



Specialist services focused on  
managing hazardous wastes



# ANNUAL REPORT & ACCOUNTS

**Annual Report & Accounts**  
for the year ended 31 December 2017

Stock Code: AUG

# WELCOME

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





Specialist services focused on  
managing hazardous wastes

## Getting around this report



For further information within this document  
and relevant page numbers

## Investor website

We maintain a corporate website at [www.augeanplc.com](http://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



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### Our Financials

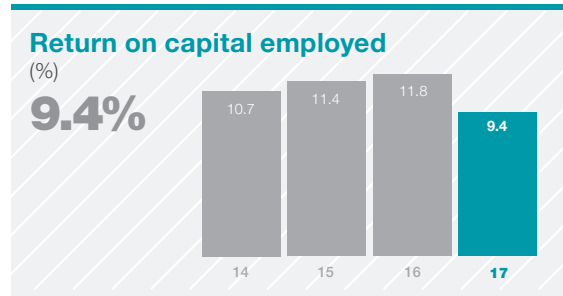
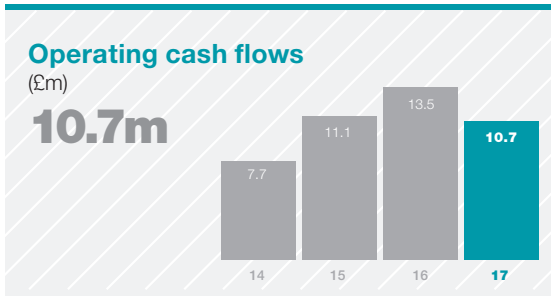
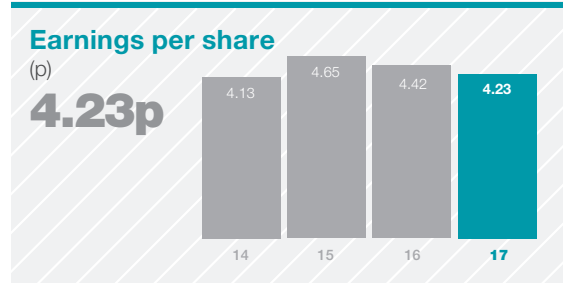
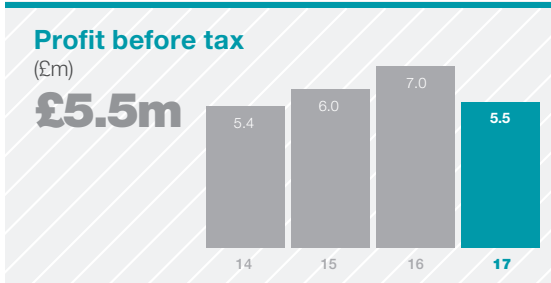
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# Highlights

## Financial



Augean has two short term objectives

**1** Resolve HMRC position

**2** Maximise profitability and cash generation of business



## Our Organisation: Our Business Units



**ASSETS:** ENMRF, Port Clarence, Thornhaugh

### KEY SERVICES:

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

Read more on page 14

### Waste treatment and disposal solutions



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

### KEY SERVICES:

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

Read more on page 14

### Specialist treatment and disposal



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

### KEY SERVICES:

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

Read more on page 14

### Recovery of resources from wastes



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

### KEY SERVICES:

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

Read more on page 15

### Integrated solutions for waste-producing clients



**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 15

### Complete waste services for North Sea operators



NUMBER OF SITES

**3**

REVENUE

**£31.7m**

NUMBER OF SITES

**3**

REVENUE

**£3.1m**

NUMBER OF SITES

**4**

REVENUE

**£21.1m**

NUMBER OF SITES

**3**

REVENUE

**£10.7m**

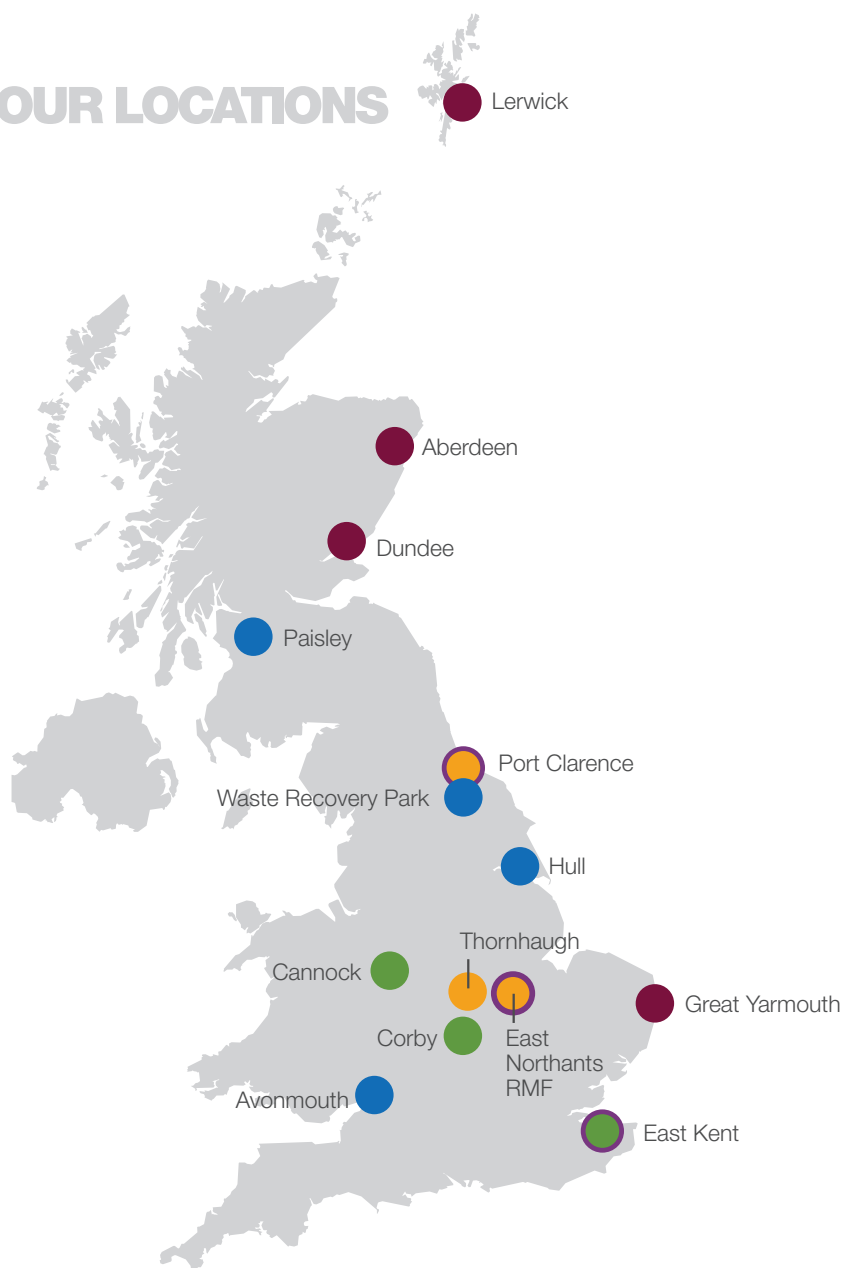
NUMBER OF SITES

**7**

REVENUE

**£18.2m**

## OUR LOCATIONS



# Executive Chairman's Statement



**'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 Energy from Waste (EfW) volumes.'**

EXECUTIVE CHAIRMAN **JIM MEREDITH**

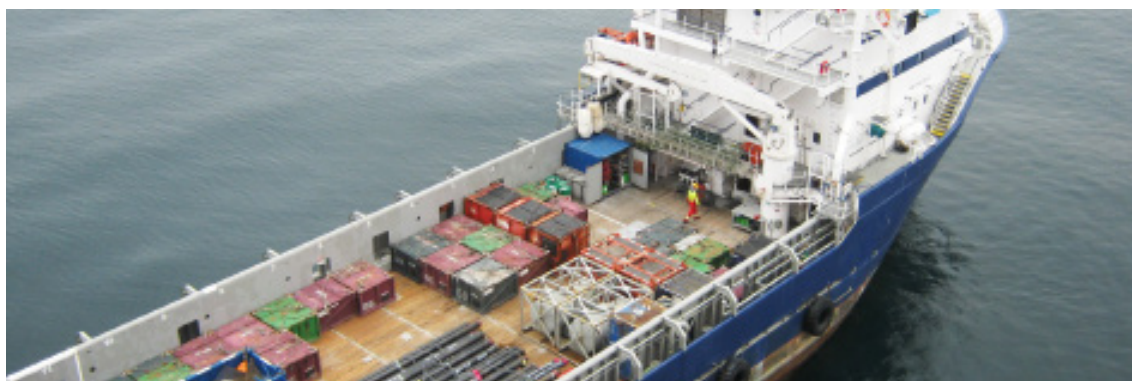
During 2017, the Group profit before tax and exceptional items decreased 21% to £5.5m because of losses on the legacy Colt contract and cost increases committed through the second half of 2016. The legacy contract has now been completed and settlement reached. The Group has enacted measures to reduce the cost base by £4m on an annualised basis which has seen over 50 employees, or over 15% of the workforce, leave the business. The Group is currently trading in line with expectations for 2018. A focus on cash control is reflected in our debt position.

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 Energy from Waste (EfW) volumes, reaffirming our integrated waste management proposition with our customers. 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 Groups' successful investment in processing solutions to generate the most environmentally beneficial outcomes for our customers. The investment in these core assets for the Group remains valid whilst we ensure that the associated cost base (particularly overheads) has to be balanced to ensure appropriate cash and profit generation.

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. As such, the number of accidents resulting in injuries in 2017 has reduced by 37%. 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 a challenging year.







The Group's balance sheet and operating cash flow remain robust but given the HMRC position, described in note 25, which has been communicated to Shareholders previously, the Board will not pay a dividend for 2017 (2016 final: 1.0p per share).

Since our announcement on 27 October 2017, we have received a further two assessments from HMRC on the same basis as the previous assessments. We expect to receive further assessments to be issued in order for HMRC to protect subsequent periods and we will continue to provide appropriate and periodic updates without announcing the receipt of each and every update. The total number of quarterly assessments received to date is five, and the value of these assessments received at the date of this report is £12.0m, including interest of £1.2m. On 19 March 2018, we were advised by HMRC that certain waste types assessed as standard rated in one of the three assessments received for Augean South, will be treated as exempt for the February 2014 quarter. The impact of this is to potentially remove £1.5m from the February 2014 quarterly assessment when this is formally re-issued. This represents 53% of that quarter's £2.8m original assessment. Whilst this is clearly a welcome development in proving our case with HMRC, there is still substantial time and clarification required to fully justify our position. Despite this, we believe the assessments are without merit, we will robustly defend the assessments, have not provided for these and do not expect to make a net cash payment.

As in previous years, I am 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.

I am pleased that we have been able to strengthen the Board with the appointment of Christopher Mills and Roger McDowell and thank Andrew Bryce for re-joining the Board to bring his particular skills to bear in resolution of our HMRC issue.

I look forward to updating Shareholders on our progress during the current financial year.

**JIM MEREDITH**  
EXECUTIVE CHAIRMAN

19 March 2018

# STRATEGIC REPORT





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# Marketplace

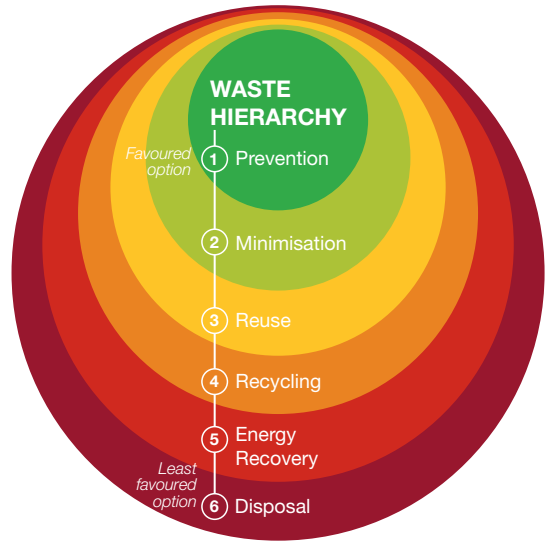
## Hazardous waste overview

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 (Environment Agency estimate) 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 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.



## Energy-from-Waste and Biomass Energy waste market

Augean's treatment and disposal to landfill includes the management of certain byproducts 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 122,000 tonnes, representing an approximate 40% market share (2016: approximate 40% 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.

Total UK capacity for hazardous landfill is approximately 16 million tonnes (source: Environment Agency).

APCR market is expected to grow at 9% compound average growth rate from 2016 to 2022

### Construction waste market

Construction soils are a key input to the Group's landfill sites. In 2017, the Group received lower 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.

The Group has also invested in soil washing and treatment equipment to promote recycling of a proportion of such materials, as required by the market.

### 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 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.

### Industrial waste market

The waste market has again 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.

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.

### 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, extend to the Shetland Isles for the northern sector, and Great Yarmouth for the Southern sector. Augean North Sea Services (ANSS) provides a full range of services, equipment rental and manpower provision for the containment, treatment and associated specialised industrial cleaning of all Oil & Gas offshore and terminal wastes. These include the cuttings and slop waters from drilling, contaminated waters from the production process, production wastes, oil sludges, including those contaminated with low level naturally occurring radioactive material (NORM), swarf containment from abandonment activities, as well as a more general range of industrial general and hazardous wastes. In addition, ANSS now provide full NORM decontamination of wellbore and topside production equipment in their new decommissioning centre in the Port of Dundee.

The dependence of the UK's energy sector on oil and gas will continue over several decades, leading to increased levels of demand for specialised industrial service-related waste management for offshore production facilities and onshore terminals, as the sector, depending on economics, extends the life of, or begins decommissioning, the assets in the North Sea.

The oil & gas market has been adversely impacted since Q3 2015 because of significant reductions seen in oil prices, with oil & gas companies cutting capital expenditure and seeking efficiencies at all levels from the supply chain. These cost efficiencies were key to the sustainability of business. With 2015 came a downturn in drilling activity which continued into 2016 and resulted in a significant reduction in the size of the market for drilling wastes. The market increased slightly throughout 2017 with the recovering oil price.

The market has seen an upturn in decommissioning-related plug and abandonment activities. NORM builds up over time on the downhole production equipment, processing lines and topside equipment, which requires decontamination with specialised industrial jetting equipment, resulting in the generation of NORM scale. The volume of downhole and topside equipment requiring decontamination is rising rapidly alongside plug and abandonment decommissioning activities, requiring specialised decontamination, treatment and disposal.

# Our Business Model and Strategy

The business currently has two short-term objectives. After significant progress has been made on these a revised long-term strategy will be presented to Shareholders.

Strategic focus	Description	KPIs
<p><b>Resolve HMRC position</b></p>	<p>HMRC has been discussing with the Group whether it has paid sufficient landfill tax in relation to its treatment and disposal of hazardous waste. Those discussions are ongoing. Based on the legal and other advice received by the Group over several years, Augean is very confident that the Group has met its obligations in respect of landfill tax, consistent with the law and official guidance at the time.</p>	<ul style="list-style-type: none"> <li>➤ Resolution of issue</li> </ul>
<p><b>Maximise profitability and cash generation of business</b></p>	<p>The Board has implemented several rounds of cost reduction, including a management re-organisation, to save at least a further £4.0m of cost annually. The one-off cost of this was £1.0m and is shown as an exceptional cost. The additional cost savings are expected to be realised fully in 2018</p>	<ul style="list-style-type: none"> <li>➤ Year-on-year profit growth</li> <li>➤ Repayment of bank debt</li> </ul>

# Operating Review



## ‘The operating cash flow of the group was £9.4m before capital expenditure’

EXECUTIVE CHAIRMAN **JIM MEREDITH**

### Introduction

The adjusted Group profit before tax of £5.5m (2016: £7.0m) is after intangible asset amortisation of £0.4m (2016: £0.3m), share option expense of £0.2m (2016: £0.2m) and before exceptional items of £8.6m (2016: £5.7m) with a loss after tax and exceptional costs of £3.5m (2016: £0.4m profit).

During 2017, the Group operated through five business units. To generate the savings made and because of the need to focus on profitable cash-generative growth

more heavily, the Group has amended the business unit infrastructure for 2018. Going forward, the Group will therefore be reported as two segments, with the results of the North Sea Service business separately disclosed and all others combined to produce one new segment. The results for 2017 are therefore shown for the last time under the five business units, the results of which were:

	Adjusted revenues		Adjusted operating profit before interest, tax and central costs		IFRS basis operating profit before interest, tax and central costs	
	2017	2016	2017	2016	2017	2016
Energy & Construction	21.0	25.3	6.6	8.3	5.3	8.1
Radioactive Waste Services	3.1	1.2	1.2	0.3	1.0	0.1
Industry & Infrastructure	21.1	18.8	(0.8)	0.5	(7.4)	0.2
Augean Integrated Services	10.7	7.6	(0.4)	(0.7)	(0.7)	(4.2)
Augean North Sea Services	18.2	12.9	0.7	0.5	0.5	(1.0)
<b>Total</b>	<b>74.1</b>	<b>65.8</b>	<b>7.3</b>	<b>8.9</b>	<b>(1.3)</b>	<b>3.2</b>

Adjusted revenues exclude intra segment trading and landfill tax, adjusted operating profit excludes exceptional items and intangible asset amortisation.

The operating cash flow of the Group of £9.4m was used to fund the future growth of the Group, with total capital expenditure investment of £8.8m. This comprised £4.5m of maintenance capital expenditure to lengthen the productive life of existing assets (including £1.7m on landfill cell engineering) and £4.3m of development capital expenditure for targeted future growth.

As has been announced previously, the acquisition of Colt has not met the Board's expectations. The goodwill and associated intangible assets of £6.1m has therefore been impaired to £nil and a further impairment of £0.2m against Property Plant and Equipment has been recognised. Other significant exceptional items relate to redundancy costs to reduce the Group cost base of £1.0m and costs of dispute relating to Landfill Tax with HMRC of £1.1m.

### Business performance

The Group operated through five business units during 2017 and 2016 (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 2017 is set out below.

# Operating Review

## Energy & Construction (E&C)

The principal activity of this business unit is the disposal of energy from waste including APCR, asbestos and other contaminated waste materials and soils, mainly from construction sectors.

Adjusted revenues, excluding landfill tax and inter group sales, reduced by 17% to £21.0m (2016: £25.3m), with the reduction primarily caused by lower construction soil volumes.

The total volume of waste disposed by the E&C business reduced by 20% to 458,000 tonnes in 2017, from 574,000 tonnes in 2016. APCR volumes increased by 10% from 111,000 tonnes to 122,000 tonnes and all other waste streams decreased by 27% from 463,000 tonnes to 336,000 tonnes.

The adjusted operating profit of the business unit declined by 20% to £6.6m (2016: £8.3m) compared with adjusted revenue decline of 17%.

APCR volumes have shown strong growth as a result of contract wins for the Group. 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. The Group is committed to obtaining recycling credit for its treatment of APCR which, after cost, is important for the operators of the EfW plants, the municipal authorities and ultimately the British public in lower Council taxes.

## Radioactive Waste Services (RWS)

The principal activity of this business unit is the treatment and disposal of low level radioactive waste generated from the UK nuclear estate.

The total adjusted revenue from the disposal and treatment of low level radioactive waste increased by 258% to £3.1m (2016: £1.2m) due to a number of new contract awards from the Nuclear Decommissioning Authority. Operating profit before exceptional items increased fourfold to £1.2m (2016: £0.3m). The Group has benefitted in 2017 from reasonable inputs of radioactive material during the year, however, the control and contracting environment (not under Group control) for these materials means volumes released are very unpredictable, albeit welcome when received.

The Group has successfully won contracts to maintain revenue for 2018, subject to expected release rates of the waste, although these will be more heavily weighted to the second half of 2018. 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.

The Group operates a number of essential assets for the delivery of the government's strategy for dealing with radioactive waste and will seek to expand the range of our permits for the treatment of this waste through 2018.

## Industry & Infrastructure (I&I)

The principal activity of this business unit is the recovery and recycling of oil and solvents and the generation of secondary liquid and solid fuels from waste. This business also provides specialist industrial cleaning and other waste management services to a range of markets, including refinery chemical processing and manufacturing, port and shipping operations and water treatment.

I&I total adjusted revenue increased by 12% to £21.1m in 2017 (2016: £18.8m) largely due to a full year of Colt revenues (eight months in 2016) and the business unit made a loss before exceptional items of £0.8m, compared with a £0.5m operating profit before exceptional items in 2016. All the loss was generated from a single Colt legacy contract and the lower I&I performance is attributable to higher shared business costs in 2017 over 2016 which has been addressed in the cost reduction programme. Colt lost £0.8m in 2017 (2016: £Nil). All the Colt losses were incurred on one tank cleaning contract with a major oil refiner. This contract dispute is now settled and no other losses are expected to be generated. Given the Colt loss, and the rest of the business only being break-even, the Board has carried out an impairment review and recorded an impairment of goodwill and associated intangible assets of £6.3m.



### Augean Integrated Services (AIS)

AIS operates a high temperature incinerator (HTI) in East Kent and provides a total waste management (TWM) service at client sites to address their waste management and compliance needs leveraging the specialist HTI assets.

Total adjusted revenue grew by 41% to £10.7m (2016: £7.6m). This included £7.5m from total waste management (2016: £5.5m). Despite the revenue growth the division lost £0.4m (2016: £0.7m loss). The lack of profitability of this business unit was primarily caused by continuing high cost in the TWM business with brokerage margins not able to sufficiently cover the cost base expansion as new customers are won. The East Kent HTI almost broke even. The Board is closely monitoring the performance of the HTI, which needs to improve in the short term.

The AIS total waste management business was sold to Regen Holdings on the 16 March 2018 for an initial consideration of £3.0m with an additional £0.8m on agreement of completion of accounts and further amounts expected for delivery of working capital over normalised levels. The impact of the sale is demonstrated in note 27.

### Augean North Sea Services (ANSS)

The ANSS business unit operates in the North Sea Oil & Gas market. The primary revenue streams are from drilling waste management (DWM), including the rental of offshore engineers and equipment to customers, production waste management, onshore and marine industrial services, decommissioning and water treatment.

ANSS revenue increased by 41% to £18.2m (2016: £12.9m) and saw an increase in operating profit to £0.7m (2016: £0.5m).

The ANSS strategy continues to gain traction as the business moves up the supply chain, dealing directly with Oil & Gas operators and top-tier customers, so providing opportunities to widen its service scope directly with those customers. Over 89% of total ANSS revenues were directly generated from those customers during 2017, compared with 84% in 2016.

The ANSS facility at the Port of Dundee for the management of waste arising onshore from the decommissioning of offshore assets opened in June. 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 its 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. ANSS secured significant long-term contracts, encompassing all our segments of business, worth in excess of £10m with two major North Sea operators, servicing, integrated waste management and industrial cleaning, offshore DWM /plug & abandonment / radiological protection service and specialist cleaning, decommissioning with decontamination and NORM disposals. These contract wins further underpin existing management expectations for 2018 revenues and profits from this business.

### 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. The Department for Environment, Food and Rural Affairs (DEFRA) confirmed in 2017 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.

### Planning and permitting

The key permitting work in 2017 has been development of an Oil & Gas decommissioning hub and waste transfer station at Port of Dundee.

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.

Permit extensions will be sought for the Port Clarence landfill in 2018.

# Financial Performance



## 'Revenue from continuing operations for the year ended 31 December 2017 increased by 11% to £84.7m'

EXECUTIVE DIRECTOR AND 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	2017	2016
Revenue	<b>84.7</b>	76.0
Operating profit	<b>6.4</b>	7.8
Profit before taxation	<b>5.5</b>	7.0
Profit after taxation	<b>4.3</b>	4.5
Net operating cash flow	<b>10.7</b>	13.5
Basic earnings per share	<b>4.23p</b>	4.42p
Return on capital employed (defined below)	<b>9.4%</b>	11.8%

### Exceptional items are detailed below

On a statutory basis for continuing operations, operating loss was £2.2m (2016: £2.1m profit), loss before tax was £3.1m (2016: £1.3m profit), loss after tax was £3.5m (2016: £0.4m profit), basic loss per share was 3.4 pence (2016: 0.4 pence earning) and net operating cash flows were £9.4m (2016: £11.2m).

### Trading, operating profit and EBITDA

Revenue from continuing operations for the year ended 31 December 2017 increased by 11% to £84.7m (2016: £76.0m).

Operating profit before exceptional items from continuing operations decreased by 18% to £6.4m (2016: £7.8m) and profit before tax decreased by 21% to £5.5m (2016: £7.0m), on the same basis.

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

	2017 £'m	2016 £'m
Operating profit	<b>6.4</b>	7.8
Depreciation and amortisation	<b>6.4</b>	6.3
EBITDA	<b>12.8</b>	14.1

### Exceptional items

Exceptional items in 2017 totalled a net charge of £8.6m before taxation, of which the non-cash impairment of Colt assets is £6.3m, redundancy costs £1.0m, and legal / professional fees of the HMRC assessment and other costs £1.3m. The 2016 exceptional items related to £3.3m of the non-cash impairment of the incinerator at East Kent, £0.8m related to the costs of acquisition of Colt, £1.2m related to the settlement of a trade-related dispute, which arose in the normal course of trade, and £0.4m related to restructure and other costs.

### Finance costs

Total finance charges were £0.9m (2016: £0.8m) including the interest on bank debt and other financial liabilities of £0.4m (2016: £0.4m). They also included non-cash unwinding of discounts on provisions totalling £0.1m (2016: £0.1m).

### Taxation

The Group recognised an accounting tax charge of £0.4m (2016: £0.9m) including a credit of £0.8m (2016: £1.6m) in respect of exceptional items.

The accounting tax charge of £1.2m for continuing operations and excluding exceptional items (2016: £2.5m) represents 21.1% of profit before taxation on the same basis (2016: 35.3%). This compares against the headline rate of corporation tax of 19% for 2017 (2016: 20%). The increased tax charge in the previous year reflected a higher level of disallowable costs in the prior year due to acquisition and a reduction in the recognised deferred tax asset subsequent to a review of the Group's non-qualifying asset base.

The Group paid corporate tax of £0.7m during the year (2016: £0.9m). A current tax liability of £0.7m (2016: £0.7m) remains in the balance sheet at the year end.

A deferred tax asset of £1.2m (2016: £1.2m) 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.



### Earnings per share

Basic earnings per share (EPS), from continuing operations and excluding exceptional items, was 4.23 pence (2016: 4.42 pence) due to the lower tax charge in the year.

Statutory basic loss per share was 3.40 pence (2016 EPS: 0.40 pence).

The Group made a profit after taxation, from continuing operations and excluding exceptional items, of £4.3m (2016: £4.5m), all of which was attributable to equity Shareholders.

The total number of ordinary shares in issue increased during the year from 102,748,383 to 102,948,036 with the weighted average number of shares in issue increasing from 102,420,517 to 102,808,183 for the purposes of basic EPS.

### Dividend

The Board has decided not to declare a final dividend given the HMRC situation as described in note 25 (2016: 1.0p). The dividend paid in the year was the 2016 final dividend.



### Cash flow and net debt

The cash flow of the Group is summarised as follows:

	2017 £'m	2016 £'m
Net operating cash flows from continuing operations	10.7	13.5
Net operating cash flows from exceptional items	(1.3)	(2.3)
<b>Total net operating cash flows</b>	<b>9.4</b>	11.2
Maintenance capital expenditure	(4.5)	(3.9)
<b>Post-maintenance free cash flow</b>	<b>4.9</b>	7.3
Development capital expenditure	(4.3)	(4.1)
Acquisition of businesses	—	(8.9)
Purchase of East Kent freehold	—	(0.2)
<b>Free cash flow</b>	<b>0.6</b>	(5.9)
Final dividend payments	(1.0)	(0.7)
Proceeds from issuance of equity	—	0.1
<b>Net cash generation</b>	<b>(0.4)</b>	(6.5)

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.

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

	2017 £'m	2016 £'m
EBITDA from continuing operations and before exceptional items	12.8	14.1
Net working capital movements	(1.3)	0.8
Interest and taxation payments	(1.1)	(1.7)
Other	0.3	0.3
<b>Net operating cash flows from continuing operations and before exceptional items</b>	<b>10.7</b>	13.5

Underlying net operating cash flow as a percentage of EBITDA was 84% in 2017 (2016: 96%).

## Financial Performance continued

Capital investment in property, plant and equipment and intangible assets made by the Group totalled £8.8m (2016: £8.3m), split between maintenance of £4.5m and expansion of £4.3m.

During the year, the Group received a total of less than £0.1m (2016: £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, was at £10.8m at 31 December 2017. This represented gearing, defined as net debt divided by net assets, of 21.6% (2016: 19.9%). The ratio of net debt to EBITDA, from continuing operations and before exceptional items, was 0.8 times (2016: 0.8 times).

### Financing

During 2017, 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. The maturity of the facility is October 2020 and the overdraft is reviewed annually. HSBC has, at 31 December 2017 and through to end of March 2019, waived breach of the taxation clause of the bank credit facility which requires potential liabilities associated with tax disputes to be less than £0.1m. As at 31 December 2017, the net debt is £10.8m with headroom available to the Group of £9.2m.



### Balance sheet and return on capital employed

Consolidated net assets were £50.1m on 31 December 2017 (2016: £54.6m) and net tangible assets, excluding goodwill and other intangible assets, were £30.0m (2016: £28.3m), of which all was attributable to equity Shareholders of the Group in both years. Net assets and net tangible assets as at 31 December 2017 are both stated after the recognition of a £6.3m 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, decreased to 9.4% in 2017 (2016: 11.8%). This outcome is not impacted by the impairment loss recognised by the Group, which is recognised as at 31 December 2017 but does not form part of the calculation of average capital employed.

### Impairment reviews

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

For the continuing operations of the Group, this exercise was completed for the CGUs within the Energy & Construction and Industry & Infrastructure reportable segments, which both contain significant levels of goodwill, as well as Augean Integrated Services and ANSS as a result of performance levels.

Based on these reviews, an impairment charge of £6.3m was recorded in respect of Colt (part of the Industry & Infrastructure reportable segment). No reversal of prior year impairments was required.

The cash flows for all CGUs were discounted using a pre-tax discount rate of 9.5% (2016: 9.7%).

### Employees

The Group employed an average of 469 staff (2016: 437) over the course of the year with a closing headcount of 452. The number of employees in the Group has declined during 2017 to re-position the cost base of the Group and eliminate the business unit structure.

## 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. These KPIs are consistent with those reported in 2016.

The focus of the Group is in three priority areas.

1. **Health and 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	2017 Outcome	2016 Outcome
Number of accidents <sup>(1)</sup>	27	43
Number of near misses reported <sup>(2)</sup>	2,935	2,331
Compliance scores <sup>(3)</sup>	<b>E&amp;C:</b> A <b>RWS:</b> A <b>I&amp;I:</b> B/Excellent <b>AIS:</b> B <b>ANSS:</b> Excellent	<b>E&amp;C:</b> A <b>RWS:</b> A <b>I&amp;I:</b> B/Excellent <b>AIS:</b> B <b>ANSS:</b> Excellent
Underlying profit before taxation <sup>(4)</sup>	£5.5m	£7.0m
Post-maintenance free cash flow <sup>(5)</sup>	£4.9m	£7.3m
Return on capital employed <sup>(6)</sup>	9.4%	11.8%
Volumes of waste disposed to our landfill sites	458,000 t	574,000 t
APCR Volumes treated	122,000 t	111,000 t
Amount of North Sea Oil & Gas revenue generated directly from operators and Top-Tier customers	89% of <b>ANSS</b> revenue	84% of <b>ANSS</b> revenue

<b>E&amp;C</b>	Energy & Construction
<b>RWS</b>	Radioactive Waste Services
<b>AIS</b>	Augean Integrated Services
<b>I&amp;I</b>	Industry & Infrastructure
<b>ANSS</b>	Augean North Sea Services

1. The number of total reported accidents, that has resulted in injury, 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.

# Managing Risk

Risk description	Mitigation
<p><b>General Economic risk</b>            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 &amp; gas sectors. Fluctuations in the UK economy in general and these sectors in particular affect Group performance, as do inflationary and other cost pressures.</p>	<ul style="list-style-type: none"> <li>○ Diversification of customer base.</li> <li>○ 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.</li> </ul>
<p><b>Environmental legislation</b>            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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>○ Employ high quality technical management to interpret the evolving legislative framework and its potential and current impact on the Group's operations</li> <li>○ 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 &amp; Rural Affairs (DEFRA) and the Department for Business Energy and Industrial Strategy (BEIS).</li> <li>○ 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.</li> <li>○ Highlight, the importance of Best Overall Environmental Outcome (BOEO) in moderating the simplistic application of the waste hierarchy by regulators.</li> </ul>

## Risk description

### 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 guidance (LFT1) was last updated in April 2017. 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 £86.10 per tonne on 1 April 2017 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. The Group is in ongoing discussions with HMRC with respect to whether it has paid the correct amount of landfill tax.

### 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.

## Mitigation

- 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.
  - Specialist legal and environmental advice.
  - Landfill tax internal audits and external assurance on processes.
- 
- 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.

# Managing Risk

Risk description	Mitigation
<p><b>Health and safety</b></p> <p>The activities of the Group involve a range of health and safety risks, from offshore operations to the handling of hazardous wastes.</p>	<ul style="list-style-type: none"> <li>○ Health and safety is the first priority for all directors, managers and employees across the Group.</li> <li>○ Investments in relevant assets and resources are made on an ongoing basis to ensure that the highest health and safety standards are applied.</li> <li>○ 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.</li> </ul>
<p><b>Price risk</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>○ Review pricing policies on an ongoing basis to ensure that the Group influences and stabilises the market.</li> <li>○ Respond to emerging trends and customer needs.</li> <li>○ Specialist in-house resource to assess and price waste consignments in line with market rates and available disposal solutions.</li> <li>○ Regular review of all services to ensure that price changes in the market do not lead to uneconomic activities being undertaken by the Group.</li> </ul>
<p><b>Economic growth</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>○ Develop positions in a range of markets requiring specialist waste management capabilities and which have high barriers to entry.</li> <li>○ 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.</li> </ul>
<p><b>Technological factors</b></p> <p>Technological risk factors may cause treatment technology in use to become obsolete or too costly to maintain.</p>	<ul style="list-style-type: none"> <li>○ Monitor the development and application of the waste hierarchy vs Best Overall Environmental Outcome.</li> <li>○ Invest selectively in development.</li> <li>○ Employ strategic planning to make timely investments in existing and new equipment.</li> <li>○ Evaluation of operational costs and market environment is made before investment.</li> </ul>



Risk description	Mitigation
<p><b>North Sea oil and gas investment</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>○ 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.</li> <li>○ Diversify North Sea activities across a number of revenue-generating streams, with services provided to production customers offshore and onshore.</li> <li>○ Pursue North Sea decommissioning as new market opportunities for ANSS that would further mitigate risk.</li> </ul>
<p><b>Transport disruption</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>○ Outsourcing of the majority of the Group's haulage requirement, augmented with the use of the Group's own fleet where appropriate.</li> <li>○ Maintenance of ability to accept wastes into sites in different geographical locations before onward transfer to their final treatment or disposal destination.</li> </ul>
<p><b>Brexit risk</b></p> <p>Although the Group is focused on wastes arising in UK and uses disposal infrastructure almost entirely based in UK, the Group may fail to anticipate and manage the potential impact of UK leaving the European Union, notably potential increases in interest rate.</p>	<ul style="list-style-type: none"> <li>○ Engage with trade association (Environmental Services Association) to anticipate and attempt to influence government plans.</li> <li>○ Monitor market conditions to allow appropriate investment in infrastructure and management of costs.</li> <li>○ Maintenance of ability to accept wastes into sites in different geographical locations before onward transfer to their final treatment or disposal destinations.</li> <li>○ Modelling of the financial impact of different scenarios which could result from this external change.</li> </ul>

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.

# Corporate Social Responsibility

The Board recognises the important role played by the Group in the environment and communities within which it operates. The health and safety of our employees and compliance with regulations are two of the 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 2017 indicates that the Group's operations do not result in a significant impact on the local environment and

in general our environmental performance continues to be one of the top three in the sector. The results of inspections and audits received from the Environment Agency in England and the Scottish Environmental Protection Agency 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. We have also continued to engage throughout 2017 on topics such as Best Overall Environmental Option, substances of concern, radioactive materials liability insurance, planning and Brexit.

## Employees

The Group's employees are vital to its success during a period of challenging conditions while the Group was resizing its cost base.

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, gender, marital status, age or status as a part-time or fixed-term employee. The Group's objective is to ensure that individuals are selected, promoted and otherwise treated solely on the basis of their relevant aptitudes, skills and abilities.

These equal opportunity policies are set out in the Group's Employee Handbook, a copy of which is provided to each employee on joining the Group and made available electronically. The Handbook is updated periodically for changes in policy and regulations. The Group also operates a clear whistle-blowing policy, providing every employee



the opportunity to raise concerns directly with an impartial Director, without the intervention of line management. Once an issue is reported the 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 biannual 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 2016 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. In 2017 we delivered a comprehensive leadership programme to 12 key employees.

## Safety

Health and safety and compliance are priorities for the business and it is therefore pleasing to see a decrease in accidents leading to workplace injuries of 42% in 2017 compared with 2016. It is considered that this is in response to a campaign 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.

## 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 (2016: £0.5m) was contributed through these schemes during the year, providing funds for community projects including 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.

The strategic report on pages 10 to 25 of this report was approved and signed on behalf of the Board.

*J. MEREDITH.*

**JIM MEREDITH**  
EXECUTIVE CHAIRMAN

10 March 2018

# OUR GOVERNANCE





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# Director's Report

The Directors present their report and the audited financial statements for the Group and Company for the year ended 31 December 2017.

## 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 loss after tax of the Group for the year was £3.5m (2016: £0.4m profit) from revenue of £84.7m (2016: £76.0m). The loss included exceptional items totalling a charge of £8.0m (2016: £4.1m).

The Board has recommended no dividend be paid for the year (2016: dividend of 1.0p).

## Environmental policy

The quality of the environment is at the core of the Group's operations and the Board recognises its importance to employees, customers, suppliers and the communities in which the Group operates. Augean continues to adopt high standards of environmental practice and aims to minimise its impact on the environment wherever possible. To support this the Group publishes a clear Environmental Policy, which is updated every 12 months. Further details of the Group's actions in this area can be found on pages 24 and 25 of this 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 on page 13 to 25.

## 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. 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 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 £542,000 (2016: £450,000) of its landfill tax liability to registered environmental bodies as permitted by Government regulations. No political donations were made during the year (2016: £nil).

### Directors

The composition of the Board of Directors is shown on page 33 to 34. Details of the Directors' interests and remuneration are given in the Directors' Remuneration Report on pages 40 to 43.

On 16 October 2017 Stewart Davies resigned from the Board.

Andrew Bryce was reappointed to the board on 1 September 2017. Roger McDowell and Christopher Mills were appointed to the Board on 16 October 2017.

All other Directors served throughout the year and since the Balance Sheet date.

### Substantial shareholdings

The number of shares issued by the Company increased during the year, from 102,748,383 as at 1 January 2017 to 102,948,036 at 31 December 2017. The Company had been notified of the following interests of more than 3% in its shares as at 28 February 2018:

	Number of shares	% of total
Harwood Capital	18,600,000	18.07%
Schroder Investment Management Ltd	13,580,500	13.19%
Hargreave Hale	8,500,000	8.26%
Charles Stanley	6,239,722	6.06%
Close Asset Management	5,339,554	5.19%
Artemis Investment Management	4,000,000	3.89%
Lombard Odier Investment Managers	3,657,947	3.55%
Fidelity International	3,469,335	3.40%
Unicorn Asset Management	3,173,731	3.08%

### 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](http://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 23 to the financial statements.

As highlighted in note 23, the Group met its short-term working capital requirements during 2017 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.

As a result of the assessment received from HMRC, previously communicated to Shareholders and detailed in note 25, a representation required by the facility agreement which related to a requirement for no tax investigations with possible liabilities of over £100k to be ongoing in relation to the Group was not made. A letter of waiver has been obtained from the lender in relation to this.

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 2017, 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 2017 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 intangible assets as at 31 December 2017, 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 2017 but is not considered to significantly 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.

The results have been prepared taking into account the Group's net debt, available headroom on bank facilities, the continuing support of the Group bankers HSBC, as well as noting the significant uncertainty around the HMRC issue. Reliance is being taken that HMRC has not required the Group to pay any of the assessments levied to date and advice received is that this will continue for 12 months based on professional advice and discussions with HMRC.

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 to prepare the Group's financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The Directors have elected to prepare the parent Company financial statements in accordance with Financial Reporting Standard 101 - 'The Reduced Disclosure Framework'



(FRS 101) (UK Accounting standards). 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 Group and parent Company 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;
- for the Group financial statements, state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the persons who is a director at the date of approval of this annual report confirms 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 the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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 2017 financial year is the fourth year for the current lead partner, Mark Overfield.

### Auditor

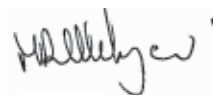
Grant Thornton UK LLP has expressed willingness to continue in office as auditor. In accordance with Section 489(4) of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

### Annual General Meeting

The Annual General Meeting (AGM) will be held on 25 June 2018. Andrew Bryce, Roger McDowell and Christopher Mills were appointed to the Board during the year. Being eligible, they will offer themselves for election as Non-executive Directors at the AGM. Rod Holdsworth and John Grant will resign and offer themselves for re-election as Non-executive Directors at the AGM.

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  
19 March 2018

# The Board of Directors

The Board of Directors is responsible for ensuring the Group is appropriately governed and led. This includes ensuring that the Executive has formulated and implemented a business strategy whilst also holding the Executive to account in delivering such strategy and results. This involves maintaining relevant internal control mechanisms and sound risk management within the business, whilst also establishing the values and behaviours the Group needs to ensure its business performance is sustainable within its sector.

At 31 December 2017 the Board comprised seven members: An Executive Chairman, Group Finance Director and five further Non-executive Directors, including John Grant as the Senior Independent Director. The Executive Chairman has responsibility for the overall leadership, effectiveness and governance of the Board and of the Executive Management, along with the strategic and operational running of the Group. The Senior Independent Director supports the Executive Chairman and leads the Non-executive Directors in reviewing the performance of the Executive Chairman. The Non-executive Directors have been appointed to the Board for their specific areas of knowledge and expertise 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 the 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 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 nine times a year and additional meetings are held where necessary to review and approve specific matters where a decision is required more urgently.

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](http://www.augeanplc.com). Under the Company's articles of association one third of all Directors are required to retire from office at each Annual General Meeting and may stand for re-election 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. The Board is satisfied that all the Directors standing for election or re-election (as appropriate) 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.



**Jim Meredith**  
Executive Chairman

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 has been Chairman of RiverRidge Recycling since September 2016, an investment supported by the Business Growth Fund, and a Non-executive Director of Mar City Homes, since July 2016. 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.

Jim has been Executive Chairman of Augean PLC since October 2017, having previously been Non-executive Chairman from June 2012 and a member of the Board from December 2010.



**Mark Fryer**  
Executive Director and  
Group Finance Director

Mark joined Augean in December 2016, bringing 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.

Prior to joining Augean, Mark had 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. Before 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.



**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, where he held 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 to 1996 as Group Finance Director and was Chief Executive of Ascot plc from 1997 to 2000. He was, until May 2017, Senior Independent Director of Melrose Industries plc, a FTSE 350 acquisitive international engineering group and is currently Senior Independent Director of MHP SE, a UK-listed Ukrainian agro-industrial group, and 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 Chairman of the Remuneration Committee in June 2016.

# The Board of Directors



## 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 is currently Interim Chief Financial Officer of The Wates Group, the leading privately-owned UK construction, property services and development company, having been appointed in November 2017. Before this, Rod was Global Chief Financial Officer of OCS Group, a privately-owned, international facilities management business. He previously served as Finance Director at Morrison plc, the construction and support services group owned by Anglian Water Group plc, and has also held senior financial positions at 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 became Chairman of the Audit Committee in June 2016.

## Roger McDowell

Non-executive Director and  
Chairman of the Nominations  
Committee

Roger returned to Augean having previously been a Board member of the Group for 11 years between November 2004 and June 2015. Roger brings valuable experience as a successful businessman and entrepreneur, with a strong record of driving shareholder value and serving on the boards of public companies across a range of sectors. During his previous tenure on Augean's Board, Roger held the position of Interim CEO from 2006 to 2007 and Interim Chairman from 2010 to 2012. Roger was Managing Director of Oliver Ashworth for 18 years before its sale to St. Gobain and he is currently serving as Non-executive Chairman of Avingtrans plc and is also a Non-executive Director of ThinkSmart plc, Tribal Group plc, Proteome Sciences plc, D4t4 Solutions plc and Swallowfield plc.

Roger was appointed to the Board in October 2017 and became Chairman of the Nominations Committee in January 2018.

## Christopher Mills

Non-executive Director

Christopher founded Harwood Capital Management Group in 2011 and was the Chief Investment Officer of its former parent company J O Hambro Capital Management, which he co-founded in 1993. He is Investment Manager of North Atlantic Smaller Companies Investment Trust plc and Non-executive Chairman of EKF Diagnostics Holdings plc. He is also a Non-executive Director of several publicly quoted companies, including Bioquell plc and Goals Soccer Centres plc. Christopher was a Director of Invesco MIM, where he was head of North American investments and venture capital, and of Samuel Montagu International.

Christopher joined the Board in October 2017.

## Andrew Bryce

Non-executive Director

Andrew has had a long career and established reputation as a leading UK environmental lawyer and until very recently ran his own law firm, Andrew Bryce & Co, which specialised in regulatory defence. He now runs his own consultancy providing board level advice on environmental strategy and compliance. 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 is Co-Chair of its Brexit Task Force.

He was originally appointed to the Board of Augean in June 2005, before stepping down and being reappointed, and until recently was Chairman of the Nominations Committee.

# Chairman's Corporate Governance Letter



## 'Augean remains committed to high standards of corporate governance in all of its activities.'

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 the size and nature of Augean plc. The Board regularly reviews guidance from regulatory bodies, supported by its Nominated Adviser, 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 Nominations) continued to be active during the year. A report from each Committee chairman follows, and I am grateful to each for their diligence and skill in ensuring that the Board plays an effective role in the proper management of the Company and the wider Group.

As Chairman, one of my principal concerns is to maintain excellent relationships with our Shareholders. During the year I continued to make myself available to Shareholders to discuss strategy and governance matters and was pleased to again have individual meetings with some of the Group's major Shareholders.

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](http://www.augeanplc.com).

**JIM MEREDITH**  
EXECUTIVE CHAIRMAN

19 March 2018

# 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 Executive Chairman through the Management Board, whose membership includes:

- Executive Chairman;
- Group Finance Director;
- Group Operating Officer;
- Corporate Stewardship Director;
- Operations Director;
- Technical Supply Chain Director;
- Managing Director of ANSS;
- Total Waste Management Director; and
- Commercial Director of Hazardous Waste.

The Management Board meets to formally review performance and risk once each month and maintains regular dialogue between these meetings.

The Management Board regularly reviews the control environment of the Group and is responsible for managing and mitigating commercial, operational, safety, compliance and financial risks. This system is designed to provide reasonable but not absolute assurance against material misstatement or loss.

The Group operates a series of controls to meet its needs. Key features of the control system include the following:

- maintenance of an operational risk register, covering the key health and safety, regulatory and operating risks faced by the Group;
- maintenance of a register of the major financial risks faced by the Group;
- monthly reviews of business risks affecting the Group, identifying procedures and action required to manage and mitigate those risks;
- reports provided to the Board at every meeting setting out the key risks and their management;
- a clearly defined organisational structure with terms of reference for Board Committees and responsibilities and authorisation limits for executive and senior management;

- regular visits by the Executive Directors and senior management to operating locations to meet with local management and staff and to review business performance;
- regular visits by the Group's technical team to all sites to identify risks and propose improvements to be implemented by senior management. This includes powers to stop activities if they are deemed to represent a danger, or are inappropriate in the context of proper compliance;
- a range of compliance management systems at the Group's sites subject to external review, including certification to ISO 9001:2015; 14001:2015; 18001:2007 and the Publicly Available Specification of common management system requirements PAS 99:2015;
- 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 control environment and may lead to recommendations which are implemented through the Management Board.

# Audit Committee Report



## ‘During the year the Committee considered the adequacy and effectiveness of the risk management and control systems of the Group’

CHAIRMAN ROD HOLDSWORTH



### Members

Christopher Mills  
Roger McDowell  
Rod Holdsworth  
John Grant  
Andrew Bryce

### Meetings

Total number of  
Committee meetings: 7

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 seven 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 2016 and other information included in the 2016 Annual Report, the interim financial statements for 2017, all formal announcements relating to results and all significant financial reporting issues and judgements contain therein. The Committee has reviewed, in depth, the key assumptions around goodwill and other non-current asset impairment reviews, provisions, accounting landfill tax assessments, deferred tax asset recognition, key assumptions around provisioning 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. Recommendations were made to the Board for any changes it considered necessary.

# Nominations Committee Report



**‘During the year the Nominations Committee kept under review the leadership needs of the organisation’**

CHAIRMAN **ANDREW BRYCE**



#### Members

**Christopher Mills**  
**Roger McDowell**  
**Rod Holdsworth**  
**John Grant**  
**Andrew Bryce**

#### Meetings

Total number of  
Committee meetings: 2

The Nominations Committee comprises the Non-executive Directors and was chaired by Andrew Bryce until June 2017 and is now chaired by Roger McDowell. 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 Nominations 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.

During 2017, following the resignation of Stewart Davies, the activities of the Committee focused on the appointment of Jim Meredith as Executive Chairman and the appointments of Christopher Mills and Roger McDowell as Non-executive Directors. The retirement and re-appointment of Andrew Bryce was also dealt with by the Committee during the year.



# Remuneration Committee Report



**‘The principal objective of the Committee is to attract, retain and motivate talented people’**

CHAIRMAN JOHN GRANT



#### Members

Christopher Mills  
Roger McDowell  
Rod Holdsworth  
John Grant  
Andrew Bryce

#### 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 2017, with business including reviews of the remuneration for Executive Directors, decisions relating to bonus awards and Long Term Incentive plans (LTIP). The Directors' Remuneration Report includes the outcome of these considerations.

During 2017, the Committee also approved the issuance of the 2017 LTIP, and made awards to relevant participants in the year.

# 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 2017, a 1.5% salary increase was awarded to Stewart Davies, in line with the decision to award an increase to all staff in the Company on 1 January 2016. As Mark Fryer joined the Company on 12 December 2016, he did not become eligible for an increase until January 2018, being the first anniversary of his joining the Company. To reflect the increased responsibility upon his change in role from Non-executive Chairman to Executive Chairman, Jim Meredith's salary was increased as detailed below.

### (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 but the level of profit before tax achieved by the Group means that bonuses will not be payable in respect of the 2017 financial year.

### (iii) Other benefits

Benefits provided to Directors include a car allowance, life assurance, private medical insurance, permanent disability insurance, personal accident insurance and pension contributions.

### (iv) Long Term Incentive Plan – 2017 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 2017 ('2017 LTIP Award').

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

	2017 LTIP
Chief Executive	100%
Group Finance Director	100%
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 pre-determined financial performance conditions over the specified three-year performance condition period:

	Performance condition period	Expected vesting
<b>2017 LTIP</b>	1 January 2017 to 31 December 2019	The date of the announcement of the results of the Group for the year ended 31 December 2019, expected to be no later than 31 March 2020.

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 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:

	2017	2018	2019
<b>2017 LTIP</b>	12.00%	12.00%	12.60%

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

Relative TSR element (in each of the three years)

		2017 LTIP		
Below median	Nil attainment			
Between median and 70th percentile	Straight-line attainment from 30% to 100%			
Above 70th percentile	100% attainment			
Underlying LTIP EPS element				
		2017	2018	2019
2017 LTIP Minimum		5.7p	6.3p	6.9p
2017 LTIP Maximum		6.0p	6.9p	7.9p
Between minimum and maximum	Straight-line attainment from 30% to 100%			

These conditions are subject to the following weighting:

		2017 LTIP
Total Shareholder return relative to the FTSE AIM All-Share ('Relative TSR')		25%
Basic earnings per share, before exceptional items and intangible amortisation ('Underlying LTIP EPS')		75%

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

#### (v) 2016 LTIP Scheme

For the second performance period of the 2016 LTIP Scheme (announced in the Annual Report and Accounts for 2016) 0% attainment was achieved. As previously announced 13.2% attainment was achieved for the first performance period of the 2016 LTIP Scheme.

#### (vi) Share options

Under the share options scheme the Remuneration Committee may annually grant options of up to 100% of basic salary, allowing participants to purchase shares in the Company at a future date. These options may be subject to the attainment of pre-determined performance conditions but this is not an absolute requirement. No awards were made during 2017.

#### (vii) 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 2017	Beneficial shares Number	LTIP Number	Total shares Number
Christopher Mills*	18,600,000	—	<b>18,600,000</b>
Roger McDowell	3,000,000	—	<b>3,000,000</b>
Jim Meredith	1,500,000	—	<b>1,500,000</b>
Mark Fryer	—	203,908	<b>203,908</b>
John Grant	100,000	—	<b>100,000</b>
Andrew Bryce	11,419	—	<b>11,419</b>
Rod Holdsworth	—	—	<b>—</b>

\* Christopher Mills is a partner and Chief Investment Officer of Harwood Capital LLP and these shares are held in or managed by Harwood Capital LLP (shares held through Harwood Capital LLP, Oryx International Growth Fund Limited and North Atlantic Smaller Companies Investment Trust).

# Directors' Remuneration Report

## Directors' emoluments

The emoluments of the Directors during 2017 were as follows:

	2017 Basic fee/salary £'000	2017 Bonus £'000	2017 Other emoluments £'000	2017 Total £'000	2016 Total £'000
Stewart Davies	265	37	10	312	362
Mark Fryer	196	2	12	210	11
Jim Meredith	80	—	—	80	60
Andrew Bryce	31	—	—	31	33
John Grant	33	—	—	33	33
Rod Holdsworth	33	—	—	33	23
Rory Macnamara	—	—	—	—	13
Christopher Mills	6	—	—	6	—
Roger McDowell	6	—	—	6	—
Richard Laker	—	—	—	—	186
	<b>650</b>	<b>39</b>	<b>22</b>	<b>711</b>	<b>721</b>

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.

During the year Stewart Davies left the Board and Jim Meredith became Executive Chairman. The increase in basic salary for Jim Meredith relates to the increased scope of the role of Executive Chairman.

Other emoluments for Stewart Davies and Mark Fryer include a car allowance and other benefits such as medical insurance.

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 committed to make himself available to the Company until the end of his notice period in July 2017.

Nil directors (2016: two) are members of a pension scheme and £Nil (2016: £30,000) contributions were paid by the Company to a pension scheme.

## Directors' share plans

Share Option Scheme	Award date	Earliest vesting date	Market price at award date	Number of shares 2016	Lapsed in year	Number of shares 2017	
Stewart Davies	12/08/2013	12/08/2016	40.25p	1,000,000	(1,000,000)	—	
	Award date	Earliest vesting date	Market price at award date	Number of shares 2016	Granted in year	Lapsed in year	Number of shares 2017
<b>2014 LTIP</b>							
Stewart Davies	23/09/2014	24/03/2017	49.75p	<b>549,333</b>	—	(549,333)	—
<b>2016 LTIP</b>							
Stewart Davies	31/10/2016	24/03/2019	51.75p	<b>301,980</b>	—	(301,980)	—
<b>2017 LTIP</b>							
Stewart Davies	28/04/2017	24/03/2020	65.00p	—	428,619	(428,619)	—
Mark Fryer	28/04/2017	24/03/2020	65.00p	—	305,862	(101,954)	<b>203,908</b>

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, 2016 and 2017 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 2017 LTIP was based on the mean closing mid-market share price of the Company in the 30 business days preceding 1 January 2017, being the start of the performance period of the 2017 LTIP.

Other than options held by Executive Directors of Augean PLC, set out in the table above, there are a further 1,046,776 exercisable options held by other participants in the 2014 LTIP, none of whom are directors of Augean PLC.

The latest date for exercise of all share options is ten years after the award date.

The mid-market price of the Company's shares at 31 December 2017 was 29p. The range of the share price during the year was 23p to 66p.

On behalf of the Remuneration Committee



**JOHN GRANT**  
CHAIRMAN OF THE REMUNERATION COMMITTEE  
19 March 2018

# OUR FINANCIALS





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# Independent Auditor's Report to the Members of Augean PLC

## Opinion

### Our opinion on the financial statements is unmodified

We have audited the financial statements of Augean PLC (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Statements of Financial Position, the Statements of Cash Flow, the Statements of Changes in Shareholders' Equity – Group and the Statements of Changes in Shareholders' Equity - Company and the notes to the financial statements, including a summary of significant accounting policies. 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, including Financial Reporting Standard 101 'Reduced Disclosures Framework' (United Kingdom Generally Accepted Accounting Practice).

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 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Who we are reporting to

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.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.



## Overview of our audit approach

- Overall materiality: £309,000 which was 5% of our estimate of the Group's profit before tax and exceptional items;
- Key audit matters were identified as valuation of provisions, accounting for the landfill tax assessments and valuation of the non-current assets; and
- We have assessed the components within the Group and performed a combination of comprehensive and analytical procedures.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key Audit Matter – Group

#### Risk 1 – valuation of provisions

The Group operates a number of landfill sites in the UK. A legal obligation of doing so requires the Group to cap the landfill cells, restore the landfill sites and provide aftercare services (usually over a 60-year period).

The Group makes provision for these estimated capping, restoration and aftercare costs in the financial statements.

There are significant judgements in relation to the valuation of the provisions. The Group uses internal and external experts to determine the level of provision that is appropriate.

We therefore identified valuation of provisions as a significant risk, and one of the most significant assessed risks of material misstatement.

### How the matter was addressed in the audit – Group

Our audit work included, but was not restricted to:

- Obtaining an understanding of management's provision model including supporting calculations and challenging whether the underlying data and key assumptions are appropriate based on internal and external data.
- Recalculating the provision model by reference to model inputs.
- Reading and evaluating the reports received from experts and assessing the expert's competence, capability and objectivity.
- Assessing whether key assumptions used in the model such as the discount rate are appropriate by reference to market data.
- Challenging the reasonableness of forecast costs that are used in the model and comparing to historical data or external reports.

The Group's accounting policy on valuation of provisions is shown in note 1(g) to the financial statements and related disclosures are included in note 16. The Audit Committee identified provisions as an area for review in its report on page 37. Provisions were identified as a significant judgement and key source of estimation uncertainty in note 1(s) to the financial statements.

#### Key observations

Based on our audit work, we have concluded that the valuation of provisions was accounted for in line with the Group's accounting policies and IAS 37 'Provisions, contingent liabilities and contingent assets'. We consider that the disclosures in note 1(g), note 1(s) and note 16 to the financial statements appropriately describe management's judgements.

# Independent Auditor's Report to the Members of Augean PLC

## Key Audit Matter – Group

### **Risk 2 – Accounting for the landfill tax assessments**

As described in note 25, the Group has received notices of assessment for landfill tax, from HMRC, during the year.

The Group is cooperating with HMRC and has sought professional advice in respect of this matter.

Management has concluded that the assessments will result in an estimated cash outflow of £nil based on the advice received.

No provision has been recorded within the financial statements, however disclosure has been made in accordance with IAS37 'Provisions, contingent liabilities and contingent assets'. The accounting for this matter required significant management judgement.

We therefore identified accounting for the landfill tax assessments as a significant risk, and one of the most significant assessed risks of material misstatement.

## How the matter was addressed in the audit – Group

Our audit work included, but was not restricted to:

- Reading the correspondence between HMRC and the Group.
- Reading the correspondence from the Group's professional advisers.
- Enquiring of management and the Group's Director of corporate stewardship.
- Challenging whether the conclusions included within management's paper are consistent with the evidence above.
- Assessing the adequacy of the disclosure included within note 25 of the financial statements for appropriateness with IAS 37 'Provisions, contingent liabilities and contingent assets'.

The Group's accounting policy on provisions is shown in note 1r to the financial statements and related disclosures are included in note 25. The Audit Committee identified landfill tax assessments as an area for review in its report on page 37. Contingent liabilities were identified as a significant judgement and key source of estimation uncertainty in note 1(s) to the financial statements.

### **Key observations**

Based on our audit work, no audit findings were noted. We consider that the disclosure in note 25 to the financial statements appropriately describes this matter.

## Key Audit Matter – Group

### Risk 3 – valuation of non-current assets

The Group records goodwill, other intangible assets and property, plant and equipment of £66.8m as at 31 December 2017.

Management has undertaken its annual impairment review based on discounted cash flows in relation to goodwill and also for other assets where there are indications of impairment.

The Group identified eight cash generating units ('CGUs') at 31 December 2017.

There are significant judgements in the discounted cash flow calculations, including forecast operating cashflows, capital expenditure and discount rates.

We therefore identified valuation of non-current assets as a significant risk, and one of the most significant assessed risks of material misstatement.

## How the matter was addressed in the audit – Group

Our audit work included, but was not restricted to:

- Reading management's paper on impairment and challenging the methodology used behind the impairment workings.
- Challenging the assumptions used in the impairment calculations by reference to forecasts of the Group, historical data and reports from experts.
- Challenging the appropriateness of the discount rates used in the impairment calculations by reference to market data.
- Assessing the adequacy of the disclosure included within the financial statements for appropriateness with IAS 36 'Impairment of assets'.

The Group's accounting policy on valuation of non-current assets is shown in note 1(h) to the financial statements and related disclosures are included in note 9. The Audit Committee identified goodwill impairment reviews as an area for review in its report on page 37. Valuation of non-current assets was identified as a significant judgement and key source of estimation uncertainty in note 1(s) to the financial statements.

### Key observations

Based on our audit work, we have concluded that the valuation of non-current assets was accounted for in line with the Group's accounting policies and IAS 36 'Impairment of assets'. We concur with the impairment recorded by management and consider that the disclosures in note 1 and note 9 to the financial statements appropriately describes the judgements made by management.

# Independent Auditor's Report to the Members of Augean PLC

## Key Audit Matter – Parent Company

### Risk 1 – valuation of investments

The Company recorded investments in subsidiaries of £57.3m as at 31 December 2017.

Management has undertaken an impairment review based on discounted cash flows in relation to investments in subsidiaries where there are indications of impairment.

There are significant judgements included in the discounted cash flow calculations, including forecast operating cashflows, capital expenditure and discount rates.

We therefore identified valuation of investments as a significant risk, which was one of the most significant assessed risks of material misstatement.

## How the matter was addressed in the audit – Parent Company

Our audit work included, but was not restricted to:

- Challenging the rationale behind key assumptions of the impairment workings.
- Challenging the assumptions used in the impairment calculations by reference to forecasts, historical data and reports from experts.
- Challenging the appropriateness of the discount rates used in the impairment calculations by reference to market data.
- Assessing the adequacy of the disclosure included within the financial statements against the requirements of IAS 36 'Impairment of assets'.

The Company's accounting policy on valuation of investments is shown in note 1(f) to the financial statements and related disclosures are included in note 11. The Audit Committee identified impairment reviews as an area for review in its report on page 37. Valuation of non-current assets was identified as a significant judgement and key source of estimation uncertainty in note 1(s) to the financial statements.

### Key observations

Based on our audit work, we have concluded that the valuation of investments in subsidiaries was accounted for in line with the Group's accounting policies and IAS 36 'Impairment of assets'. We concur with the impairment recorded by management and consider that the disclosures in note 1 and note 11 to the financial statements appropriately describe management's judgement.

## Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent Company
Financial statements as a whole	<p>£309,000 which was 5% of our estimate of the Group's profit before tax and exceptional items. This benchmark is considered the most appropriate because the level of earnings is a key performance indicator of the Group.</p> <p>Materiality for the current year is consistent with the level that we determined for the year ended 31 December 2016.</p>	<p>Materiality is based on 0.5% of total assets, capped at 75% of group materiality, which is £232,000. This benchmark is considered the most appropriate given that the activities of the parent Company primarily comprise being a holding company and its major activities relate to non-current assets included in the financial statements.</p> <p>Materiality for the current year is lower than the level that we determined for the year ended 31 December 2016 due to the reduction in total assets.</p>
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Tolerance for potential uncorrected misstatements	25% of financial statement materiality.	25% of financial statement materiality.
Communication of misstatements to the Audit Committee	£15,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£12,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

### An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile and in particular included:

- evaluation by the Group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality.
- Obtaining an understanding and documenting the processes and controls covering all of the significant risks.
- Substantive testing on significant transactions, account balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the design effectiveness of controls over individual systems and management of specific risks. The components subject to a comprehensive audit approach cover 100% of the consolidated revenues.

# Independent Auditor's Report to the Members of Augean PLC

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

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

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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

## Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 30 and 31, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



**MARK OVERFIELD BSc, FCA**  
SENIOR STATUTORY AUDITOR

for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Leeds  
19 March 2018

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	Before exceptional items 2017 £'000	Exceptional items (note 3) 2017 £'000	Total 2017 £'000	Before exceptional items 2016 £'000	Exceptional items (note 3) 2016 £'000	Total 2016 £'000
<b>Revenue</b>		<b>84,691</b>	<b>—</b>	<b>84,691</b>	75,959	—	75,959
Operating expenses		(78,329)	(8,605)	(86,934)	(68,161)	(5,719)	(73,880)
<b>Operating profit / (loss)</b>	3	<b>6,362</b>	<b>(8,605)</b>	<b>(2,243)</b>	7,798	(5,719)	2,079
Net finance charges	4	(850)	—	(850)	(812)	—	(812)
<b>Profit / (loss) before tax</b>		<b>5,512</b>	<b>(8,605)</b>	<b>(3,093)</b>	6,986	(5,719)	1,267
Taxation	6	(1,164)	763	(401)	(2,464)	1,602	(862)
<b>Profit / (loss)</b>		<b>4,348</b>	<b>(7,842)</b>	<b>(3,494)</b>	4,522	(4,117)	405
<b>Profit for the year and total comprehensive income attributable to equity Shareholders of Augean PLC</b>	3	<b>4,348</b>	<b>(7,842)</b>	<b>(3,494)</b>	4,522	(4,117)	405
Earnings per share							
Basic	8			(3.40)p			0.40p
Diluted	8			(3.40)p			0.39p

The notes on pages 59 to 97 form an integral part of these financial statements.



# Statements of Financial Position

As at 31 December 2017

	Note	GROUP		COMPANY	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Non-current assets</b>					
Goodwill	9	19,757	23,997	—	—
Other intangible assets	10	323	2,265	96	135
Investments in subsidiaries	11	—	0	57,346	64,596
Property, plant and equipment	12	46,678	44,475	1,272	1,260
Deferred tax asset	6	1,243	1,176	—	295
		<b>68,001</b>	<b>71,913</b>	<b>58,714</b>	<b>66,286</b>
<b>Current assets</b>					
Inventories		440	379	—	—
Trade and other receivables	13	19,570	18,461	761	1,647
Current tax asset		—	—	—	2,085
Cash and cash equivalents		6,579	3,188	699	624
		<b>26,589</b>	<b>22,028</b>	<b>1,460</b>	<b>4,356</b>
<b>Current liabilities</b>					
Trade and other payables	14	(18,287)	(17,192)	(8,080)	(17,519)
Current tax liabilities		(652)	(658)	—	—
Borrowings	15	—	(171)	—	(2)
Provisions	16	(50)	(50)	—	—
		<b>(18,989)</b>	<b>(18,071)</b>	<b>(8,080)</b>	<b>(17,521)</b>
<b>Net current assets / (liabilities)</b>		<b>7,600</b>	<b>3,957</b>	<b>(6,620)</b>	<b>(13,165)</b>
<b>Non-current liabilities</b>					
Borrowings	15	(17,378)	(13,833)	(17,378)	(13,835)
Provisions	16	(8,118)	(7,470)	—	—
		<b>(25,496)</b>	<b>(21,303)</b>	<b>(17,378)</b>	<b>(13,835)</b>
<b>Net assets</b>		<b>50,105</b>	<b>54,567</b>	<b>34,716</b>	<b>39,286</b>
<b>Shareholders' equity</b>					
Share capital	17	10,295	10,275	10,295	10,275
Share premium account	18	757	748	757	748
Retained earnings	18	39,053	43,544	23,664	28,263
<b>Total equity</b>		<b>50,105</b>	<b>54,567</b>	<b>34,716</b>	<b>39,286</b>

The company made a loss of £3,602,000 (2016: loss of £154,000).

The notes on pages 59 to 97 form an integral part of these financial statements.

The financial statements were approved by the Board on 19 March 2018 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 2017

	Note	GROUP	
		2017 £'000	2016 £'000
<b>Operating activities</b>			
Cash generated from operations	21	10,530	12,859
Finance charges paid		(429)	(704)
Tax paid		(650)	(941)
<b>Net cash generated from operating activities</b>		<b>9,451</b>	<b>11,214</b>
<b>Investing activities</b>			
Proceeds on disposal of property, plant and equipment		62	—
Purchases of property, plant and equipment		(8,457)	(8,335)
Purchases of intangible assets		(373)	(51)
Purchase of business (net of cash or overdraft acquired)	23	—	(8,901)
<b>Net cash used in investing activities</b>		<b>(8,768)</b>	<b>(17,287)</b>
<b>Financing activities</b>			
Dividends paid	7	(1,027)	(665)
Issue of equity		28	186
Drawdown of loan facilities		3,711	6,208
Repayments of obligations under finance leases		(4)	(21)
<b>Net cash generated from financing activities</b>		<b>2,708</b>	<b>5,708</b>
Net increase / (decrease) in cash and cash equivalents		3,391	(365)
Cash and cash equivalents at beginning of year		3,188	3,553
<b>Cash and cash equivalents at end of year</b>		<b>6,579</b>	<b>3,188</b>

# Statements of Changes in Shareholders' Equity

For the year ended 31 December 2017

Group	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016	10,225	612	43,561	54,398
<b>Total comprehensive income for the year</b>				
Retained profit	—	—	405	405
Total comprehensive income for the year	—	—	405	405
<b>Transactions with the owners of the Company</b>				
Dividend	—	—	(665)	(665)
Issue of equity	50	136	—	186
Share-based payments	—	—	243	243
Total transactions with the owners of the Company	50	136	(422)	(236)
At 1 January 2017	10,275	748	43,544	54,567
Total comprehensive income for the year				
Retained loss	—	—	(3,494)	(3,494)
Total comprehensive income for the year	—	—	(3,494)	(3,494)
<b>Transactions with the owners of the Company</b>				
Dividend	—	—	(1,027)	(1,027)
Issue of equity	20	9	—	29
Share-based payments	—	—	194	194
Tax relating to transactions with owners of the Company	—	—	(164)	(164)
Total transactions with the owners of the Company	20	9	(997)	(968)
<b>At 31 December 2017</b>	<b>10,295</b>	<b>757</b>	<b>39,053</b>	<b>50,105</b>

# Statements of Changes in Shareholders' Equity

For the year ended 31 December 2017

<b>Company</b>	Share capital £'000	Share premium account £'000	Retained earnings £'000	Shareholders' equity £'000
At 1 January 2016	10,225	612	28,839	39,676
<b>Total comprehensive income for the year</b>				
Retained loss	—	—	(154)	(154)
Total comprehensive income for the year	—	—	(154)	(154)
<b>Transactions with the owners of the Company</b>				
Dividend	—	—	(665)	(665)
Issue of equity	50	136	—	186
Share-based payments	—	—	243	243
Total transactions with the owners of the Company	50	136	(422)	(236)
At 1 January 2017	10,275	748	28,263	39,286
Total comprehensive income for the year				
Retained loss	—	—	(3,602)	(3,602)
Total comprehensive income for the year	—	—	(3,602)	(3,602)
<b>Transactions with the owners of the Company</b>				
Dividend	—	—	(1,027)	(1,027)
Issue of equity	20	9	—	29
Share-based payments	—	—	194	194
Tax relating to transactions with owners of the Company	—	—	(164)	(164)
Total transactions with the owners of the Company	20	9	(997)	(968)
<b>At 31 December 2017</b>	<b>10,295</b>	<b>757</b>	<b>23,664</b>	<b>34,716</b>

# Notes to the Financial Statements

For the year ended 31 December 2017

## 1 Accounting policies

### (a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, 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 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. Therefore these financial statements do not include: a statement of cashflows and related disclosures, IAS 24 related party disclosures, capital management disclosures and the effect of future standards not adopted.

#### (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.

# Notes to the Financial Statements

For the year ended 31 December 2017

## 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 believe 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. Freehold land and buildings are recognised at historical cost.

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 or on a reducing balance 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, machinery and motor vehicles	– two to ten years

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

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

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

***Finance leases and hire purchase arrangements***

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

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

Depreciation is calculated in accordance with the above depreciation policies.

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

# Notes to the Financial Statements

For the year ended 31 December 2017

## 1 Accounting policies continued

### *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 or cells to which the provision relates 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.

**(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.

# Notes to the Financial Statements

For the year ended 31 December 2017

## 1 Accounting policies continued

### (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 non-IFRS measure used by management 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) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A contingent liability is disclosed if there is a possible obligation from a past event and the outflow is not probable or is unable to be measured.

**(s) 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.

# Notes to the Financial Statements

For the year ended 31 December 2017

## 1 Accounting policies continued

### *Impairment of goodwill, investments and fixed assets*

The Group has property, plant and equipment with a carrying value of £46,678,000 (note 12) and goodwill with a carrying value of £19,757,000 (note 9). These assets are reviewed annually for impairment as described in these financial statements to ensure that goodwill and property, plant and equipment are not carried above their estimated recoverable amounts. To assess if any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual outcomes could vary from such estimates of discounted future cash flows. Factors such as changes in expected use of property, plant and equipment, closure of facilities, or lower than anticipated revenues could result in impairment. An impairment loss of £3,348,000 was recorded in the income statement in 2016 and £6,307,000 in 2017. Further detail is explained in note 9. An impairment loss was recorded in the Company income statement in 2017 of £7,210,000 in respect of the investment in Colt. Further detail is explained in note 11.

### *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 2017, the net liability relating to current income tax is £652,000 (2016: £658,000). A deferred tax asset of £1,243,000 (2016: £1,176,000) 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.

### *Contingent liability*

The Group has made no provision (2016: £nil) for assessments relating to unpaid landfill taxes received from HMRC. This is based on the legal and other advice received by the Group over several years. This is shown in note 25.

**t) 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 17 Insurance Contracts	01 January 2021	Not yet endorsed
IFRS 16 Leases (Issued on 13 January 2016)	01 January 2019	01 January 2019
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations (issued on 8 December 2016)	01 January 2018	Not yet endorsed
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 9 Financial Instruments (Issued on 24 July 2014)	01 January 2018	01 January 2018
Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	01 January 2019	Not yet endorsed
Amendments to IAS 40: Transfers of investment property (issued 8 December 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 9: Prepayment features with negative compensation (issued 12 October 2017)	01 January 2019	Not yet endorsed
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued 12 October 2017)	01 January 2019	Not yet endorsed
Amendments to IFRS 4: Applying IFRS 9 financial instruments with IFRS 4 Insurance Contracts.	01 January 2018	01 January 2018
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 2018	Not yet endorsed
Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016)	01 January 2018	01 January 2018
Annual improvements to IFRS 2014-2016 Cycle (issued 8 December 2016) - Relating to IFRS 12 Disclosure of interest in other entities	01 January 2017	Not yet endorsed
IFRS 17 Insurance contracts	01 January 2021	Not yet endorsed
IFRS 16 Leases (Issued on 13 January 2016)	01 January 2019	01 January 2019

Management are in the process of assessing the impact that the implementation of IFRS 15 will have on revenue recognition, particularly with reference to the provision of services and other income streams. Other than in respect of IFRS 16 Leases, the application of these standards and interpretations is not expected to have a material impact on the Group's reported financial performance or position. IFRS 16 will not come into effect until our 2019 year end, therefore the impact assessment will be done nearer the time. However, it is likely to result in the current operating leases being recognised on the Balance Sheet (see note 20).

# Notes to the Financial Statements

For the year ended 31 December 2017

## 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 Executive Directors (the chief operating decision-makers) review internal management reports on at least a monthly basis. The following summary describes the operations of each of the Group's reportable segments:

- Energy & 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 & 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 below. Performance is measured based on the segment operating profit, as included in the internal management reports that are reviewed by the Group's Executive Directors. 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.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the profit earned by each segment without allocation of the share of central administration costs including Directors' salaries, finance costs, and income tax expense. This is the measure reporting to the Group's Executive Chairman for the purpose of resource allocation and assessment of segment performance.

## Information about reportable segments

	2017					Group £'000
	Energy & Construction £'000	Radioactive Waste Services £'000	Augean Integrated Services £'000	Industry & Infrastructure £'000	Augean North Sea Services £'000	
<b>Assets</b>						
Segment assets	53,229	960	4,566	16,866	11,147	86,768
<b>Unallocated segment assets</b>						
Deferred tax asset						1,243
Cash and cash equivalents						6,579
<b>Group total assets</b>						94,590
<b>Liabilities</b>						
Segment liabilities	(14,940)	(517)	(3,058)	(6,068)	(1,872)	(26,455)
<b>Unallocated segment liabilities</b>						
Bank overdraft and loans						(17,378)
Current tax liabilities						(652)
<b>Group total liabilities</b>						(44,485)

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

# Notes to the Financial Statements

For the year ended 31 December 2017

## 2 Operating segments continued

	2017					Group £'000
	Energy & Construction £'000	Radioactive Waste Services £'000	Augean Integrated Services £'000	Industry & Infrastructure £'000	Augean North Sea Services £'000	
<b>Revenue</b>						
Hazardous landfill activities	8,108	—	—	—	—	8,108
Non-hazardous landfill activities	4,890	—	—	—	—	4,890
Waste treatment activities	—	—	3,134	22,524	—	25,658
Total waste management activities	—	—	7,687	—	—	7,687
Energy generation	52	—	—	—	—	52
APCR management	9,572	—	—	—	—	9,572
Radioactive waste management	—	3,068	—	—	—	3,068
Processing of offshore waste	—	—	—	—	6,657	6,657
Rental of offshore equipment and personnel	—	—	—	—	5,736	5,736
Waste transfer activities	—	—	—	—	5,858	5,858
<b>Total revenue net of landfill tax</b>	<b>22,622</b>	<b>3,068</b>	<b>10,821</b>	<b>22,524</b>	<b>18,251</b>	<b>77,286</b>
Landfill tax	10,697	—	—	—	—	10,697
<b>Total revenue including inter-segment sales</b>	<b>33,319</b>	<b>3,068</b>	<b>10,821</b>	<b>22,524</b>	<b>18,251</b>	<b>87,983</b>
Inter-segment sales	(1,663)	—	(156)	(1,471)	(2)	(3,292)
<b>Revenue</b>	<b>31,656</b>	<b>3,068</b>	<b>10,665</b>	<b>21,053</b>	<b>18,249</b>	<b>84,691</b>
<b>Result</b>						
<b>Operating profit/(loss) before exceptional items</b>	<b>6,577</b>	<b>1,207</b>	<b>(352)</b>	<b>(760)</b>	<b>656</b>	<b>7,328</b>
Exceptional items (note 3)	(1,280)	(162)	(313)	(6,682)	(168)	(8,605)
<b>Operating profit/(loss)</b>	<b>5,297</b>	<b>1,045</b>	<b>(665)</b>	<b>(7,442)</b>	<b>488</b>	<b>(1,277)</b>
Net finance charges						(850)
Central costs						(966)
<b>Loss before tax</b>						<b>(3,093)</b>
Tax (note 6)						(401)
<b>Loss after tax</b>						<b>(3,494)</b>
<b>Other information</b>						
Capital expenditure	4,958	62	1,273	1,355	1,130	8,778
Depreciation and amortisation	3,465	173	373	1,377	997	6,385
Impairment loss	—	—	—	6,307	—	6,307

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



	2016					Group £'000
	Energy & Construction £'000	Radioactive Waste Services £'000	Augean Integrated Services £'000	Industry & Infrastructure £'000	Augean North Sea Services £'000	
<b>Revenue</b>						
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
<b>Total revenue net of landfill tax</b>	26,292	1,205	8,185	19,959	12,935	68,576
Landfill tax	10,091	—	—	—	—	10,091
<b>Total revenue including inter-segment sales</b>	36,383	1,205	8,185	19,959	12,935	78,667
Inter-segment sales	(1,005)	(26)	(547)	(1,117)	(13)	(2,708)
<b>Revenue</b>	35,378	1,179	7,638	18,842	12,922	75,959
<b>Result</b>						
<b>Operating profit/(loss) before exceptional items</b>	8,349	308	(656)	457	481	8,939
Exceptional items (note 3)	(242)	(162)	(3,512)	(280)	(1,523)	(5,719)
<b>Operating profit/(loss)</b>	8,107	146	(4,168)	177	(1,042)	3,220
Net finance charges						(812)
Central costs						(1,141)
<b>Profit before tax</b>						1,267
Tax (note 6)						(862)
<b>Profit after tax</b>						405
<b>Other information</b>						
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.

# Notes to the Financial Statements

For the year ended 31 December 2017

## 3 Operating profit

Total operating profit for the year is arrived at after charging

	2017 £'000	2016 £'000
<b>Fees payable to the Company's auditor for the audit of the annual financial statements</b>	<b>74</b>	85
<b>Fees payable to the Company's auditor for other services:</b>		
– audit of the financial statements of the Company's subsidiaries pursuant to legislation	<b>33</b>	31
– other assurance services	<b>5</b>	9
Total audit fees	<b>107</b>	116
Total non-audit fees	<b>5</b>	9
	<b>112</b>	125
<b>Amortisation of intangible assets</b>	<b>447</b>	262
<b>Depreciation of property, plant and equipment:</b>		
– owned assets	<b>5,907</b>	5,970
– assets held under finance leases and hire purchase contracts	<b>31</b>	42
<b>Operating leases:</b>		
– land and buildings	<b>296</b>	241
– plant and machinery	<b>1,417</b>	1,009
<b>Loss on sale of property, plant and equipment</b>	<b>17</b>	–
<b>Exceptional items:</b>		
Impairment of property, plant and equipment (note 9)	<b>6,307</b>	3,348
Net settlement of trade-related legal case	<b>–</b>	1,162
Restructuring charges	<b>1,038</b>	297
Acquisition and disposal-related costs	<b>137</b>	820
Costs associated with landfill tax dispute	<b>1,093</b>	–
Other	<b>30</b>	92
<b>Exceptional charge from continuing operations</b>	<b>8,605</b>	5,719

## 4 Net finance charges

	2017 £'000	2016 £'000
Interest payable		
Interest and charges payable on bank loans and overdrafts	<b>665</b>	673
Interest on finance leases and hire purchase contracts	<b>2</b>	9
Unwinding of discount on provisions (note 16)	<b>183</b>	130
	<b>850</b>	812

## 5 Group and Company employees

The average monthly number of employees analysed by function was:

	2017 £'000	2016 £'000
Sales	31	31
Operations	349	331
Administration	89	75
	<b>469</b>	437

	2017 £'000	2016 £'000
Wages and salaries	17,375	14,579
Social security costs	1,639	1,766
Other pension costs	702	625
	<b>19,716</b>	16,970

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 an average of 341 (2016: 289) people in the year. The total employee costs to the Company were £12,310,000 (2016: £10,400,000)

The total remuneration of the Directors of the Company was £711,000 (2016: £721,000). The highest paid Director received total emoluments of £312,000 (2016: total emoluments of £362,000 including pension contributions of £15,000).

No Directors exercised share options during the year (2016: none).

The Directors have identified 16 (2016: 15) key management personnel. The total key management personnel compensation, including the Non-executive Directors, presented below, was as follows:

	2017 £'000	2016 £'000
Short-term employment benefits	2,264	1,326
Post-employment benefits	55	85
Share-based payments	194	243
	<b>2,513</b>	1,654

# Notes to the Financial Statements

For the year ended 31 December 2017

## 6 Taxation

Group	2017 £'000	2016 £'000
<b>Current tax</b>		
UK corporation tax on profit for the year	737	1,327
Adjustments in respect of prior years	(100)	(669)
	637	658
<b>Deferred tax</b>		
Charge / (credit) in respect of the current year	(121)	(802)
Reassessment of tax qualifying assets	—	379
Adjustments in respect of prior years	(115)	627
	(236)	204
<b>Tax charge on the result for the year</b>	<b>401</b>	<b>862</b>

Tax reconciliation for continuing operations

	2017		2016	
	£'000	%	£'000	%
(Loss) / profit before tax from continuing operations	(3,092)		1,267	
Tax at theoretical rate	(595)	19.25%	254	20%
Effects of:				
– expenses / (income) not deductible for tax purposes	1,120	(36)%	163	13%
– change in tax rate	47	(2)%	107	8%
– effect of share options	44	(2)%	67	5%
– adjustments in respect of prior years	(215)	7%	(42)	(3)%
– reassessment of tax qualifying assets	—	—	379	30%
– other	—	—	(66)	(5)%
<b>Tax charge on results</b>	<b>401</b>	<b>(13)%</b>	<b>862</b>	<b>68%</b>

The main rate of corporation tax in the UK was 19.25% (2016: 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
<b>At 1 January 2016</b>	315	1,005	145	—	851	2,316
Credited / (charged) to the income statement	(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)
<b>At 1 January 2017</b>	299	268	216	(361)	754	1,176
Credited / (charged) to the income statement	(181)	(77)	5	—	23	(230)
Charged to equity	—	—	(164)	—	—	(164)
Impairment of goodwill	—	—	—	361	—	361
Adjustment in respect of prior years	—	168	(8)	—	(60)	100
<b>At 31 December 2017</b>	<b>118</b>	<b>359</b>	<b>49</b>	<b>—</b>	<b>717</b>	<b>1,243</b>
Deferred tax assets	1188	924	49	—	717	1,808
Deferred tax liabilities	—	(565)	—	—	—	(565)
<b>At 31 December 2017</b>	<b>118</b>	<b>359</b>	<b>49</b>	<b>—</b>	<b>717</b>	<b>1,243</b>

Company	2017 £'000	2016 £'000
At beginning of the year	295	259
(Charged) / credited to the income statement during the year	(295)	36
<b>At end of the year</b>	<b>—</b>	<b>295</b>

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. £47,000 (2016: £102,000 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 £3,814,000 (2016: £3,282,000). 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:

	2017 £'000	2016 £'000
Depreciation in excess of capital allowances	—	—
Other temporary differences	663	538
Unrecognised deferred tax asset	663	538

There are no unrecognised deferred tax assets in the company (2016: nil).

# Notes to the Financial Statements

For the year ended 31 December 2017

## 7 Dividends

Company	2017 £'000	2016 £'000
Proposed final dividend for the year ended 31 December 2017 of nil pence per share (2016: 1.0 pence per share)	—	1,027
Total	—	1,027

At the forthcoming Annual General Meeting, the Board will recommend to Shareholders that a resolution is passed to pay no dividend for the year ended 31 December 2017.

## 8 Earnings per share

The calculation of basic earnings per share (EPS) is based on the loss attributable to ordinary Shareholders of £3,494,000 (2016: profit of £405,000) and a weighted average number of ordinary shares outstanding of 102,808,863 (2016: 102,420,517), calculated as follows:

	2017 £'000	2016 £'000
<b>Earnings for the purposes of basic and diluted EPS</b>	<b>(3,494)</b>	405
Exceptional items (net of associated tax)	7,842	4,117
<b>Earnings for the purposes of adjusted basic and diluted EPS</b>	<b>4,348</b>	4,522

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. In 2017 the exercise of share options would decrease the loss per share and be antidilutive. They have therefore been excluded from the calculation of the weighted average number of shares for unadjusted diluted earnings per share.

	2017 £'000	2016 £'000
<b>Number of shares</b>		
Weighted average number of shares for basic earnings per share	<b>102,808,863</b>	102,420,517
Effect of dilutive potential ordinary shares from share options	<b>1,790,587</b>	1,775,783
Weighted average number of shares for diluted earnings per share	<b>104,599,450</b>	104,196,300
<b>Earnings per share</b>		
Basic	<b>(3.40)p</b>	0.40p
Diluted	<b>(3.40)p</b>	0.39p
<b>Adjusted earnings per share</b>		
Basic	<b>4.23p</b>	4.42p
Diluted	<b>4.16p</b>	4.34p

## 9 Goodwill

	2016 £'000
<b>Cost</b>	
At 1 January 2016	103,923
Acquisition	4,240
At 1 January 2017	108,163
Acquisition	—
<b>At 1 January 2017 and 31 December 2017</b>	<b>108,163</b>
<b>Accumulated impairment</b>	
At 1 January 2016	(84,166)
At 1 January 2017	(84,166)
Impairment charge	(4,240)
<b>At 31 December 2017</b>	<b>(88,406)</b>
<b>Net book value</b>	
<b>At 31 December 2017</b>	<b>19,757</b>
At 1 January 2017	23,997
At 1 January 2016	19,757

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 2017 compared to eight CGUs at 31 December 2016.

The allocation of goodwill by CGU is as follows:

	2017 £'000	2016 £'000
Energy and Construction business unit	<b>12,575</b>	12,575
Colt Industrial Services CGU	—	4,240
Industry and Infrastructure business unit	<b>7,182</b>	7,182
Total	<b>19,757</b>	23,997

The increase in goodwill in the prior 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.

# Notes to the Financial Statements

For the year ended 31 December 2017

## 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 2017.

○ The high temperature incinerator at East Kent (EKHTI), which was written down to a net book value of £1 in 2016;

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 9.5% (2016: 9.7%), 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 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 described above there is no indication of impairment with headroom of £64.8m (2016: £35.4m). Sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	Impact in 2017	Impact in 2016
Discount factor	1%	<b>£7.5m</b>	£5.2m
EBITDA margin	1%	<b>£2.2m</b>	£2.2m
Revenue growth rate	1%	<b>£1.2m</b>	£1.3m

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

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

- based on approved budgets and plans for 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 described above there is no indication of impairment with headroom of £2.4m (2016: £1.9m). Sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	Impact in 2017	Impact in 2016
Discount factor	1%	<b>£0.8m</b>	£0.7m
EBITDA margin	1%	<b>£1.6m</b>	£1.6m
Revenue growth rate	1%	<b>£1.5m</b>	£1.5m



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

- based on approved budgets and plans for 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 2% per annum for the first three years before reducing to 1% per annum for the remaining time horizon;
- 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 described above there is no indication of impairment with headroom of £0.0m (2016: £Nil). Sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	Impact in 2017	Impact in 2016
Discount factor	1%	£0.0m	N/A
EBITDA margin	1%	£0.3m	N/A
Revenue growth rate	1%	£0.3m	N/A

Consideration has been given by the Directors of whether there is a potential reversal of impairment recorded in previous years. However, given the uncertainty around the future performance of the EKHTI CGU the Directors have concluded that no reversal of impairment is required.

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

- based on approved budgets and plans for 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;
- there is no approved maintenance capex in 2018, therefore capex expenditure of £50k is expected for 2019 onwards, increasing by 1% per annum; 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 Colt Industrial Services CGU has a value in use of £2.0m. The Colt business has £4.2m of Goodwill, £1.9m of customer relationship, and £2.2m of tangible PPE associated with it.

The Directors have concluded that the fair value less costs of disposal (net resale value) of the PPE is £2.0m. Therefore the impairment charge has been allocated to the goodwill first and then to intangible customer relationship assets, with the balance being allocated to tangible fixed assets.

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.

# Notes to the Financial Statements

For the year ended 31 December 2017

## 10 Other intangible assets

	GROUP		COMPANY	
	Computer software £'000	Customer relationships £'000	Computer software and total £'000	Computer software and total £'000
<b>Cost</b>				
At 1 January 2016	854	—	854	798
Additions	51	2,262	2,313	63
<b>At 1 January 2017</b>	<b>905</b>	<b>2,262</b>	<b>3,167</b>	<b>861</b>
Additions (note 23)	373	—	373	13
<b>At 31 December 2017</b>	<b>1,278</b>	<b>2,262</b>	<b>3,540</b>	<b>874</b>
<b>Amortisation</b>				
At 1 January 2016	640	—	640	596
Charge for the year	130	132	262	130
<b>At 1 January 2017</b>	<b>770</b>	<b>132</b>	<b>902</b>	<b>726</b>
Charge for the year	185	262	447	52
Impairment loss (note 9)	—	1,868	1,868	—
<b>At 31 December 2017</b>	<b>955</b>	<b>2,262</b>	<b>3,217</b>	<b>778</b>
<b>Net book value</b>				
<b>At 31 December 2017</b>	<b>323</b>	<b>—</b>	<b>323</b>	<b>96</b>
At 1 January 2017	135	2,130	2,265	135
At 1 January 2016	214	—	214	202

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

## 11 Investments in subsidiaries

	2016 £'000
<b>Cost</b>	
At 1 January 2016	133,483
Additions	13,789
At 1 January 2017	147,272
<b>At 31 December 2017</b>	<b>147,272</b>
<b>Provision for impairment</b>	
At 1 January 2016	(82,676)
At 1 January 2017	(82,676)
Impairment loss	(7,210)
<b>At 31 December 2017</b>	<b>(89,886)</b>
<b>Net book value</b>	
<b>At 31 December 2017</b>	<b>57,386</b>
At 1 January 2017	64,596
At 1 January 2016	50,807

The subsidiary companies of the Group are as follows:

Name of company	Country of registration or incorporation	Proportion held at balance sheet date %	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
Colt Holdings Limited	England and Wales	100	Industrial Services
Colt Industrial Services Limited	England and Wales	100 (indirect)	Industrial Services
ASB Environmental Limited	England and Wales	100	Dormant
RNA Investments Limited	England and Wales	100	Dormant
Hitech Equipment Limited	Scotland	100	Dormant

These companies are owned directly by Augean except where noted.

Additions to investments in 2016 relate to the acquisition of Colt Holdings Ltd and its subsidiary Colt Industrial Services Ltd.

The impairment loss of £7,210,000 (2016: £Nil) recognised by the Company in 2017 relates to the investment in ASB Environmental Limited which is in the process of being closed as at the balance sheet date and the impairment of the Company's investment in Colt Holdings Limited. A review of the carrying value of this investment was undertaken in the year subsequent to the performance of the business falling short of what was expected.

# Notes to the Financial Statements

For the year ended 31 December 2017

## 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
<b>Cost</b>					
<b>At 1 January 2016</b>	43,085	1,365	11,483	26,640	82,573
Additions	2,337	83	1,115	4,884	8,419
Acquisitions	1,138	—	—	1,386	2,524
Disposals	—	—	—	(63)	(63)
<b>At 1 January 2017</b>	46,560	1,448	12,598	32,847	93,453
Additions	1,159	8	2,374	5,237	8,778
Revision of provisions	—	—	(379)	—	(379)
Disposals	—	—	—	(180)	(180)
<b>At 31 December 2017</b>	<b>47,719</b>	<b>1,456</b>	<b>14,593</b>	<b>37,904</b>	<b>101,672</b>
<b>Accumulated depreciation</b>					
<b>At 1 January 2016</b>	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)
<b>At 1 January 2017</b>	12,820	327	11,999	23,832	48,978
Charge for year	615	104	1,691	3,528	5,938
Impairment loss (note 9)	—	—	—	200	200
Disposals	—	—	—	(122)	(122)
<b>At 31 December 2017</b>	<b>13,435</b>	<b>431</b>	<b>13,690</b>	<b>27,438</b>	<b>54,994</b>
<b>Net book value</b>					
<b>At 31 December 2017</b>	<b>34,284</b>	<b>1,025</b>	<b>903</b>	<b>10,466</b>	<b>46,678</b>
At 1 January 2017	33,740	1,121	599	9,015	44,475
At 1 January 2016	32,042	1,133	907	8,836	42,918

There were outstanding contractual commitments for acquisitions of property, plant or equipment of £1,105,000 at 31 December 2017 (2016: £267,000). Plant and machinery includes assets held under finance lease agreements with a carrying value at 31 December 2017 of £Nil (2016: £31,000).

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:

	2017 £'000	2016 £'000
Cost	154	154
Accumulated depreciation	(154)	(123)
<b>Net book value</b>	<b>—</b>	<b>31</b>

## Company

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>			
<b>At 1 January 2016</b>	778	1,457	2,235
Additions	—	224	224
<b>At 1 January 2017</b>	778	1,681	2,459
Additions	64	109	173
<b>At 31 December 2017</b>	<b>842</b>	<b>1,790</b>	<b>2,632</b>
<b>Accumulated depreciation</b>			
<b>At 1 January 2016</b>	132	914	1,046
Charge for year	11	142	153
<b>At 1 January 2017</b>	143	1,056	1,199
Charge for year	8	153	161
<b>At 31 December 2017</b>	<b>151</b>	<b>1,209</b>	<b>1,360</b>
<b>Net book value</b>			
<b>At 31 December 2017</b>	<b>691</b>	<b>581</b>	<b>1,272</b>
At 1 January 2017	635	625	1,260
At 1 January 2016	646	543	1,189

**13 Trade and other receivables**

## Current assets

	GROUP		COMPANY	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade receivables	15,561	15,135	—	73
Other taxes recoverable	—	—	—	202
Prepayments and accrued income	4,009	3,326	761	1,377
	<b>19,570</b>	18,461	<b>761</b>	1,647

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	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Current</b>				
Trade payables	6,332	5,298	516	194
Amounts due to subsidiary undertakings	—	—	6,704	15,724
Other taxes and social security	5,575	4,223	362	323
Accruals and deferred revenue	6,380	7,671	498	1,278
	<b>18,287</b>	17,192	<b>8,080</b>	17,519

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

# Notes to the Financial Statements

For the year ended 31 December 2017

## 15 Borrowings

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

	GROUP		COMPANY	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Current</b>				
Bank overdraft	—	166	—	—
Bank loans	—	—	—	—
Obligations under finance leases and hire purchase contracts	—	5	—	2
	—	171	—	2
<b>Non-current</b>				
Bank loans	17,378	13,833	17,378	13,833
Obligations under finance leases and hire purchase contracts	—	—	—	—
	17,378	13,833	17,378	13,833
<b>Analysis of total borrowings</b>				
Bank overdraft	—	166	—	—
Bank loans	17,378	13,833	17,378	13,833
Obligations under finance leases and hire purchase contracts	—	5	—	2
	17,378	14,004	17,378	13,835
Total borrowings are repayable as follows:				
– on demand or within one year	—	171	—	2
– in the second year	—	—	—	—
– in the third to fifth years inclusive	17,378	13,833	17,378	13,833
	17,378	14,004	17,378	13,835
Obligations under finance leases and hire purchase contracts are repayable as follows:				
– on demand or within one year	—	4	—	2
– in the second year	—	—	—	—
	—	4	—	2

The obligations under finance leases and hire purchase contracts are secured against the specific assets financed with a carrying amount of £Nil (2016: £31,000). The bank overdraft, bank loan and guarantees are secured by way of a first legal charge over certain freehold properties, debentures, cross guarantees and indemnities across the Group.

During the year the Group, following on from the HMRC dispute regarding landfill tax, breached its loan agreement with HSBC Bank plc in respect of the taxation clause of the bank credit facility which requires tax disputes to be less than £0.1m. HSBC has, at 31 December 2017 and through to the end of March 2019, waived this breach.

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
<b>At 1 January 2016</b>	2,946	3,877	76	6,899
<b>Charged to profit or loss during the year</b>				
– unwinding of discount	130	–	–	130
– provision in the year	183	420	–	603
Utilised during the year	(51)	(61)	–	(112)
<b>At 1 January 2017</b>	3,208	4,236	76	7,520
<b>Charged to profit or loss during the year</b>				
– unwinding of discount	183	–	–	183
– provision in the year	387	142	–	529
Utilised during the year	(64)	–	–	(64)
<b>At 31 December 2017</b>	<b>3,714</b>	<b>4,378</b>	<b>76</b>	<b>8,168</b>

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%. None of this provision is expected to be utilised within 12 months of the balance sheet date.

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 (2016: £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

	2017 £'000	2016 £'000
Allotted, called up and fully paid – 102,948,036 (2016: 102,748,383) shares of 10p	<b>10,295</b>	10,275

During the year, 199,653 shares (2016: 499,300) were issued as a result of the exercise of share options. The total proceeds were £28,000 (2016: £192,000).

# Notes to the Financial Statements

For the year ended 31 December 2017

## 18 Reserves

	GROUP		
	Restoration and after-care costs of landfill sites £'000	Capping provision £'000	Other provisions £'000
<b>At 1 January 2017</b>	748	43,544	44,292
Total comprehensive income for the year	—	(3,494)	(3,494)
Issue of equity	9	—	9
Dividend (note 7)	—	(1,027)	(1,027)
Share-based payments	—	194	194
Tax relating to transactions with the owners of the Company	—	(164)	(164)
<b>At 31 December 2017</b>	<b>757</b>	<b>39,053</b>	<b>39,810</b>

	COMPANY		
	Restoration and after-care costs of landfill sites £'000	Capping provision £'000	Other provisions £'000
<b>At 1 January 2017</b>	748	28,263	29,011
Total comprehensive income for the year	—	(3,602)	(3,602)
Issue of equity	9	—	9
Dividend (note 7)	—	(1,027)	(1,027)
Share-based payments	—	194	194
Tax relating to transactions with the owners of the Company	—	(164)	(164)
<b>At 31 December 2017</b>	<b>757</b>	<b>23,664</b>	<b>24,421</b>

## 19 Share-based payments

At 31 December 2017, 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 2017	Granted	Exercised	Lapsed	At 31 December 2017
<b>Augean Share Option Schemes</b>						
December 2013 – December 2019	39.5p	202,531	—	—	—	202,531
May 2011 – May 2021	29p	55,172	—	—	—	55,172
August 2016 – August 2023	40.25p	1,000,000	—	—	(1,000,000)	—
		1,257,703	—	—	(1,000,000)	257,703
<b>Augean LTIP Scheme</b>						
April 2020 – September 2027	10p	—	1,580,535	—	(901,606)	678,929
April 2019 – September 2026	10p	1,015,369	—	—	(717,287)	298,082
April 2017 – September 2024	10p	1,932,694	—	(199,653)	(549,333)	1,183,708
		4,205,766	1,580,535	(199,653)	(3,168,226)	2,418,422
<b>Weighted average exercise price</b>		19.2p	10p	10p	19.5p	12.9p
<b>Of which exercisable</b>		1,257,703				1,441,411
Weighted average exercise price		39.6p				14.9p



Outstanding awards at 31 December 2016 were as follows:

Exercise date	Exercise price	At 1 January 2016	Granted	Exercised	Lapsed	At 31 December 2016
<b>Augean Share Option Schemes</b>						
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
<b>Augean LTIP Scheme</b>						
April 2019 – September 2026	10p	—	1,388,922	—	(416,189)	972,733
April 2017 – September 2024	10p	2,928,530	—	—	(1,046,952)	1,881,578
		4,685,533	1,388,922	(499,300)	(1,463,141)	4,112,014
<b>Weighted average exercise price</b>		20.9p	10.0p	37.3p	10.0p	19.2p
<b>Of which exercisable</b>		753,003				1,257,703
Weighted average exercise price		37.3p				39.6p

#### LTIP Scheme

In 2014, 2016 and 2017, 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:

	2017 LTIP	2016 LTIP	2014 LTIP	2011 Share options	2009 Share options
Grant date	28 April 2017	31 October 2016	23 September 2014	20 May 2011	21 December 2009
Exercise period	April 2020 – September 2027	April 2019 – September 2026	April 2017 – September 2024	May 2014 – May 2021	December 2014 – December 2019
Share price at grant date	65.0p	52.5p	49.5p	28.9p	39.5p
Exercise price	10p	10.0p	10.0p	29.0p	39.5p
Expected volatility	25.03%	21.18%	24.80%	35%	43%
Expected life (years)	2.7	2.5 years	2.6 years	4 years	4 years
Risk-free rate	0.1%	0.3%	0.8%	2.3%	2.5%
Expected dividend yield	1.54%	1.24%	0.70%	0.0%	0.0%
Fair value per option (pence)	52	27 – 41	22 – 39	9	4

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.

# Notes to the Financial Statements

For the year ended 31 December 2017

## 19 Share-based payments continued

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

The 2014, 2016 and 2017 LTIPs have performance conditions associated with it as detailed in the Directors' Remuneration Report.

For options outstanding at 31 December 2017, the weighted average remaining contractual life is 8.2 years (2016: 9.6 years).

The Group recognised a total expense of £194,000 (2016: £243,000) related to equity-settled share-based payment transactions, of which £194,000 (2016: £161,000) related to LTIP schemes.

## 20 Operating lease commitments

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

	2017 £'000	2016 £'000
<b>Plant and machinery</b>		
Payments due:		
– within one year	1,457	688
– within two to five years	2,319	1,130
– after five years	2	–
	<b>3,778</b>	1,818
<b>Land and buildings</b>		
Payment due:		
– within one year	217	221
– within two to five years	314	626
– after five years	899	930
	<b>1,430</b>	1,777

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

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

	GROUP	
	2017 £'000	2016 £'000
Operating (loss) / profit	(2,243)	2,079
Amortisation of intangible assets	447	262
Depreciation	5,938	6,012
Impairment charge	6,307	3,348
Earnings before interest, tax, depreciation and amortisation (EBITDA)	10,449	11,701
Share-based payments	194	243
(Increase) / decrease in inventories	(59)	(58)
(Increase) / decrease in trade and other receivables	(1,109)	(4,121)
Increase / (decrease) in trade and other payables	474	4,715
Increase / (decrease) in provisions	520	359
(Profit) / loss on disposal of property, plant and equipment	61	20
Cash generated from operations	10,530	12,859
Finance charges paid	(429)	(704)
Tax paid	(650)	(941)
<b>Net cash generated from operating activities</b>	<b>9,451</b>	<b>11,214</b>

The above EBITDA and net cash generated from operating activities includes a total net cash outflow of £1,602,000 relating to exceptional items (2016: outflow of £2,371,000).

## 22 Analysis of changes in net debt

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

	1 January 2017 £'000	Cash flow £'000	Other movement £'000	31 December 2017 £'000
Cash and cash equivalents	3,188	3,391	—	6,579
Overdraft	(167)	167	—	—
Bank loans	(13,833)	(3,711)	166	(17,378)
Finance leases	(4)	4	—	—
<b>Net debt</b>	<b>(10,816)</b>	<b>(149)</b>	<b>166</b>	<b>(10,799)</b>

The other movement relates to the amortisation of the fees incurred to set up the bank facility.

# Notes to the Financial Statements

For the year ended 31 December 2017

## 23 Financial instruments

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

	GROUP			COMPANY		
	Loans and receivables £'000	Non-financial assets £'000	Total £'000	Loans and receivables £'000	Non-financial assets £'000	Total £'000
<b>As at 31 December 2017</b>						
Goodwill	—	19,757	19,757	—	—	—
Other intangible assets	—	323	323	—	96	96
Investments in subsidiaries	—	—	—	—	57,346	57,346
Property, plant and equipment	—	46,678	46,678	—	1,272	1,272
Deferred tax asset	—	1,243	1,243	—	—	—
Inventories	—	440	440	—	—	—
Trade and other receivables	15,561	4,009	19,570	—	761	761
Current tax asset	—	—	—	—	—	—
Cash and cash equivalents	6,579	—	6,579	699	—	699
	<b>22,140</b>	<b>72,450</b>	<b>94,590</b>	<b>699</b>	<b>59,475</b>	<b>60,174</b>

	GROUP			COMPANY		
	Loans and receivables £'000	Non-financial assets £'000	Total £'000	Loans and receivables £'000	Non-financial assets £'000	Total £'000
<b>As at 31 December 2016</b>						
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
	<b>18,323</b>	<b>75,618</b>	<b>93,941</b>	<b>697</b>	<b>69,944</b>	<b>70,641</b>

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

	GROUP			COMPANY		
	Financial liabilities at amortised cost £'000	Liabilities not within scope of IAS 39 £'000	Balance sheet total £'000	Financial liabilities at amortised cost £'000	Liabilities not within scope of IAS 39 £'000	Balance sheet total £'000
<b>As at 31 December 2017</b>						
Trade and other payables – current	6,332	11,955	18,287	6,375	1,199	7,574
Current tax liabilities	—	652	652	—	—	—
Borrowings – current	—	—	—	—	—	—
Borrowings – non-current	17,378	—	17,378	17,378	—	17,378
Provisions	—	8,168	8,168	—	—	—
	<b>23,710</b>	<b>20,775</b>	<b>44,485</b>	<b>26,753</b>	<b>1,199</b>	<b>24,952</b>

	GROUP			COMPANY		
	Financial liabilities at amortised cost £'000	Liabilities not within scope of IAS 39 £'000	Balance sheet total £'000	Financial liabilities at amortised cost £'000	Liabilities not within scope of IAS 39 £'000	Balance sheet total £'000
As at 31 December 2016						
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

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

#### Group

	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Total financial liabilities £'000
<b>As at 31 December 2017</b>			
Trade and other payables – current	18,407	—	18,407
Borrowings – current	—	—	—
Borrowings – non-current	—	17,378	17,378
Total	18,407	17,378	35,785

	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Total financial liabilities £'000
As at 31 December 2016			
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

# Notes to the Financial Statements

For the year ended 31 December 2017

## 23 Financial instruments continued Company

	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Total financial liabilities £'000
<b>As at 31 December 2017</b>			
Trade and other payables – current	8,081	—	8,081
Borrowings – current	—	—	—
Borrowings – non-current	—	18,878	17,378
	<b>8,081</b>	<b>18,878</b>	<b>25,459</b>
	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Total financial liabilities £'000
As at 31 December 2016			
Trade and other payables – current	17,519	—	17,519
Borrowings – current	—	—	—
Borrowings – non-current	—	13,835	13,835
	<b>17,519</b>	<b>13,835</b>	<b>31,354</b>

### 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 2017, the Group carried net debt of £10,799,000 (2016: £10,816,000) 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	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash and cash equivalents	6,579	3,188	699	624
Trade and other receivables	16,376	15,135	—	73
	<b>22,955</b>	18,323	<b>699</b>	697

At 31 December 2017, £7.0m (2016: £6.0m) of the Group's trade receivables were past due. A provision of £0.8m (2016: £0.1m) is held to mitigate the exposure to potential bad and doubtful debts.

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

	2017 £'000	2016 £'000
Not more than four months past due	6,311	6,277
More than four months past due	1,095	225
Total past due trade receivables	7,406	6,502
Trade receivables not yet past due	8,953	8,767
Total gross trade receivables	16,359	15,269
Bad debt provision	(798)	(134)
Total net trade receivables (note 13)	15,561	15,135

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

The Company has no trade receivables.

The movement on the bad debt provision in the year is analysed below. The Group provides for bad debts on a specific basis with reference to the age profile of the trade receivables held at the year end.

	£'000
Bad debt provision as at 31 December 2016	134
Amounts utilised	(45)
Amounts provided	709
<b>Bad debt provision as at 31 December 2017</b>	<b>798</b>

# Notes to the Financial Statements

For the year ended 31 December 2017

## 23 Financial instruments continued

### Interest rate risk

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

The interest rate profile of the Group and Company's borrowings at 31 December 2017 was:

Group	Floating rate £'000	Total £'000
Bank loans	17,378	17,378
Finance leases	—	—
<b>At 31 December 2017</b>	<b>17,378</b>	<b>17,378</b>
At 31 December 2016	14,004	14,004

Company	Floating rate £'000	Total £'000
Bank loans	17,378	17,378
Finance leases	—	—
<b>At 31 December 2017</b>	<b>17,378</b>	<b>17,378</b>
At 31 December 2016	13,833	13,833

The Group met its short term working capital requirements during 2017 through an overdraft and revolving loan facility with HSBC Bank plc, renewed in March 2016 and 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 £65,000 (2016: £50,000).

The hire purchase agreements of the Group under a floating rate contract have a weighted average interest rate of nil% (2016: 5.8%) and a weighted average remaining duration of nil years (2016: 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	2017 £'000	2016 £'000
Share capital	17	10,295	10,275
Share premium	18	756	748
Borrowings	15		17,378
		<b>28,429</b>	25,027



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 (2016: £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 £8.9m of headroom at 31 December 2017 (2016: £9.2m).

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:

	2017 Actual	2017 Target	2016 Actual
Net debt to EBITDA*	1.0	<2.5	0.9
EBIT* to net bank debt cash costs	9.5	>3.5	11.6
Net debt to equity (gearing) (%)	20.9%	prior year	19.9%
Free cash flow (£'000s)	994	prior year	2,879

\* from continuing operations and excluding exceptional items

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

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

	2017 £'000	2016 £'000
Net operating cash flow (note 21)	9,451	11,214
Purchase of property, plant and equipment	(8,457)	(8,335)
Free cash flow	994	2,879

# Notes to the Financial Statements

For the year ended 31 December 2017

## 24 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 £702,000 (2016: £589,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2017, contributions of £7,000 (2016: £27,000) due in respect of the current reporting period had not been paid over to the schemes.

## 25 Contingent liabilities

In accordance with Pollution, Prevention and Control (PPC) permitting, the Group has to make such financial provision as is deemed adequate by the Environment Agency to discharge its obligations under the relevant site permits for its landfill sites. Consequently, guarantees have been provided, by certain subsidiaries of the Company, in favour of the Environment Agency in respect of the Group's landfill sites. Total guarantees outstanding at the year-end were £8.9m (2016: £7.7m). Future site restoration costs for each landfill site have been provided as disclosed in note 16.

In August 2017, the Group announced that it had received an assessment by HMRC for landfill tax for the three months ended 31 August 2013. The Group has continued to receive further assessments for Augean North and Augean South. HMRC has been discussing with the Group whether it has paid sufficient landfill tax in relation to its treatment and disposal of hazardous waste. Those discussions are ongoing. HMRC has not required the Group to make any cash payment associated with these assessments.

Based on the legal and other advice received by the Group over several years, Augean is very confident that the Group has met its obligations in respect of landfill tax, consistent with the law and official guidance at the time. We understand this has been issued in order to protect HMRC against that period falling out of time (a four year look back applies for landfill tax) whilst they undertake further enquiries and discussion with the Group. The Group believes this assessment to be without merit and an appeal is ongoing supported by advice from leading counsel and its solicitors. We will robustly challenge this landfill tax assessment and any other subsequent assessment which may be received from HMRC, through the tax tribunal system if appropriate. The Group currently intends to account for the legal costs of the dispute with HMRC as an exceptional item but not to make a provision for this assessment based on the strength of independent legal and professional advice received. The estimated cash outflow is £nil.

## 26 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 £8.1m (2016: £15.7m 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.

## 27 Post balance sheet events

On 16 March 2018, and as separately communicated to Shareholders on that date, the Group completed the disposal of the entire issued share capital of its subsidiary engaged in total waste management activity, Augean Integrated Services Limited, to Regen Holdings Limited. This business has previously been reported by the Group as part of the Augean Integrated Services segment.

The consideration (subject to working capital adjustments) is expected to be in the region of £4.1m and an exceptional gain on disposal is expected to be recorded in the FY18 half yearly report and full year financial statements.

# Notice of Annual General Meeting

We are pleased to write to you with details of our 2018 Annual General Meeting (AGM) which will be held at 6 Stratton Street, Mayfair, London W1J 8LD on Monday 25 June 2018 at 12.00pm. The formal notice of Annual General Meeting is set out on page 99 to 100 of this document.

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

## Authority to allot shares (Resolution 9)

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 9, which will be proposed as an ordinary resolution, seeks to renew the allotment authority so that the Section 551 amount shall be £3,431,601 (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 9 is passed to 30 June 2019 or the conclusion of the Company's next annual general meeting, whichever is earlier.

## Authority to purchase own shares (Resolution 10)

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 10, which will be proposed as a special resolution, seeks to grant the directors the authority, for the period from the date Resolution 10 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 10,294,803 Ordinary shares, being an amount equal to approximately 10% of the issued share capital of the Company (as at the 19 March 2018, 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 per cent 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 11)

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 11, which will be proposed as a special resolution and which will only be effective if Resolution 9 is passed, seeks to renew the disapplication authority so that the Section 561 amount shall be £514,740 (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 11 is passed to 30 June 2019 or the conclusion of the Company's next annual general meeting, whichever is earlier.

### Political donations (Resolution 12)

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 12 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 99. To be valid, the proxy appointment must be received at the address for delivery specified in the notes by no later than 12.00pm on Thursday 21 June 2018. 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 IS HEREBY GIVEN** that the 2018 Annual General Meeting of Augean plc (the “**Company**”) will be held at 6 Stratton Street, Mayfair, London W1J 8LD on Monday 25 June 2018 at 12.00pm for the purpose of considering and, if thought fit, passing the resolutions set out below. Resolution 10 and 11 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 2017 be received.
2. THAT Roderick Antony Holdsworth be re-elected as a director of the Company.
3. THAT John Albert Martin Grant be re-elected as a director of the Company.
4. THAT Christopher Harwood Bernard Mills be elected as a director of the Company.
5. THAT Roger Steven McDowell be elected as a director of the Company.
6. THAT Andrew John Bryce be elected as a director of the Company.
7. 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.
8. THAT the directors be authorised to determine the auditors’ remuneration.
9. 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 2019 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 £3,431,601.

# Notice of Annual General Meeting

10. 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:
- the maximum number of Ordinary shares hereby authorised to be acquired is 10,294,803;
  - the minimum price (excluding expenses) which may be paid for any such Ordinary share is its nominal value of 10p;
  - 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;
  - 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
  - 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.
11. THAT, subject to the passing of resolution 9, 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 2019 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 £514,740.

12. 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:

- make political donations to political parties and/or to independent election candidates, not exceeding £50,000 in aggregate;
- make political donations to political organisations other than political parties, not exceeding £50,000 in aggregate; and
- 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  
19 March 2018

*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 12.00pm on Saturday 23 June 2018 (the "Specified Time") will be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at the time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend and vote at the AGM.
- (b) Any member may appoint a proxy to attend, speak and vote on his/her behalf. A member may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares of the member, but must attend the meeting in person. A proxy need not be a member. Completion of a proxy appointment form does not prevent a member from attending and voting in person if he/she is entitled to do so and so wishes.
- (c) Hard copy appointment of proxies: A hard copy proxy appointment form is enclosed for use at the AGM. To be valid, it must be completed in accordance with the instructions that accompany it and delivered, together with any authority under which it is executed or a copy of the authority certified notari ally, by post or (during normal business hours only) by hand to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received no later than 12.00pm on Thursday 21 June 2018.

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](http://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 12.00pm on Thursday 21 June 2018.
- (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 12.00pm on Thursday 21 June 2018. 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.

# Notice of Annual General Meeting

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](http://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.



# Advisers and Company Information

## Secretary

A McGhin

## Registered office

4 Rudgate Court  
Walton  
Wetherby  
West Yorkshire LS23 7BF

## Registered number

5199719  
(incorporated and registered in England and Wales)

## Website

[www.augeanplc.com](http://www.augeanplc.com)

## Broker and nominated adviser

N+1 Singer Capital Markets  
One Bartholomew Lane  
London EC2N 2AX

## Auditor

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

## Solicitors

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

## Bankers

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

## Registrars

Computershare Investor Services PLC  
The Pavilions  
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Bristol BS13 8A



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