



Specialist services focused on  
managing hazardous wastes



# ANNUAL REPORT & ACCOUNTS

**Annual Report & Accounts**  
for the year ended 31 December 2019

Stock Code: AUG





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# Executive Chairman's Statement

The Group continued with its streamlined business model in 2019 with focus on increasing revenue in attractive, niche growing segments of the hazardous waste market to drive increased underlying cash generation and adjusted profit. The strong underlying trading in all of the Group's businesses resulted in adjusted profit before tax increasing 68% to £19.2m. This profit excludes the one-off items which do not impact underlying performance, notably accounting charges in relation to the payment of £40.4m of disputed Landfill Tax assessments and Long Term Incentive Plan (LTIP) payments which are reconciled in note 27. Overall the Group made a loss after tax of £12.8m in 2019.

The amended banking facilities with HSBC agreed in December 2019 allowed the Group to pay all currently received assessments from HMRC which totalled £40.4m including interest. Based on legal advice received, we maintain our position that we have correctly collected and paid the appropriate Landfill Tax, and we will continue to robustly challenge the assessments received through the tax tribunal system. Nonetheless, paying these assessments fully has enabled the Group to obtain an appropriate corporation tax deduction and to focus on implementing its strategy for further growth and creation of future value.

The Group is currently trading in line with the Board's expectations for 2020 with a continued focus on business growth in niche segments and cash generation. The Board will not pay a dividend for 2019 (2018 final: nil), maintaining its position of not resuming dividends until debt, recently drawn down to fund the HMRC payment, is significantly reduced.

The Group continues to secure further contracts with top-tier customers in Energy from Waste, radioactive waste, construction waste and North Sea decommissioning. The Group achieved double digit growth in Energy from Waste (EfW) volumes in a year when no new municipal incinerators were commissioned. The volumes of construction and demolition waste improved significantly as a result of investment in the sales team and investment in processing solutions to generate the most environmentally beneficial outcomes for our customers.

Health and safety remain the highest priority for the Board, management and employees across the Group. The management team has continually improved the safety environment by enhancing hazard recognition, risk evaluation and learning from incidents. There was a small increase in the number of incidents and near misses recorded by the business during 2019. However, the number of accidents remains low and in line with the best performers in our industry. The Board continues to recognise the risks faced by our people, who work in challenging environments involving the 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 or as 'Excellent' by the Scottish Environmental Protection Agency.

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 strong progress during the year.

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.

The Group set ambitious targets for the 2019 year which it comprehensively exceeded. Undoubtedly 2020 is economically uncertain for the UK economy as a whole whilst Brexit plays out, but with limited direct exposure to EU markets, coupled with a strong start to 2020 trading and a robust pipeline of activity, the Board remains confident in the Group's prospects for the new financial year.

I look forward to updating Shareholders on our continuing progress and refreshed strategy during 2020.



**Jim Meredith**  
Executive Chairman  
25 February 2020

# Strategic Report

## Marketplace

### Treatment & Disposal and North Sea Services

The Group's segments experienced several different market conditions in the year:

#### 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. NPS confirmed the need for the portfolio of treatment and disposal facilities and services developed by Auegan. 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 5 million tonnes (Environment Agency) of waste handled in the UK each year. Within this arena Auegan continues to focus on the treatment and disposal of waste from the growth areas of construction and demolition activities, Oil and Gas, Energy-from-Waste operators, specialist manufacturers and other industrial producers.

#### Hazardous landfill

Approximately 0.9 million tonnes of hazardous waste are disposed per annum to hazardous landfill sites and the total UK capacity for hazardous landfill is at most 14 million cubic metres and declining as hazardous landfills are closing and new hazardous landfills are not being permitted (source: Environment Agency (EA) and management estimates). Auegan's Treatment & Disposal Business continues to be a leading provider within this market, holding approximately 40% of the UK's remaining and reducing scarce hazardous landfill capacity (source: EA data / management estimate).

Overall landfill volumes, including hazardous and non-hazardous, increased by over 20% in 2019 to in excess of 600,000 tonnes. The Group has focused on improving margins with an overall increase of over 13% achieved in 2019, worth approximately £3.1m.

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

Auegan's treatment and disposal to landfill includes the management of certain by-products from Energy-from-Waste plants, required to deliver the UK's obligation to significantly reduce the landfilling of municipal solid waste by the end of 2020, and from biomass energy plants. These facilities produce air pollution control residues (APCR) also known as fly ash and intermediate bottom ash (IBA). The Group has developed the capability to treat and dispose of these ashes and residues at our sites at Port Clarence and East Northants Resource Management Facility (ENRMF). This market is expected to grow at 8% compound average growth rate through to 2024 (Source: Tolvik). Disappointingly, due to funding cycles and operational issues, no new incinerators came online in 2019. With this background, it is particularly pleasing that the Group was able to grow ash volumes in 2019 by 12%. The Group actively monitors technological developments in the treatment and recycling of this material to ensure its long-term competitive position in this market.

The Group expects to continue winning market share in ash volumes and therefore exceed the market growth rate. This will be achieved as new municipal ash contracts, that have already been won and announced, come online in 2020.

#### Construction waste market

Construction soils are a key volume input to the Group's landfill sites. 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 invested in soil washing and treatment equipment to promote recycling of a higher proportion of such materials, as required by the market. Capitalising on the strong progress made in the second half of 2018, the Group has continued to grow construction waste volumes during 2019 which are up 46% compared to 2018.

The Group expects the construction waste market to be slower in the first half of 2020 due to the timing of the General Election and the potential impact of Brexit before it increases in the second half of the year. Any marked increase in Government infrastructure would positively impact volumes albeit over the medium term.

### 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.

During 2019 the volumes of radioactive waste processed by the Group increased by 35% as a result of significant volumes from a small number of significant contracts. These contracts will mainly expire in 2020 and therefore the Group will need to win new contracts to maintain and grow volumes. The performance may well therefore be 'lumpy' dependent on the timing of these new contracts.

### 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. In 2019 the Group maintained its very low share in this market.

The market has some reliance on facilities in mainland Europe for the recovery of energy from organic waste derived fuels. The opportunity to send waste to energy recovery routes within mainland Europe has remained stable and Augean benefits from these disposal routes. The impact of Brexit on these routes is difficult to predict but the position is being closely monitored with the Group Board having access to expert advice. The Group has established additional disposal routes, which it believes will ensure business continuity in this regard. Additionally, inventories have been managed down to reduce risk as we progress towards the end of the transition period. The level of sales impacted by this potential change is less than 3% and the impact on profit is negligible.

### North Sea Services

#### North Sea Oil and Gas waste services market

The markets for waste produced in the exploration, appraisal, development, production and decommissioning of North Sea Oil and Gas are centred on Aberdeen and extend to the Shetland Isles for the Northern sector, and Great Yarmouth for the Southern sector. North Sea Services (NSS) provide a full range of services, equipment rental and manpower provision for the containment, treatment and associated specialised industrial

cleaning of all Oil and 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, NSS now provide full NORM decontamination of wellbore and topside production equipment from the 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 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.

The Group has been very busy in 2019 on the specialised cleaning and preparation of the Shell Curlew Floating Platform, Storage and Offloading vessel. This is one of the Group's first major decommissioning projects which has generated significantly more work than initially expected when the project started in June 2019. The project has now substantially completed, with finalisation work being concluded by the half year. The Group has a strong pipeline of similar decommissioning contracts as well as a strong and growing supply of equipment, pipelines and tubulars requiring cleaning and NORM disposal. The Group expects the decommissioning market to exhibit long term sustained growth albeit with a certain level of 'lumpiness' around the timing of the major projects.

The Group's sales in the North Sea increased by 61% in 2019 with adjusted operating profit growing to £2.6m from £2.1m in 2018. Earnings before interest, tax and depreciation (EBITDA) similarly grew to £4.2m from £3.1m in 2018.

The above five areas represent the Group's targeted niche growth markets. Each has shown good growth during 2019, validating the Group's strategy.

## Business Model and Strategy

The strategy of the Group previously set out has been to focus on growing shareholder value in niche higher growth hazardous market segments.

The business currently has two short-term objectives against which good progress has been made in 2019.

Strategic focus	Description	Progress / KPIs
Resolve HMRC position	HMRC has issued the group with assessments in relation to its treatment and disposal of hazardous waste. Based on the legal and other advice received by the Group over several years, Augean is confident that the group has met its obligations in respect of Landfill Tax, consistent with the law and official guidance at the time.	Payment of £40.4m in December 2019 with tribunal appeal expected in 2020 earliest
Maximise profitability and cash generation of business	The Board has implemented several rounds of cost reduction including a management re-organisation, which have resulted in a significant cost saving and increase in profitability.	Year on year profit growth in underlying businesses measured using adjusted profit (note 27)  Increase in cash generation from underlying businesses

# Operating Review

## Introduction

The Group operated through two business units during 2019 and 2018, being Treatment & Disposal and North Sea Services. This reflects the operational management of the business. Within these segments, the Group's core strategic markets are Energy from Waste, treatment, nuclear decommissioning and North Sea decommissioning.

	Adjusted continuing revenues (£'m)		Adjusted operating profit before PLC costs (£'m)	
	2019	2018	2019	2018
<b>Treatment &amp; Disposal</b>	<b>56.6</b>	47.1	<b>18.1</b>	10.9
<b>North Sea Services</b>	<b>34.9</b>	21.7	<b>2.6</b>	2.1
<b>Revenues excluding LFT</b>	<b>91.5</b>	68.8	-	-
<b>Operating profit pre-PLC costs</b>	-	-	<b>20.7</b>	13.0
<b>PLC costs</b>			<b>(0.8)</b>	(0.8)
<b>Operating profit post-PLC costs</b>			<b>19.9</b>	12.2

Adjusted continuing revenues exclude intra-segment trading, discontinued operations and Landfill Tax. Adjusted operating profit excludes non-underlying items, share based payment charges and profit or loss from discontinued operations. A reconciliation of these adjusted metrics is shown in note 27.

## Business performance

The Group operated through two business units during 2019 and 2018 being Treatment & Disposal and North Sea Services. This reflects the operational management of the business.

### Treatment & Disposal

The principal activity of this business unit is the treatment and disposal of waste from Energy from Waste (EfW) incinerators, construction and industrial sites. The largest waste stream by revenue and profit is the disposal of ash from EfW sites which comprises bottom ash and fly ash from the burning of biomass and municipal waste to generate energy. The largest waste stream by tonnage is contaminated waste materials and soils (including asbestos), mainly from the manufacturing and construction sectors. A key growth market in Treatment & Disposal is low level radioactive waste decommissioning.

Adjusted revenues, excluding Landfill Tax, increased by 20% to £56.6m (2018: £47.1m), with growth across landfill and treatment inputs. Ash inputs increased almost 12% to 211,000 tonnes (2018: 189,000). This was despite no new municipal EfW plants coming online in the year and the high downtime experienced by some EfW customers due to operational challenges. Radioactive waste volumes increased from 10,600 tonnes to 14,300 tonnes in 2019.

The adjusted operating profit of Treatment & Disposal increased to £18.1m (2018: £10.9m) due to increased sales, improved margins and the maintenance of previously announced cost savings.

The Treatment & Disposal strategy is to continue to win new treatment contracts, optimise the use of our treatment plants, and maximise the market opportunity from growth in EfW ash waste volumes, nuclear decommissioning and construction sector wastes.

### North Sea Services (NSS)

The NSS business unit operates in the North Sea Oil and 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. Decommissioning is expected to grow to be the most significant revenue and profit generator in the coming years.

NSS revenue increased by 61% to £34.9m (2018: £21.7m) on new customer wins in Industrial Services and Decommissioning. This segment saw an increase in adjusted operating profit to £2.6m (2018: £2.1m) due to revenue increase, cost savings, better mix and the impact of increased decommissioning activity in the North Sea.

During 2019, NSS successfully carried out specialised industrial cleaning and waste management services to Shell for the Curlew Floating Production Storage and Offloading Vessel FPSO (Curlew FPSO). The Curlew FPSO has been berthed in Forth Ports' Port of Dundee for the last eight months where ANSS has a major decommissioning and decontamination facility working alongside Forth Ports and other tenants of the Port of Dundee. Augean is now undertaking the finalisation works to allow the Curlew FPSO to be ready to sail later in 2020.

The NSS strategy continues to gain traction as the business moves up the supply chain, dealing directly with Oil and Gas operators and top-tier customers, so providing opportunities to widen its service scope more directly with those customers. The opportunity remains for Augean to continue to service this growing North Sea decommissioning market, worth multi-billion pounds for many years to come. NSS actively markets these facilities, through each of its sites although primarily through Dundee, which is rapidly becoming the major decommissioning facility for the North Sea.

## Discontinued operations

### East Kent Incinerator

A review of this asset was completed in 2018 and the Group decided that the facility would be mothballed early in 2019. The assets associated with the facility less committed costs to prepare for sale were therefore classified as an asset held for sale in 2018.

On 25 January 2019, the Group sold the land, buildings and plant associated with East Kent High Temperature Incinerator for a total cash consideration of £3.35m. There was no material gain or loss on disposal and no material trading result for this asset in 2019.

### HMRC assessment

Since August 2017, the Group has received assessments (including accrued interest) for uncollected Landfill Tax where HMRC does not agree with the Group's interpretation of the rate of Landfill Tax that applies. The total value of assessments received, including interest accrued to the date of the assessments is £40.4m.

Based on the legal and other advice received by the Group over several years, Augean is confident that the Group has met its obligations in respect of Landfill Tax, consistent with the law and official guidance at the time. Accordingly, it has appealed both the Augean South Ltd and Augean North Ltd assessments. The first tier tax tribunal hearing is expected no earlier than late 2020.

In December 2019, subsequent to the refinance described elsewhere in this report, the Group paid these assessments in full. This prevents any further accrual of interest and allows the Group to receive a corporation tax deduction. This does not change the Group's legal position which is to robustly challenge the LFT assessments.

The Group currently accounts for the legal costs of the dispute with HMRC, totalling £0.5m in 2019, as a non-underlying cost. The payments made to HMRC in December 2019 have been accounted for in line with IAS 37, resulting in an asset held on the balance sheet (categorised as an 'other receivable') of £14.2m and an expense to non-underlying costs of £26.2m. £24.0m of the charge relates to the cash-settled payments and £2.2m of the charge relates to assessments which the Group has not received and may never receive. The application of IAS 37 involves the application of probabilistic modelling to tribunal outcomes, which are impacted by a number of different factors. The Group considers that the accounting outcome of meeting the obligations of IAS 37 is not representative of its expectation of any potential tribunal result as the application of probabilities to events with binary outcomes does not result in accurate real-life possible outcomes.

## Planning and permitting

The current site planning permissions extend to 2026 in the case of East Northants Resource Management Facility (ENRMF), 2034 for the Thornhaugh site and for a period of more than 50 years in the case of Port Clarence.

In the year the Group acquired an option to purchase approximately 90 acres of land adjacent to its existing East Northants Resource Management Facility landfill site near Peterborough. This option is Augean's preferred choice following its investigation of a number of alternative solutions to provide long-term key infrastructure, aligning with the national need for hazardous landfill and soil treatment in the South of England. With appropriate planning and permitting consent, the extension that has been optioned would prolong the life of the ENRMF site until at least the mid 2040s.

# Financial Performance

## Group overview

A summary of the Group's financial performance, is as follows:

£'m except where stated	2019	2018
Revenue	<b>107.1</b>	79.7
(Loss) / Profit after taxation	<b>(12.8)</b>	8.6
Net operating (cashflow) / inflow	<b>(16.5)</b>	17.4
Basic (loss) /earnings per share	<b>(12.26)p</b>	9.61p

The Group considers adjusted metrics, as reconciled to statutory metrics in note 27, as being appropriate to understand the underlying performance of the Group's businesses. The adjusted metrics exclude large or one-off items. The adjusted items in the current year are non-underlying items, detailed below but which represent a large payment to HMRC in respect of Landfill Tax and share based payments.

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

£'m except where stated	2019	2018
Adjusted revenue	<b>91.5</b>	68.8
Adjusted operating profit	<b>19.9</b>	12.2
Adjusted profit before taxation	<b>19.2</b>	11.4
Adjusted profit after taxation	<b>15.9</b>	9.2
Adjusted net operating cash flow	<b>29.6</b>	17.2
Basic adjusted earnings per share	<b>15.33p</b>	8.52p
Return on capital employed	<b>37.8%</b>	21.6%

A consideration of the operational factors affecting performance is included in the operating review.

## Trading, adjusted operating profit and EBITDA

Adjusted revenue from continuing operations, excluding Landfill Tax, for the 12 months ended 31 December 2019, increased by 33% to £91.5m (2018: £68.8m).

Adjusted operating profit increased by 63% to £19.9m (2018: £12.2m) and adjusted profit before tax increased by 68% to £19.2m (2018: £11.4m), on the same basis.

Adjusted earnings before interest, taxation, depreciation and amortisation (EBITDA), from continuing operations and before non-underlying items, is determined as follows:

	2019 £'m	2018 £'m
Adjusted operating profit	<b>19.9</b>	12.2
Depreciation and amortisation from continuing operations	<b>8.9</b>	6.7
<b>Adjusted EBITDA</b>	<b>28.8</b>	18.9

## Non-underlying items

Non-underlying items in 2019 of £26.8m before taxation include £0.5m expense related to Landfill Tax legal costs, £26.2m related to the charge associated with the payment of Landfill Tax assessments and £0.1m of other costs.

## Share based payments

The cash-settled management LTIP vested after the achievement of criteria in relation to value creation, as measured by the increase in share price since the reintroduction of the scheme. The charge in relation to this LTIP had previously been expected to be expensed over five years and was £351,000 in 2018. This previously accrued charge offsets the amount charged in 2019. The total net charge for this scheme was £7.6m. The charge disclosed on the consolidated statement of comprehensive income also includes £0.1m charge in relation to an equity settled LTIP scheme.

## Finance costs

Total finance charges were £0.7m (2018: £0.7m) including the interest on bank debt, other financial liabilities, the amortisation of upfront fees associated with obtaining the facility and the non-cash unwinding of discounts on provisions.

## Earnings per share

Adjusted basic earnings per share (EPS), from continuing operations and excluding non-underlying items, increased by 80% to 15.33 pence (2018: 8.52 pence) due to the increased volumes, higher pricing and lower costs.

The Group made an adjusted profit after taxation of £15.9m (2018: £9.2m), all of which was attributable to equity shareholders.

The total number of ordinary shares in issue increased during the period from 103,786,792 to 104,085,198 with the weighted average number of shares in issue increasing from 103,408,043 to 104,006,779 for the purposes of basic EPS due to the issue of shares to satisfy options granted in previous years.

## Dividend

Due to the Group's net debt position, the Board has decided not to declare a dividend for 2019 (2018 interim and final: £nil).

## Cash flow and net debt

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

	2019 £'m	2018 £'m
EBITDA from continuing operations and before non-underlying items	<b>28.8</b>	18.9
Net working capital movements from continuing operations	<b>(0.5)</b>	(0.3)
Interest and taxation payments	<b>(1.3)</b>	(1.4)
<b>Net operating cash flows from continuing operations and before non-underlying items</b>	<b>27.0</b>	17.2

The cash flow of the Group is summarised as follows:

	2019 £'m	2018 £'m
Net operating cash flows from continuing operations	27.0	17.2
Net operating cash flows from adjusted items	(44.5)	(0.3)
Net operating cash flows from discontinued operations	-	(0.9)
<b>Total net operating cash (outflow) / inflow</b>	<b>(17.5)</b>	16.0
Maintenance capital expenditure	(4.3)	(2.0)
<b>Post-maintenance free (outflow) / inflow</b>	<b>(21.8)</b>	14.0
Development capital expenditure	(1.5)	(1.4)
<b>Free cashflow</b>	<b>(23.3)</b>	12.6
Sale of Business and assets	3.3	6.2
<b>Net cash (outflow) / inflow before dividends</b>	<b>(20.0)</b>	18.8

Adjusted items include the working capital movement in relation to the recognition of an asset for a proportion of the Landfill Tax assessments paid. Adjusted net operating cash flow as a percentage of EBITDA was 94% in 2019 (2018: 91%).

The operating cash flow of the Group before adjusted items and discontinued operations of £29.6m was used primarily to pay down debt and fund the HMRC Landfill Tax payment, with capital investment in property, plant and equipment and intangible assets made by the Group totalling £5.8m (2018: £3.4m), including spend offset against provisions, split between maintenance capital (to lengthen the productive life of existing assets) of £4.3m and expansion capital (for targeted future growth) of £1.5m. Maintenance capital expenditure has increased from the prior year as a result of cell construction and works to improve the road at the Avonmouth site. The development capex is substantially related to the decommissioning service of the North Sea business and is in line with the prior year.

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.

As a result of the above net cash movements, net bank debt, which excludes newly capitalised lease liabilities, was at £13.2m at 31 December 2019, compared with net cash of £8.2m at 31 December 2018. Gearing, defined as net bank debt divided by net assets, was therefore 27.9% (31 December, 2018: nil). The ratio of net bank debt to EBITDA, from continuing operations and before non-underlying items, was 0.5 times (2018: negative 0.4 times).

## Financing

During 2019, the activities of the Group were substantially funded by cash from operations with bank debt allowing the HMRC payments. The bank facility was renewed and extended in December 2019 with HSBC Bank PLC at £40m comprising a term loan of £20m and a revolving credit facility of £20m. £32m was drawn against this facility in the year. The earliest maturity of the facility is December 2022.

## Balance sheet and return on capital employed

Consolidated net assets were £47.6m on 31 December 2019 (2018: £60.3m) and net tangible assets, excluding goodwill and other intangible assets, were £27.8m (2018: £40.5m), of which all was attributable to equity shareholders of the Group in both years. This reduction was principally due to the settlement of the Landfill Tax assessments.

Return on capital employed, defined as adjusted operating profit divided by average capital employed, where capital employed is net assets excluding net cash or net bank debt, increased to 37.8% in 2019 (2018: 21.6%).

## 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 Treatment & Disposal and North Sea Services reportable segments.

Based on these reviews, no impairments were noted and no reversal of prior year impairments was required.

The cash flows for all CGUs were discounted using a pre-tax discount rate of 8.0% (2018: 8.0%).

## Employees

The Group employed an average of 392 staff (2018: 385) over the course of the year. The number of employees in the Group has increased marginally during 2019 reflecting increased trading activity with a substantial increase in sales.

## Brexit

The Group is focused on trading in Britain and uses disposal infrastructure almost entirely based in the UK. Where disposal routes in mainland Europe are used, the financial impact of different scenarios which could result from this external change have been modelled. The impact of Brexit on these routes is difficult to predict but the position is being closely monitored with the Group Board having access to expert advice. Coupled with UK Government advice that current waste movement structures will be rolled over in most EU States and the Group's work to establish alternatives, the risk of significant business disruption as a result is thought limited.

# 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 2018. The Group regard the performance in 2019 compared to their benchmark, which is the prior year performance, to be satisfactory.

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	2019 Outcome	2018 Outcome
Number of incidents <sup>(1)</sup>	29	16
Number of near misses reported <sup>(2)</sup>	3,437	2,320
Compliance scores <sup>(3)</sup>	English Sites: A-B Scottish Sites Excellent	Landfill & Treatment: Excellent/A-B ANSS: Excellent/E Discontinued operation: E
Adjusted profit before taxation <sup>(4)</sup>	£19.2m	£11.4m
Post-maintenance free cash flow <sup>(5)</sup>	£(21.8)m	£14.0m
Return on capital employed <sup>(6)</sup>	37.8%	21.6%
Volumes of waste disposed to our landfill sites	630,000t	523,000t
Ash volumes treated	211,000t	189,000t
Amount of North Sea Oil & Gas revenue generated directly from operators and top-tier customers	94% of ANSS revenue	87% of ANSS revenue

<sup>(1)</sup> The number of total reported accidents, that 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.

<sup>(2)</sup> The total number of incidents reported which could have resulted in an accident or injury or damage to property.

<sup>(3)</sup> 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.

<sup>(4)</sup> Group profit before taxation, from continuing operations and excluding non-underlying items and share based payments charges.

<sup>(5)</sup> Net operating cash flows, less maintenance capital expenditure.

<sup>(6)</sup> Calculated as operating profit, from continuing operations and excluding non-underlying items, divided by average capital employed, where capital employed is the consolidated net assets of the Group excluding net bank debt.

## Summary and outlook

The Group continued to make significant progress against delivering its strategy during 2019, generating £29.3m of cash before non-underlying outflows and growing profit before tax 68%, paying all received (but disputed) HRMC assessments and therefore providing a stable platform for future growth. A strong start to initial trading has been made in the first months of 2020 with results ahead of prior year. The Board is confident in the prospects of the Group for the full year.

# Managing Risk

Risk description	Mitigation
<p><b>General economic risk</b></p> <p>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 and 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>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 on-going 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> <li>○ The Group employs suitably qualified professionals to advise, monitor and assist all elements of the business to ensure risks to our employees are appropriately assessed and mitigated.</li> <li>○ Health and Safety training is carried out as a matter of normal business, from policy workshops through to individual employees including via online material to facilitate ease of access.</li> </ul>
<p><b>Environmental legislation</b></p> <p>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 and Rural Affairs (DEFRA) and the Department for Business Energy and Industrial Strategy (BEIS).</li> <li>○ Develop treatment solutions for customers who 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>

# Managing Risk

(continued)

Risk description	Mitigation
<p><b>Tax legislation</b></p> <p>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 November 2018. 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 £91.35 per tonne on 1 April, 2019 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.</p>	<ul style="list-style-type: none"><li>○ Develop a range of waste treatment solutions for customers.</li><li>○ Broaden capabilities to ensure the Group's sites are able to accept all those wastes which do require landfill disposal.</li><li>○ Maintain specialist testing facilities and seek appropriate external chemical, engineering, taxation and legal advice.</li><li>○ Modelling of the financial impact under different external legislative positions.</li><li>○ Specialist legal and environmental advice.</li><li>○ Landfill Tax internal audits and external assurance on processes.</li></ul>
<p><b>Environmental compliance</b></p> <p>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.</p>	<ul style="list-style-type: none"><li>○ Adherence to the highest environmental standards.</li><li>○ 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.</li><li>○ Employment of technical experts who work to well-established policies and procedures described in the Group's Integrated Management System.</li><li>○ Provision of training to develop the knowledge and competence of its staff.</li><li>○ Regular monitoring and review of compliance performance.</li><li>○ Production of the Group's corporate social responsibility (CSR) report.</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 waste and access to several companies competing to service their needs.</p>	<ul style="list-style-type: none"><li>○ Review pricing policies on an on-going 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>

Risk description	Mitigation
<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>
<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. 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 against 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 Britain and uses disposal infrastructure almost entirely based in the UK, the Group may fail to anticipate and manage the potential impact of Britain leaving the European Union, notably potential increases in interest rate.</p>	<ul style="list-style-type: none"> <li>○ Establish new routes outside of Europe.</li> <li>○ Minimise inventory.</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 outside of Europe.</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 (CSR) Performance

The Board recognises the important role played by the Group in the environment and communities within which it operates. The health and safety of our employees and compliance with regulations are two of the 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 and 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 2019 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 (EA) in England and the Scottish Environmental Protection Agency (SEPA) in Scotland demonstrate high standards and low environmental impact.

As part of our commitment to implement the elements of the waste hierarchy relevant to the hazardous sector, the Group continues to take a strong role in the development of regulation and policy for hazardous waste. By engaging with Government departments, local authorities and regulators, we promote the profile of the industry and modernisation of the sector, seeking to establish a positive regulatory and policy framework for the business. In previous years, representatives from the Group took a high profile role in the development of the National Policy Statement for hazardous waste (NPS), directly engaging with Government departments and giving evidence at the Parliamentary Select Committee inquiry. We also have continued to engage throughout 2019 on topics such as Best Overall Environmental Option, substances of concern, radioactive materials liability insurance, planning, the Government's Resource and Waste Strategy and the developing Chemical Strategy and Brexit.

## Employees

The Group's employees are vital to its success and during the year made a significant contribution to the performance improvements outlined in this report. A 3% aggregate general pay increase was awarded to staff and directors in 2019, in view of general inflationary conditions in the UK.

The Group is committed to the principle of equal opportunity in employment and to creating a harmonious working environment which is free from harassment and bullying and in which every employee is treated with respect and dignity. Accordingly, well established policies are in place to ensure that recruitment, selection, training, development and promotion procedures result in no job applicant or employee receiving less favourable treatment on the grounds of race, colour, nationality, ethnic or national origin, religion or belief, disability, trade union membership or non-membership, sex, sexual orientation, 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 bi-annual Performance Appraisal with their line manager. Appraisals assist in the development of individuals and establish individual training needs, improve organisational performance, and feed into business planning. Where appropriate the appraisal process establishes specific training plans for each individual.

Training and development activity during the year built on the progress made during 2018 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.

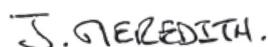
### **Safety**

Health and safety and compliance are priorities for the business. While there has been an increase in 2019 compared with the previous couple of years the number of accidents remains low. Most of them are minor and our recordable incidents is comparable with our peers in the sector. The business continues to analyse trends and the causes of incidents to identify learnings and to ensure suitable preventative action is taken. 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. Key focus areas for 2020 have been identified by understanding the underlying trends in 2019 – these are incorporated in Group and site-level improvement plans.

### **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 £0.9m (2018: £0.6m) was contributed through these schemes during the year, providing funds for community projects including sports facilities and a wildlife reserve.



**Jim Meredith**

Executive Chairman

25 February 2020

**Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006**

The Board of Directors of Augean PLC consider that, individually and together, they have acted in the way which in good faith would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act in the decisions taken during the year ended 31 December, 2019.

The Board looked to promote the success of the Company, having regard to the long term, whilst taking into account the interests of all stakeholders. Although the current strategy only concerns two objectives, it is designed to secure the long-term financial viability of the Company to the benefit of its members and all stakeholders. A main feature of this is to continue to operate the business within tight budgetary controls and in line with regulatory requirements. This was done in particular by reference to:

- the approval of the strategic objectives ('our strategy') for the company;
- the business plan for the next financial year ('our plan');
- the refinancing of the Group's debt;
- the decision to pay the received Landfill Tax assessments;
- the approval of terms to enter into significant contracts;
- the decision not to pay a dividend; and
- ongoing consideration of legal advice on the Group's HMRC tribunal.

The Board recognises that our employees are fundamental to the delivery of our plan. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and well-being of our employees is of primary concern in the way we do business and is monitored extensively by the Board and taken into account in all major decision-making.

Our duty is to apply the Waste Frameworks Directive and the Industrial Emissions Directive and to apply the Best Available Technology ('BAT'). We also strive to always comply with the requirements of the Environment Agency and the Scottish Environmental Protection Agency. The treatments we operate apply strict input and process control procedures to ensure that each waste received is handled in the safest manner. We also aim to act responsibly and fairly in how we engage with our customers, suppliers, co-operate with our regulators and act on feedback received from these stakeholders. All of these considerations are taken into account by the Board when making strategic decisions for the Company.

Our plan considered the impact of the Company's operations on the community, the environment and our wider societal responsibilities. Contributions to the Landfill Community Fund, local causes and the maintenance of facilities for open and regular dialogue with communities in proximity to our operations are included in the plan. The Group's CSR report provides information on the factors considered and stakeholder engagement.

As the Board of Directors, our intention is to behave responsibly to all stakeholders and to ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours. Acting in this way will contribute to the delivery of our plan and we intend to maintain our reputation within the industry for responsible, compliant behaviour and the use of BAT.

As the Board of Directors, our intention is also to make decisions which lead to the long-term success of the company whilst behaving responsibly towards our shareholders, treating them fairly and equally, so they benefit from the successful delivery of our strategy and plan.

The strategic report on pages 3 to 20 of this report was approved and signed on behalf of the Board.



**Jim Meredith**  
Executive Chairman  
25 February 2020

# Directors' Report

The Directors present their report and the audited financial statements for the Group and Company for the year ended 31 December, 2019.

## 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 £12.8m (2018: Profit after tax of the Group for the year from continuing operations £8.6m) from revenue including Landfill Tax of £107.1m (2018: £79.7m). The loss included non-underlying items totalling a charge of £26.8m (2018: £0.3m). The Board has recommended no dividend be paid for the year (2018: no dividend).

## Environmental policy

The quality of the environment is at the core of the Group's operations and the Board recognises its importance to employees, customers, suppliers and the communities in which the Group operates. Augean continues to adopt high standards of environmental practice and aims to minimise its impact on the environment wherever possible and to support this publishes a clear Environmental Policy, which is updated every twelve months. Further details of the Group's actions in this area can be found in the separately published corporate social responsibility (CSR) report and on pages 14 and 15 of this report.

## Our Vision and values

Our vision is to create value for our customers through innovative services that protect future generations. We hope to achieve this by:

- Demonstrating Customer Focus – understanding what drives value for our customers and offering resilient compliant solutions.
- Delivering Service Solutions – committed to developing innovative and more sustainable approaches to all the critical activities around the management of hazardous waste.
- Developing Specialist Waste Expertise – nurturing the capabilities and assets that ensure hazardous and low level radioactive wastes entrusted to us are dealt with safely and compliantly, so earning the support of all our stakeholders.

Our core values have been developed to help us to shape the way we all work together:

- Respect – We show we value our people and others we work with
- Integrity – We demonstrate we can be trusted
- Teamwork – We work better together
- Excellence – We strive to achieve our ambition

## Management of risks

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

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 for impairment.

Further identified risks are presented within the Operating Review on page 11 – 13.

# Directors' Report

(continued)

## Employees

The Group's policy is to ensure the adequate provision for the health, safety and welfare of its employees and of other people who may be affected by its activities. Health and safety is the first priority of the Group and to support this all accidents are reported and thoroughly investigated and all employees are encouraged to contribute to reporting of 'near miss' incidents and 'safe acts' to promote greater awareness and proactive safety behaviours, and 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 on-going training is provided to ensure that skills and experience are kept up to date. By maintaining this communication the Group engages with employees on key decision making.

## Disabled employees, employee involvement and engagement

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, on-going 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. Quarterly 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 £807,000 (2018: £561,000) of its Landfill Tax liability to registered environmental bodies as permitted by Government regulations and contributed £73,000 (2018: £55,000) to other community causes. No political donations were made during the year (2018: £nil).

## Engagement with stakeholders

The Group aims to engage positively, responsibly and fairly with all of its stakeholders. Our key stakeholders apart from employees, discussed above, are customers and suppliers. We act on feedback received from these stakeholders.

To create value for our customers we specialise in managing their more difficult to handle wastes, providing certainty and security underpinned by technical expertise and a high standard of service. We strive to always comply with all legislation, including the requirements of the Environment Agency and the Scottish Environmental Protection Agency.

The Group relies on suppliers to deliver some of our services. The availability of services and waste routes our operations. Maintaining good relationships with suppliers helps ensure quality of service delivery to our customers, environmental compliance, the safety of our workforce and ultimately shareholder value. The Group aims to act with integrity to our suppliers.

## Directors

The composition of the Board of Directors is shown on page 22. Details of the Directors' interests and remuneration are given in the Directors' Remuneration Report on pages 26 to 27. On 9 January, 2019 Rod Holdsworth retired and on 30 April, 2019 Andrew Bryce retired from the Board. All other Directors have 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 103,785,972 as at 1 January, 2019 to 104,085,198 at 31 December, 2019. The Company had been notified of the following interests of more than 3% in its shares as at 15 February, 2020:

	Number of shares	% of total
Harwood Capital Management Group	27,100,000	26.04%
Cannacord Genuity Group Inc	10,650,000	10.23%
Gresham House PLC	7,255,166	6.97%
Close Brothers Group	7,015,149	6.74%
Schroders	5,611,419	5.39%
Fidelity Worldwide Investment	3,723,138	3.58%
Unicorn Asset Management	3,173,731	3.05%

One of the Company's Directors, Christopher Mills, is a partner and Chief Investment Officer of Harwood Capital LLP. Other Directors' shareholdings are disclosed in the Directors' Remuneration Report.

## Corporate governance

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

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

## Contact with investors

All shareholders have access to the interim and annual reports and are invited to attend the Annual General Meeting (AGM) at which all Board Directors are present. The Group periodically hosts presentations at its sites and capital markets events for the investor community and provides detailed information for shareholders and the general public on its website [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 22 to the financial statements.

As highlighted in note 22, the Group met its short-term working capital requirements during 2019 through its cash balances and an overdraft and revolving loan facility (the Facility), which was renewed and increased with HSBC Bank PLC in December 2019, providing access to a term loan and revolving loan facility to a total level of £40m until December 2022 with a potential to extend the £20m revolving loan element for an additional two years. 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 and service its debts. The provision of the Facility is subject to certain covenants, focused on the cover of interest costs and the ratio of net bank debt to EBITDA.

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

During 2019, the Group continued to demonstrate its ability to generate cash flow from operating activities at a higher level than previous years. 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 2019 in each of these categories). Given the discretion available, the Board remains confident that capital expenditure can be controlled if necessary.

Impairment reviews have been performed for each of the Group's cash-generating units which include goodwill balances, 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. No impairments were recognised in 2019 and the disposal of underperforming assets has improved 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, the position with respect to HMRC and the market value of the Group's assets, has been prepared and show that the Group is expected to be able to operate within its cash balance and the level of available Facility, both for on-going 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 cash, available headroom on bank facilities and the continuing support of the Group bankers HSBC.

Having considered the items set out above and after making further enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Directors are confident that the Company will be able to meet its liabilities as they fall due over the next twelve months. As a result the financial statements have been prepared on a going concern basis.

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 s418 of the Companies Act 2006.

# Directors' Report

(continued)

## 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; and
- 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.

## Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## Auditor

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

## Annual General Meeting

The Annual General Meeting (AGM) will be held on 15 June, 2020. John Grant and Roger McDowell will offer themselves for re-election as Directors at the AGM.

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

By order of the Board



**Mark Fryer**

Group Finance Director  
25 February 2020

## 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, 2019 the Board comprised six members: An Executive Chairman, Group Finance Director and three 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 skills and background for each Director set out in their biographies on page 22 make for a well-balanced and experienced Board in terms of skills, prior experience and personal qualities. The Board does not currently have a female Director, however, the current composition of the Board is based on a broad variety of factors and as and when a new Director is needed, it would not discriminate against the appointment of a new female Director. The Board recognises the benefits of diversity at all levels of its organisation.

In 2019 the Board was constituted of three Non-executive Directors, two of whom were deemed by the Board to be independent (John Grant and Roger McDowell). Rod Holdsworth and Andrew Bryce were independent Non-executive Directors until 9 January, 2019 and 30 April, 2019 respectively.

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. An internal review took place in 2019 following the resignation of Rod Holdsworth and Andrew Bryce and the Board resolved that the current remaining composition of the Board was effective. The last external review took place in 2016, when Linstock Ltd, a corporate advisory firm that provide objective and independent counsel to leading companies, carried out a full Board evaluation. An internal review is currently underway, evaluating areas such as: Board composition, relationship between the Board and management, the Board's role in and oversight of strategy, risk management and internal control and succession. Each Committee is also being reviewed along with the Executive Chairman.

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. Since 2016 the Company Secretary role has been held by the Group General Counsel. 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. This includes external legal advice. The Board has taken extensive advice during 2019 in relation to the HMRC assessments received. 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.

The Non-executive Directors have undertaken to devote sufficient time to their duties as a Non-executive Director in order to discharge their responsibilities effectively. This amounts to an average time commitment of two working days per month, however, Non-executive Directors regularly give more time commitment than this in the form of additional calls, emails and contributions throughout the month.

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 [Augeanplc.com](http://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.

# The Board of Directors

(continued)

## **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 and became Chairman of Uform Holdings Ltd in December 2018, both investments supported by the Business Growth Fund, Jim has also been a Non-executive Director of Mar City Homes, since July 2016 and in October 2019 became Chairman of Ditto AI Ltd. 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. Jim had 100% attendance in 2019 for all Board meetings.

## **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 Ltd, 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. Mark had 100% attendance in 2019 for all Board meetings.

## **John Grant**

### **Non-executive Director, Chairman of the Remuneration Committee in 2018 and of the Audit Committee from December 2018**

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 1992–1996 as Group Finance Director and was Chief Executive of Ascot PLC from 1997–2000. 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 Ltd.

He was appointed to the Board in August 2015 and became Senior Independent Director in November 2015. John was Chairman of the Remuneration Committee from June 2016 till December 2018 and has been Chairman of the Audit Committee since December 2018. John had 100% attendance in 2019 for all Board and Committee meetings.

## **Roger McDowell**

### **Non-executive Director, Chairman of the Nominations Committee and Chairman of the Remuneration Committee from December 2018**

Roger returned to Augean in October 2017 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 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 Hargreaves Services PLC. Roger is also Senior Independent Director at Tribal Group PLC and a Non-executive Director of ThinkSmart PLC, Proteome Sciences plc, British Smaller Companies VCT2 PLC and Brand Architekts Group PLC.

Roger tendered his apologies for one Board meeting in 2019 and had 100% attendance at all Committee meetings.

## **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 SureServe Group PLC, Bigblu Broadband plc, Renalytix AI PLC, Gabelli Value Plus + Trust PLC and Ten Entertainment Group 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. Christopher tendered his apologies to one Committee meeting in 2019 and had 100% attendance for all Board meetings.

# Chairman's Corporate Governance Statement

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 and reports against the Quoted Companies Alliance Corporate Governance Code, a full version of which is available at the QCA website <http://qca.com>. The Board recognises the value of the Code and good governance and as far as is practicable and appropriate for a public company of the size and nature of Augean PLC, adheres to it. 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.

The Board embodies and promotes the vision and values of the Company set out on page 17. The Group operates on the premise that best practice is normal practice striving to ensure that regulatory standards are met and, where possible, exceeded. The Company sets clear policy and objectives on its expectations on corporate social responsibility from the Board, to the top of the management team and throughout the organisation. We are proud of our culture, where all staff feel responsible for making a difference in delivering high standards within the organisation and to our customers, stakeholders and local communities. To ensure that the business achieves its objectives we invest in people and the business. We recognise the need for continual development and improvement in all our standards and measure performance year-on-year.

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

The QCA Code is constructed around ten broad principles which focus on the pursuit of medium to long-term value for Shareholders without stifling the entrepreneurial spirit in which the Company was created. These ten principles are:

## To Deliver Growth:

1. Establish a strategy and business model which promote long-term value for shareholders.
2. Seek to understand and meet shareholder needs and expectations.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.

## Maintain a Dynamic Framework:

5. Maintain the Board as a well-functioning, balanced team led by the Chair.
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.
8. Promote a corporate culture that is based on ethical values and behaviours.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.

## Build Trust:

10. Communicate how the Company is governed and is performing by maintaining a dialogue with Shareholders and other relevant stakeholders.

As a Company we strive to fulfil these ten broad principles, and our website at [www.augeanplc.com](http://www.augeanplc.com) provides further details on our compliance with each element of the code.



**Jim Meredith**  
Executive Chairman  
25 February 2020

# 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;
- Commercial Director;
- Technical Supply Chain Director;
- Managing Director of NSS; and
- Group General Counsel.

The Management Board meets to formally review performance and risk once each month and maintains regular dialogue, including weekly calls, 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 99:2012;
- 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**

The Audit Committee comprises the Non-executive Directors and is chaired by John Grant. 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 four 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 2018 and other information included in the 2018 annual report, the interim financial statements for 2019, all formal announcements relating to results and all significant financial reporting issues and judgements contained therein. The Committee have reviewed, in depth, the key assumptions around goodwill and other non-current asset impairment reviews, provisions, accounting for 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. A full review of the Anti-Tax Facilitation law and policy was also carried out. Recommendations were made to the Board for any changes it considered necessary.

#### **Nominations Committee report**

The Nominations Committee comprises the Non-executive Directors and is 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 and governance needs of the organisation, both executive and non-executive. This was done 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 2019 the activities of the Committee focused on ensuring the composition of the Board remained effective following the resignation of Rod Holdsworth and Andrew Bryce.

#### **Remuneration Committee report**

The Remuneration Committee comprises the Non-executive Directors and is chaired by Roger McDowell. The principal objective of the Committee is to attract, retain and motivate talented people with a competitive package of incentives and awards linked to Group performance and aligned with Shareholders' interests.

The Committee met on four occasions during 2019, with business including reviews of the remuneration for Executive Directors, decisions relating to bonus awards and attainment, Long Term Incentive Plans awards and attainment and the vesting of the cash Long Term Incentive Plan. The Directors' Remuneration Report includes the outcome of these considerations.

The Committee uses the services of independent external advisers as required. During 2019 the Remuneration Committee received advice on the vesting of the cash Long Term Incentive Plan (referenced below) from Walker Morris LLP and its NOMAD. It also received advice on the vesting of the 2017 LTIP scheme from Deloitte LLP.

# 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 2019, a 3% salary increase was awarded to Mark Fryer and Jim Meredith in line with the rest of the Company.

### (ii) Performance related bonus

The Executive Directors participate in a bonus scheme based on the achievement of annual profit targets approved by the Remuneration Committee, as well as minimum targets in respect of safety and regulatory compliance. For 2019, these targets were achieved.

### (iii) Other benefits

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

### (iv) Cash Long Term Incentive Plan

The Executive Directors, along with the Group's senior management team, were awarded a new cash settled LTIP scheme (the 'Plan') in 2018. The Plan was designed to align Shareholders and management to optimise the performance of the Company for the benefit of all Shareholders, with the management team sharing in the incremental value generated. The performance target for the Plan was therefore based on the Company's share price as a measure of incremental value generated, or on a sale of the Company should this occur earlier.

Under the Plan, up to a maximum of 13% of this incremental value would be capable of being paid out, with reference to a base share of 35 pence (being the average share price for April 2018).

The incremental value performance criterion for this plan were met in December 2019, resulting in a cost of £7.0m before national insurance costs, of which £3.2m was attributable to Jim Meredith and £1.0m was attributable to Mark Fryer.

## (v) 2017 LTIP Scheme

For the third performance period of the 2017 LTIP Scheme (announced in the Annual Report and Accounts for 2017) 100% attainment was achieved. As previously announced 0% attainment was achieved for the first performance period of this Scheme and 100% for the second performance period.

## (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 2019.

## (vii) Service contracts

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

## Directors' interests

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

At 31 December 2019	Beneficial shares Number	LTIP Number	Total shares Number
Christopher Mills*	27,100,000	-	27,100,000
Roger McDowell	3,000,000	-	3,000,000
Jim Meredith	2,500,000	-	2,500,000
Mark Fryer	-	203,908	203,908
John Grant	100,000	-	100,000

\* 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 Ltd and North Atlantic Smaller Companies Investment Trust).

## Directors' emoluments

The emoluments of the Directors during 2019 were as follows:

	2019 Basic fee/ salary £'000	2019 Bonus £'000	2019 LTIP £'000	2019 Other emoluments £'000	2019 Total £'000	2018 Total £'000
Jim Meredith	158	230	3,164	-	3,552	271
Mark Fryer	206	287	1,031	13	1,537	354
John Grant	37	-	-	-	37	34
Christopher Mills	31	-	-	-	31	31
Roger McDowell	37	-	-	-	37	34
Andrew Bryce	9	-	-	-	9	34
Rod Holdsworth	-	-	-	-	-	34
	478	517	4,195	13	5,203	792

Fees for Andrew Bryce, John Grant, and Roger McDowell include £3,000 per annum for acting as Chairman of various Board Committees.

Other emoluments for Mark Fryer include a car allowance and medical insurance.

Nil Directors (2018: nil) are members of a pension scheme and £nil (2018: £nil) contributions were paid by the company to a pension scheme. Equivalent sums to the pension contribution that Mark Fryer was entitled to were paid as additional salary in 2019.

## Directors' share plans

	Award date	Earliest vesting date	Market price at award date	Number of shares 2018	Granted in year	Lapsed in year	Number of shares 2019
<b>2017 LTIP</b>							
Mark Fryer	31/10/2016	24/03/2019	51.75p	203,908	-	-	203,908

Options outstanding under the share option scheme are exercisable, once the vesting date is reached and assuming the vesting criteria are achieved. The option price is 10 pence per share.

There are no options held by Executive Directors of Augean PLC in the extant share option scheme. There are a further 55,172 options held by one participant in the share option scheme who is not a Director of Augean PLC.

Other than options held by Executive Directors of Augean PLC set out in the table above, there are a further 573,183 exercisable options held by other participants in LTIP schemes, none of whom are Directors of Augean PLC. Further information is provided in note 19.

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, 2019 was 222.0 pence. The range of the share price during the year was 68.5 pence to 222.0 pence.

On behalf of the Remuneration Committee



### Roger McDowell

Chairman of the Remuneration Committee  
25 February 2020

# Independent Auditor's Report

to the members of Augean PLC

## Opinion

We have audited the financial statements of Augean plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Group Statement of Comprehensive Income, Group and Company Statements of Financial Position, Group Statement of Cashflow, Group and Company Statements of Changes in Equity, and 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 Disclosure 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 2019 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.

## 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 twelve months from the date when the financial statements are authorised for issue.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, 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) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. This matter was 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 this matter.

### Key audit matter

### How our audit addressed the key audit matter

#### Landfill Tax assessment

(see notes 1(u) and 17)

From August 2017, the Group has been in receipt of assessments, from HMRC, for additional Landfill Tax liabilities. The total value of assessments received up to 31 December 2019, inclusive of interest, is £40.4m as previously announced by the Group.

At the prior year end the Group concluded that, on the basis of legal advice received, an outflow of economic resources was not probable and therefore a contingent liability disclosure was included in the 2018 financial statements.

There remains a significant degree of judgement in the outcome and the associated accounting treatment of this matter.

Legal advice has progressed during 2019 such that a proportional expense of £26.2m and a residual asset of £14.2m has been recognised in the financial statements.

This represents the best estimate of the expected economic outflow from the Group under a probability weighted methodology in accordance with accounting standards and guidance.

The Group have deposited the full value of the assessments with HMRC during the year to prevent further interest accrual.

Given the significance of this matter to the Group's results and the complexity of the accounting treatment, including the measurement of the expense and residual tax deposit asset, we identified this area as a key audit matter.

We had a number of discussions with management regarding the appropriate accounting treatment in this area throughout the audit process.

We challenged the thought processes and assumptions being made by management and determined the 'best estimate' approach to be the appropriate mechanism through which to value the liability and expense. Accounting standards require this approach when there are multiple linked events, calculating the best estimate through the use of a probability weighted model.

Having agreed the appropriate accounting treatment, we then reviewed the professional advice obtained by management from an independent legal advisor and specialist in Landfill Tax.

This expert advice included assessment of the probability of loss arising in respect of each waste type and the value of Landfill Tax being levied against each.

In assessing this evidence we re-performed the calculation of the best estimate of future economic outflow from the weighted average probabilities provided by the legal advisor.

We also verified the underlying assessment values to HMRC correspondence and confirmed that full payment of these had been made by the Group in the year.

We reviewed the disclosure of this area as a key accounting estimate in note 1(u) and within the provisions note 17, along with the supporting references in the narrative reporting section of the annual report.

#### Key observations

We did not identify any issues with the assumptions or mechanics underpinning management's best estimate of the Landfill Tax provision.

# Independent Auditor's Report

to the members of Augean PLC

## Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed.

Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We have set materiality for Augean plc based on profit before tax. We have used 5% of Group profit before tax which is a judgement determined by the audit risk within the Group and considering the market and shareholder interest. We have adjusted the statutory loss before tax for the expense items relating to the Landfill Tax payment referred to in our key audit matter, and a £7.7m accelerated share based payment expense, both of which are considered non-underlying in the year and not being representative of the trading performance of the Group. The application of this materiality basis gives a Group materiality of £930,000 (2018: £530,000). The Parent Company materiality level for Augean plc is £300,000 (2018: £175,000) which was based on 0.5% of gross assets.

The materiality levels applied to individual components in the group ranged from £125,000 to £545,000.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Performance materiality has been set at 65% of the above materiality.

We agreed with the Audit Committee that we would report to those charged with governance all individual audit differences in excess of £28,000 (2018: £10,600). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## An overview of the scope of our audit

The scope of the Group audit was determined by obtaining an understanding of the Group structure and the nature and size of each component. We considered the Group's system of internal control, and assessed the risks of material misstatement in the financial statements at the Group level.

Financial information relating to the Parent Company and its four significant components within the Group were subject to a full scope audit by the Group audit team, covering 100% of the revenue and profit of the Group for the year.

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, 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.

## Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and 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 by exception

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.

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

As explained more fully in the Directors' responsibilities statement, 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 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.

## Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



### Mark Langford (Senior Statutory Auditor)

For and on behalf of BDO LLP,  
Statutory Auditor  
Leeds  
25 February 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Revenue</b>		<b>107,137</b>	79,749
Operating expenses		<b>(87,228)</b>	(67,563)
<b>Adjusted Operating profit</b>	27	<b>19,909</b>	12,186
Share-based payments	19	<b>(7,693)</b>	(523)
Settlement of Landfill Tax assessments	3	<b>(26,179)</b>	-
Other non-underlying items	3	<b>(664)</b>	(322)
<b>Operating (loss)/profit</b>	3	<b>(14,627)</b>	11,341
Net finance charges	4	<b>(697)</b>	(748)
<b>(Loss)/profit before tax</b>		<b>(15,324)</b>	10,593
Taxation credit / (charge)	6	<b>2,568</b>	(2,043)
<b>(Loss)/profit from continuing operations</b>		<b>(12,756)</b>	8,550
Discontinued operations			
Profit from discontinued operations	26	-	1,389
<b>(Loss)/profit for the year and total comprehensive income attributable to equity shareholders of Augean plc</b>	3	<b>(12,756)</b>	9,939
<b>(Loss)/earnings per share</b>			
Basic	8	<b>(12.26)p</b>	9.61p
Diluted	8	<b>(12.26)p</b>	9.55p

The notes on pages 37 to 73 form an integral part of these financial statements.

# Statements of Financial Position

As at 31 December 2019

	Note	Group		Company	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Non-current assets</b>					
Goodwill	9	19,757	19,757	-	-
Other intangible assets	10	45	66	45	66
Investments in subsidiaries	11	-	-	50,768	50,768
Property, plant and equipment	12	38,309	40,373	1,034	1,121
Right of use assets	15	4,516	-	494	-
Deferred tax asset	6	4,350	1,781	-	-
		<b>66,977</b>	61,977	<b>52,341</b>	51,955
<b>Current assets</b>					
Inventories		302	277	-	-
Trade and other receivables	13	40,200	18,628	7,694	708
Asset held for sale	26	-	3,304	-	-
Cash and cash equivalents		21,588	11,162	11,752	3,263
		<b>62,090</b>	33,371	<b>19,446</b>	3,971
<b>Current liabilities</b>					
Trade and other payables	14	(32,205)	(21,222)	(6,936)	(23,999)
Current tax liabilities		(1,145)	(1,863)	-	-
Borrowings	16	(6,667)	-	(6,667)	-
Lease liabilities	15	(1,445)	-	-	-
Provisions	17	(500)	(500)	-	-
		<b>(41,962)</b>	(23,585)	<b>(13,603)</b>	(23,999)
<b>Net current assets/(liabilities)</b>		<b>20,128</b>	9,786	<b>5,843</b>	(20,028)
<b>Non-current liabilities</b>					
Borrowings	16	(28,123)	(2,922)	(28,123)	(2,922)
Lease liabilities	15	(3,104)	-	(484)	-
Employee benefit liability	19	-	(351)	-	(351)
Provisions	17	(8,242)	(8,190)	-	-
		<b>(39,469)</b>	(11,463)	<b>(28,607)</b>	(3,273)
<b>Net assets</b>		<b>47,636</b>	60,300	<b>29,577</b>	28,654
<b>Shareholders' equity</b>					
Share capital	18	10,409	10,379	10,409	10,379
Share premium account		816	757	816	757
Retained earnings		36,411	49,164	18,352	17,518
<b>Total equity</b>		<b>47,636</b>	60,300	<b>29,577</b>	28,654

The company made a profit of £766,000 (2018: loss of £6,318,000).

The notes on pages 37 to 73 form an integral part of these financial statements.

The financial statements were approved by the Board on 25 February 2020 and authorised for issue on its behalf by:



**M Fryer**

Group Finance Director

Augean PLC Registered number: 05199719

# Statement of Cash Flow

For the year ended 31 December 2019

	Note	Group	
		2019 £'000	2018 £'000
<b>Operating activities</b>			
Cash (used in) / generated from operations	20	(16,215)	17,413
Finance charges paid		(597)	(360)
Corporation tax paid		(820)	(1,063)
<b>Net cash (used in)/generated from operating activities</b>		<b>(17,632)</b>	15,990
<b>Investing activities</b>			
Proceeds on disposal of assets held for sale		3,350	-
Proceeds on disposal of property, plant and equipment		-	36
Purchases of property, plant and equipment		(5,823)	(3,407)
Purchases of intangible assets		(18)	(6)
Sale of business		-	6,176
<b>Net cash (used in)/generated from investing activities</b>		<b>(2,491)</b>	2,799
<b>Financing activities</b>			
Dividends paid	7	-	-
Issue of equity	18	89	84
Drawdown / (repayment) of loan facilities		32,000	(14,290)
Payment of principal on lease liabilities	15	(1,540)	-
<b>Net cash generated from/(used in) financing activities</b>		<b>30,549</b>	(14,206)
Net increase in cash and cash equivalents		10,426	4,583
Cash and cash equivalents at beginning of year		11,162	6,579
<b>Cash and cash equivalents at end of year</b>		<b>21,588</b>	11,162

# Statements of Changes in Shareholders' Equity

For the year ended 31 December 2019

Group	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
<b>At 1 January 2018</b>	<b>10,295</b>	<b>757</b>	<b>39,053</b>	<b>50,105</b>
Total comprehensive income for the year				
Retained profit	-	-	9,939	9,939
Total comprehensive income for the year	-	-	9,939	9,939
<b>Transactions with the owners of the company</b>				
Issue of equity	84	-	-	84
Share-based payments	-	-	172	172
Total transactions with the owners of the company	84	-	172	256
<b>At 31 December 2018</b>	<b>10,379</b>	<b>757</b>	<b>49,164</b>	<b>60,300</b>
IFRS16 opening adjustment	-	-	(39)	(39)
<b>At 1 January 2019 as restated</b>	<b>10,379</b>	<b>757</b>	<b>49,125</b>	<b>60,261</b>
Total comprehensive loss for the year				
Retained loss	-	-	(12,756)	(12,756)
Total comprehensive loss for the year	-	-	(12,756)	(12,756)
<b>Transactions with the owners of the company</b>				
Issue of equity	30	59	-	89
Share-based payments	-	-	42	42
Total transactions with the owners of the company	30	59	42	131
<b>At 31 December 2019</b>	<b>10,409</b>	<b>816</b>	<b>36,411</b>	<b>47,636</b>

# Statements of Changes in Shareholders' Equity

For the year ended 31 December 2019

Company	Share capital £'000	Share premium account £'000	Retained earnings £'000	Shareholders' equity £'000
<b>At 1 January 2018</b>	<b>10,295</b>	<b>757</b>	<b>23,664</b>	<b>34,716</b>
Total comprehensive income for the year				
Retained loss	-	-	(6,318)	(6,318)
Total comprehensive income for the year	-	-	(6,318)	(6,318)
<b>Transactions with the owners of the company</b>				
Issue of equity	84	-	-	84
Share-based payments	-	-	172	172
<b>Total transactions with the owners of the company</b>	<b>84</b>	<b>-</b>	<b>172</b>	<b>256</b>
<b>At 31 December 2018</b>	<b>10,379</b>	<b>757</b>	<b>17,518</b>	<b>28,654</b>
IFRS16 opening adjustment	-	-	26	26
<b>At 1 January 2019 as restated</b>	<b>10,379</b>	<b>757</b>	<b>17,544</b>	<b>28,680</b>
Total comprehensive income for the year				
Retained profit	-	-	766	766
Total comprehensive income for the year	-	-	766	766
<b>Transactions with the owners of the company</b>				
Issue of equity	30	59	-	89
Share-based payments	-	-	42	42
Total transactions with the owners of the company	30	59	42	131
<b>At 31 December 2019</b>	<b>10,409</b>	<b>816</b>	<b>18,352</b>	<b>29,577</b>

# Notes to the Financial Statements

For the year ended 31 December 2019

## 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 (FRS101). 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) 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.

#### (iii) 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 Directors' Report.

### (b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in accordance with the Group's primary revenue streams as set out below. Revenue is shown net of Value Added Tax and inclusive of Landfill Tax where appropriate.

#### *Treatment & Disposal and North Sea Services*

Waste revenue is recognised at the point of acceptance of that waste into one of the Group's facilities, being consistent with the point where the Group's responsibility for this waste arises and therefore reflecting fulfilment of the sole performance obligation to the customer.

# Notes to the Financial Statements

For the year ended 31 December 2019

## 1 Accounting policies continued

Contracts with customers are typically fixed price based on agreed weights and specifications and invoiced upon acceptance of waste into one of the Group's facilities. Landfill Tax revenue is recognised as revenue at the point of acceptance and an appropriate liability is recognised at the same time with other tax and social security liabilities.

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. Contract assets and liabilities may arise where there is a short-term timing difference between recognition and invoicing.

The Group's standard payment terms are 30 days from the provision of the service. There are no long-term contract or financing arrangements in place across the Group.

The Group is assessed operationally and financially under the two primary revenue streams outlined above. The Directors do not therefore consider there to be a lower relevant level of revenue disaggregation than that disclosed in Note 2, Operating Segments. There are no material concentrations of revenue by customer or from countries outside of the United Kingdom.

### (c) Non-underlying items

Items that are significant and outside the normal course of business are presented as non-underlying items in the statement of comprehensive income. The Directors believe the separate recording of the non-underlying items provides helpful information about the Group's underlying business performance. Examples of events which may give rise to the classification of items as non-underlying include restructuring of the business, unexpected payments of bonuses, legal costs associated with the Landfill Tax dispute, the payment of Landfill Tax back assessments and other 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.

## 1 Accounting policies continued

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 or length of lease
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.

### *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 except for the capping element of the provision which is not discounted due to the near-term nature of the expenditure. 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.

# Notes to the Financial Statements

For the year ended 31 December 2019

## 1 Accounting policies continued

### (h) Impairment of non-current assets

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

The Group leases plant and machinery, IT equipment, vehicles and property. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case 3% is used, representing the Group's incremental borrowing rate. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

The carrying value of the lease liability also includes amounts expected to be payable under any residual value guarantee, the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option and any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received and increased for lease payments made at or before commencement of the lease, initial direct costs incurred and the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at a new discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss.

The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

### (i) Leases (continued)

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

## 1 Accounting policies continued

### (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 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) 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 or the statement of financial position, over the remaining vesting period. Management have elected to disclose the share-based payment charge separately on the Income Statement to allow users of the accounts to better understand the underlying trading performance of the Group.

### (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.

# Notes to the Financial Statements

For the year ended 31 December 2019

## 1 Accounting policies continued

### (p) Tax deposits

Tax deposits are recognised to the extent they provide the Group a right to obtain future economic benefits, either by receiving a cash refund or by using the payment to settle the tax liability. The measurement of the asset is achieved by applying probabilistic modelling to the cash amounts paid to the relevant tax authorities.

### (q) Financial instruments

#### (i) Financial assets

Financial assets that are held to collect are categorised as amortised cost under IFRS 9. This includes the Group's trade and other receivables, and cash and cash equivalents. Financial assets are assigned to this category on initial recognition, depending on the characteristics of the instrument and the corresponding business model. 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, and subsequently at amortised cost using the effective interest method, less any allowance for impairment. Financial assets are reviewed for impairment under the simplified approach to the expected credit loss model under IFRS 9. This is calculated through the use of a provision matrix by considering default rates by receivable age. A historic two-year actual impairment loss on receivables, adjusted for management's expectation of future market conditions is utilised within this matrix. The movement in allowances for receivables is charged or credited through the income statement. Discounting of long-term receivables is omitted where the effect is immaterial.

#### (ii) Financial liabilities

The Group's financial liabilities include trade payables and debt and are all categorised under amortised cost in accordance with IFRS 9. Trade payables are not interest bearing and are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method. 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, therefore the fair value through profit and loss classification under IFRS 9 is not used for any financial liabilities.

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 22.

#### (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 20.

### (r) Equity

Equity comprises share capital, share premium 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.

### (s) 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 unable to be measured.

## 1 Accounting policies continued

### (t) Intercompany balances

The Company provides for impairment for amounts due from subsidiary undertakings using a forward looking lifetime expected credit loss provision which is based on assessing whether there has been a significant increase in credit risk since initial recognition of the financial asset.

### (u) Significant judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical experience, the best available information and various other factors that are believed to be reasonable under the circumstances. This forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may, however, differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based, or as a result of new information or further information. Such changes are recognised in the period in which the estimate is revised. Certain accounting policies are particularly important to the preparation and explanation of the Group's financial information. Key assumptions about the future and key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities over the next twelve months are set out below.

#### *Landfill Tax assessments (estimate)*

The Group have made payments to HMRC in the year of £40,393,000 in relation to Landfill Tax assessments received. The payments made to HMRC and additional potential assessments have been accounted for in line with IAS 37, resulting in an asset held on the balance sheet equal to £14,200,000 and an expense to non-underlying costs of £26,200,000. The application of IAS37 involves the application of probabilistic modelling to tribunal outcomes, which are impacted by a number of different factors.

Ultimately, the cost of this dispute will be determined by a tribunal at which the outcome may be different from the amount charged to the Income Statement. A weighted average approach based on legal advice has been applied to derive the estimates in this matter.

#### *Impairment of goodwill, other intangible assets, investments and fixed assets (judgement and estimate)*

The Group has property, plant and equipment with a carrying value of £38,309,000 (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.

#### *Site development and cell engineering/capping (estimate)*

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

#### *After-care costs (estimate)*

Provision is made for after-care costs as soon as the obligation arises and is charged to profit or loss as void usage progresses. After-care costs are estimated using either the work of external consultants or internal experts. Management uses its judgement and experience to provide for these estimated costs over the life of the site. See note 17 for further details of calculation methodology, assumptions used and potential sensitivities to these calculations.

#### *Other provisions (estimate)*

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

# Notes to the Financial Statements

For the year ended 31 December 2019

## 1 Accounting policies continued

### *Deferred tax taxes (estimate)*

A deferred tax asset of £4,350,000 (2018: £1,781,000) has also been recognised. Estimates may be required in determining the level of deferred income tax assets and liabilities, which the Directors believe are reasonable and adequately recognise any deferred tax related uncertainties. Various factors may have favourable or adverse effects on the deferred 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.

### *Lease accounting (judgement)*

When the entity has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term. The discount rate used in assessing lease liabilities is based on the equivalent external borrowing rate of the group.

### **(v) New IFRS standards and interpretations applied**

The Group adopted IFRS 16 with a transition date of 1 January 2019. The Group has chosen not to restate comparatives on adoption and therefore the revised requirements are not reflected in the prior year financial statements. These changes have been processed at the date of initial application (i.e. 1 January 2019) and recognised in the opening equity balances. The Group has the approach to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised immediately before the date of initial application. At the date of the initial application of the new lease standard, lessees are required to recognise the cumulative effect of the initial application as an adjustment to the opening balance of retained earnings as of 1st January 2019.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have any leasing activities acting as a lessor.

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019. IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard.

The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Use hindsight when determining the lease term;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date; and
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

This resulted in the group recognising a right-of-use asset of £5,457,000, a right-of-use liability of £5,496,000 and a charge to retained earnings of £39,000. Further detail is presented in note 15.

**(w) 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:

	Issued date	IASB mandatory effective date	EU endorsement status
<b>New Standards</b>			
IFRS 17 Insurance contracts	18-May-2017	01-Jan-21*	TBC
<b>Amendments to existing standards</b>			
Amendments to References to the Conceptual Framework in IFRS Standards	29-Mar-18	01-Jan-20	Endorsed
Amendments to IFRS 3 Business Combinations – Definition of a Business	22-Oct-18	01-Jan-20	Expected Q1 2020
Definition of Material - Amendments to IAS 1 and IAS 8	31-Oct-18	01-Jan-20	Endorsed
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	26-Sep-19	01-Jan-20	Endorsed January 2020

The application of these standards and interpretations is not expected to have a material impact on the Group's reported financial performance or position.

**2 Operating segments**

The Group has two reportable segments. The two segments 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 Chairman (the chief operating decision-maker) reviews internal management reports on at least a monthly basis. The following summary describes the operations of each of the Group's reportable segments:

- Treatment & Disposal: Augean provides waste remediation, management, treatment and disposal services through its six sites across the UK.
- Augean North Sea Services: Augean provides waste management and waste processing services to Oil and Gas operators.

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 Chairman. 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.

Total revenue for one customer amounts to more than 10% of the total revenue of Augean PLC. One customer accounts for £14.1m of revenue which is all reported in the North Sea Services segment.

Materially all activities arise almost exclusively within the United Kingdom. Inter-segment trading is undertaken on normal commercial terms.

This note includes information in relation to the disaggregation of revenue as described in note 1.

# Notes to the Financial Statements

For the year ended 31 December 2019

## 2 Operating segments continued Information about reportable segments

	2019		
	Treatment & Disposal £'000	North Sea Services £'000	Group £'000
<b>Assets</b>			
Segment assets	82,710	20,419	103,129
<b>Unallocated segment assets</b>			
Deferred tax asset			4,350
Cash and cash equivalents			21,588
<b>Group total assets</b>			<b>129,067</b>
<b>Liabilities</b>			
Segment liabilities	(35,753)	(12,327)	(48,080)
<b>Unallocated segment liabilities</b>			
Bank overdraft and loans			(32,206)
Current tax liabilities			(1,145)
<b>Group total liabilities</b>			<b>(81,431)</b>

	2018			Group £'000
	Treatment and disposal £'000	North Sea Services £'000	Discontinued Operations £'000	
<b>Assets</b>				
Segment assets	66,633	12,366	3,406	82,405
<b>Unallocated segment assets</b>				
Deferred tax asset				1,781
Cash and cash equivalents				11,162
<b>Group total assets</b>				<b>95,348</b>
<b>Liabilities</b>				
Segment liabilities	(20,026)	(8,519)	(1,718)	(30,263)
<b>Unallocated segment liabilities</b>				
Bank overdraft and loans				(2,922)
Current tax liabilities				(1,863)
<b>Group total liabilities</b>				<b>(35,048)</b>

## 2 Operating segments continued

	2019		
	Treatment & Disposal £'000	North Sea Services £'000	Group £'000
<b>Revenue</b>			
Incinerator Ash and APCr management	17,196	-	17,196
Other landfill activities	16,967	-	16,967
Waste treatment activities	19,531	-	19,531
Radioactive waste management	3,704	-	3,704
Services to Oil production and exploration customers	-	34,896	34,896
<b>Total revenue net of Landfill Tax</b>	<b>57,398</b>	<b>34,896</b>	<b>92,294</b>
Landfill Tax	15,611	-	15,611
<b>Total revenue including inter-segment sales</b>	<b>73,009</b>	<b>34,896</b>	<b>107,905</b>
Inter-segment sales	(748)	(20)	(768)
<b>Revenue</b>	<b>72,261</b>	<b>34,876</b>	<b>107,137</b>
<b>Operating profit before non-underlying items</b>	<b>18,062</b>	<b>2,619</b>	<b>20,681</b>
Non-underlying items (note 3)	(26,843)	-	(26,843)
<b>Operating (loss)/profit</b>	<b>(8,781)</b>	<b>2,619</b>	<b>(6,162)</b>
Net finance charges			(697)
Share-based payments			(7,693)
Central costs			(772)
<b>Loss before tax</b>			<b>(15,324)</b>
Taxation credit (note 6)			2,568
<b>Loss for the year attributable to equity shareholders of Augean plc</b>			<b>(12,756)</b>

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

	2018		
	Treatment and disposal £'000	North Sea Services £'000	Group £'000
<b>Revenue</b>			
Incinerator Ash and APCr management	12,461	-	12,461
Other landfill activities	14,301	-	14,301
Waste treatment activities	20,664	-	20,664
Radioactive waste management	3,517	-	3,517
Services to Oil production and exploration customers	-	21,669	21,669
<b>Total revenue net of Landfill Tax</b>	<b>50,943</b>	<b>21,669</b>	<b>72,612</b>
Landfill Tax	10,991	-	10,991
<b>Total revenue including inter-segment sales</b>	<b>61,934</b>	<b>21,669</b>	<b>83,603</b>
Inter-segment sales	(3,853)	(1)	(3,854)
<b>Revenue</b>	<b>58,081</b>	<b>21,668</b>	<b>79,749</b>
<b>Operating profit before non-underlying items</b>	<b>10,933</b>	<b>2,062</b>	<b>12,995</b>
Non-underlying items (note 3)	(322)	-	(322)
<b>Operating profit from continuing operations</b>	<b>10,611</b>	<b>2,062</b>	<b>12,673</b>
Net finance charges			(749)
Share based payments			(523)
Central costs			(808)
<b>Profit before tax from continuing operations</b>			<b>10,593</b>
Taxation charge (note 6)			(2,043)
<b>Profit after tax from continuing operations</b>			<b>8,550</b>
Profit after tax from discontinued operations (note 27)			1,389
<b>Profit for the year attributable to equity shareholders of Augean plc</b>			<b>9,939</b>

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 2019

## 3 Operating profit

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

	2019 £'000	2018 £'000
<b>Fees payable to the Company's auditor for the audit of the annual financial statements</b>	<b>68</b>	57
<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>25</b>	33
– other assurance services	-	3
Total Audit Fees	<b>93</b>	93
Total non-audit fees	-	-
	<b>93</b>	93
<b>Amortisation of intangible assets</b>	<b>39</b>	65
<b>Depreciation of property, plant and equipment:</b>		
– owned assets	<b>7,471</b>	7,032
– Right-of-use assets	<b>1,454</b>	-
<b>Total</b>	<b>8,925</b>	7,032
<b>Non-underlying items:</b>		
Landfill Tax assessments settlement	<b>26,179</b>	-
Other non-underlying charges		
Restructuring and similar charges	<b>165</b>	166
Legal costs associated with Landfill Tax dispute	<b>499</b>	156
<b>Total</b>	<b>664</b>	322

The Landfill Tax assessments settlement is in relation to Landfill Tax assessments received. Payments made in the year to HMRC and additional potential assessments have been accounted for in line with IAS 37 which involves the application of probabilistic modelling to tribunal outcomes, which are impacted by a number of different factors. A weighted average approach based on legal advice has been applied to derive estimates. Ultimately the cost of this dispute will be determined by a tribunal at which the outcome may be different from the amount charged to the Income Statement.

Charges in relation to share-based payments are considered non underlying by the Group. Further information is provided in note 19.

## 4 Net finance charges

	2019 £'000	2018 £'000
Net interest and charges payable on bank loans and overdrafts	<b>451</b>	598
Interest expense on lease liabilities	<b>146</b>	-
Unwinding of discount on provisions (note 17)	<b>100</b>	150
	<b>697</b>	748

Interest receivable is not considered material for separate disclosure.

## 5 Group and Company employees

The average monthly number of employees analysed by function was:

	2019 Number	2018 Number
Sales	21	23
Operations	283	296
Administration	88	66
	<b>392</b>	385

	2019 £'000	2018 £'000
Wages and salaries	14,887	14,342
Social security costs	1,607	1,222
LTIP	7,000	-
Other pension costs	677	483
	<b>24,171</b>	16,047

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 181 (2018: 244) people in the year. The total employee costs to the company were £11,482,000 (2018: £8,946,000)

The total remuneration of the Directors of the company was £5,203,000 (2018: £792,000). The highest paid Director received total emoluments of £3,552,000 (2018: total emoluments of £354,000).

No Directors exercised share options during the year (2018: none).

The Directors have identified 6 (2018:9) key management personnel. The total key management personnel compensation, including the Non-executive Directors, presented below, was as follows:

	2019 £'000	2018 £'000
Short-term employment benefits	1,437	1,523
Post-employment benefits	12	18
Share-based payments	5,258	454
	<b>6,707</b>	1,995

## 6 Taxation

	2019		2018	
	£'000 Continuing operations and Total	£'000 Continuing operations	£'000 Discontinued operations	£'000 Total
<b>Current tax</b>				
UK corporation tax on profit/(loss) for the year	-	2,665	(554)	2,111
Adjustments in respect of prior years	68	(102)	439	337
	<b>68</b>	<b>2,563</b>	(115)	2,448
<b>Deferred tax</b>				
Charge/(credit) in respect of the current year	(2,458)	(493)	16	(477)
Adjustments in respect of prior years	(178)	(27)	(207)	(234)
	<b>(2,636)</b>	<b>(520)</b>	(191)	(711)
Tax (credit)/charge on the result for the year	<b>(2,568)</b>	<b>2,043</b>	(306)	1,737

# Notes to the Financial Statements

For the year ended 31 December 2019

## 6 Taxation continued

### Tax reconciliation – continuing operations

	2019		2018	
	£'000	%	£'000	%
(Loss)/profit before tax	<b>(15,324)</b>		10,593	
Tax at theoretical rate	<b>(2,912)</b>	<b>19%</b>	2,013	19%
Effects of:				
– expenses not deductible for tax purposes	<b>270</b>	<b>(2)%</b>	158	1%
– change in tax rate	<b>291</b>	<b>(2)%</b>	51	0%
– effect of share options	<b>(108)</b>	<b>0%</b>	(50)	0%
– adjustments in respect of prior years	<b>(110)</b>	<b>1%</b>	(129)	(1)%
<b>Tax (credit)/charge on results</b>	<b>(2,569)</b>	<b>17%</b>	2,043	19%

The main rate of corporation tax in the UK was 19.00% (2018: 19.00%).

### 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	Provisions £'000	Total £'000
<b>At 1 January 2018</b>	118	359	49	717	1,243
Credited/(Charged) to the income statement	3	721	(19)	16	721
Adjustment in respect of prior years	-	(183)	-	-	(183)
<b>At 31 December 2018</b>	121	897	30	733	1,781
Credited/(Charged) to the income statement	1	169	77	2,613	2,860
Adjustment in respect of prior years	-	(4)	-	(287)	(291)
<b>At 31 December 2019</b>	<b>122</b>	<b>1,062</b>	<b>107</b>	<b>3,059</b>	<b>4,350</b>
Deferred tax assets	121	1,062	107	3,059	4,350
<b>At 31 December 2019</b>	<b>121</b>	<b>1,062</b>	<b>107</b>	<b>3,059</b>	<b>4,350</b>

The company has no deferred tax asset or liability (2018: £nil).

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 17% in these accounts to the extent that timing differences are expected to reverse after this date. £291,000 (2018: £51,000 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 £3,940,000 (2018: £5,383,000). 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 arising on an election made in relation to a goodwill balance and to certain long-dated general provisions are analysed as follows:

	2019 £'000	2018 £'000
Unrecognised deferred tax asset	<b>670</b>	915

There are no unrecognised deferred tax assets in the company (2018: nil).

## 7 Dividends

	2019 £'000	2018 £'000
Proposed final dividend for the year ended 31 December 2019 of nil pence per share (2018: nil pence per share)	-	-
Total	-	-

## 8 Earnings per share

Earnings per share (EPS) is calculated as follows:

	2019 £'000	2018 £'000
<b>(Loss)/profit after tax for the purposes of basic and diluted earnings per share</b>	<b>(12,756)</b>	9,939
Non-underlying items net of tax	<b>22,467</b>	(3,155)
Share-based payments net of tax	<b>6,231</b>	-
<b>Adjusted profit after tax for the purposes of basic and diluted earnings per share</b>	<b>15,942</b>	6,784
Profit after tax from discontinued operations before non-underlying items	-	2,026
<b>Adjusted earnings for the purposes of basic and diluted EPS for continuing operations only</b>	<b>15,942</b>	8,810
Loss after tax from continuing non-underlying items	-	(260)
<b>Earnings for the purposes of basic and diluted EPS for continuing operations only</b>	<b>15,942</b>	8,550

No discontinued items are included for 2019. A reconciliation of the split of taxation adjusted items, continuing and discontinued operations in 2019 is shown in note 27.

The non-underlying items 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. Share-based payments are considered to be adjusting item in the current year due the vesting of the scheme in full after two years compared to the expected life of five years.

Non-underlying items in 2018 are stated net of a tax charge of £120,000, loss after tax from discontinued operations is stated net of a tax credit of £487,000 and loss after tax from continuing non-underlying items is stated net of a tax credit of £61,000. Pre-tax adjusting items are detailed in note 27.

	2019 number	2018 number
<b>Number of shares</b>		
Weighted average number of shares for basic earnings per share	<b>104,006,779</b>	103,408,043
Effect of dilutive potential ordinary shares from share options	<b>802,208</b>	709,119
Weighted average number of shares for diluted earnings per share	<b>104,808,987</b>	104,117,162
<b>(Loss)/Earnings per share</b>		
Basic	<b>(12.26)p</b>	9.61p
Diluted	<b>(12.26)p</b>	9.55p
<b>Adjusted earnings per share</b>		
Basic	<b>15.33p</b>	6.56p
Diluted	<b>15.21p</b>	6.52p
<b>Adjusted earnings per share – continuing operations</b>		
Basic	<b>15.33p</b>	8.52p
Diluted	<b>15.21p</b>	8.46p

# Notes to the Financial Statements

For the year ended 31 December 2019

## 9 Goodwill

	£'000
<b>Cost</b>	
At 1 January 2018, 1 January 2019 and 31 December 2019	108,163
<b>Accumulated impairment</b>	
At 1 January 2018, 1 January 2019 and 31 December 2019	(88,406)
<b>Net book value</b>	
At 1 January 2018, 1 January 2019 and 31 December 2019	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.

The Group has two CGUs as at 31 December 2019. The allocation of goodwill by CGU is as follows:

	2019 £'000	2018 £'000
Treatment & Disposal	19,757	19,757

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.

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 representing the Group's Weighted Average Cost of Capital (WACC) of 8.0% (2018: 8.0%), which reflects management's best estimate of the current market's assessment of the time value of money and the business, operational and financial risks specific to the CGUs. The same discount rate has been used for all CGUs as any risks, specific to those CGUs, are reflected in the projected cash flows.

The discount rate has been determined using the Capital Asset Pricing Model.

The key assumptions for the Treatment & Disposal CGU's cash flows are:

- based on approved budgets and plans for 2020 and, beyond this period, have been forecast for a total period of 20 years, being the shortest potential life associated with any of the CGU's operations in their current form;
- revenue growth over the time horizon is expected to achieve 1% per annum;
- 1% increase in maintenance capital expenditure from 2020 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 £226,261,000 against the CGU Goodwill and asset balance. Sensitivity analysis has been performed over the key assumptions which indicate the following impact, meaning reduction or increase in headroom:

	Sensitivity	Impact in 2019
Discount factor	1%	£20.2m
EBITDA margin	1%	£8.6m
Revenue growth rate	1%	£7.1m

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

**10 Other intangible assets**

	<b>Group</b>			<b>Company</b>
	Computer software £'000	Customer relationships £'000	Total £'000	Computer software and total £'000
<b>Cost</b>				
At 1 January 2018	1,278	2,262	3,540	874
Additions	10	-	10	5
Disposals relating to discontinued operations	(409)	(2,262)	(2,671)	-
<b>At 31 December 2018</b>	<b>879</b>	<b>-</b>	<b>879</b>	<b>879</b>
Additions	18	-	18	18
<b>At 31 December 2019</b>	<b>897</b>	<b>-</b>	<b>897</b>	<b>897</b>
<b>Amortisation</b>				
At 1 January 2018	955	2,262	3,217	778
Charge for the year	65	-	65	35
Disposals relating to discontinued operations	(207)	(2,262)	(2,469)	-
<b>At 31 December 2018</b>	<b>813</b>	<b>-</b>	<b>813</b>	<b>813</b>
Charge for the year	39	-	39	39
<b>At 31 December 2019</b>	<b>852</b>	<b>-</b>	<b>852</b>	<b>852</b>
<b>Net book value</b>				
<b>At 31 December 2019</b>	<b>45</b>	<b>-</b>	<b>45</b>	<b>45</b>
At 1 January 2019	66	-	66	66
At 1 January 2018	323	-	323	96

# Notes to the Financial Statements

For the year ended 31 December 2019

## 11 Investments in subsidiaries

Company	£'000
<b>Cost</b>	
At 1 January 2018	147,272
At 1 January 2019	147,272
<b>At 31 December 2019</b>	<b>147,272</b>
<b>Provision for impairment</b>	
At 1 January 2018	(89,926)
Impairment	(6,578)
At 1 January 2019	(96,504)
Impairment	-
<b>At 31 December 2019</b>	<b>(96,504)</b>
<b>Net book value</b>	
<b>At 31 December 2019</b>	<b>50,768</b>
At 1 January 2019	50,768
At 1 January 2018	57,346

The subsidiary companies of the Group are as follows:

Name of company	Country of registration or incorporation	Registered address	Proportion held at balance sheet date %	Nature of business
Augean Treatment Limited	England and Wales	4 Rudgate Court, Wetherby, LS23 7BF	100	Waste treatment
Augean North Limited	England and Wales	4 Rudgate Court, Wetherby, LS23 7BF	100	Landfill operations
Augean South Limited	England and Wales	4 Rudgate Court, Wetherby, LS23 7BF	100	Landfill operations
Augean North Sea Services Limited	Scotland	2 Woodside Road Bridge Of Don Industrial Estate, Aberdeen, AB23 8EF	100	Waste treatment
Augean Property Limited	England and Wales	4 Rudgate Court, Wetherby, LS23 7BF	100	Dormant
Colt Industrial Services Limited	England and Wales	4 Rudgate Court, Wetherby, LS23 7BF	100 (indirect)	Dormant
RNA Investments Limited	England and Wales	4 Rudgate Court, Wetherby, LS23 7BF	100	Dormant
Hitech Equipment Limited	Scotland	36 Clark Street, Paisley, Renfrewshire, PA3 1RB	100	Dormant

These companies are owned directly by Augean except where noted. The principal place of business for all companies is the United Kingdom.

The impairment loss in 2018 related to the Company's investment in Colt Holdings Limited. The assets and property relating to the Colt business have been sold resulting in a full impairment of the remaining carrying value of the investment. The carrying value of this investment remains £nil.

## 12 Property, plant and equipment Group

	Freehold land and buildings £'000	Leasehold improvements £'000	Engineered cells £'000	Plant and machinery £'000	Total £'000
<b>At 1 January 2018</b>	47,719	1,456	14,593	37,904	101,672
Additions	351	50	1,688	1,759	3,848
Reclassification as held for sale	-	-	-	(714)	(714)
Disposals	(1,211)	-	-	(7,011)	(8,222)
<b>At 31 December 2018</b>	46,859	1,506	16,281	31,938	96,584
Additions	798	130	2,931	1,548	5,407
<b>At 31 December 2019</b>	<b>47,657</b>	<b>1,636</b>	<b>19,212</b>	<b>33,214</b>	<b>101,991</b>
<b>Accumulated depreciation</b>					
<b>At 1 January 2018</b>	13,435	431	13,690	27,438	54,994
Charge for year	1,877	112	2,174	2,870	7,033
Impairment loss	408	-	-	(619)	(211)
Disposals	(43)	-	-	(5,562)	(5,605)
<b>At 1 January 2019</b>	15,677	543	15,864	24,127	56,211
Charge for year	2,545	128	2,061	2,737	7,471
<b>At 31 December 2019</b>	<b>18,222</b>	<b>671</b>	<b>17,925</b>	<b>26,864</b>	<b>63,682</b>
<b>Net book value</b>					
<b>At 31 December 2019</b>	<b>29,435</b>	<b>965</b>	<b>1,287</b>	<b>6,622</b>	<b>38,309</b>
At 1 January 2019	31,182	963	417	7,811	40,373
At 1 January 2018	34,284	1,025	903	10,466	46,678

There were outstanding contractual commitments for acquisitions of property, plant or equipment of £187,000 at 31 December 2019 (2018: £309,000). Materially all of the disposals in 2018 related to the trade and asset sales related to the Group's discontinued operation.

Certain assets are pledged as security for loans as disclosed in note 16.

# Notes to the Financial Statements

For the year ended 31 December 2019

## 12 Property, plant and equipment continued Company

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>			
At 1 January 2018	842	1,790	2,632
Additions	98	-	98
Disposals	(12)	(62)	(74)
<b>At 31 December 2018</b>	<b>928</b>	<b>1,728</b>	<b>2,656</b>
Additions	-	157	157
<b>At 31 December 2019</b>	<b>928</b>	<b>1,885</b>	<b>2,813</b>
<b>Accumulated depreciation</b>			
At 1 January 2018	151	1,209	1,360
Charge for year	8	193	201
Disposals	-	(26)	(26)
<b>At 31 December 2018</b>	<b>159</b>	<b>1,376</b>	<b>1,535</b>
Charge for year	13	231	244
<b>At 31 December 2019</b>	<b>172</b>	<b>1,607</b>	<b>1,779</b>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<b>755</b>	<b>279</b>	<b>1,034</b>
At 1 January 2019	769	352	1,121
At 1 January 2018	691	581	1,272

## 13 Trade and other receivables Current assets

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade receivables	20,247	14,515	-	-
Prepayments and other debtors	15,535	1,661	383	708
Amounts due from subsidiary undertakings	-	-	7,311	-
Contract assets	4,418	2,452	-	-
	<b>40,200</b>	<b>18,628</b>	<b>7,694</b>	<b>708</b>

All amounts are anticipated to be recoverable in the short term. The carrying amount of trade receivables is considered a reasonable approximation of fair value.

All contract assets are invoiced within 12 months. The movement in the asset between years is due to the invoicing of prior year assets and the accrual of amounts relating to the current year.

A Landfill Tax deposit asset of £14.2m (2018: £nil) is included in other debtors.

Amounts due from subsidiary undertakings are due on demand and no expected credit loss is attributed to them.

## 14 Trade and other payables

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Current</b>				
Trade payables	7,050	4,102	972	333
Amounts due to subsidiary undertakings	-	-	-	22,373
Other taxes and social security	10,588	5,299	3,553	-
Accruals	14,567	11,821	2,411	1,293
	<b>32,205</b>	<b>21,222</b>	<b>6,936</b>	<b>23,999</b>

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

Amounts due to subsidiary undertakings are due on demand.

## 15 Leases

The Group lease a number of properties which are used to carry out trade. The Group also lease certain items of plant and equipment, including vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable.

Group	2019	
	Number Lease contracts	% Fixed payments
Property leases	8	18
Leases of plant, equipment and vehicles	69	82
<b>Total</b>	<b>77</b>	<b>100</b>

All the Company's 18 leases are plant, equipment and vehicles.

The nature of the Group's leasing activities are recognised in the statement of financial position as right-of-use assets as follows:

	Group 2019 £'000		Company 2019 £'000	
	Land and buildings	Plant, machinery and motor vehicles	Total	Plant, machinery and motor vehicles and total
At 1 January 2019	1,842	2,889	4,731	463
Additions	92	1,132	1,224	302
Disposal	-	(22)	(22)	-
Depreciation	(260)	(1,157)	(1,417)	(271)
<b>At 31 December 2019</b>	<b>1,674</b>	<b>2,842</b>	<b>4,516</b>	<b>494</b>

Lease liabilities are presented in the statement of financial position as follows:

	Group 2019 £'000		Company 2019 £'000	
	Land and buildings	Plant, machinery and motor vehicles	Total	Plant, machinery and motor vehicles and total
At 1 January 2019	1,918	2,823	4,741	437
Additions	92	1,120	1,212	255
Interest expense	57	90	147	15
Disposal	-	(11)	(11)	-
Lease payments	(272)	(1,268)	(1,540)	(223)
<b>At 31 December 2019</b>	<b>1,796</b>	<b>2,753</b>	<b>4,549</b>	<b>484</b>

# Notes to the Financial Statements

For the year ended 31 December 2019

## 15 Leases continued

The expense charged to the P&L in relation to low value assets is £3,000 for the Group and Company. The expense relating to variable lease payments not included in the measurement of lease liabilities is £nil for the Group and Company.

No income is made by directly subleasing right-of-use assets. There are no residual value guarantees, sale and leaseback arrangements, restrictions imposed by leases or uncommenced leases to which the Group or the Company is committed.

The maturity of the Group's lease liabilities is as follows:

	2019 Discounted £'000	2019 Undiscounted £'000
Up to 3 months	373	479
Between 3 and 12 months	1,072	1,387
Total due within 1 year	1,445	1,866
Between 1 and 2 years	1,195	1,497
Between 2 and 5 years	1,112	1,067
Over 5 Years	797	754
Total due after 1 year	3,104	3,318
<b>Total</b>	<b>4,549</b>	<b>5,184</b>

The undiscounted amounts above represent the undiscounted cashflows gross of interest. The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 3.0%.

The aggregate lease liability recognised in the statement of financial position at 1 January 2019 and the Group's operating lease commitment at 31 December 2018 can be reconciled as follows:

	£'000
Operating lease commitment at 31 December 2018	6,609
Effect of discounting annual commitments at an annual rate of 3.0%	(432)
Effect of revenue-based variable lease payments not included within the IFRS16 lease liability	(816)
Effect of variation in lease term	(446)
Effect of electing to account for short-term and low-value leases off balance sheet	(174)
<b>Total</b>	<b>4,741</b>

For the purposes of previous operating lease commitment disclosures the Group had assumed that variable lease payments as a result of revenue-based rents would be fully payable whereas for the purposes of applying IFRS16, these payments are expensed as they are paid.

## 16 Borrowings

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

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Current</b>				
Bank overdraft	-	-	-	-
Bank loans	6,667	-	6,667	-
Obligations under finance leases and hire purchase contracts	-	-	-	-
	<b>6,667</b>	-	<b>6,667</b>	-
<b>Non-current</b>				
Bank loans	28,123	2,922	28,123	2,922
	<b>28,123</b>	2,922	<b>28,123</b>	2,922
<b>Analysis of total borrowings</b>				
Bank overdraft	-	-	-	-
Bank loans	34,790	2,922	34,790	2,922
	<b>34,790</b>	2,922	<b>34,790</b>	2,922
Total borrowings are repayable as follows:				
– on demand or within one year	6,667	-	6,667	-
– in the second year	28,123	2,922	28,123	2,922
– in the third to fifth years inclusive	-	-	-	-
	<b>34,790</b>	2,922	<b>34,790</b>	2,922

The bank overdraft, bank loan and guarantees are secured by way of a first legal charge over certain freehold land and properties, debentures, cross guarantees and indemnities across the Group.

For more information about the Group's exposure to interest rate, credit risk, liquidity risk and borrowing facilities see note 22.

# Notes to the Financial Statements

For the year ended 31 December 2019

## 17 Provisions

	Group				Total £'000
	Restoration and after-care costs of landfill sites £'000	Capping provision £'000	Other provisions £'000	Landfill Tax assessments £'000	
<b>At 1 January 2018</b>	3,714	4,378	76	-	8,168
<b>Charged/(credited) to profit or loss during the year</b>					
- unwinding of discount	150	-	-	-	150
- provision in the year	50	395	-	-	445
Utilised during the year	(73)	-	-	-	(73)
<b>At 31 December 2018</b>	<b>3,841</b>	<b>4,773</b>	<b>76</b>	<b>-</b>	<b>8,690</b>
<b>Charged to profit or loss during the year</b>					
- unwinding of discount	100	-	-	-	100
- provision in the year	276	-	-	26,179	26,455
- reclassification	502	(502)	-	-	-
Utilised during the year	(324)	-	-	(26,179)	(26,503)
<b>At 31 December 2019</b>	<b>4,395</b>	<b>4,271</b>	<b>76</b>	<b>-</b>	<b>8,742</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%. £50,000 of this provision is expected to be utilised within 12 months of the balance sheet date (2018: £50,000).

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. £450,000 (2018: £450,000) of this provision is expected to be utilised within 12 months of the balance sheet date.

During the year, the group undertook an exercise to re-evaluate its long term provisions, utilising an external specialist adviser. As part of this exercise it was concluded that the costs to cap completed landfill cells would be lower than originally expected and that the costs of aftercare would be higher than previously expected. A reclassification between those two provisions has therefore been reflected in the year.

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

A change of 1% in the discount rate applied to the provision would result in a change in the amount provided of £690,000. A reduction in the assumed costs of 1% would result in a change in the amount provided of £41,000.

The provision in relation to Landfill Tax relates to assessments received from HMRC in relation to Landfill Tax balances. IAS37 has been applied to this liability and probabilistic modelling of tribunal outcomes, which are impacted by a number of different factors including legal advice which resulted in the creation of this provision. Subsequent to the cash settlement of this liability the provision has been discharged and an asset has been recognised, in line with IFRIC guidance, within debtors. The Group considers that the accounting outcome of the meeting the obligations of financial reporting requirements is not representative of its expectation of any real-life possible tribunal outcome.

## 18 Share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid – 104,085,198 (2018: 103,786,792) shares of 10p	10,409	10,379

During the year, 299,000 shares (2018: 839,000) were issued as a result of the exercise of share options. The total proceeds were £89,000 (2018: £84,000).

## 19 Share-based payments

At 31 December 2019, 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 2019	Granted	Exercised	Lapsed	At 31 December 2019
<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
		257,703	-	(202,531)	-	55,172
<b>Augean LTIP Scheme</b>						
April 2020 – September 2027	10p	476,687	-	-	-	476,687
April 2019 – September 2026	10p	106,500	-	-	-	106,500
April 2017 – September 2024	10p	345,952	-	(96,875)	-	249,077
		1,186,842	-	(299,406)	-	887,436
<b>Weighted average exercise price</b>		<b>18.1p</b>	<b>10p</b>	<b>10p</b>	<b>10p</b>	<b>11.9p</b>
<b>Of which exercisable</b>		<b>948,497</b>				<b>887,436</b>
Weighted average exercise price		20.1p				11.9p

Outstanding awards at 31 December 2018 were as follows:

Exercise date	Exercise price	At 1 January 2018	Granted	Exercised	Lapsed	At 31 December 2018
<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
		257,703	-	-	-	257,703
<b>Augean LTIP Scheme</b>						
April 2020 – September 2027	10p	678,929	-	-	(202,242)	476,687
April 2019 – September 2026	10p	298,082	-	-	(191,582)	106,500
April 2017 – September 2024	10p	1,183,708	-	(837,756)	-	345,952
		2,418,422	-	(837,756)	(393,824)	1,186,842
<b>Weighted average exercise price</b>		<b>12.9p</b>	<b>10p</b>	<b>10p</b>	<b>10p</b>	<b>18.1p</b>
<b>Of which exercisable</b>		<b>1,441,411</b>				<b>948,497</b>
Weighted average exercise price		14.9p				20.1p

# Notes to the Financial Statements

For the year ended 31 December 2019

## 19 Share-based payments continued

### Fair Value of equity settled options

The fair value of remaining share options has been calculated using the Black Scholes method for the prior year LTIP and the Monte Carlo model for the cash settled LTIP. The assumptions used in the calculation of the fair value of the share options for which charge has been accrued during the year were:

	<b>2017 LTIP</b>
Grant or valuation date	28 April 2017
Exercise period	April 2020 - September 2027
Date of vesting	-
Share price at grant or valuation date	65.0p
Exercise price	10p
Expected share price volatility	25.03%
Expected life or term (years)	2.7 years
Risk-free rate	0.1%
Expected dividend yield	1.54%
Fair value per option (pence)	52
Fair value of scheme (£m)	-

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.

For options outstanding at 31 December 2019, the weighted average remaining contractual life is 5.8 years (2018: 6.2 years).

The Group recognised a total expense of £42,000 (2018: £523,000) related to equity settled share-based payment transactions.

### Cash settled LTIP Scheme

In 2018, the group established a cash settled LTIP which entitled executive directors and senior managers in the Company to receive cash awards upon the fulfilment of certain performance criteria. The performance target for this plan was met in 2019 and the full payment of £7,000,000 was made to the participants. This amount, plus associated national insurance and less previously accrued charges has been charged to non-underlying items in the income statement in 2019.

This LTIP vested after the achievement of criteria in relation to value creation, as measured by the increase in share price experienced in 2019. The charge in relation to this LTIP had previously been expected to be expensed over five years and was £351,000 in 2018. This previously accrued charge offsets the amount included in non-underlying costs in 2019.

**20 Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities**

	Group	
	2019 £'000	2018 £'000
Operating (loss)/profit	(14,627)	11,341
Operating profit/from discontinued operations	-	1,083
Depreciation of right-of-use assets	1,417	-
Amortisation of intangible assets	39	58
Depreciation	7,471	7,032
Impairment (reversal)	-	(2,644)
(Loss)/earnings before interest, tax, depreciation and amortisation (EBITDA)	(5,700)	16,870
Share-based payments	42	523
(Increase)/decrease in inventories	(28)	162
(Increase) in trade and other receivables	(21,737)	(2,473)
Increase in trade and other payables	10,885	4,372
(Profit) on disposal of property, plant and equipment	-	(1,969)
Increase/(decrease) in provisions	323	(72)
Cash (used in)/generated from operations	(16,215)	17,413
Finance charges paid	(597)	(360)
Tax paid	(820)	(1,063)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(17,632)</b>	<b>15,990</b>

The above EBITDA and net cash generated from operating activities includes a total net cash outflow of £44,500,000 relating to non-underlying items which includes £40,400,000 in relation to the settlement of Landfill Tax assessments (2018: total outflow of £322,000).

**21 Analysis of changes in net debt**

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

	1 January 2018 £'000	Repayment and (drawdown) of loans '£000	Cash-flows '£000	Other movements '£000	31 December 2018 £'000	Adoption of IFRS 16 '£000	Other movement '£000	Drawdown of loans '£000	Cash flow '£000	31 December 2019 £'000
Cash and cash equivalents	6,579	-	4,583	-	11,162	-	-	-	10,426	21,588
Lease Liabilities	-	-	-	-	-	(4,741)	192	-	-	(4,549)
Bank loans within one year	(17,378)	17,290	-	88	-	-	-	(6,667)	-	(6,667)
Bank loans after one year	-	(3,000)	-	78	(2,922)	-	132	(25,333)	-	(28,123)
<b>Net (debt)/cash</b>	<b>(10,799)</b>	<b>14,290</b>	<b>4,583</b>	<b>166</b>	<b>8,240</b>	<b>(4,741)</b>	<b>324</b>	<b>(32,000)</b>	<b>10,426</b>	<b>(17,751)</b>

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

# Notes to the Financial Statements

For the year ended 31 December 2019

## 22 Financial instruments

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

	Group and total amortised costs £'000	Company and total loans and receivables £'000
<b>As at 31 December 2019</b>		
Trade receivables	20,247	-
Contract assets	4,418	-
Cash and cash equivalents	21,588	11,752
	<b>46,253</b>	<b>11,752</b>
<hr/>		
	Group and total loans and receivables £'000	Company and total loans and receivables £'000
<b>As at 31 December 2018</b>		
Trade receivables	14,515	-
Contract assets	2,452	-
Cash and cash equivalents	11,162	3,263
	28,129	3,263

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

	Group and total amortised costs £'000	Company and total financial liabilities at amortised cost £'000
<b>As at 31 December 2019</b>		
Trade payables – current	7,050	972
Accruals	14,566	2,413
Borrowings – current and non-current	34,790	34,790
Amounts owed to subsidiary undertakings	-	-
	<b>56,406</b>	<b>38,175</b>
<hr/>		
	Group and total financial liabilities at amortised cost £'000	Company and total financial liabilities at amortised cost £'000
<b>As at 31 December 2018</b>		
Trade payables – current	4,102	333
Accruals	11,821	1,293
Borrowings – non-current	2,922	2,922
Amounts owed to subsidiary undertakings	-	22,373
	18,845	26,921

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.

## 22 Financial instruments continued

### 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 2019</b>			
Trade and other payables – current	21,616	-	21,616
Borrowings – current	6,667	-	6,667
Borrowings – non-current	-	28,123	28,123
<b>Total</b>	<b>28,283</b>	<b>28,123</b>	<b>56,406</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 2018			
Trade and other payables – current	15,923	-	15,923
Borrowings – non-current	-	2,922	2,922
<b>Total</b>	<b>15,923</b>	<b>2,922</b>	<b>18,845</b>

The Group's borrowings are under a revolving credit arrangement, therefore the amount of interest paid is dependent upon the level of drawdown throughout the year. If the balance at 31 December 2019 remained consistent throughout the following 12-month period, the amount of interest payable would be £683,000 (2018: £80,000).

### 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 2019</b>			
Trade and other payables – current	6,938	-	6,938
Borrowings – current and non-current	6,667	34,790	41,457
	<b>13,605</b>	<b>34,790</b>	<b>48,395</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 2018			
Trade and other payables – current	22,769	-	22,769
Borrowings – non-current	-	2,922	2,922
	<b>22,769</b>	<b>2,922</b>	<b>25,691</b>

# Notes to the Financial Statements

For the year ended 31 December 2019

## 22 Financial instruments continued

### 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 and cash and cash equivalents. 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, including contract assets, 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 2019, the Group carried net bank debt of £13,202,000 (2018: £8,240,000 debt) and short-term flexibility is achieved through bank facilities comprising of a £40m revolving credit and term loan 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	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash and cash equivalents	21,588	11,162	11,752	3,263
Contract assets	4,418	2,452	-	-
Trade receivables	20,247	14,515	-	-
	46,253	28,129	11,752	3,263

At 31 December 2019, £2.8m (2018: £5.7m) of the Group's trade receivables were past due. A credit loss provision of £0.2m (2018: £0.2m) is held to mitigate the exposure to potential bad and doubtful debts.

**22 Financial instruments** continued

The ageing of the Group's trade receivables is as follows:

	2019 £'000	2018 £'000
Not more than four months past due	2,420	5,658
More than four months past due	408	84
Total past due trade receivables	2,828	5,742
Trade receivables not yet past due	17,579	8,932
Total gross trade receivables	20,407	14,674
Expected credit loss	(160)	(159)
<b>Total net trade receivables (note 13)</b>	<b>20,247</b>	<b>14,515</b>

The Group's management considers that all the above financial assets for each of the reporting dates under review are of good quality. The ageing profile above is the profile used by management in reviewing the ledger, however, it is the expected credit loss model which is used to calculate the provision as 31 December 2019.

The Company has no trade receivables (2018: £nil).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts. The expected loss rates are based on the Group's historical credit losses experienced over the two-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

A reconciliation of the movement in the impairment allowance for receivables under the expected credit loss model is shown below.

	£'000
Expected credit loss provision as at 31 December 2017	798
Amounts released	(699)
Amounts provided	60
<b>Expected credit loss provision as at 31 December 2018</b>	<b>159</b>
Amounts released	(52)
Amounts provided	53
<b>Expected credit loss provision as at 31 December 2019</b>	<b>160</b>

There is no impairment allowance or expected credit loss in the company in relation to receivable amounts from other group companies.

# Notes to the Financial Statements

For the year ended 31 December 2019

## 22 Financial instruments continued

### Interest rate risk

The Group finances its operations through a mixture of free cash flow, overdraft facilities and bank borrowings. 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 2019 was:

	Floating rate £'000
<b>Group</b>	
Bank loans	34,790
Finance leases	-
<b>At 31 December 2019</b>	<b>34,790</b>
At 31 December 2018	2,922

	Floating rate £'000
<b>Company</b>	
Bank loans	34,790
Finance leases	-
<b>At 31 December 2019</b>	<b>34,790</b>
At 31 December 2018	2,922

The Group met its short-term working capital requirements for the majority of 2019 through an overdraft and revolving loan facility with HSBC Bank plc renewed in March 2016 consisting of an overdraft, revolving credit facility and accordion facility. In December the Group refinanced with HSBC Bank plc at a level of £40m and secured a term loan of £20m and a revolving credit facility of £20m. The earliest maturity of the facility is December 2022. The loans attract an interest charge varying between 2.0% and 2.5% above LIBOR. The term loan is repayable in equal instalments from March 2020 to September 2022.

Although the Group is currently in credit, it maintains a level of drawn debt to ensure liquidity. A change in interest rate of 0.5% affects the annual interest cost for both the Group and Company by approximately £175,000 (2018: £15,000).

The Group has no hire purchase agreements. The maturity profile of the Group's financial liabilities is shown in note 16.

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	2019 £'000	2018 £'000
Share capital	18	10,409	10,379
Share premium		817	757
Borrowings	16	34,790	2,922
		<b>46,016</b>	14,058

**22 Financial instruments** continued

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 16) 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 the bank facility.

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 £26.8m of headroom at 31 December 2019 (2018: £25.2m).

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:

	<b>2019 Actual</b>	2019 Target	2018 Actual
Net debt to EBITDA*	<b>0.5</b>	<2.5	(0.4)
EBIT* to net bank debt cash costs	<b>44.5</b>	>3.5	20.4
Net debt to equity ("gearing") (%)	<b>27.9%</b>	prior year	-
Free cash flow (£'000s)	<b>(21,831)</b>	prior year	12,583

\* from continuing operations and excluding non-underlying 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.

	<b>2019 £'000</b>	2018 £'000
Net operating cash flow (note 20)	<b>(17,484)</b>	15,990
Purchase of property, plant and equipment	<b>(4,721)</b>	(3,407)
Free cash flow	<b>(22,205)</b>	12,583

# Notes to the Financial Statements

For the year ended 31 December 2019

## 23 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 £677,000 (2018: £483,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2019, contributions of £47,000 (2018: £nil) due in respect of the current reporting period had not been paid over to the schemes.

## 24 Contingent liabilities

In accordance with Environmental 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 £9.0m (2018: £9.3m). Future site restoration costs for each landfill site have been provided as disclosed in note 17.

## 25 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 receivables (note 13) are amounts receivable from 100% subsidiary undertakings of £7,276,000 (2018: £22,400,000 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.

## 26 Discontinued operations

There are no discontinued operations disclosed in 2019.

On 16 March 2018 the Group sold its total waste management business, Augean Integrated Services, for a consideration of £3,998,000.

On 22nd June 2018 the property, plant and equipment of the Colt business was disposed of for £928,000 and the freehold land and buildings associated with the Colt business were subsequently sold for £1,250,000 on 21 December 2018. During the year there was a total £6,176,000 cash inflow associated with investing activities.

The incinerator asset at East Kent was held for sale as at 31 December 2018 and subsequently disposed of on 25 January 2019. The associated result is therefore disclosed as discontinuing for 2018. There was no material trading in 2019.

The AIS and East Kent businesses were previously included in the Group's AIS business unit. The Colt business was part of the Group's Industry and Infrastructure business unit. Neither of these business units exist under the Group's current operating structure.

The analysis below shows the result from these operations:

	2018			Total £'000
	AIS £'000	Colt £'000	East Kent £'000	
Revenue	2,053	2,592	2,893	7,538
Operating expenses	(1,923)	(4,339)	(3,788)	(10,050)
<b>Profit/(Loss) before tax and non-underlying items</b>	130	(1,747)	(895)	(2,512)
Non-underlying items	728	223	2,644	3,595
<b>Profit/(Loss) before tax</b>	858	(1,524)	1,749	1,083
Taxation				306
<b>Profit after Tax</b>				1,389

During 2018 these businesses contributed a net cash outflow of £665,000 to the Group's net operating cash flow.

The non-underlying items in 2018 represented the gain for selling discontinued operations before tax. The gain on selling the AIS business after tax was £550,000. The gain on selling the Colt assets and freehold property after tax is £180,000. A reversal of impairment of £2,644,000 on the East Kent site assets has also been recognised in non-underlying costs. The balance of the £3,304,000 asset held for sale related to amounts reclassified from property plant and equipment.

# Notes to the Financial Statements

For the year ended 31 December 2019

## 26 Discontinued operations continued

The cash flows associated with these discontinued operations in 2018 and reconciliation to total non-underlying charge can be determined as follows:

	2018 Total £'000
Proceeds	6,176
Net assets disposed of:	
Property, plant and equipment	(2,648)
Intangible assets	(337)
Trade and other receivables	(3,096)
Trade and other payables	1,730
Other	(874)
<b>Gain on disposal before tax</b>	<b>951</b>
Reversal of impairment (non cash)	2,644
<b>Total non-underlying Income</b>	<b>3,595</b>

Other costs represent cash outflows in relation to the arrangement of the sales of discontinued operations.

The reversal of impairment related to the incinerator at East Kent which was originally impaired in 2016. Market conditions indicated that the asset's value on the open market is in excess of its current carrying value. Therefore income at a level equal to the depreciated historical cost of the impaired assets was recognised in non-underlying items and an equivalent asset was recognised and classified as an asset held for sale.

## 27 Reconciliation of performance metrics

The adjusted metrics referred to in the Operating review are derived as follows.

### Revenue

	2019			2018		
	Revenue £'000	Landfill Tax £'000	Adjusted Revenue £'000	Revenue £'000	Landfill Tax £'000	Adjusted Revenue £'000
Treatment & Disposal segment	72,261	(15,611)	56,650	58,081	(10,991)	47,090
North Sea Services segment	34,876	-	34,876	21,668	-	21,668
<b>Continued operations</b>	<b>107,137</b>	<b>(15,611)</b>	<b>91,526</b>	79,749	(10,991)	68,758
Discontinued Operations	-	-	-	7,062	-	7,062
<b>Total Group</b>	<b>107,137</b>	<b>(15,611)</b>	<b>91,526</b>	86,811	(10,991)	75,820

## 27 Reconciliation of performance metrics continued

### EBIT

	2019			
	Statutory £'000	Share-based payments £'000	Non- underlying items £'000	Adjusted £'000
Treatment & Disposal segment	(8,781)	-	26,843	18,062
North Sea Services segment	2,619	-	-	2,619
Central costs	(8,465)	7,693	-	(772)
<b>Operating profit from continuing operations</b>	<b>(14,627)</b>	<b>7,693</b>	<b>26,843</b>	<b>19,909</b>
Finance charges	(697)	-	-	(697)
<b>Profit before tax from continuing operations</b>	<b>(15,324)</b>	<b>7,693</b>	<b>26,843</b>	<b>19,212</b>
Taxation	2,568	(1,462)	(4,376)	(3,270)
<b>Profit after tax from continuing operations</b>	<b>(12,756)</b>	<b>6,231</b>	<b>22,467</b>	<b>15,942</b>
Discontinued Operations	-	-	-	-
<b>Total Group Operating profit</b>	<b>(12,756)</b>	<b>6,231</b>	<b>22,467</b>	<b>15,942</b>

	2018			
	Statutory £'000	Share-based payments £'000	Non- underlying items £'000	Adjusted £'000
Treatment & Disposal segment	10,611	-	322	10,933
North Sea Services segment	2,062	-	-	2,062
Central costs	(1,331)	523	-	(808)
<b>Operating profit from continuing operations</b>	<b>11,342</b>	<b>523</b>	<b>322</b>	<b>12,187</b>
Finance charges	(749)	-	-	(749)
<b>Profit Before tax from continuing operations</b>	<b>10,593</b>	<b>523</b>	<b>322</b>	<b>11,438</b>
Taxation	(2,043)	(99)	(120)	(2,262)
<b>Profit after tax from continuing operations</b>	<b>8,550</b>	<b>424</b>	<b>202</b>	<b>9,176</b>
Discontinued Operations	1,389	-	(3,595)	(2,206)
<b>Total Group Operating profit</b>	<b>9,939</b>	<b>424</b>	<b>(3,393)</b>	<b>6,970</b>

# Notice of Annual General Meeting

We are pleased to write to you with details of our 2020 Annual General Meeting (AGM) which will be held at 12 noon at Augean PLC's head office at 4 Rudgate Court, Wetherby, LS23 7BF on Monday 15 June 2020. The formal notice of Annual General Meeting is set out on page 76 to 77 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 6)**

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 6, which will be proposed as an ordinary resolution, seeks to renew the allotment authority so that the Section 551 amount shall be £3,469,506 (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 6 is passed to 30 June 2021 or the conclusion of the Company's next annual general meeting, whichever is earlier.

## **Authority to purchase own shares (Resolution 7)**

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 7, which will be proposed as a special resolution, seeks to grant the Directors the authority, for the period from the date Resolution 7 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 15,602,371 Ordinary shares, being an amount equal to approximately 14.99% of the issued share capital of the Company (as at 25 March 2020, 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' do not currently have the intention of exercising the authority granted by this Resolution.

## **Disapplication of pre-emption rights (Resolutions 8 and 9)**

Article 4.6(b) of the Company's Articles of Association empowers the Directors for a period (not exceeding five years) (**the Section 561 prescribed period**) to allot shares for cash in connection with a rights issue and also to allot shares in any other circumstances up to a maximum aggregate nominal amount approved by a special resolution of the Company (**the Section 561 amount**) without having to comply with statutory pre-emption rights.

The existing authority to disapply pre-emption rights granted at the Company's last annual general meeting is due to expire at the AGM.

Resolution 8, which will be proposed as a special resolution and which will only be effective if Resolution 6 is passed, seeks to renew the disapplication authority so that the Section 561 amount shall be £520,426 (representing approximately 5% of the Company's issued share capital at the date of this document) and the Section 561 prescribed period shall be the period from the date Resolution 8 is passed to 30 June 2021 or the conclusion of the Company's next annual general meeting, whichever is earlier.

Resolution 9 is also proposed as a special resolution, which will only be effective if Resolution 6 is passed. In line with the Pre-Emption Group's Statement of Principles (as updated in March 2015) (**the Statement of Principles**), the Company is seeking authority to issue up to 5% of its issued ordinary share capital for cash without pre-emption rights applying, in addition to the authority sought in Resolution 8. In accordance with the Statement of Principles, the Company will only allot shares under this additional authority in connection with the financing (or refinancing, if the authority is to be used within 6 months after the original transaction) of a transaction which the Directors determine to be an acquisition or specified capital investment (within the meaning given in the Statement of Principles). The Section 561 prescribed period for the purposes of Resolution 9 shall be the period from the date Resolution 9 is passed to 30 June 2021 or the conclusion of the Company's next annual general meeting, whichever is earlier.

## **Political donations (Resolution 10)**

Although the policy of the Company is not to make political donations or to incur political expenditure as those expressions are normally understood, the definitions of political donations, political organisations and political expenditure used in the Companies Act 2006 are very wide. Shareholder approval is

therefore being sought on a precautionary basis only, to allow the Company (and any companies that are subsidiaries of the Company at any time during the period for which Resolution 9 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 74. 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 11th June 2020. 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.

Note: Due to the rapidly evolving COVID-19 situation, the Board asks shareholders to monitor the Company's website for updates on the AGM. The Board encourages submission of votes by proxy this year where restrictions on movement persist.

#### **Recommendation**

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

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 2020 Annual General Meeting of Augean plc (the "Company") will be held at 12 noon at 4 Rudgate Court, Walton, Near Wetherby, West Yorkshire LS23 7BF on Monday 15 June 2020 for the purpose of considering and, if thought fit, passing the resolutions set out below. Resolutions 7, 8 and 9 will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

1. THAT the reports of the Directors and the auditors and the audited financial statements for the year ended 31 December 2019 be received.
2. THAT John Grant be re-elected as a Director of the Company.
3. THAT Roger McDowell be re-elected as a Director of the Company.
4. THAT BDO UK LLP be appointed auditors of the Company, to hold office until the next meeting at which accounts are laid before the Company.
5. THAT the Directors be authorised to determine the auditors' remuneration.
6. THAT 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 2021 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 £3,469,506.
7. THAT the Company be generally and unconditionally authorised, pursuant to section 701 of the Companies Act 2006, to make market purchases (within the meaning of s693 of that Act) of Ordinary shares of 10p each in the capital of the Company on such terms and in such manner as the Directors may from time to time determine, provided that:
  - a. the maximum number of Ordinary shares hereby authorised to be acquired is 15,602,371;
  - b. the minimum price (excluding expenses) which may be paid for any such Ordinary share is its nominal value of 10p;
  - c. the maximum price (excluding expenses) which may be paid for any such Ordinary share is an amount equal to 105% of the average of the middle market quotations for an Ordinary share in the Company (as derived from The London Stock Exchange's Daily Official List) for the five business days immediately preceding the day on which such share is contracted to be purchased or, in the case of a tender offer, the terms of the tender offer are announced;
  - d. the authority hereby conferred shall expire at the end of the next Annual General Meeting of the Company after the passing of this resolution unless previously renewed, varied or revoked by the Company in general meeting; and
  - e. the Company may make a contract to purchase its Ordinary shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and which contract will or may require a purchase of its Ordinary shares in pursuance of any such authority to be completed after such expiry.
8. THAT, subject to the passing of resolution 6, 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 2021 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 £520,426.
9. THAT, subject to the passing of resolution 6, the power, in addition to that granted under resolution 8, 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 2021 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 £520,426, provided that such authority shall only be used for the purpose of financing (or refinancing, if the authority is to be used within 6 months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.
10. That the Company and all companies that are its subsidiaries at any time during the period for which this resolution is effective are hereby authorised to:
  - a. make political donations to political parties and/or to independent election candidates, not exceeding £50,000 in aggregate;
  - b. make political donations to political organisations other than political parties, not exceeding £50,000 in aggregate; and
  - c. incur political expenditure, not exceeding £50,000 in aggregate, in each case, during the period ending on the date of the Company's next Annual General Meeting. The aggregate amount of political donations and political expenditure made or incurred under this authority shall not exceed £150,000.

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

By order of the Board



**Angela McGhin**  
Company Secretary  
25 February 2020  
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 13th June 2020 (the "Specified Time") will be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at the time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend and vote at the AGM.
- (b) Any member may appoint a proxy to attend, speak and vote on his/her behalf. A member may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares of the member, but must attend the meeting in person. A proxy need not be a member. Completion of a proxy appointment form does not prevent a member from attending and voting in person if he/she is entitled to do so and so wishes.
- (c) Hard copy appointment of proxies: A hard copy proxy appointment form is enclosed for use at the AGM. To be valid, it must be completed in accordance with the instructions that accompany it and delivered, together with any authority under which it is executed or a copy of the authority certified notarially, by post or (during normal business hours only) by hand to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received no later than 12.00pm on Thursday 11th June 2020.
- 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 11th June 2020.
- (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 11th June 2020. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

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

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

BDO UK LLP  
Central Square  
29 Wellington Street  
Leeds LS1 4DL

## Bankers

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

## Legal

Womble Bond Dickinson  
St Anns Wharf  
112 Quayside  
Newcastle upon Tyne  
NE1 3DX

## Registrars

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS13 8A



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**Contacting Augean**

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.

