP. In addition, any Director may take independent professional advice, where necessary, at the Company's expense. The Board meets formally at least eight times a year and additional meetings are held where necessary to review and approve specific matters where a decision is required more urgently. The Board recognises the recommendations regarding Board diversity and acknowledges that gender diversity is a key element to broadening the contribution to Board deliberations. However, as the Board is small, comprising only six members, it believes that a strict compliance with quotas is not appropriate.

Each Director is provided with sufficient timely information in the form of Board papers, to enable full consideration of matters in advance of meetings in order to properly discharge their duties. There is a formal schedule of matters reserved for the Board which includes strategy and management, structure and capital, financial reporting and controls, internal controls, contracts, communication, Board membership and other appointments, remuneration, delegation of authority, corporate governance matters, and policies and this is displayed on the Company's website www.Augeanplc.com. Under the Company's articles of association, one third of all Directors is required to retire from office at each Annual General meeting and may stand for re-appointment by shareholders. In addition, 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 and therefore Mark Fryer, having been appointed by the Board during the year, offers himself for election at the 2017 AGM. The Board are satisfied that all the Directors standing for election or re-election perform effectively and have demonstrated commitment to their roles.

In line with the Companies Act 2006 and the Company's Articles of Association, approved at the 2008 AGM, the Company has strict procedures in place to capture the disclosure and subsequent consideration and potential authorisation of any Director's interest which may conflict with those of the Company.

Risk Management and Control

The Board has overall responsibility for the Group's systems of risk management and internal control and for reviewing their 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, Group Operating Officer, the Directors of each of the Group's operating business units and an Engineering Director and Corporate Stewardship Director. 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 are 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 the corporate risk register, which considers a broad range of risk items. This takes account of the entire control environment and may lead to recommendations which are implemented through the Management Board.

Audit Committee Report

AUDIT COMMITTEE

"The Committee have reviewed, in depth, the key assumptions around goodwill impairment reviews, acquisition accounting, deferred tax recognition and adoption of the Going Concern assumption"

Chairman Rod Holdsworth

Members
Rod Holdsworth
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 Rod Holdsworth. The external auditors 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.

The committee monitored the integrity of the financial statements of the company, including its annual financial statements for 2015 and other information included in the 2015 Annual Report, the interim financial statements for 2016, all formal announcements relating to results and all significant financial reporting issues and judgements contained therein. The committee have reviewed, in depth, the key assumptions around goodwill impairment reviews, acquisition accounting, deferred tax recognition and adoption of the Going Concern assumption.

During the year the Audit Committee reviewed its own performance, its constitution and its terms of reference to ensure it was operating at maximum effectiveness, with recommendations made to the Board of Directors for any changes it considered necessary.

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. The committee has requested that this be reviewed by the Group Finance Director in the first half of 2017.

Nominations Committee Report

NOMINATIONS COMMITTEE

"During the year the Nomination Committee kept under review the leadership needs of the organisation with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace"

Chairman Andrew Bryce

Members
Andrew Bryce
Rod Holdsworth
Jim Meredith
John Grant

Meetings
Total number of Committee meetings: 3

The Nominations committee comprises the Non-executive Directors and is chaired by Andrew Bryce. It meets as required in order to review the structure, size and composition of the Board. It is responsible for the selection and recommendation of suitable candidates for appointment to the Board and for ensuring that there is a formal, rigorous and transparent procedure for the appointment of all new Directors to the Board. During the year the Nomination Committee kept under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace, giving full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills, experience, independence, knowledge and diversity needed on the Board in the future. In 2016 the Committee engaged Lintstock Limited, a corporate advisory firm that provides objective and independent counsel to leading companies, to carry out a Board evaluation to ensure the continuous improvement of the Board's effectiveness.

During 2016, following the resignation of Richard Laker, the activities of the Committee focused on the recruitment of a new Group Finance Director. The Committee Chairman worked with recruitment consultants to identify suitable candidates and led the interview processes through to the appointment of Mark Fryer, as announced in December 2016.

Remuneration Committee Report

REMUNERATION COMMITTEE

"The principal objective of the Committee is to attract, retain and motivate talented people"

Chairman John Grant

Members
Jim Meredith
Rod Holdsworth
Andrew Bryce
John Grant

Meetings
Total number of Committee meetings: 4

The Remuneration Committee comprises the Non-executive Directors and is chaired by John Grant. 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 shareholders' interests. The Committee uses the services of independent external advisers as required.

The Committee met on four occasions during 2016, 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 2016, the Committee also approved the issuance of the 2016 LTIP, awarded to relevant participants during 2016. This followed 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 base fees and fees for acting as chair of a relevant committee, is determined by the Board as a whole.

Executive Directors

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 2016, no salary increase was awarded to Stewart Davies or Richard Laker, in line with the decision not to award an increase to any staff in the Company on 1 January 2016. As Mark Fryer joined the Company on 12 December 2016, he will become eligible for an increase in January 2018, being the first anniversary of his joining the Company.

(ii) Performance related bonus

The executive Directors participate in a bonus scheme based on the achievement of annual profit targets approved by the Remuneration Committee, as well as minimum targets in respect of safety and regulatory compliance. The achievement of these targets would result in a bonus of up to 50% of basic salary. Safety and compliance targets were met during the year and the level of profit before tax achieved by the Group means that bonuses will be payable at a rate of 30% of the maximum achievable in respect of the 2016 financial year.

(iii) Pension provision and other benefits

Pension provision is made at a rate of 10% of basic salary for each executive Director. Other benefits include a car allowance, life assurance and private healthcare.

(iv) Long Term Incentive Plan – 2016 LTIP Award

During 2014, a new Long Term Incentive Plan ("2014 LTIP Scheme") was prepared in conjunction with Deloitte LLP, and approved after consultation with major shareholders, to incentivise delivery of sustained performance over the longer term and encourage greater shareholder alignment through personal investment in the Company's shares. Under the 2014 LTIP Scheme, an award was made in 2016 ("2016 LTIP Award").

Under the 2016 LTIP Award, 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 ten pence, being the nominal value of each of the Ordinary shares in the Company, with subsequent vesting subject to the attainment of predetermined financial performance conditions over the three-year period from 1 January 2016 to 31 December 2018. All financial performance conditions relate to continuing operations.

No awards to date can vest unless minimum return on capital employed ("ROCE") targets are met; however this may be modified for future LTIP schemes. The ROCE used in the 2016 LTIP Award calculation ("LTIP ROCE") is determined as operating profit, excluding intangible amortisation and exceptional items, divided by average capital employed, where capital employed is the consolidated net assets of the Group, excluding net debt.

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

	2016	2017	2018
Minimum LTIP ROCE target	11.7%	12.0%	12.0%

The LTIP ROCE of the Group for 2016 was 12.4%.

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

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

Relative TSR element (in each of the three years)

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

In the year ended 31 December 2016, the Company ranked between the 43rd and 44th percentile, meaning that 52.8% attainment occurs for the Relative TSR element of the one-third of the 2016 LTIP relating to 2016 performance.

Underlying LTIP EPS element

	2016	2017	2018
Minimum	5.19 pence	5.71 pence	6.28 pence
Maximum	5.56 pence	6.67 pence	8.00 pence
Between minimum and maximum	Straight line attainment from 30% to 100%		

The Underlying LTIP EPS result for 2016 was 4.60 pence, meaning that the minimum Underlying LTIP EPS target was not met for 2016 resulting in nil attainment of the Underlying LTIP EPS element for the one-third of the 2016 LTIP relating to 2016 performance.

The overall attainment for the executive Directors, based on the weighting set out above, was 13.2% for the 2016 element of the 2016 LTIP, meaning that 86.8% of the share options relating to the 2016 element of the 2016 LTIP lapse.

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 2018, expected to be no later than 31 March 2019.

The expected costs of the scheme are given in note 19 to the financial statements.

(v) Long Term Incentive Plan 2014 LTIP Award

For the final performance period of the 2014 LTIP Award 13.2% attainment was achieved based on the performance targets. This results in an overall attainment for the three-year period of 56.93% for the 2014 LTIP Award. The share options under this scheme 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.

(vii) 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 predetermined performance conditions but this is not an absolute requirement. No awards were made during 2016.

(viii) Service contracts

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

Directors' interests

The beneficial, family and contingent interests of the Directors in the share capital of the Company are shown in the table below.

At 31 December 2016	Beneficial shares Number	Share options Number	LTIP Number	Total shares Number
Jim Meredith	500,000	—	—	500,000
Stewart Davies	180,000	1,000,000	868,800	2,048,800
Andrew Bryce	11,419	—	—	11,419
John Grant	—	—	—	—
Richard Laker	—	—	—	—
Mark Fryer	—	—	—	—

The above LTIP number for Stewart Davies is stated after lapses during the year, as set out below

Directors' emoluments

The emoluments of the Directors during 2016 were as follows:

	2016 Basic fee/salary £'000	2016 Bonus £'000	2016 Pension contributions £'000	2016 Other emoluments £'000	2016 SOS Vesting £'000	2016 Total £'000	2015 Total £'000
Stewart Davies	244	34	15	14	55	362	264
Mark Fryer	11	—	—	—	—	11	—
Richard Laker	148	11	15	12	—	186	173
Jim Meredith	60	—	—	—	—	60	60
Andrew Bryce	33	—	—	—	—	33	36
John Grant	33	—	—	—	—	33	12
Rod Holdsworth	23	—	—	—	—	23	—
Rory Macnamara	13	—	—	—	—	13	33
Roger McDowell	—	—	—	—	—	—	14
	565	45	30	26	55	721	592

Fees for Andrew Bryce, John Grant and Rod Holdsworth include £3,000 per annum for acting as Chairs of Nomination, Remuneration and Audit committees respectively.

Other emoluments for Stewart Davies and Richard Laker include a car allowance and other benefits such as medical insurance. The increase in Stewart Davies' salary in the table above reflects emoluments previously paid as pension contributions which are now paid as salary as a result of the pension contribution cap. There is an equivalent decrease in emoluments paid as pension contributions.

Richard Laker was awarded 50% of his available bonus for 2016 on the basis that he remained in role for the financial year 2016 and has committed to make himself available to the Company until the end of his notice period in July 2017.

Directors' share plans

Share Option Scheme	Award date	Earliest vesting date	Market price at award date	Number of shares 2016	Exercised in year	**Number of shares 2016**
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 2016	Granted in year	Lapsed in year	**Number of shares 2016**
Stewart Davies	23/09/2014	24/03/2017	49.75p	963,855	—	**(414,522)**	**549,333**

2016 LTIP	Award date	Earliest vesting date	Market price at award date	Number of shares 2016	Granted in year	Lapsed in year	**Number of shares 2016**
Stewart Davies	31/10/2016	24/03/2019	51.75p	—	424,925	**(122,945)**	**301,980**

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 a further 257,703 options held by other participants in the Share Option Scheme, none of whom are Directors of Augean plc.

Options outstanding under the 2014 LTIP and 2016 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 2016 LTIP was based on the mean closing mid-market share price of the Company in the 30 business days preceding 1 January 2016, being the start of the performance period of the 2016 LTIP.

Other than options held by executive Directors of Augean plc, set out in the table above, there are a further 1,383,361 options held by other participants in the 2014 LTIP and 713,389 held by other participants in the 2016 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 2016 was 57.9p. The range of the share price during the year was 39.1p to 65.7p.

On behalf of the Remuneration Committee

John Grant
Chairman of the Remuneration Committee
20 March 2017

Directors' Report

The Directors present their report and the audited financial statements for the Group and Company for the year ended 31 December 2016.

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 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 £0.4m (2015: £1.7m) from revenue of £76.0m (2015: £61.0m). The profit included exceptional items totalling a charge of £4.1m (2015: £3.1m).

The Board has recommended a dividend for the year of 1.0p per ordinary share, to be paid on or after 29 June 2017 for shareholders on the register at 15 June 2016 (2015: 0.65p).

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 12 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 £450,000 (2015: £374,000) of its landfill tax liability to registered environmental bodies as permitted by Government regulations. No political donations were made during the year (2015: £nil).

Directors

The composition of the Board of Directors is shown on page 50 to 53. Details of the Directors' interests and remuneration are given in the Directors' Remuneration Report on pages 58 to 61. On 14 December 2016 Mark Fryer joined and Richard Laker resigned from the Board.

Rod Holdsworth joined the Board on 23 March 2016. Rory Macnamara resigned from the Board on 2 June 2016.

In accordance with the articles of association of the Company, Andrew Bryce will retire from the Board at the Annual General Meeting on 27 June 2017.

Substantial shareholdings

The number of shares issued by the Company increased during the year, from 102,249,083 as at 1 January 2016 to 102,748,383 at 31 December 2016. The Company had been notified of the following interests of more than 3% in its shares as at 15 March 2017:

	Number of shares	% of total
Schroder Investment Management Ltd	16,909,000	16.50%
Henderson Group plc	14,558,697	14.16%
Charles Stanley	8,654,461	8.42%
Hargreave Hale	8,500,000	8.27%
Harwood Capital	6,500,000	6.33%
Fidelity International	5,359,653	5.22%
Close Asset Management	5,353,411	5.21%
AXA Investment Managers UK	4,460,028	4.34%
Unicorn Asset Management	3,173,731	3.09%

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 24 to the financial statements.

As highlighted in note 24, the Group met its short-term working capital requirements during 2016 through an overdraft and revolving loan facility (the Facility), which was renewed and increased with HSBC Bank plc in March 2016, providing access to a term loan and revolving loan facility to a total level of £20m until October 2020. 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. The provision of the Facility is subject to certain covenants, focused on the cover of interest costs and the ratio of net debt to EBITDA.

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

During 2016, 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 2016 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 9 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 2016, as set out in note 9. The impairment loss was recognised as an exceptional item in the Consolidated Income Statement of the Group for the year ended 31 December 2016 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, the Remuneration 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). The Directors have elected to prepare the Company financial statements in accordance with Financial Reporting Standard 101 (FRS101). 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 2016 financial year is the third 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 27 June 2017, Jim Meredith will retire by rotation in accordance with the articles of association. Being eligible, he will offer himself for re-election as a Non-executive Director. Mark Fryer was appointed to the Board on 14 December 2016. Being eligible, he will offer himself for election as a Non-executive Director at the AGM. Andrew Bryce will resign from the Board at the AGM and will not offer himself for re-election as a Non-executive Director.

No Director has a contract with an unexpired notice period of more than 12 months.

By order of the Board

Mark Fryer
Group Finance Director
20 March 2017


Augean

Our Financials

Contents

Independent Auditor's Report to the Members of Augean plc

We have audited the financial statements of Augean plc for the year ended 31 December 2016 which comprise the Group and parent Company statements of financial position, the Group statement of comprehensive income, the Group cash flow statement, the Group and parent Company statements of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 65, 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 2016 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 United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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.
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and parent Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

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
20 March 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	Before exceptional items 2016 £'000	Exceptional items 2016 £'000	Total 2016 £'000	Before exceptional items 2015 £'000	Exceptional items 2015 £'000	Total 2015 £'000
Continuing operations							
Revenue		**75,959**	**—**	**75,959**	61,005	—	61,005
Operating expenses		**(68,161)**	**(5,719)**	**(73,880)**	(54,185)	(3,508)	(57,693)
Operating profit	3	**7,798**	**(5,719)**	**2,079**	6,820	(3,508)	3,312
Net finance charges	4	**(812)**	**—**	**(812)**	(788)	—	(788)
Profit before tax		**6,986**	**(5,719)**	**1,267**	6,032	(3,508)	2,524
Taxation	6	**(2,464)**	**1,602**	**(862)**	(1,227)	390	(837)
Profit from continuing operations		**4,522**	**(4,117)**	**405**	4,805	(3,118)	1,687
Profit for the year and total comprehensive income	3	**4,522**	**(4,117)**	**405**	4,805	(3,118)	1,687
Profit and total comprehensive income attributable to:							
Equity shareholders of Augean plc		**4,522**	**(4,117)**	**405**	4,753	(3,118)	1,635
Non-controlling interest		**—**	**—**	**—**	52	—	52
Earnings per share							
From continuing operations							
Basic	8			**0.40p**			1.60p
Diluted	8			**0.39p**			1.56p

The notes on pages 75 to 114 form an integral part of these financial statements.

Statements of Financial Position

As at 31 December 2016

		Group		Company	
	Note	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Non-current assets					
Goodwill	9	**23,997**	19,757	**—**	—
Other intangible assets	10	**2,265**	214	**135**	202
Investments in subsidiaries	11	**—**	—	**64,596**	50,807
Property, plant and equipment	12	**44,475**	42,918	**1,260**	1,189
Deferred tax asset	6	**1,176**	2,316	**295**	259
		71,913	65,205	**66,286**	52,457
Current assets					
Inventories		**379**	306	**—**	—
Trade and other receivables	13	**18,461**	11,829	**1,647**	697
Current tax asset		**—**	—	**2,085**	1,396
Cash and cash equivalents		**3,188**	3,553	**624**	103
		22,028	15,688	**4,356**	2,196
Current liabilities					
Trade and other payables	14	**(17,192)**	(10,838)	**(17,519)**	(7,227)
Current tax liabilities		**(658)**	(940)	**—**	—
Borrowings	15	**(171)**	(1,054)	**(2)**	(4,250)
Provisions	16	**(50)**	(25)	**—**	—
		(18,071)	(12,857)	**(17,521)**	(11,477)
Net current assets / (liabilities)		**3,957**	2,831	**(13,165)**	(9,281)
Non-current liabilities					
Borrowings	15	**(13,833)**	(6,764)	**(13,835)**	(3,500)
Provisions	16	**(7,470)**	(6,874)	**—**	—
		(21,303)	(13,638)	**(13,835)**	(3,500)
Net assets		**54,567**	54,398	**39,286**	39,676
Shareholders' equity					
Share capital	17	**10,275**	10,225	**10,275**	10,225
Share premium account	18	**748**	612	**748**	612
Retained earnings	18	**43,544**	43,561	**28,263**	28,839
Total equity		**54,567**	54,398	**39,286**	39,676

The company made a loss of £154,000 (2015: loss of £1,790,000).

The notes on pages 75 to 114 form an integral part of these financial statements.

The financial statements were approved by the Board on 20 March 2017 and authorised for issue on its behalf by:

M Fryer
Group Finance Director
Augean plc Registered number: 5199719

Statements of Cash Flow

For the year ended 31 December 2016

	Note	Group 2016 £'000	Group 2015 £'000
Operating activities			
Cash generated from operations	21	**12,859**	12,348
Finance charges paid		**(704)**	(715)
Tax paid		**(941)**	(1,105)
Net cash generated from operating activities		**11,214**	10,528
Investing activities			
Purchases of property, plant and equipment		**(8,335)**	(7,474)
Purchases of intangible assets		**(51)**	(51)
Purchase of business (net of cash or overdraft acquired)	23	**(8,901)**	(91)
Net cash used in investing activities		**(17,287)**	(7,616)
Financing activities			
Dividends paid	7	**(665)**	(511)
Issue of equity		**186**	96
Acquisition of non-controlling interest		**—**	(1,050)
Drawdown of loan facilities		**6,208**	626
Repayments of obligations under finance leases		**(21)**	(22)
Net cash generated from financing activities		**5,708**	(861)
Net (decrease) / increase in cash and cash equivalents		**(365)**	2,051
Cash and cash equivalents at beginning of year		**3,553**	1,502
Cash and cash equivalents at end of year		**3,188**	3,553

Statements of Changes in Shareholders' Equity

For the year ended 31 December 2016

Group	Share capital £'000	Share premium account £'000	Retained earnings £'000	Shareholders' equity £'000	Non-controlling interest £'000	Total equity £'000
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 1 January 2016	10,225	612	43,561	54,398	—	54,398
Total comprehensive income for the year						
Retained profit	—	—	405	405	—	405
Total comprehensive income for the year	—	—	405	405	—	405
Transactions with the owners of the Company						
Dividend	—	—	(665)	(665)	—	(665)
Issue of equity	50	136	—	186	—	186
Share-based payments	—	—	243	243	—	243
Total transactions with the owners of the Company	50	136	(422)	(236)	—	(236)
At 31 December 2016	**10,275**	**748**	**43,544**	**54,567**	**—**	**54,567**

During 2015 the Group acquired the remaining 19% of the share capital of Augean North Sea Services Limited. As at 31 December 2016 and 31 December 2015, the Group has no non-controlling interest.

Statements of Changes in Shareholders' Equity

For the year ended 31 December 2016

Company	Share capital £'000	Share premium account £'000	Retained earnings £'000	Shareholders' equity £'000
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 1 January 2016	10,225	612	28,839	39,676
Total comprehensive income for the year				
Retained loss	—	—	(154)	(154)
Total comprehensive income for the year	—	—	(154)	(154)
Transactions with the owners of the Company				
Dividend	—	—	(665)	(665)
Issue of equity	50	136	—	186
Share-based payments	—	—	243	243
Total transactions with the owners of the Company	50	136	(575)	(389)
At 31 December 2016	**10,275**	**748**	**28,263**	**39,286**

Notes to the Financial Statements

For the year ended 31 December 2016

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 Company has elected to prepare its parent Company financial statements in accordance with the Financial Reporting Standard 101 (FRS 101). 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. The Company has taken advantage of all available disclosure exemptions conferred by FRS 101.

(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.

1 Accounting policies continued

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

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue is shown net of Value Added Tax and inclusive of Landfill Tax, where appropriate, and is recognised according to its nature.

Waste revenue is recognised at the point of acceptance of that waste into one of the Group's facilities, consistent with the point where the Group's responsibility for this waste arises. Service revenue is recognised at point of delivery of each separate service or where the right to invoice a customer for that revenue is met. Rental income from operating leases is recognised on a straight line basis over the term of the lease. The related assets are recorded as plant and machinery and are depreciated on a straight line basis over the useful economic lives of the asset. 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, acquisition costs, 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.

(f) Investments
Investments are in respect of subsidiaries. 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.

1 Accounting policies continued

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 capitalised and charged to profit or loss over the expected useful life of the sites in proportion to the amount of void consumed at the sites during the period. The costs of restoration and post-closure monitoring are charged against the provision when incurred. The provision has been estimated using current costs and is discounted. When the effect is material, the expected future cash flows required to settle the obligation are discounted at the pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation.

(h) Impairment of non-current assets

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

The recoverable amount is defined as the higher of fair value less costs to sell and value in use at the date the impairment review is undertaken. Value in use represents the present value of expected future cash flows discounted on a pre-tax basis, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss.

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

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

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

(i) Leases

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

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

(j) Inventories

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

(k) Tax

Current tax

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

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.

1 Accounting policies continued

(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 on non-market based elements of these incentives, if any, is recognised in profit or loss, with a corresponding adjustment to equity, over the remaining vesting period.

(n) Assets held for sale

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

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

(o) Cash and cash equivalents

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

(p) Financial instruments

(i) Financial assets

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

Augean recognises all financial assets when the Group becomes party to the contractual provisions of the instrument. Financial assets are recognised initially at fair value plus transaction costs. An annual assessment is made to ascertain whether there is objective evidence that the financial assets are impaired. All income and expense relating to financial assets are recognised in profit or loss. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less any provision for impairment. Any change in their value is recognised in profit or loss. Discounting, however, is omitted where the effect is immaterial.

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 24.

(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 21.

(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. 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 £44,475,000 (note 12) and goodwill with a carrying value of £23,997,000 (note 9). 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 in 2015 and £3,348,000 in 2016. Further detail is explained in note 9.

1 Accounting policies continued

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 16 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 16 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 16 for further details of calculation methodology, assumptions used and potential sensitivities to these calculations.

Income taxes

At 31 December 2016, the net liability relating to current income tax is £658,000 (2015: £940,000). A deferred tax asset of £1,283,000 (2015: £2,136,000) 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.

Business combinations

The acquisitions of subsidiaries are accounted for using the purchase method. The cost of acquisition is measured as the fair value of assets transferred and liabilities incurred or assumed. Identifiable assets acquired and liabilities and contingent liabilities assumed, meeting the conditions for recognition under IFRS 3, are recognised at their fair value at the acquisition date. The fair value of businesses acquired may include waste permits, licences and customer lists with the value calculated by discounting the future revenue stream attributable to these lists or relationships, which are recognised as intangible assets and amortised. In the year an intangible asset of £2,262,000 was recognised relating to customer relationships.

Contingent consideration is recognised as part of the consideration transferred in exchange for the acquiree, measured at fair value at the acquisition date. The likelihood of payment or receipt for deferred consideration where conditional on meeting certain performance targets is considered on acquisition or disposal. Any differences between consideration accrued and consideration paid or received are charged or released to the Income Statement. Contingent consideration related to the acquisition of Colt Holdings Limited was considered, at the time of acquisition, to have a fair value of £nil. The Directors have concluded there is no change to this fair value at year end.

(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.

	IASB Effective Date	EU Effective Date
IFRS 9 Financial Instruments (issued on 24 July 2014)	01 January 2018	01 January 2018
IFRS 14: Regulatory Deferral Accounts (issued on 30 January 2014)	01 January 2016	Deferred until final standard released
IFRS 15: Revenue from Contracts with Customers (issued on 28 May 2014) including amendments to IFRS 15: Effective date of IFRS 15 (issued on 11 September 2015)	01 January 2018	01 January 2018
IFRS 16: Leases (issued on 13 January 2016)	01 January 2019	Not yet endorsed
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014)	Deferred indefinitely	Not yet endorsed
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	01 January 2017	Not yet endorsed
Amendments to IAS 7: Disclosure Initiative (issued on 29 January 2016)	01 January 2017	Not yet endorsed
Clarifications to IFRS 15: Revenue from Contracts with Customers (issued on 12 April 2016)	01 January 2018	Not yet endorsed
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016)	01 January 2018	Not yet endorsed
Amendments to IFRS 4: Applying IFRS 9 financial instruments with IFRS 4 Insurance Contracts	01 January 2018	Not yet endorsed
Annual improvements to IFRS 2014-2016 Cycle (issued 8 December 2016) – Relating to IFRS 1: First time adoption of IFRS and IAS 28: Investment in associates and joint ventures	01 January 2017	Not yet endorsed
Annual improvements to IFRS 2014-2016 Cycle (issued 8 December 2016) – Relating to IFRS 12: Disclosure of interest in other entities	01 January 2018	Not yet endorsed
IFRIC Interpretation 22: Foreign currency transactions and advance considerations (issued on 8 December 2016)	01 January 2018	Not yet endorsed

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

2 Operating segments

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

- Energy and Construction: Augean operates three modern hazardous and non-hazardous landfill operating sites based at East Northants Resource Management Facility (ENRMF), Thornhaugh in Peterborough 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: 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 via the Colt Industrial Services business.

Information regarding the results of each reportable segment is included overleaf. 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

	2016					
	Energy and Construction £'000	Radioactive Waste Services £'000	Augean Integrated Services £'000	Industry and Infrastructure £'000	Augean North Sea Services £'000	Group £'000
Assets						
Segment assets	**50,491**	**1,392**	**6,701**	**20,081**	**10,912**	**89,577**
Unallocated segment assets						
Deferred tax asset						**1,176**
Cash and cash equivalents						**3,188**
Group total assets						**93,941**
Liabilities						
Segment liabilities	**(14,871)**	**(273)**	**(2,604)**	**(4,604)**	**(2,314)**	**(24,666)**
Unallocated segment liabilities						
Bank overdraft and loans						**(14,050)**
Current tax liabilities						**(658)**
Group total liabilities						**(39,374)**

	2015					
	Energy and Construction £'000	Radioactive Waste Services £'000	Augean Integrated Services £'000	Industry and Infrastructure £'000	Augean North Sea Services £'000	Group £'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)

2 Operating segments continued

	2016					
	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	12,354	–	–	–	–	12,354
Non-hazardous landfill activities	4,505	–	–	–	–	4,505
Waste treatment activities	–	–	2,715	19,959	–	22,674
Total waste management activities	–	–	5,470	–	–	5,470
Energy generation	56	–	–	–	–	56
APCR management	9,377	–	–	–	–	9,377
Radioactive waste management	–	1,205	–	–	–	1,205
Processing of offshore waste	–	–	–	–	5,313	5,313
Rental of offshore equipment and personnel	–	–	–	–	4,013	4,013
Waste transfer activities	–	–	–	–	3,609	3,609
Total revenue net of Landfill Tax	26,292	1,205	8,185	19,959	12,935	68,576
Landfill Tax	10,091	–	–	–	–	10,091
Total revenue including inter-segment sales	36,383	1,205	8,185	19,959	12,935	78,667
Inter-segment sales	(1,005)	(26)	(547)	(1,117)	(13)	(2,708)
Revenue	35,378	1,179	7,638	18,842	12,922	75,959
Result						
Operating profit/(loss) before exceptional items	8,349	308	(656)	457	481	8,939
Exceptional items (note 3)	(242)	(162)	(3,512)	(280)	(1,523)	(5,719)
Operating profit/(loss)	8,107	146	(4,168)	177	(1,042)	3,220
Net finance charges						(812)
Central costs						(1,141)
Profit before tax						1,267
Tax (note 6)						(862)
Profit after tax						405
Other information						
Capital expenditure	3,819	200	1,390	844	1,983	8,236
Depreciation and amortisation	3,648	135	655	1,044	792	6,274
Impairment loss	–	–	3,348	–	–	3,348

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

	2015					
	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	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.

3 Operating profit

Total operating profit for the year is arrived at after charging

	2016 £'000	2015 £'000
Fees payable to the Company's auditor for the audit of the annual financial statements	85	63
Fees payable to the Company's auditor for other services:		
– audit of the financial statements of the Company's subsidiaries pursuant to legislation	31	10
– other services	9	—
Total audit fees	116	73
Total non-audit fees	9	—
	125	73
Amortisation of intangible assets	262	133
Depreciation of property, plant and equipment:		
– owned assets	5,970	5,039
– assets held under finance leases and hire purchase contracts	42	64
Operating leases:		
– land and buildings	241	243
– plant and machinery	1,009	827
Loss on sale of property, plant and equipment	—	6
Exceptional items:		
Impairment of property, plant and equipment (note 9)	3,348	2,888
Net settlement of trade-related legal case	1,162	—
Restructuring charges	297	474
Acquisition-related costs	820	117
Other	92	29
Exceptional charge from continuing operations	5,719	3,508

4 Net finance charges

	2016 £'000	2015 £'000
Interest payable		
Interest and charges payable on bank loans and overdrafts	673	682
Interest on finance leases and hire purchase contracts	9	7
Unwinding of discount on provisions (note 16)	130	99
	812	788

5 Group and Company employees

The average monthly number of employees analysed by function was:

	2016 Number	2015 Number
Sales	**31**	32
Operations	**271**	258
Administration	**75**	55
	377	345

	2016 £'000	2015 £'000
Wages and salaries	**14,579**	12,825
Social security costs	**1,766**	1,462
Other pension costs	**625**	394
	16,970	14,681

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 289 (2015: 228) people in the year. The total employee costs to the company were £10,400,000 (2015: £9,604,000)

The total remuneration of the Directors of the company was £666,000 (2015: £592,000). The highest paid Director received total emoluments of £307,000 including pension contributions of £15,000 (2015: total emoluments of £264,000 including pension contributions of £22,000).

No Directors exercised share options during the year (2015: none).

The Directors have identified 15 (2015: 15) key management personnel. The total key management personnel compensation, including the non-executive Directors, presented below, was as follows:

	2016 £'000	2015 £'000
Short-term employment benefits	**1,326**	1,237
Post-employment benefits	**85**	85
Share-based payments	**243**	332
	1,654	1,654

6 Taxation

Group

	2016 £'000	2015 £'000
Current tax		
UK corporation tax on profit for the year	**1,327**	1,463
Adjustments in respect of prior years	**(669)**	2
	658	1,465
Deferred tax		
Credit in respect of the current year	**(802)**	(430)
Reassessment of tax qualifying assets	**379**	—
Adjustments in respect of prior years	**627**	(198)
	204	(628)
Tax charge/(credit) on the result for the year	**862**	837

Tax reconciliation for continuing operations

	2016		2015	
	£'000	%	£'000	%
Profit before tax from continuing operations	**1,267**		2,524	
Tax at theoretical rate	**254**	**20%**	511	20.3%
Effects of:				
– expenses / (income) not deductible for tax purposes	**163**	**13%**	162	6%
– change in tax rate	**107**	**8%**	169	7%
– effect of share options	**67**	**5%**	24	1%
– adjustments in respect of prior years	**(42)**	**(3)%**	2	—
– reassessment of tax qualifying assets	**379**	**30%**	—	—
– other	**(66)**	**(5)%**	(31)	(1)%
Tax charge on results	**862**	**68%**	837	33.2%

The main rate of corporation tax in the UK was 20%.

Deferred tax

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:

Group	Goodwill intangible election £'000	Capital allowances £'000	Share options £'000	Acquired intangible asset £'000	Other provisions £'000	Total £'000
At 1 January 2015	132	517	83	—	956	1,688
Charged to the income statement	46	1,495	62	—	(948)	655
De-recognition of asset	—	(225)	—	—	—	(225)
Adjustment in respect of prior years	137	(782)	—	—	843	198
At 1 January 2016	315	1,005	145	—-	851	2,316
Credit in respect of the current year	(16)	749	71	46	(48)	802
Acquisition of business	—	(229)	—	(407)	—	(636)
Reassessment of tax qualifying assets	—	(679)	—	—	—	(679)
Adjustment in respect of prior years	—	(578)	—	—	(49)	(627)
At 31 December 2016	**299**	**268**	**216**	**(361)**	**754**	**1,176**
Deferred tax assets	299	600	216	—	754	1,869
Deferred tax liabilities	—	(332)	—	(361)	—	(693)
At 31 December 2016	**299**	**268**	**216**	**(361)**	**754**	**1,176**

	2016 £'000	2015 £'000
Company		
At beginning of the year	**259**	80
Credited / (charged) to the income statement during the year	**36**	179
At end of the year	**295**	259

The reduction in the main rate of corporation tax to 17% from 1 April 2021 has been substantively enacted at the balance sheet date. Accordingly, deferred tax balances have been valued at the lower rate of 17% in these accounts to the extent that timing differences are expected to reverse after this date. £102,000 charge (2015: £169,000 charge) 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 £4,269,000 (2015: £4,400,000). 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:

	2016 £'000	2015 £'000
Depreciation in excess of capital allowances	**—**	225
Other temporary differences	**538**	567
Unrecognised deferred tax asset	**538**	792

In 2016 the Group has re-recognised £29,000 of previously de-recognised assets as management's view of the probability of recovery of those assets became more certain, and has de-recognised £59,000 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 (2015: nil).

7 Dividends

	2016 £'000	2015 £'000
Proposed final dividend for the year ended 31 December 2016 of 1.0p pence per share (2015: 0.65 pence per share)	**1,027**	665
Total	**1,027**	665

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 2016. 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 £96,000 (2015: £1,635,000) and a weighted average number of ordinary shares outstanding of 102,420,517 (2015: 102,139,647), calculated as follows:

	2016 £'000	2015 £'000
Earnings for the purposes of basic and diluted EPS	**405**	1,635
Exceptional items	**4,117**	3,118
Earnings for the purposes of adjusted basic and diluted EPS	**4,522**	4,753

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.

	2016 £'000	2015 £'000
Number of shares		
Weighted average number of shares for basic earnings per share	**102,420,517**	102,139,647
Effect of dilutive potential ordinary shares from share options	**1,775,783**	2,795,165
Weighted average number of shares for diluted earnings per share	**104,196,300**	104,934,812
Earnings per share		
Basic	**0.40p**	1.60p
Diluted	**0.39p**	1.56p
Adjusted earnings per share		
Basic	**4.42p**	4.65p
Diluted	**4.34p**	4.53p

9 Goodwill

	£'000
Cost	
At 1 January 2015	103,768
Acquisition (note 23)	155
At 1 January 2016	103,923
Acquisition (note 23)	4,240
At 31 December 2016	**108,163**
Accumulated impairment	
At 1 January 2015	(84,166)
At 1 January 2016	(84,166)
At 31 December 2016	**(84,166)**
Net book value	
At 31 December 2016	**23,997**
At 1 January 2016	19,757
At 1 January 2015	19,602

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 be comprised of two separate CGUs.

The Group has five reportable segments and eight CGUs as at 31 December 2016 compared to seven CGUs at 31 December 2015. The additional CGU in 2016 relates to the acquisition of the Colt Industrial Services business, which is considered a separate CGU due to its ability to generate cashflows independently of any of the Group's other CGUs.

The allocation of goodwill by CGU is as follows:

	2016 £'000	2015 £'000
Energy and Construction business unit	**12,575**	12,575
Colt Industrial Services CGU	**4,240**	—
Industry and Infrastructure business unit	**7,182**	7,182
Total	**23,997**	19,757

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

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.

9 Goodwill continued

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 which was written down to a net book value of one pound in 2015 with no subsequent indicators of impairment reversal noted in 2016.

- 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 2015 and 2016, leading to an increased risk surrounding the profitability of this business, in light of those macroeconomic factors.

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 9.7% (2015: 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 2017 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 2018 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 £35.4m (2015: £7.6m). Sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	**Impact in 2016**	Impact in 2015
Discount factor	1%	**£5.2m**	£3.2m
EBITDA margin	1%	**£2.2m**	£1.8m
Revenue growth rate	1%	**£1.3m**	£0.9m

EBITDA means earnings before interest, tax, depreciation and amortisation.

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

- based on approved budgets and plans for 2017 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 described above there is no indication of impairment with headroom of £1.9m (2015: £1.0m). Sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	**Impact in 2016**	Impact in 2015
Discount factor	1%	**£0.7m**	£0.7m
EBITDA margin	1%	**£1.6m**	£1.4m
Revenue growth rate	1%	**£1.5m**	£1.2m

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

- based on approved budgets and plans for 2017 and 2018 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 2019 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 above, the EKHTI CGU has a negative value in use. This asset comprises operating an incinerator plant, the building which houses it and the land upon which it sits.

Further, given the highly specialised nature of the asset, there are no reasonable comparators and it is not considered practicable to reasonably determine a resale value for that asset.

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. The recoverable value of the site net of the costs to close have been determined to be less than £1. Accordingly, the net recoverable amount is determined as one pound at the balance sheet date and an impairment loss of £3,348,000 has been recognised in relation to the asset.

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

- based on approved budgets and plans for 2017 and, beyond this period, have been forecast for a total period of 20 years;
- No revenue or operating margin growth from 2018 onwards;
- 1% increase in maintenance capital expenditure from 2018 onwards.

Using the discount rate described above there is no indication of impairment with headroom of £6.1m (2015: £8.3m). Sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	**Impact in 2016**	Impact in 2015
Discount factor	1%	**£0.9m**	£0.9m
EBITDA margin	1%	**£1.4m**	£1.3m
Revenue growth rate	1%	**£1.2m**	£1.2m

9 Goodwill continued

The key assumptions for the Colt Industrial Services CGU's cash flows are:

- based on approved budgets and plans for 2017 and, beyond this period, detailed Board approved forecasts up to 2021.
- 1% increase in revenue and operating margin growth from 2021 onwards;
- 1% increase in maintenance capital expenditure from 2021 onwards.

Using the discount rate described above there is no indication of impairment with headroom of £0.8m. Sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	Impact in 2016
Discount factor	1%	**£0.7m**
EBITDA margin	1%	**£0.8m**
Revenue growth rate	1%	**£0.7m**

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.

10 Other intangible assets

	Group			Company
	Computer software £'000	Customer relationships £'000	Computer software and total £'000	Computer software and total £'000
Cost				
At 1 January 2015	803	—	803	747
Additions	51	—	51	51
At 1 January 2016	854	—	854	798
Additions (note 23)	51	2,262	2,313	63
At 31 December 2016	**905**	**2,262**	**3,167**	**861**
Amortisation				
At 1 January 2015	507	—	507	463
Charge for the year	133	—	133	133
At 1 January 2016	640	—	640	596
Charge for the year	130	132	262	130
At 31 December 2016	**770**	**132**	**902**	**726**
Net book value				
At 31 December 2016	**135**	**2,130**	**2,265**	**135**
At 1 January 2016	214	—	214	202
At 1 January 2015	296	—	296	284

The addition to customer relationships during 2016 relates to the acquisition of Colt Holdings Limited (note 23).

11 Investments in subsidiaries

	£'000
Cost	
At 1 January 2015	132,393
Additions	1,090
At 1 January 2016	133,483
Additions	**13,789**
At 31 December 2015	147,272
Provision for impairment	
At 1 January 2015	(80,915)
Charge	(1,761)
At 1 January 2016	(82,676)
At 31 December 2016	**(82,676)**
Net book value	
At 31 December 2016	**64,596**
At 1 January 2016	50,807
At 1 January 2015	51,478

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
Colt Holdings Limited	England and Wales	100	Industrial Services
Colt Industrial Services Limited	England and Wales	100 (indirect)	Industrial Services
RNA Investments Limited	England and Wales	100	Dormant
Hitech Equipment Limited	Scotland	100	Dormant

These companies are owned directly by Augean except where noted.

During 2015, an impairment charge was recognised by the Company is respect of its investment in Augean Treatment Limited. There was no impact on the results of the Group. Additions to investments in 2016 relate to the acquisition of Colt Holdings Ltd and its subsidiary Colt Industrial Services Ltd. Additions in 2015 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. Additions in 2016 relate to the acquisition of Colt Holdings Limited.

12 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 2015	40,214	1,163	10,455	23,152	74,984
Additions	2,871	202	1,028	3,470	7,571
Acquisitions (note 24)	—	—	—	27	27
Disposals	—	—	—	(9)	(9)
At 1 January 2016	43,085	1,365	11,483	26,640	82,573
Additions	2,337	83	1,115	4,884	8,419
Acquisitions (note 23)	1,138	—	—	1,381	2,525
Disposals	—	—	—	(63)	(63)
At 31 December 2016	**46,560**	**1,448**	**12,598**	**32,847**	**93,453**
Accumulated depreciation					
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 9)	—	—	—	2,888	2,888
Disposals	—	—	—	(3)	(3)
At 1 January 2016	11,043	232	10,576	17,804	39,655
Charge for year	1,777	95	1,423	2,718	6,013
Impairment loss (note 9)	—	—	—	3,348	3,348
Disposals	—	—	—	(38)	(38)
At 31 December 2016	**12,820**	**327**	**11,999**	**23,832**	**48,978**
Net book value					
At 31 December 2016	**33,740**	**1,121**	**599**	**9,015**	**44,475**
At 1 January 2016	32,042	1,133	907	8,836	42,918
At 1 January 2015	30,307	1,007	1,022	10,981	43,317

There were outstanding contractual commitments for acquisitions of property, plant or equipment of £267,000 at 31 December 2016 (2015: £nil). Plant and machinery includes assets held under finance lease agreements with a carrying value at 31 December 2016 of £29,000 (2015: £91,000).

Certain assets are pledged as security for loans as disclosed in note 15.

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

	2016 £'000	2015 £'000
Cost	**154**	196
Accumulated depreciation	**(123)**	(105)
Net book value	**31**	91

Company

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2015	778	1,067	1,845
Additions	—	390	390
At 1 January 2016	778	1,457	2,235
Additions	—	224	224
At 31 December 2016	**778**	**1,681**	**2,459**
Accumulated depreciation			
At 1 January 2015	121	647	768
Charge for year	11	267	278
At 1 January 2016	132	914	1,046
Charge for year	11	142	153
At 31 December 2016	**143**	**1,056**	**1,199**
Net book value			
At 31 December 2016	**635**	**625**	**1,260**
At 1 January 2016	646	543	1,189
At 1 January 2015	657	420	1,077

13 Trade and other receivables

Current assets

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade receivables	**15,135**	9,691	**73**	26
Other taxes recoverable	**—**	—	**202**	—
Prepayments and accrued income	**3,326**	2,138	**1,372**	671
	18,461	11,829	**1,647**	697

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.

14 Trade and other payables

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Current				
Trade payables	**5,298**	2,277	**194**	265
Amounts due to subsidiary undertakings	**—**	—	**15,724**	6,064
Other taxes and social security	**4,223**	2,885	**323**	254
Accruals and deferred revenue	**7,671**	5,676	**1,278**	644
	17,192	10,838	**17,519**	7,227

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

15 Borrowings

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

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Current				
Bank overdraft	**166**	—	**—**	4,250
Bank loans	**—**	1,000	**—**	—
Obligations under finance leases and hire purchase contracts	**5**	54	**2**	—
	171	1,054	**2**	4,250
Non-current				
Bank loans	**13,833**	6,750	**13,833**	3,500
Obligations under finance leases and hire purchase contracts	**—**	14	**—**	—
	13,833	6,764	**13,833**	3,500
Analysis of total borrowings				
Bank overdraft	**166**	—	**—**	4,250
Bank loans	**13,833**	7,750	**13,833**	3,500
Obligations under finance leases and hire purchase contracts	**5**	68	**2**	—
	14,004	7,818	**13,835**	7,750
Total borrowings are repayable as follows:				
– on demand or within one year	**171**	1,054	**2**	4,250
– in the second year	**—**	6,764	**—**	1,000
– in the third to fifth years inclusive	**13,833**	—	**13,833**	2,500
	14,004	7,818	**13,835**	7,750
Obligations under finance leases and hire purchase contracts are repayable as follows:				
– on demand or within one year	**4**	54	**2**	—
– in the second year	**—**	14	**—**	—
	4	68	**2**	—

The obligations under finance leases and hire purchase contracts are secured against the specific assets financed with a carrying amount of £29,000 (2015: £91,000). 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 24.

16 Provisions

	Group			
	Restoration and after-care costs of landfill sites £'000	Capping provision £'000	Other provisions £'000	Total £'000
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 1 January 2016	2,946	3,877	76	6,899
Charged to profit or loss during the year				
– unwinding of discount	130	—	—	130
– provision in the year	183	420	—	603
Utilised during the year	(51)	(61)	—	(112)
At 31 December 2016	**3,208**	**4,236**	**76**	**7,520**

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. £50,000 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.

17 Share capital

	2016 £'000	2015 £'000
Authorised – 103,000,000 (2015: 103,000,000) shares of 10p	**10,300**	10,300
Allotted, called up and fully paid – 102,748,383 (2015: 102,249,083) shares of 10p	**10,275**	10,225

During the year, 499,300 shares (2015: 257,703) were issued as a result of the exercise of share options. The total proceeds were £192,000 (2015: £96,000).

18 Reserves

	Group		
	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2016	612	43,561	44,173
Total comprehensive income for the year	—	405	(97)
Issue of equity	136	—	136
Dividend (note 7)	—	(665)	(665)
Share-based payments	—	243	243
At 31 December 2016	**748**	**43,544**	**43,790**

	Company		
	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2016	612	28,839	29,451
Total comprehensive income for the year	—	(154)	(154)
Issue of equity	136	—	136
Dividend (note 7)	—	(665)	(665)
Share-based payments	—	243	243
At 31 December 2016	**748**	**28,263**	**29,011**

19 Share-based payments

At 31 December 2016, 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 2016	Granted	Exercised	Lapsed	**At 31 December 2016**
Augean Share Option Schemes						
December 2013 – December 2019	39.5p	594,934	—	(392,403)	—	**202,531**
May 2011 – May 2021	29p	162,069	—	(106,897)	—	**55,172**
August 2016 – August 2023	40.25p	1,000,000	—	—	—	**1,000,000**
		1,757,003	—	(499,300)	—	**1,257,703**
Augean LTIP Scheme						
April 2019 – September 2026	10p	—	1,438,043	—	(422,674)	**1,015,369**
April 2017 – September 2024	10p	2,928,530	—	—	(995,836)	**1,932,694**
		4,685,533	1,438,043	(499,300)	(1,418,510)	**2,273,072**
Weighted average exercise price		20.9p	10.0p	37.3p	10.0p	**19.2p**
Of which exercisable		753,003				**1,257,703**
Weighted average exercise price		37.3p				**39.6p**

Outstanding awards at 31 December 2015 were as follows:

Exercise date	Exercise price	At 1 January 2016	Granted	Exercised	Lapsed	**At 31 December 2016**
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		2,014,708	—	(257,703)	—	**1,757,005**
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**

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 2014 and 2016, 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:

	2016 LTIP	2014 LTIP	2013 Share options	2011 Share options	2009 Share options
Grant date	**31 October 2016**	23 September 2014	12 August 2013	20 May 2011	21 December 2009
Exercise period	**April 2019 – September 2026**	April 2017 – September 2024	August 2016 – August 2023	May 2014-May 2021	December 2014 – December 2019
Share price at grant date	**52.5p**	49.5p	40.0p	28.9p	39.5p
Exercise price	**10.0p**	10.0p	40.25p	29.0p	39.5p
Shares under option	**46,735**	2,412,722	1,000,000	55,172	202,531
Expected volatility	**21.18%**	24.80%	35%	35%	43%
Expected life (years)	**2.5 years**	2.6 years	4 years	4 years	4 years
Risk-free rate	**0.32%**	0.78%	1.87%	2.3%	2.5%
Expected dividend yield	**1.24%**	0.70%	0.59%	0.0%	0.0%
Fair value per option	**£0.27 – £0.41**	£0.22 – £0.39	£0.30	£0.09	£0.14

19 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 and 2016 LTIPs have performance conditions associated with it as detailed in the Directors' Remuneration Report.

For options outstanding at 31 December 2016, the weighted average remaining contractual life is 9.6 years (2015: 8.1 years).

The Group recognised a total expense of £243,000 (2015: £421,000) related to equity settled share-based payment transactions, of which £161,000 (2015: £290,000) related to LTIP schemes.

20 Operating lease commitments

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

	2016 £'000	2015 £'000
Plant and machinery		
Payments due:		
– within one year	**688**	780
– within two to five years	**1,130**	678
	1,818	1,458
Land and buildings		
Payment due:		
– within one year	**221**	221
– within two to five years	**626**	559
– after five years	**930**	791
	1,777	1,571

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

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

	Group	
	2016 £'000	2015 £'000
Operating profit	**2,079**	3,312
Amortisation of intangible assets	**262**	133
Depreciation	**6,012**	5,103
Impairment charge	**3,348**	2,888
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**11,701**	11,436
Share based payments	**243**	421
(Increase)/decrease in inventories	**(58)**	105
(Increase)/decrease in trade and other receivables	**(4,121)**	956
Increase/(decrease) in trade and other payables	**4,715**	(312)
Increase/(decrease) in provisions	**359**	(264)
Loss on disposal of property, plant and equipment	**20**	6
Cash generated from operations	**12,859**	12,348
Finance charges paid	**(704)**	(715)
Tax paid	**(941)**	(1,105)
Net cash generated from operating activities	**11,214**	10,528

The above EBITDA and net cash generated from operating activities includes a total net cash outflow of £2,371,000 relating to exceptional items (2015: outflow of £620,000).

22 Analysis of changes in net debt

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

	31 December 2015 £'000	Cash flow £'000	Acquisitions £'000	Other movement £'000	**31 December 2016 £'000**
Cash and cash equivalents	3,553	(5,253)	4,888	**—**	**3,188**
Overdraft	—	(167)	—	**—**	**(167)**
Bank loans	(7,750)	(6,250)	—	**167**	**(13,833)**
Finance leases	(68)	64	—	**—**	**(4)**
Net debt	(4,265)	(11,606)	4,888	**167**	**(10,816)**

23 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 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:

	2016 Book Value £'000	2016 Fair Value adjustments £'000	2016 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.

c) Colt Holdings Limited

On 18 May 2016, the Group acquired 100% of the issued share capital of Colt Holdings Limited, the holding company of Colt Industrial Services Limited, an industrial services business. The acquisition was made to enhance Augean's Industry & Infrastructure business unit, adding UK-wide industrial services coverage and complementing the Group's existing service, treatment and disposal infrastructure.

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

	2016 Book Value £'000	2016 Provisional Fair Value adjustments £'000	2016 Fair Value £'000
Intangible assets	—	2,262	2,262
Property, plant and equipment	2,524	—	2,524
Inventories	82	(32)	50
Trade and other receivables	2,625	(78)	2,547
Cash and cash equivalents	4,888	—	4,888
Deferred tax liabilities	(198)	(438)	(636)
Trade and other payables	(1,674)	(412)	(2,086)
Total identifiable assets	8,247	1,302	9,549
Goodwill			4,240
Total consideration			13,789
Net cash outflow arising on acquisition:			
Cash consideration			13,789
Less: cash balances acquired			(4,888)
Total cash outflow			8,901

The goodwill of £4,240,000 arising from the acquisition comprises, inter alia, staff expertise, skills and experience, general reputation of those individuals within their industry and future potential synergies to be realised by Augean. None of the goodwill is expected to be deductible for income tax purposes.

The deferred consideration arrangement requires additional payments to the vendor subject to Colt securing certain contracts within specified timeframes. The potential undiscounted amount of all future payments that Augean plc could be required to make under this arrangement is £4,750,000.

Acquisition-related costs in exceptional items amount to £800,000.

Colt Holdings Limited contributed £3,500,000 revenue and £nil to the Group's profit before tax for the period between the date of acquisition and the balance Sheet date.

If the acquisition of Colt Holdings Limited had been completed on the first day of the financial year, group revenues would have been £2,200,000 higher.

In addition to the initial consideration, a contingent consideration falls due dependent on the business obtaining certain commercial contracts in a defined time period. The fair value of the contingent consideration, which has a maximum potential value of £4,750,000, is estimated as £nil and was estimated by applying likelihood estimates against each element of the deferred consideration.

24 Financial instruments

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

	Group			Company		
As at 31 December 2016	**Loans and receivables £'000**	**Non-financial assets £'000**	**Total £'000**	**Loans and receivables £'000**	**Non-financial assets £'000**	**Total £'000**
Goodwill	**—**	**23,997**	**23,997**	**—**	**—**	**—**
Other intangible assets	**—**	**2,265**	**2,265**	**—**	**135**	**135**
Investments in subsidiaries	**—**	**—**	**—**	**—**	**64,596**	**64,596**
Property, plant and equipment	**—**	**44,475**	**44,475**	**—**	**1,260**	**1,260**
Deferred tax asset	**—**	**1,176**	**1,176**	**—**	**295**	**295**
Inventories	**—**	**379**	**379**	**—**	**—**	**—**
Trade and other receivables	**15,135**	**3,326**	**18,461**	**73**	**1,573**	**1,646**
Current tax asset	**—**	**—**	**—**	**—**	**2,085**	**2,085**
Cash and cash equivalents	**3,188**	**—**	**3,188**	**624**	**—**	**624**
	18,323	**75,618**	**93,941**	**697**	**69,944**	**70,641**

	Group			Company		
As at 31 December 2015	Loans and receivables £'000	Non-financial assets £'000	Total £'000	Loans and receivables £'000	Non-financial assets £'000	Total £'000
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

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

As at 31 December 2016	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**
Trade and other payables – current	**13,866**	**3,326**	**17,192**	**2,413**	**15,106**	**17,519**
Current tax liabilities	**—**	**658**	**658**	**—**	**—**	**—**
Borrowings – current	**171**	**—**	**171**	**—**	**—**	**—**
Borrowings – non-current	**13,833**	**—**	**13,833**	**13,835**	**—**	**13,835**
Provisions	**—**	**7,520**	**7,520**	**—**	**—**	**—**
	27,870	**11,504**	**39,374**	**16,248**	**15,106**	**31,354**

As at 31 December 2015	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
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

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

Group

As at 31 December 2016	**Amounts due in less than one year £'000**	**Amounts due in second to fifth year £'000**	**Total financial liabilities £'000**
Trade and other payables – current	**17,192**	**—**	**17,192**
Borrowings – current	**171**	**—**	**171**
Borrowings – non-current	**—**	**13,833**	**13,833**
Total	**17,363**	**13,833**	**31,196**

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

24 Financial instruments continued

Company

As at 31 December 2016	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Total financial liabilities £'000
Trade and other payables – current	**17,519**	**—**	**17,519**
Borrowings – current	**—**	**—**	**—**
Borrowings – non-current	**—**	**13,833**	**13,833**
	17,519	**13,833**	**31,352**

As at 31 December 2015	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Total financial liabilities £'000
Trade and other payables – current	7,227	—	7,227
Borrowings – current	—	4,250	4,250
Borrowings – non-current	—	3,500	3,500
	7,227	7,750	14,977

Financial risk management objectives and policies

Overview

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

- liquidity risk;
- credit risk; and
- interest rate risk.

The majority of the Group's transactions take place in Pounds Sterling, with levels of transactions in Euro and US Dollars not considered significant.

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

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

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group seeks to maintain a balance between continuity of funding and flexibility. The objective is to maintain sufficient resources to meet the Group's funding needs for the foreseeable future. At 31 December 2015, the Group carried net debt of £10,817,000 (2015: £4,265,000) and short-term flexibility is achieved through bank facilities comprising a £30m revolving credit, accordion 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	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Cash and cash equivalents	**3,188**	3,553	**624**	103
Trade and other receivables	**15,135**	9,691	**73**	26
	18,323	13,244	**697**	129

At 31 December 2016, £6.0m (2015: £4.1m) of the Group's trade receivables were past due. A provision of £0.1m (2015: £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:

	2016 £'000	2015 £'000
Not more than four months past due	**6,277**	3,217
More than four months past due	**225**	210
Total past due trade receivables	**6,502**	3,427
Trade receivables not yet past due	**8,767**	6,463
Total gross trade receivables	**15,269**	9,980
Bad debt provision	**(134)**	(289)
Total net trade receivables (note 13)	**15,135**	9,691

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.

24 Financial instruments continued

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 2015	289
Amounts released	(189)
Amounts provided	34
Bad debt provision as at 31 December 2016	**134**

Interest rate risk

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

The interest rate profile of the Group and Company's borrowings at 31 December 2016 was:

Group	Floating rate £'000	Total £'000
Overdrafts	166	166
Bank loans	13,833	13,833
Finance leases	5	5
At 31 December 2016	**14,004**	**14,004**
At 31 December 2015	7,818	7,818

Company	Floating rate £'000	Total £'000
Bank loans	13,833	13,833
Finance leases	—	—
At 31 December 2016	**13,833**	**13,833**
At 31 December 2015	7,750	7,750

The Group met its short-term working capital requirements during 2016 through an overdraft and revolving loan facility with HSBC Bank plc renewed in March 2016 consisting of an overdraft, revolving credit facility and accordion facility. The £1m overdraft and a £19m revolving credit facility attract an interest charge varying between 1.75% and 2.5% above LIBOR. This facility matures in October 2020. An additional £10m accordion facility is also available to the group 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 £50,000 (2015: £25,000).

The hire purchase agreements of the Group under a floating rate contract have a weighted average interest rate of 5.8% (2015: 3.7%) and a weighted average remaining duration of one year (2015: one year). The Group has no hire purchase agreements under a fixed rate contract.

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

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	**2016 £'000**	2015 £'000
Share capital	17	**10,275**	10,225
Share premium	18	**748**	612
Borrowings	15	**14,004**	7,818
		25,027	18,655

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 15) 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 (2015: £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 £9.2m of headroom at 31 December 2016 (2015: £9.0m).

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:

	2016 Actual	2016 Target	2015 £'000
Net debt to EBITDA*	**0.9**	<2.5	0.3
EBIT* to net bank debt cash costs	**20.5**	>3.5	23.4
Net debt to equity ("gearing") (%)	**19.9%**	prior year	8%
Free cash flow (£'000s)	**2,903**	prior year	3,054

* From continuing operations and excluding exceptional items.

24 Financial instruments continued

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.

	2016 £'000	2015 £'000
Net operating cash flow (note 21)	**11,214**	10,528
Purchase of property, plant and equipment	**(8,335)**	(7,474)
Free cash flow	**2,879**	3,054

25 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 £589,000 (2015: £394,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2016, contributions of £27,000 (2015: £27,000) due in respect of the current reporting period had not been paid over to the schemes.

26 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 £7.7m (2015: £8.2m). Future site restoration costs for each landfill site have been provided as disclosed in note 16.

27 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:

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 payables (note 14) are amounts payable to 100% subsidiary undertakings of £15.7m (2015: £6.1m payable). 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.

Shareholder Information

Notice of Annual General Meeting

We are pleased to write to you with details of our 2017 Annual General Meeting (AGM) which will be held at the offices of FTI Consulting, 9th Floor, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD on Tuesday 27 June 2017 at 10.00am. The formal notice of Annual General Meeting is set out on pages 118 to 119 of this document.

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

Authority to allot shares (Resolution 7)

Article 4.6(a) of the Company's Articles of Association contains a general authority for the Directors to allot shares in the Company for a period (not exceeding five years) (the Section 551 prescribed period) and up to a maximum aggregate nominal amount (the Section 551 amount) approved by a special or ordinary resolution of the Company.

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

Resolution 7, which will be proposed as an ordinary resolution, seeks to renew the allotment authority so that the Section 551 amount shall be £3,424,946 (being an amount equal to one third of the issued ordinary share capital of the Company at the date of this document) and the Section 551 prescribed period shall be the period from the date Resolution 7 is passed to 30 June 2018 or the conclusion of the Company's next annual general meeting, whichever is earlier.

Authority to purchase own shares (Resolution 8)

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 8, which will be proposed as a special resolution, seeks to grant the Directors the authority, for the period from the date Resolution 8 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 10,274,838 Ordinary shares, being an amount equal to approximately 10% of the issued share capital of the Company (as at 21 March 2017, being the latest practicable date prior to publication of this document). The maximum price payable for the purchase by the Company of its Ordinary shares will be limited to 5% above 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. The minimum price payable by the Company for the purchase of its Ordinary shares will be 10 pence, being the nominal value of an Ordinary share. 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 authority to purchase shares to satisfy the exercise of the share options granted under employee share schemes.

Disapplication of pre-emption rights (Resolution 9)

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 9, which will be proposed as a special resolution and which will only be effective if Resolution 7 is passed, seeks to renew the disapplication authority so that the Section 561 amount shall be £513,742 (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 9 is passed to 30 June 2018 or the conclusion of the Company's next annual general meeting, whichever is earlier.

Political donations (Resolution 10)

Although the policy of the Company is not to make political donations or to incur political expenditure as those expressions are normally understood, the definitions of political donations, political organisations and political expenditure used in the Companies Act 2006 are very wide. Shareholder approval is therefore being sought on a precautionary basis only, to allow the Company (and any companies that are subsidiaries of the Company at any time during the period for which Resolution 10 has effect) to continue to support the community and participate in public debate on matters which affect its business without running the risk of inadvertently breaching the legislation. The authority sought will permit the Company and its subsidiaries to make donations to political parties and independent election candidates not exceeding £50,000 in aggregate, to make donations to political organisations other than political parties not exceeding £50,000 in aggregate, and to incur political expenditure not exceeding £50,000 in aggregate.

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 120. 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 Friday 23 June 2017. 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 IS HEREBY GIVEN that the 2017 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 Tuesday 27 June 2017 at 10.00am for the purpose of considering and, if thought fit, passing the resolutions set out below. Resolutions 8 and 9 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 2016 be received.
2. THAT Jim Meredith be re-elected as a Director of the Company.
3. THAT Mark Rupert Maxwell Fryer be elected as a Director of the Company.
4. THAT Grant Thornton UK LLP be re-appointed auditors of the Company, to hold office until the next meeting at which accounts are laid before the Company.
5. THAT the Directors be authorised to determine the auditors' remuneration.
6. THAT a dividend of 1.00 pence per share be declared.
7. THAT the authority to allot shares and grant rights to subscribe for or to convert any security into shares, conferred on the Directors by Article 4.6(a) of the Company's articles of association, be granted for the period commencing on the date of the passing of this resolution and expiring on 30 June 2018 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 £3,424.946.
8. 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 10,274,838;
   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.
9. THAT, subject to the passing of resolution 7, the power to allot equity securities as if s561(1) of the Companies Act 2006 did not apply to any such allotment conferred on the Directors by Article 4.6(b) of the Company's articles of association be granted for the period commencing on the date of the passing of this resolution and expiring on 30 June 2018 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 £513,742.

10. THAT the Company and all companies that are its subsidiaries at any time during the period for which this resolution is effective are hereby authorised to:

    a. make political donations to political parties and/or to independent election candidates, not exceeding £50,000 in aggregate;

    b. make political donations to political organisations other than political parties, not exceeding £50,000 in aggregate; and

    c. incur political expenditure, not exceeding £50,000 in aggregate,

    in each case, during the period ending on the date of the Company's next Annual General Meeting. The aggregate amount of political donations and political expenditure made or incurred under this authority shall not exceed £150,000.

    For the purposes of this resolution, the terms 'political donations' 'political parties', 'independent election candidates', 'political organisation' and 'political expenditure' have the meanings set out in sections 363 to 365 of the Act.

By order of the Board

Angela McGhin
Company Secretary
21 March 2017

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

Notes:

(a) Only those shareholders entered on the relevant register of members (the "Register") for certificated or uncertificated shares of the Company (as the case may be) at 10.00am on Sunday 25 June 2017 (the "Specified Time") will be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at the time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend and vote at the AGM.

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

(c) Hard copy appointment of proxies: A hard copy proxy appointment form is enclosed for use at the AGM. To be valid, it must be completed in accordance with the instructions that accompany it and delivered, together with any authority under which it is executed or a copy of the authority certified notarially, by post or (during normal business hours only) by hand to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received no later than 10.00am on Friday 23 June 2017.

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 10.00am on Friday 23 June 2017.

(e) **Appointment of proxies through CREST**: CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) of it by using the procedures described in the CREST Manual (available from https://www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Computershare Investor Services plc as the issuer's agent (ID Reference: 3RA50) by 10.00am on Friday 23 June 2017. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

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

(f) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares. Any such representative should bring to the meeting written evidence of his appointment, such as a certified copy of a Board resolution of, or a letter from, the corporation concerned confirming the appointment.

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

Shareholder Notes

Advisers and Company Information

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