Augean PLC

Specialist services focused on managing hazardous wastes

ANNUAL REPORT & ACCOUNTS

Annual Report & Accounts
for the year ended 31 December 2020

Stock Code: AUG

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Executive Chairman's Statement

The Group continued its focus in 2020 on increasing revenue in attractive, growing segments of the hazardous waste market to drive underlying cash generation and adjusted profit. The underlying trading in the Group's businesses was positive and robust in spite of the significant impact of Covid-19 in quarter two particularly on the construction and biomass sectors. Additionally, our North Sea business was adversely impacted from Covid-19 and the reduced oil price from quarter two and for the second half. As a result, the Group delivered growth in adjusted profit before tax to £19.3m (2019: £19.2m) a very credible achievement, demonstrating the underlying resilience of the business. This profit excludes the one-off items which do not impact underlying performance, notably accounting charges of £0.9m in relation to the rationalisation for the North Sea business, impairment charges of £2.9m for the North Sea business and legal costs of £0.5m in pursuing our claim against HMRC offset by a profit of £1.8m due to an improved probability of success in our claim for tax recovery from HMRC. A reconciliation of adjusted to reported profits is set out in note 27. The Group made a statutory profit after tax of £13.3m in 2020 (2019: loss of £12.8m). The increase is primarily as a result of one-off exceptional costs recorded in 2019 relating to HMRC Landfill Tax assessments.

We are pleased to report the Group maintained its record of a double-digit growth in Energy from Waste (EfW) revenue and profitability. A large number of construction sites closed through the second quarter due to the impact of Covid-19, which was more marked in the South than the North, reducing construction waste volumes which have traditionally represented more than a quarter of overall Group landfill volumes. A further knock-on effect was that construction site waste sent to biomass incinerators as fuel, was also curtailed, forcing some to close and thereby reducing the volume of ash we would otherwise have received. A total of six new EfW sites have been secured; four operational and two new. We are particularly excited about the recent receipt of the Recovery Code at our site in Port Clarence. This allows Augean the opportunity to grow its customer base by selling to a broader range of new and existing EfW facilities that require an R code for some, or all of their ash.

The impact of Covid-19 was most felt on Augean North Sea Services (ANSS). Covid-19 saw unprecedented declines in the Brent oil price with a consequent fall off in activity in the North Sea. This is seen in declining rig count (impacting volume of drilling waste and industrial service activity) but more importantly decline in discretionary decommissioning expenditure. In response to this, the Group has undertaken a rapid and significant rationalisation programme which has seen the overall ANSS workforce reduce by more than half, reduction in the senior management team expense, cost saving and rationalisation of sites. The total cost of the rationalisation of £0.9m has been treated as exceptional. In addition, a review of the asset values for ANSS has concluded that these are impaired and an appropriate impairment charge of £2.9m has been provided which has also been treated as exceptional.

The Group continues to secure further contracts with top-tier customers in Energy from Waste, radioactive waste and construction waste. This year saw the first deliveries of waste into the Port Clarence site via boat thereby significantly expanding the geographical reach of this site but more importantly generating cost saving and significantly improved environmental outcomes for our customers including carbon and emissions reduction when compared to transport by truck.

The Group successfully argued and won one aspect of our Landfill Tax (LFT) dispute with HMRC, with the repayment of £1.4m (excluding costs of up to £0.2m still sought) which was received in December 2020. We await the decision of the Lower Tier Tax Tribunal on one other key aspect of the LFT dispute. 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.

The Group's strong cash generation of £28.0m has resulted in net cash (excluding lease liabilities) at 31 December 2020 of £6.4m (2019: net debt of £13.2m). The net cash has benefited from £3.2m of VAT deferred from March 2020 and which will fall due on 31st March 2021 in line with the government VAT deferral scheme. The Board will not pay a dividend for 2020 (2019 final: nil) but is proposing a return to paying dividends in 2021 having now fully repaid all debt associated with the disputed HMRC LFT assessments.

There has been no impact of Brexit on the results and the Group does not expect a material impact in 2021 as less than 1% of the Group profit arises from activity outside of the United Kingdom.

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 an overall decrease in the number of incidents recorded by the business during 2020. While we remain one of the best performers in our industry we must not become complacent and we will continue to strive to improve. 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. We had one site that scored an E, which was highly unusual for our operations, but was associated with the exceptional rain and flood events during early 2020 and matters have been addressed to prevent any recurrence.

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 continuation of operation of all of the Group sites which have not lost a single day's operational trading during this global pandemic.

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 our investors.

The Group has set ambitious internal targets for the 2021 year which will undoubtedly be an economically uncertain period for the UK whilst Brexit plays out and the impact of Covid-19 continues; however, with limited direct exposure to EU markets, coupled with a strong start to 2021 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 during 2021.

Jim Meredith
Executive Chairman
26 February 2021

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 in line with the services developed by Augean. Importantly, the Group plays an active part in five of the eight sectors identified as essential for the management of hazardous wastes in the UK. The waste hierarchy provides a framework for waste management and implementation of infrastructure which will allow sustainable waste management solutions. However, the waste hierarchy is a simplification of Best Overall Environmental Outcome, which is the goal of environmental strategy, policy and regulation, and for hazardous wastes there is a particular need to consider the fate of the persistent and toxic pollutants in the waste.

The hazardous waste market is highly segmented with a total volume of approximately 5 million tonnes (source: Environment Agency (EA)) of waste handled in the UK each year. Within this arena Augean 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: EA and management estimates). Augean'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 and management estimate).

Overall volumes of waste deposited into landfill, including hazardous and non-hazardous material, decreased by almost 10% in 2020 to 570,000 tonnes albeit with a significant growth in municipal ash volumes of 38% offset by a significant decline in construction soils of 36% due to the Covid-19 lockdowns and consequent impact on activity and other waste reduced 5%.

Energy-from-Waste and Biomass Energy waste market

Augean's treatment and disposal to landfill includes the management of certain by-products from Energy-from-Waste (EfW) plants, required to deliver the UK's obligation to significantly reduce the landfilling of municipal solid waste and from biomass energy plants. These facilities produce air pollution control residues (APCR) also known as fly ash and a further residue known as 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). With new incinerators having come on-line as well as winning ash contracts from existing plants it is pleasing that the Group was able to grow municipal ash volumes in 2020 by 38%. The Group actively monitors technological developments in the treatment and recycling of this material to ensure its long-term competitive position in this market. It was therefore particularly pleasing that Augean North has been granted a Recovery Code for its Port Clarence site.

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 on-line in 2021.

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 construction waste volumes declined by 36% in 2020 due to the impact of Covid-19 on the industry. Despite this it was pleasing that the Group was able to report the first shipments of waste into the Port Clarence site by boat. Utilising this alternate logistics solution will offer significant environmental benefits and cost savings to customers compared to road transportation. It will also expand the available geographic market for the Port Clarence site.

The Group expects the construction waste market to pick up in 2021 with less impact felt from the lockdowns due to Covid-19.

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 material with a low radiation activity termed 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 2020 the volumes of radioactive waste processed by the Group decreased by 46% as a result of significant fall off in activity from nuclear sites several of which were closed due to Covid-19. Historically the Group has only qualified for and hence received waste from the Waste Framework of the Low Level Waste Repository (LLWR). During the year the Group successfully qualified for and was added to the Metal Framework issued by the LLWR. Only qualified and competent entities are accepted onto the Frameworks which in turn then allows them to bid for individual treatment or disposal contracts issued under the Framework structure. The nominated expenditure on the Metal Framework is several times larger than the Waste Framework and it was pleasing therefore that the Group successfully completed a small £0.2m contract under the Metals Framework before the end of the year. This has been followed up early in 2021 by the award of a contract worth in excess of £2.5m under the Metals Framework and this will provide work for up to eighteen months. The performance in Radioactive waste is therefore positive however it should be understood that this may well be 'lumpy' and dependent on the timing of these new contracts.

Industrial waste market

The waste market has again remained largely stable as a result of shutdown and maintenance work being carried out across a broad range of sectors and only a small downturn in the UK manufacturing sector due to Covid-19. In 2020 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 not expected to have a significant impact on the Group. The Group has also established additional disposal routes, which it believes will ensure business continuity in this regard. The level of sales impacted by this potential change is small 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 assets are centred on Aberdeen and extend to the Shetland Isles for the Northern sector, and Great Yarmouth for the Southern sector. Augean North Sea Services (ANSS) provides a full range of services, equipment rental and manpower provision for the containment, treatment and associated specialised industrial cleaning of all Oil 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, ANSS now provide full NORM decontamination of wellbore and topside production equipment from our decommissioning centre sited in the Port of Dundee.

The dependence of the UK's energy sector on oil and gas is set to reduce over the coming decades. This will lead to decreased levels of demand for specialised industrial service-related waste management for offshore production facilities and onshore terminals although, as the North Sea industry shifts towards decommissioning activities and away from oil and gas production, ANSS expects to benefit and return to profitability.

The Group was busy in the first half of 2020 completing 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. The project has now completed.

The impact of the Covid-19 pandemic on the oil price and so the Oil and Gas Industry has been significant. This reduction has seen a significant decline in exploration and drilling and the associated activities. In response to this the Group has reduced headcount by more than half at a cost of £0.9m (shown as exceptional) and the ANSS assets have been impaired by £2.9m.

The Group has a pipeline of decommissioning contracts as well as a strong and growing supply of equipment, pipelines and tubulars requiring cleaning and NORM disposal. Given the current oil price and North Sea outlook the Group does not expect decommissioning to pick up until late 2022 or early 2023 although it will exhibit long-term sustained growth albeit with a certain level of 'lumpiness' around the timing of the major projects.

Despite this ANSS made a small acquisition of assets in the year adding the Haliburton Ecocentre site in Peterhead at a total cost of £1.4m with £0.3m consideration deferred to 2021. This asset is performing as expected at the time of acquisition and is expected to pay back in a relatively short period despite current market conditions.

The Group's sales in the North Sea decreased by 36% in 2020 with adjusted operating profit declining to £1.4m from £2.6m in 2019.

The above five areas represent the Group's targeted niche growth markets which, with the exception of the North Sea, the Group expects to grow in 2021.

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 five short-term objectives against which good progress has been made in 2020.

Strategic focus	Description	Progress / KPIs
Maximise profitability and cash generation of business	The Board has achieved a small increase in profit despite the Covid-19 pandemic and consequent significant fall off in activity in the North Sea oil sector.	Year on year profit growth using adjusted profit before interest (note 27) Strong cash generation (note 20)
Appeal HMRC £40.4m assessments	HMRC has repaid £1.4m to date with the outcome of the First Tier Tax Tribunal awaited. Based on legal advice received, we maintain our position that we have correctly collected and paid the appropriate landfill tax.	Tribunal outcome expected in quarter one 2021 earliest
Debt elimination and resumption of dividends	The Group utilised bank debt to pay HMRC and was unable to pay dividends while the HMRC assessments were not fully settled. The bank debt has now been paid off and it is proposed that dividends will resume for 2021 year.	Return to proposed dividend announced in January 2021
Selective acquisitions in niche markets	The Group acquired the Haliburton Ecocentre in Peterhead and is looking at other value creating bolt-on acquisitions using the Group surplus cashflow after potential dividends.	First bolt-on acquisition since 2017 restructuring successfully integrated
Reduce carbon footprint	The Group has developed a series of sustainability targets and initiatives expressed in the ESG page of our website and our Corporate Sustainability Report (CSR). We use our expertise to assess, handle, treat and process some of the most difficult materials to minimise the adverse environmental impact of these materials, where possible re-using for positive purposes. We also recycle materials, attempt to minimise the carbon footprint of our operations and employees which are amongst some of the measures we consider and monitor.	Scope of disclosed ESG data, including carbon emissions reporting to be increased from 2021.

Operating Review

Introduction

The Group operated through two business units during 2020 and 2019, 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 revenues (£'m)		Adjusted operating profit before PLC costs (£'m)	
	2020	2019	**2020**	2019
Treatment and Disposal	**54.6**	56.6	**20.0**	18.1
North Sea Services	**22.4**	34.9	**1.4**	2.6
Revenues excluding LFT	**77.0**	91.5	**–**	–
Operating Profit pre-PLC costs			**21.4**	20.7
PLC costs			**(0.9)**	(0.8)
Operating profit post-PLC costs			**20.5**	19.9

Adjusted revenues exclude intra segment trading and landfill tax. Adjusted operating profit excludes non-underlying items. A reconciliation of these adjusted metrics is shown in note 27.

Business performance

Treatment and 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 second 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 and Disposal is low level radioactive waste decommissioning.

Adjusted revenues, excluding landfill tax, decreased by 4% to £54.6m (2019: £56.6m), due to the input of construction sector wastes being reduced as a result of Covid-19 lockdown. Ash inputs increased 5% to 222,000 tonnes (2019: 211,000) with municipal ash up 38% to 130,000 tonnes. The overall ash growth would have been stronger still but for the biomass incinerators being largely closed through the second quarter due to a lack of input materials resulting from the closure of municipal waste sites and the impact of lockdown on the construction sector. Overall ash revenue has grown by 15% to £19.7m (2019: £17.2m). Radioactive waste volumes decreased to 7,600 tonnes from 14,200 tonnes in 2019. The effect of Covid-19 has been most marked on the radioactive and North Sea waste streams.

The adjusted operating profit of Treatment and Disposal increased to £20.0m (2019: £18.1m) due to increased ash sales, improved margins and the continued cost control offset by the impact of lower construction soils volumes and radioactive waste volume.

The Treatment and Disposal strategy is to continue to win new treatment contracts, win new and existing EfW sites particularly now we have an R coded process for ash treatment, optimise the use of our treatment plants, and maximise the market opportunity from shipping waste by boat to Port Clarence. We expect nuclear decommissioning and construction sector wastes to recover from the impact of Covid-19 experienced in 2020.

North Sea Services (ANSS)

The ANSS 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.

ANSS revenue decreased by 36% to £22.4m (2019: £34.9m). This segment saw a decrease in adjusted operating profit to £1.4m (2019: £2.6m) due to the impact of Covid-19, the subsequent reduction in the oil price resulting in unprecedented reductions in drilling and decommissioning activity. Revenue in the first half of the year benefited from the decommissioning of the Shell Curlew vessel in Dundee. This was completed and all performance and contractual obligations satisfied by June 2020. Revenue in the first half was some 50% higher than in the second half of the year with the impact of Covid-19 felt more seriously. In response to this the workforce in ANSS has been reduced by over half, the senior management team cost reduced, sites rationalised and the overhead cost base reduced substantially. The cost of this rationalisation is £0.9m and has been shown as an exceptional cost. In addition, The Group has reviewed the carrying value of the assets in ANSS and has impaired the value of these assets by £2.9m which has also been shown as an exceptional cost.

Despite the tough outlook for ANSS the Group used this as an opportunity to purchase the Haliburton Ecocentre at Peterhead to process drilling and other waste from the North Sea oil and gas customer base. This was completed at a significant discount in August and the initial consideration was £1.1m with a further £0.3m due in August 2021. This asset has not been impaired as it is trading broadly in line with expectation set at the time of the acquisition.

The ANSS 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 however the group does not expect this market to pick up until late 2022 or early 2023. ANSS actively markets these facilities through each of its sites although primarily through Dundee.

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 payment of the assessments, is £40.4m.

In December 2019, the Group paid these assessments in full. This prevents any further accrual of interest and allowed the Group to receive a corporation tax deduction. Payment of the assessment does not change the Group's legal position where we remain of the view the Group has applied the appropriate treatment in respect of levying LFT on waste received therefore the Group intends to maintain our robust challenge of HMRC's LFT Assessments. A number of separate legal challenges are being made of which the first was heard by the Lower Tier Tax Tribunal in September 2020 and the decision of the Tribunal is awaited.

The Group currently accounts for the legal costs of the dispute with HMRC, totalling £0.5m in 2020, as a non-underlying cost. The payments made to HMRC in December 2019 were accounted for in line with International Accounting Standard (IAS) 37, resulting in an expense in 2019 of £26.2m and a residual tax deposit asset of £14.2m held on the balance sheet (categorised as an 'other receivable') as at the end of 2019. 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 necessarily representative of its expectation of any potential tribunal result. The assessments, points of law, interpretations and interconnectivity of aspects of the assessments mean that the expected value approach taken does not necessarily result in accurate real-life possible outcomes.

In December 2020, the Group received £1.4m of Landfill Tax relating to overpayment for a particular customer which was a small element of the £40.4m paid in December 2019. As a result of this, and in conjunction with our external counsel, we have re-assessed the IAS 37 probabilistic modelling of our legal challenges to the HMRC Assessments resulting in a theoretical accounting profit of £1.8m which has been treated as an exceptional item. The tax deposit asset held as a non-current asset is £14.6m compared to £14.2m in 2019. Given the length of time the tribunal process has taken, and is expected to continue for before a settlement is reached, this receivable has been shown as due in greater than one year.

Additionally, the Group submitted a claim to HMRC for £11m associated with material used for engineering purposes beneath but forming a functional support layer for the landfill cap. The Group's claim results from a successful challenge by other Landfill operators against HMRC's interpretation of applicable LFT rates. The matter has been heard at the Lower and Upper Tax Tribunals with the courts having found against HMRC. HMRC are however continuing the appeal process to the final stage which is going to be heard during the first quarter of 2021. The Group's £11m claim includes approximately £10m of material currently contained within the £40.4m assessment value and approximately £1m of LFT paid but not included within the current assessment values. Should Augean be successful in our legal challenge of the HMRC Assessments the value of this separate claim will reduce to £1m which is disclosed as a contingent asset as at 31 December 2020, as any recovery is not yet seen as virtually certain.

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.

The Group has an option to purchase approximately 90 acres of land adjacent to its existing East Northants Resource Management Facility (ENRMF) landfill site near Peterborough which would prolong the life of the ENRMF site until at least the mid-2040s.

The Group is currently preparing an application for a Development Consent Order (DCO) for an extension in the area and life of the East Northants Resource Management Facility (ENRMF). The proposal at ENRMF is classified as a Nationally Significant Infrastructure Project (NSIP) under the Planning Act 2008 and consent must be granted by the Secretary of State in the form of a DCO. The Group will therefore submit the DCO application in Spring 2021 to the Planning Inspectorate (PINS) rather than to Northamptonshire County Council or the emerging North Northamptonshire Council. PINS is an impartial public body whose role is to consider all important and relevant matters and advise the Secretary of State whether consent should be granted for nationally significant infrastructure projects.

The Group has also submitted planning applications to Stockton-on-Tees Borough Council in the year for permissions specifically to accept wastes contaminated with small amounts of radioactivity – Low Level Waste – for treatment in the Waste Recovery Park or disposal into the hazardous and non-hazardous waste landfill sites.

An application for an Environmental Permit to accept LLW for disposal into the landfill has already been submitted to the Environment Agency. The permit application is supported by an Environmental Safety Case which contains a wide range of risk assessments in order to demonstrate to the Environment Agency that the proposals will not result in harm to people in the local area or to the environment. The Environment Agency is undertaking a determination process and has consulted on the Permit application. It is anticipated that the application will be determined in 2021.

Augean has submitted a planning application to Peterborough City Council requesting a change in the currently approved sequence of the excavation and engineering of landfill cells at Thornhaugh Landfill Site. The application, if successful will simply facilitate a now preferred site engineering and filling sequence plus assist the logistics of access route.

Financial Performance

Group overview

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

£'m except where stated	2020	2019
Revenue	**91.7**	107.1
Profit / (loss) after taxation	**13.3**	(12.8)
Net operating cash inflow / (outflow)	**29.8**	(16.2)
Basic earnings / (loss) per share	**12.70p**	(12.26)p

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 one-off items or items outside the normal course of activities for the group. The adjusted items in the current year are non-underlying items, as detailed below, and include asset impairment, restructure cost and adjustment to the accounting assessment for the HMRC Landfill Tax assessment.

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

£'m except where stated	2020	2019
Adjusted revenue	**76.9**	91.5
Adjusted operating profit	**20.5**	19.9
Adjusted profit before taxation	**19.3**	19.2
Adjusted profit after taxation	**15.6**	15.9
Adjusted net operating cash flow	**28.0**	27.0
Basic adjusted earnings per share	**14.90p**	15.33p
Return on capital employed	**35.4%**	35.3%

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

Trading, adjusted operating profit and EBITDA

Adjusted revenue excluding landfill tax, for the 12 months ended 31 December 2020 decreased by 16% to £76.9m (2019: £91.5m).

Adjusted operating profit increased by 3% to £20.5m (2019: £19.9m) and adjusted profit before tax increased by 1% to £19.3m (2019: £19.2m), on the same basis.

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

	2020 £'m	2019 £'m
Adjusted operating profit	**20.5**	19.9
Depreciation and amortisation	**8.5**	8.9
Adjusted EBITDA	**29.0**	28.8

Non-underlying items

Non-underlying items in 2020 totalling £2.8m comprise: ANSS impairment £2.9m, ANSS restructuring cost £0.9m, updated assessment of IAS 37 potential LFT liability resulting in an exceptional profit of £1.8m, Landfill Tax legal cost £0.5m and other costs £0.3m. In 2019 non-underlying items include £0.5m expense related to landfill tax legal costs, £26.2m related to the charge associated with the payment of landfill tax assessments, £7.7m share based payments and £0.1m of other costs.

Finance costs

Total finance charges were £1.2m (2019: £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. The interest will return to historic 2019 levels following the repayment of debt taken on in late 2019 to pay all outstanding Landfill Tax assessments.

Earnings per share

Adjusted basic earnings per share (EPS) excluding non-underlying items, decreased by 3% to 14.90 pence (2019: 15.33 pence) due to Covid-19, reduced oil sector activity and higher interest costs.

Statutory basic earnings per share (EPS) increased to 12.70 pence (2019: loss 12.26 pence) due to the exceptional charge in 2019 related to HMRC Landfill Tax assessments and other non-underlying items noted above.

The Group made an adjusted profit after taxation of £15.6m (2019: £15.9m), all of which was attributable to equity shareholders.

The total number of ordinary shares in issue increased during the period from 104,085,198 to 104,971,924 with the weighted average number of shares in issue increasing from 104,006,779 to 104,371,664 for the purposes of basic EPS due to the issue of shares to satisfy options granted in previous years.

Dividend

The Board has decided not to declare a dividend for 2020 (2019 interim and final: £nil) but, with the tax assessments paid in full and the Group returning to cash positive the Group is proposing to pay dividends in 2021.

Cash flow and net debt

Adjusted net operating cash flows were generated from operations as follows:

	2020 £'m	2019 £'m
EBITDA before non-underlying items	**29.0**	28.8
Net working capital movements	**0.7**	(0.5)
Interest and taxation payments	**(1.7)**	(1.3)
Net operating cash flows before non-underlying items	**28.0**	27.0

The cash flow of the Group is summarised as follows:

	2020 £'m	2019 £'m
Net operating cash flows	**28.0**	27.0
Net operating cash flows from adjusted items	**(1.7)**	(44.5)
Total net operating cash inflow / (outflow)	**26.3**	(17.5)
Maintenance capital expenditure	**(4.2)**	(4.3)
Post-maintenance free inflow / (outflow)	**22.1**	(21.8)
Development capital expenditure	**(2.9)**	(1.5)
Free cash flow	**19.2**	(23.3)
Sale of business and assets	**–**	3.3
Net cash inflow / (outflow) before dividends	**19.2**	(20.0)

Prior year 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 97% in 2020 (2019: 94%).

The operating cash flow of the Group before adjusted items of £28.0m was used primarily to pay down debt and capital investment in property, plant and equipment and intangible assets made by the Group totalling £7.1m (2019: £5.8m), including spend offset against provisions, split between maintenance capital (to lengthen the productive life of existing assets) of £4.2m and expansion capital (for targeted future growth) of £2.9m. Maintenance capital expenditure has increased from the prior year as a result of cell construction and works. The development capex is substantially related to the acquisition of the Haliburton assets and aforementioned planning consents.

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 cash, which excludes capitalised lease liabilities, was £6.4m at 31 December 2020 compared with net debt of £13.2m at 31 December 2019.

Financing

During 2020, the activities of the Group were substantially funded by cash from operations with bank debt renewed in 2019. The bank facility with HSBC Bank PLC of £40m comprises a term loan of £20m and a revolving credit facility of £20m. £13m was drawn against this facility at 31 December 2020. The earliest maturity of the HSBC bank facility is December 2022.

Balance sheet and return on capital employed

Consolidated net assets were £61.0m on 31 December 2020 (2019: £47.6m) and net assets, excluding goodwill and other intangible assets, were £41.1m (2019: £27.8m), of which all was attributable to equity shareholders of the Group in both years.

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 marginally to 35.4% in 2020 (2019: 35.3%).

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 Group, this exercise was completed for the CGUs within the Treatment & Disposal and North Sea Services reportable segments.

Based on these reviews, a £2.9m impairment was made against North Sea Services. The cash flows for all CGUs were discounted using a pre-tax discount rate of 12.2% (2019: 8.0%).

Employees

The Group employed an average of 316 staff (2019: 392) over the course of the year. The number of employees in the Group has decreased significantly during 2020 reflecting the Group's view of future trading in the North Sea Services sector.

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

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 2019. The Group regard the performance in 2020 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	2020 Outcome	2019 Outcome
Number of incidents (1)	**22**	29
Number of near misses reported (2)	**2,035**	3,437
Compliance scores (3)	**English Sites : A–B (one site E) Scottish Sites Excellent (one site Good)**	English Sites A–B Scottish Sites Excellent
Adjusted profit before taxation (4)	**£19.3m**	£19.2m
Post-maintenance free cash inflow / (outflow) (5)	**£21.0m**	£(21.8)m
Return on capital employed (6)	**35.4%**	35.3%
Volumes of waste disposed to our landfill sites	**570,000t**	630,000t
Ash volumes treated	**222,000t**	211,000t
Amount of North Sea Oil and Gas revenue generated directly from operators and top-tier customers	**91% of ANSS revenue**	94% of ANSS revenue

(1) 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.

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

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

(4) Group profit before taxation, excluding non-underlying items and share-based payments charges

(5) Net operating cash flows, less maintenance capital expenditure.

(6) Calculated as operating profit, excluding non-underlying items, divided by average capital employed, where capital employed is the consolidated net assets of the Group excluding net bank cash/debt.

Summary and outlook

The Group performed well during 2020, generating £28.0m of cash before non-underlying outflows and was able to marginally grow adjusted profit before tax despite the impact of Covid-19 and the impact on the North Sea business. A pleasing start to trading has been made in the first few weeks of 2021 with results in line with Group expectations. The Board is confident in the prospects of the Group for the full year.

Managing Risk

Risk description	Mitigation
Covid-19 pandemic	○ All staff that can work from home do. ○ All sites have been equipped to be Covid-19 compliant. ○ All operational staff have been trained to cover for multiple tasks to cover absenteeism due to Covid-19. ○ Minimisation of visitors to site and social distancing.
Oil price decline / decline in North Sea activity	○ Reduced cost base. ○ Reduced headcount by over half. ○ Site rationalisation. ○ Change in senior management team and re-focus.
General economic risk The performance of the business is linked to economic activity in the waste markets it serves, including the manufacturing, construction, nuclear decommissioning, Energy from Waste and Oil 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.	○ Diversification of customer base. ○ Linking gate fees and other customer charges, wherever possible, to prevailing operating costs and commodity prices, including the costs of waste disposal outside of the Group.
Health and safety The activities of the Group involve a range of health and safety risks, from offshore operations to the handling of hazardous wastes.	○ Health and safety is the first priority for all Directors, managers and employees across the Group. ○ Investments in relevant assets and resources are made on an on-going basis to ensure that the highest health and safety standards are applied. ○ Health and safety performance is constantly monitored and reviewed, including formal reviews at each Augean plc Board meeting and in depth quarterly reviews by the Group's Management Board. These mechanisms also include detailed reviews of any relevant incidents, which allow the lessons learnt from such incidents to be fed back to local teams, in order to reduce the likelihood of recurrence. ○ 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. ○ 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.

Risk description	Mitigation
Environmental legislation Regulation is a key driver of the hazardous waste market. Changes in legislation (including tax legislation with environmental goals) or its interpretation can have a significant and far reaching impact on waste markets. The simplistic application of the waste hierarchy to the markets in which the Group operates, with its focus on reducing the volume of waste disposed to landfill, could be perceived as a threat to the business in the long term.	○ Employ high quality technical management to interpret the evolving legislative framework and its potential and current impact on the Group's operations. ○ Maintain a presence on a number of industry groups to influence the shaping of policy and liaise regularly with relevant regulators and legislative bodies, including the Environment Agency (EA), the Scottish Environment Protection Agency (SEPA), the Department for Environment, Food & Rural Affairs (DEFRA) and the Department for Business Energy and Industrial Strategy (BEIS). ○ Develop treatment solutions for customers which utilise landfill when this is the most appropriate commercial and environmental solution, but provide alternative approaches whenever they are suitable. ○ Highlight, the importance of Best Overall Environmental Outcome in moderating the simplistic application of the waste hierarchy by regulators.
Tax legislation The use of tax legislation to drive environmental objectives, particularly the diversion of wastes away from landfill disposal and towards greater treatment and recycling, represents a risk in all time horizons. Landfill Tax guidance (LFT1) was last updated in November 2018. LFT1 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 £94.15 per tonne on 1 April 2020 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.	○ Develop a range of waste treatment solutions for customers. ○ Broaden capabilities to ensure the Group's sites are able to accept all those wastes which do require landfill disposal. ○ Maintain specialist testing facilities and seek appropriate external chemical, engineering, taxation and legal advice. ○ Modelling of the financial impact under different external legislative positions. ○ Specialist legal and environmental advice. ○ Landfill tax internal audits and external assurance on processes.

Managing Risk continued

Risk description	Mitigation
Environmental compliance All operating sites and activities are regulated by environmental authorities in line with the requirements set out within licences and permits. These licences and permits are required to carry on the business of the Group and compliance with their terms is essential to its success. Withdrawal or temporary suspension could have a significant impact on the Group's ability to operate.	○ Adherence to the highest environmental standards. ○ Maintenance of good relations with local communities and to satisfy customers that the techniques, practices and procedures adopted by the Group are consistent with those of a responsible business. ○ Employment of technical experts who work to well-established policies and procedures described in the Group's Integrated Management System. ○ Provision of training to develop the knowledge and competence of its staff. ○ Regular monitoring and review of compliance performance. ○ Production of the Group's Corporate Social Responsibility (CSR) report.
Price risk Price pressure remains a key feature of the hazardous waste market, where customers often have a range of options for the ultimate disposal of their wastes and access to several companies competing to service their needs.	○ Review pricing policies on an on-going basis to ensure that the Group influences and stabilises the market. ○ Respond to emerging trends and customer needs. ○ Specialist in-house resource to assess and price waste consignments in line with market rates and available disposal solutions. ○ Regular review of all services to ensure that price changes in the market do not lead to uneconomic activities being undertaken by the Group.
Economic growth The Group relies on economic activity in the UK, which in turn leads to production of the hazardous wastes which form the basis of its sales revenues. Any downturn in the UK economy may restrict the volume of hazardous wastes produced and therefore constrain the Group's revenues.	○ Develop positions in a range of markets requiring specialist waste management capabilities and which have high barriers to entry. ○ Identify and invest in the techniques, assets and resources to provide a broad range of services to customers, diversifying the revenue base of the Group.
Technological factors Technological risk factors may cause treatment technology in use to become obsolete or too costly to maintain.	○ Monitor the development and application of the waste hierarchy vs Best Overall Environmental Outcome. ○ Invest selectively in development. ○ Employ strategic planning to make timely investments in existing and new equipment. ○ Evaluation of operational costs and market environment is made before investment.

Risk description	Mitigation
North Sea oil and gas investment With a well-established business focused on providing waste management services to North Sea oil and gas operators, the Group has some exposure to any fall in investment for oil and gas exploration activity in the North Sea. This may in turn reduce the volume of waste available for management by Augean North Sea Services.	○ Maintain a comparatively low level of operational gearing, with the business therefore able to adjust its significant direct cost base in the event of a significant and permanent reduction in revenues. ○ Diversify North Sea activities across a number of revenue-generating streams, with services provided to production customers offshore and onshore. ○ Pursue North Sea decommissioning as new market opportunities for ANSS that would further mitigate against risk.
Transport disruption The Group relies on the delivery of wastes to its sites to secure revenues and any disruption to local or national networks, for example in severe weather conditions, can cause delays or lost revenue for the Group.	○ Outsourcing of the majority of the Group's haulage requirement, augmented with the use of the Group's own fleet where appropriate. ○ Maintenance of ability to accept wastes into sites in different geographical locations before onward transfer to their final treatment or disposal destination.
Brexit risk Although the group is focused on wastes arising in Britain and uses disposal infrastructure almost entirely based in the UK, the Group may fail to anticipate and manage the potential impact of Britain leaving the European Union, notably potential increases in interest rate.	○ Establish new routes outside of Europe. ○ Minimise inventory. ○ Monitor market conditions to allow appropriate investment in infrastructure and management of costs. ○ Maintenance of ability to accept wastes into sites in different geographical locations before onward transfer to their final treatment or disposal destinations outside of Europe. ○ Modelling of the financial impact of different scenarios which could result from this external change.

The Group uses a range of resources to manage and mitigate its risks, including the adoption of a broad range of internal controls, the use of risk registers and regular reporting, monitoring and feedback of risks through the business.

Corporate Social Responsibility (CSR) Performance

The Group recognises the important role it plays in the environment and communities within which it operates. The health, safety and wellbeing of our employees, compliance with regulations and reduction in CO_2 through energy usage are three of the Group's top four 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, 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.

Streamlined Energy and Carbon Reporting (SECR):

Augean plc will report on UK energy use and the associated GHG emissions that relate to:

- Activities for which we are responsible involving the combustion of gas, or consumption of fuel for the purposes of transport; and
- The purchase of electricity by us for our own use, including for the purposes of transport.

As a waste recycling and treatment business, the most relevant intensity ratio indicator to express our emissions is linked to the total amount of waste received by our organisation and emissions measured being tCO_2e per tonne of waste handled.

The table below provides a summary of the Group energy use:

Metric	Data
Total energy consumption	16,815,730 (kWh)
Emissions from combustion of gas	540.86 tCO_2e
Emissions from combustion of fuel for transport and business travel purposes	1161.55 tCO_2e
Emissions from combustion of fuel for other activities which the company own or control including operation of facilities	1708.67 tCO_2e
Emissions from purchased electricity	779.52 tCO_2e
Total gross tCO_2e from mandatory elements above	2481.93 tCO_2e
Intensity ratio: tCO_2e gross from mandatory elements per tonne of waste handled	0.0033 tCO_2e/tonne waste
Methodology	Energy usage calculated from ESOS reporting and emissions calculated according to the GRI.

Energy efficiency action

The principal measures taken for the purpose of increasing our sustainability and energy efficiency and thus reducing our carbon footprint are as follows:

- All the electricity used by the Group is backed by low carbon generation.
- Augean commissioned the planting of 20,000 trees over an area of 4 hectares at our Marks Quarry site.
- Reduced waste miles: ANSS now manages drill cuttings waste locally, rather than transporting to North-West England and also processes discharge of the NORM contaminated water locally – a reduction in approximately 500 road miles per load.
- Augean is investing in trialling intelligent voltage optimisation equipment in its Avonmouth facility to switch site supply voltage down to reduce electricity usage, reduce greenhouse gas emissions and improve lifetime of electrical equipment. If successful, this technology will be rolled out across the Group.
- Augean has started to share an Environmental Social and Governance (ESG) software platform with our customers to drive performance improvement and deliver sustainability allowing them to better understand, monitor and manage their sustainability position by providing bespoke customer-centric information to manage CO_2 emissions. This is calculated by the total tonnage of waste reporting and the ESOS verified CO_2 per tonne of waste managed figure included in our Corporate Social Responsibility report. This is based on Global Reporting Initiative G4-EN5 eco efficiency indicator which takes into account direct power consumption and transport.
- The Group has increased dry recyclables' segregation and removed disposable water bottles and cups from our offices.
- The Group has implemented driver performance monitoring to monitor harsh braking, harsh acceleration and harsh cornering. Drivers are assigned scores, which are reviewed by line management with the driver to reduce emissions and vehicle wear and tear by optimising driving techniques.

The environment

All operating sites and activities are strictly regulated by environmental authorities through a range of regulations set out in the conditions of permits or licences 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 Techniques (BAT). BAT requires a review of each activity and the implementation of the highest standards using management systems 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 which is certified to ISO9001, ISO14001 and OHSAS18001 – with the formal confirmation of transition from OHSAS18001 to ISO45001 pending), 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. In February during the exceptional and unprecedented rainfall conditions there was a site drainage water overflow issue from the East Northants Resource Management Facility which resulted in a temporary and localised impact adjacent to the site. The issue was fully investigated, with corrective and preventative actions taken including improved flood resilience, taking account of long-term climate change. In all other respects the results of inspections and audits received from the Environment Agency (EA) in England and the Scottish Environment Protection Agency (SEPA) in Scotland demonstrate high standards and low environmental impact.

The Group continues to take a strong role in the development of regulation and policy for hazardous waste as well as developing new options for the recovery of waste as part of our commitment to implement the elements of the waste hierarchy relevant to the hazardous sector. We promote the profile of the industry and modernisation of the sector, seeking to establish a positive regulatory and policy framework for the business by engaging with government departments, local authorities and regulators. 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 2020 on topics such as Covid-19 within the waste sector, BAT guidance, substances of concern, radioactive materials liability insurance, planning, the Circular Economy Package, the Government's Resource and Waste Strategy and the developing Chemical Strategy and Brexit legislation.

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 2020, higher than general inflationary conditions in the UK. We offer various benefits including a salary sacrifice employer matching pension scheme, death in service, other salary sacrifice opportunities such as cycle to work and childcare vouchers for existing members, and also private medical and income protection for our senior management colleagues.

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 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 anonymously or directly with an impartial Director, without the intervention of line management, with protection in accordance with UK employment law. Once an issue is reported the Director is required to undertake a thorough investigation and make recommendations.

All staff undertake an annual or bi-annual performance appraisal with their line manager to provide a formal, recorded, regular review of an individual's performance, and a plan for future development. 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. The company has a management bonus scheme for our sales and operations categories and a generous performance incentive scheme for all other staff.

Training and development activity during the year built on the progress made since 2018. To support the attainment of high levels of performance, investment in training and development continued 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, safety and compliance remain top priorities for the business. 2020 saw a decrease in accidents on 2019 with the number of incidents, including those we are required to report, remaining low for our sector, with no major injuries recorded. 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.

Waste management is a critical industry hence the business has been fully operational throughout the Covid-19 pandemic. Following the outbreak of Covid-19 the business formed a Covid-19 working group to ensure the safety of employees, visitors and contractors to Augean sites whilst remaining operational to provide critical services and infrastructure during the ongoing pandemic. All of the Group's sites have remained open throughout the pandemic with non-core staff working remotely and additional control measures implemented at sites in line with government guidance. We established rigorous hygiene controls and procedures at the beginning of the crisis. Incidences of Covid-19 in staff across the sites have remained very low throughout the pandemic with no outbreaks impacting site operations.

Key focus areas for 2021 have been identified by understanding the underlying trends in 2020 and previous years - these are incorporated in Group and site-level improvement plans.

The community

Augean recognises the important role that it has within local communities and we have continued to maintain an open dialogue with our neighbours about our activities and plans. During 2020 we have consulted on two significant planning and permit applications and sought feedback from local stakeholders on the future restoration plans of our landfill sites. 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. In 2020 we commenced a comprehensive pre-application consultation programme for the extension of the ENRMF site. Due to the Covid-19 crisis this has been held online and the consultation period extended from 6 to 15 weeks to give everyone the opportunity to participate. The application will be made in Q2 of 2021. We shall continue to liaise with the community throughout the process.

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 £0.8m (2019: £0.9m) was contributed through these schemes during the year, providing funds for community projects including sports facilities and a wildlife reserve.

S172

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 2020 having regard to:

(a) the likely consequences of any decision in the long term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between members of the Company.

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. Our strategy 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:

- our response to the Covid-19 pandemic;
- our continued and ongoing communication with our employees;
- our continued priority for health and safety improvement measured through the KPIs on incidents and enhancement to health and safety across the business;
- our continued diligence towards environmental compliance and protection;
- the approval of our strategic objectives ('our strategy') for the Company;
- the business plan for the next financial year ('our plan');
- the rationalising of the ANSS business;
- the approval of terms to enter into significant contracts;
- the decision to resume payment of dividends in 2021; and
- ongoing consideration of legal advice on the Group's HMRC Tribunal.

We engage with stakeholders through regular meetings and dialogue with the Environment Agency, HMRC, with customers, suppliers and with neighbours and local people where we operate our sites. We undertake customer satisfaction surveys, staff surveys and hold several open days at our sites each year.

Our response to the Covid-19 pandemic involved considering and engaging with a number of stakeholder groups in order to ensure the safety of our employees, customers and suppliers (amongst others), whilst maintaining the continuance of our essential services, with a backdrop of staying true to our values and safeguarding the future long-term health of our business.

The Board continually recognises that our employees are fundamental to the success of the Company and 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 and 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 04 to 23 of this report was approved and signed on behalf of the Board.

J. Meredith

Jim Meredith
Executive Chairman
26 February 2021

Directors' Report

The Directors present their report and the audited financial statements for the Group and Company for the year ended 31 December 2020.

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 businesses of the Group, key performance indicators and an indication of future prospects.

Results and dividends

The profit after tax of the Group for the year was £13.3m (2019: loss after tax £12.8m) from revenue including landfill tax of £91.7m (2019: £101.7m). The loss included non-underlying items totalling a charge of £2.8m (2019: £34.5m). The Board has recommended no dividend be paid for the year (2019: 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. In response to the Group's responsibilities in disclosing environmental and social governance information (ESG) this will be reported in greater detail in the separately published Corporate Social Responsibility (CSR) report and on pages 16 to 18 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 Audit Committee and 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 pages 07 to 08.

Employees

The Group's policy is to ensure the adequate provision for the health, safety and welfare of its employees and of other people who may be affected by its activities. Health and safety is the first priority of the Group and to support this all accidents are reported and thoroughly investigated and all employees are encouraged to contribute to reporting of 'near miss' incidents and 'safe acts' to promote greater awareness and proactive safety behaviours and, therefore, accident reduction.

The success of the Group depends on the skill and motivation of its workforce and it is the Group's policy to ensure close consultation with employees on matters of concern to them. Regular newsletters and briefings are provided to employees and announcements and notices are provided on the Group's intranet website and also directly through regular team briefings. The Group produces a monthly 'Augean Update' newsletter, available to all employees, which sets out a summary of the performance of the Group and the key activities taking place at each site. The Group aims to recruit and retain people with the appropriate skills and behaviours to fully contribute to the future success of the business. All new employees are provided with an appropriate induction, ensuring that they have the knowledge required to perform their role, and on-going training is provided to ensure that skills and experience are kept up to date. This includes training in the areas of ethical standards (e.g. Anti-corruption/Bribery, Modern Slavery, and Anti-Facilitation of Tax Evasion) to relevant parties. 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 £744,000 (2019: £807,000) of its landfill tax liability to registered environmental bodies as permitted by Government regulations and contributed £37,000 (2019: £73,000) to other community causes. No political donations were made during the year (2019: £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 is key to 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 pages 24 to 26. Details of the Directors' interests and remuneration are given in the Directors' Remuneration Report on pages 30 to 31. John Rauch was appointed to the Board on 15th June 2020. 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 104,085,198 as at 1 January 2020 to 104,693,201 at 31 December 2020. The Company had been notified of the following interests of more than 3% in its shares as at 26 February 2021:

	Number of shares	% of total
Harwood Capital Management Group	26,662,500	25.47%
Cannacord Genuity Group Inc	14,100,221	13.47%
Schroders	6,512,751	6.22%
Gresham House plc	6,258,000	5.96%
Chelverton Asset Mgt Ltd	5,760,000	5.50%
Close Brothers Group	5,532,599	5.28%
Unicorn Asset Mgt Ltd	3,173,731	3.03%

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

Corporate governance

A separate Corporate Governance Report is included within the 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, subject to recent Covid-19 restrictions preventing an open Annual General Meeting (AGM), invited to attend the AGM at which all Board Directors are present. The Group periodically hosts presentations at its sites and capital markets events for the investor community and provides detailed information for Shareholders and the general public on its website www.augeanplc.com.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. Details of the Group's financial position, cash flows, liquidity position and borrowing facilities are included in the financial review section and further information on the Group's financial risks and their management is given in note 22 to the financial statements.

As highlighted in note 22, the Group met its short-term working capital requirements during 2020 through its cash balances and a £20m term loan and a £20m revolving loan facility, with HSBC Bank plc. This facility with an earliest maturity date of December 2022, 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 2020, 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 2020 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.

In 2020 an impairment to the value of non-current tangible assets and right of use assets related to the North Sea segment of the business were recognised resulting from lower levels of drilling and exploration activity as an impact of Covid-19 and reduced oil prices. The North Sea Services segment is expected to continue to deliver positive cashflow for the Group.

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, have 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 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’ 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 16 June 2021. All Directors 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
26 February 2021

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 2020, the Board comprised six members: An Executive Chairman, Group Finance Director, the Group Operating Officer 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 25 and 26 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 2020 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).

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 annual internal review takes place and in 2020 the Board resolved, following the Nominations Committee recommendation, to appoint John Rauch to the Board to increase effectiveness. The last external review took place in 2016, when Linstock Limited, a corporate advisory firm that provide objective and independent counsel to leading companies, carried out a full Board evaluation. Since this an internal review has taken place, evaluating areas such as: Board composition, Board information, Board process, internal control and risk management, Board accountability, CEO/senior management and standards of conduct.

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 have taken extensive advice during 2020 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. 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. From 2021, for governance purposes, all Directors intend to retire and stand for re-election at each AGM. The Board are satisfied that all Directors standing for election or re-election (as appropriate) perform effectively and have demonstrated commitment to their roles.

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

Jim Meredith
Executive Chairman

Jim has considerable experience in the waste sector (since circa 1997) and has also worked within manufacturing, having held several senior roles within these sectors. He has been Chairman of RiverRidge Recycling since September 2016 and became Chairman of Uform Holdings Limited 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 2020 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 Limited, a specialist LED technology company. Before this, Mark held senior finance positions at GKN plc and Cable & Wireless plc after qualifying as a Chartered Accountant with Ernst & Young in 1991. Whilst at GKN plc, Mark gained specialist waste experience having been Finance Director for GKN Industrial Services division which included Cleanaway Waste Management.

He was appointed to the Board and became Group Finance Director on 14 December 2016. Mark had 100% attendance in 2020 for all Board meetings.

John Rauch
Executive Director and Group Operating Officer

John joined Augean in December 2016 and became an Executive Director in June 2020, bringing with him vast experience in driving strategic performance through operational and commercial excellence.

Having held a number of senior management roles, John was previously Chief Operations Officer at Bridon International Ltd where he oversaw the EMEA and APAC regions and before that, headed up the operational strategy for IMI Norgren in his role as Operations Director, as well as holding senior roles within global manufacturing group ESAB.

John's passion is working with businesses to accelerate their capability through best practice in supply chain processes, driving agility, integrating operations, intelligent management systems, embracing efficiency and delighting customers.

He was appointed to the Board on 15 June 2020. John had 100% attendance in 2020 for all Board meetings.

John Grant
Senior Independent Director, Chairman of the Audit Committee

John has significant experience across a number of sectors, including working for Ford for 25 years, where he held a number of senior positions including Director of Corporate Strategy in the USA, and then Executive Deputy Chairman at Jaguar after it was purchased by Ford in 1990. John later joined Lucas Industries plc from 1992-1996 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 Limited.

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 2020 for all Board and Committee meetings.

Roger McDowell

Non-Executive Director, Chairman of the Nominations Committee and Chairman of the Remuneration Committee

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 eighteen years before its sale to St. Gobain and he is currently serving as Non-Executive Chairman of Avingtrans plc, Brand Architekts Group plc, Flowtech Fluidpower plc and Hargreaves Services plc. Roger is also a Non-Executive Director of Tribal Group plc, Proteome Sciences plc, and British Smaller Cos VCT II plc.

Roger was appointed to the Board in October 2017; He became Chairman of the Nominations Committee in January 2018 and Chairman of the Remuneration Committee in January 2019. Roger tendered his apologies for 1 Board meeting in 2020 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 1 Committee meeting in 2020 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 20. 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, in spite of Covid-19 restrictions, 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 promotes 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 provides further details on our compliance with each element of the code.

J. Meredith

Jim Meredith
Executive Chairman
26 February 2021

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;
- Group General Counsel;
- Corporate Stewardship Director;
- Commercial Director; and
- Technical Supply Chain Director.

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; with the formal confirmation of transition from OHSAS 18001 to ISO45001 pending, 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 auditor and the Executive Directors are regularly invited to attend the meetings and the Committee also utilises its access to the external auditor's advice without the presence of the Executive Directors. The Committee met on five separate occasions during the year.

During the year the Committee considered the adequacy and effectiveness of the risk management and control systems of the Group and requested updates to the Group's corporate risk register. It also reviewed the scope and results of the annual external audit, its cost effectiveness and the objectivity and independence of the external auditor.

The Committee monitored the integrity of the financial statements of the company, including its annual financial statements for 2019 and other information included in the 2019 Annual Report, the interim financial statements for 2020, 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 ethical standards and policy was also carried out, including for example the Anti-Tax Facilitation, Anti-Bribery, Whistleblowing and Modern Slavery policies. 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 2020 the activities of the Committee focused on ensuring the composition of the Board remained effective and the appointment of John Rauch to the Board.

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 five occasions during 2020, with business including reviews of the remuneration for Executive Directors, decisions relating to bonus awards and attainment, and the exercise of options under previously awarded and vested Long Term Incentive Plans. The Directors' Remuneration Report includes the outcome of these considerations.

The Committee uses the services of independent external advisers as required.

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 January 2020, 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 an annual 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 2020, these targets were not achieved. All bonus schemes include appropriate clawback and malus provisions.

(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) LTIP Schemes

For the current financial year no LTIP schemes were active nor were any new grants made under the 2014 LTIP plan which remains active until 2024.

(v) Share options

Under the share options scheme the Remuneration Committee may annually grant options of up to 100% of basic salary, allowing participants to purchase shares in the Company at a future date. These options may be subject to the attainment of pre-determined performance conditions but this is not an absolute requirement. No awards were made during 2020.

(vi) Service contracts

Executive Directors have rolling service contracts with notice periods of not more than twelve months and appropriate clawback and malus clauses.

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 2020	Beneficial shares Number	Total shares Number
Christopher Mills*	26,662,500	26,662,500
Roger McDowell	3,000,000	3,000,000
Jim Meredith	2,500,000	2,500,000
Mark Fryer	100,220	100,220
John Grant	100,000	100,000
John Rauch	89,512	89,512

* 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 2020 were as follows:

	2020 Basic fee/ salary £'000	2020 Bonus*[2] £'000	2020 Share options exercised £'000	2020 Other emoluments £'000	**2020 Total £'000**	2019 Total £'000
Jim Meredith	157	232	–	–	**389**	3,552
Mark Fryer	205	289	284	12	**790**	1,537
John Grant	35	–	–	–	**35**	37
Christopher Mills	31	–	–	–	**31**	31
Roger McDowell	35	–	–	–	**35**	37
John Rauch*[1]	104	–	–	16	**120**	–
Andrew Bryce	–	–	–	–	**–**	9
	567	521	284	28	**1,400**	5,203

Fees for John Grant, and Roger McDowell include £3,920 per annum for acting as Chairman of various Board committees.

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

One Director (2019: nil) is a member of a pension scheme and £10,388 (2019: £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 2020.

*[1] John Rauch was appointed to the Board on 15th June 2020.

*[2] Bonus payments are in relation to 2019 performance paid in 2020.

Directors' share plans

There are no options held by Executive Directors of Augean plc in the extant Share Option Scheme.

There are no options held by Executive Directors of Augean plc in the LTIP schemes.

The mid-market price of the Company's shares at 31 December 2020 was 212.50p. The range of the share price during the year was 112.00p to 225.0p.

On behalf of the Remuneration Committee

Roger McDowell
Chairman of the Remuneration Committee
26 February 2021

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

We have audited the financial statements of Augean plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group Statement of Cashflows, 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

We remain 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Review of the Audit Committee paper supporting the Group and the Parent Company assessment of going concern, ensuring this is consistent with underlying supporting documentation and that liquidity and headroom analysis is accurate;
- Consideration of the impact of the Covid-19 pandemic on the performance of the Group for the year ended 31 December 2020, to evaluate whether the forecasts are calculated on a reasonable basis in this regard, together with a review of the forecasts compared to historical performance and forecast accuracy, current business trends and pipeline/contract analysis; and
- Review of the available cash and financing facilities within the Group, and evaluation of management's downside sensitivities on cash flow headroom, incorporating a review of financial covenants and headroom analysis throughout the forecast period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100% (2019: 100%) of Group profit before tax		
	100% (2019: 100%) of Group revenue		
	99% (2019: 99%) of Group total assets		
Key audit matters		**2020**	2019
	Landfill tax assessments	☒	☒
	North Sea impairment	☒	–
	The KAM in respect of the impairment of the Augean North Sea Services business unit is a 2020 event.		
Materiality	Group financial statements as a whole.		
	£900k (2019: £930k) based on 5.1% (2019: 5.0%) of profit before tax, adjusted for certain items - refer to 'Our application of materiality' section below for details.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Financial information relating to the Parent Company and its four (2019: four) significant components within the Group were subject to a full scope audit by the Group audit team, covering 100% (2019: 100%) of the revenue and profit before tax of the Group for the year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Landfill tax assessments See notes 1(o), 1(t) and 17.	The Group has previously been in receipt of assessments, from HMRC, for additional Landfill Tax liabilities. The total value of assessments was, inclusive of interest, £40.4m as previously announced by the Group. In December 2019 the Group also deposited this sum with HMRC, pending tribunal hearings. At the prior year end the Group applied an expected value approach to measure the liability and associated expense. This involved a weighted average probability of success incorporating management judgement and expert legal opinion. A residual tax deposit asset was recognised being the difference between amounts deposited with HMRC and the expense charged. There remains in the current year a significant degree of judgement in the outcome and the associated accounting treatment of this matter. Legal advice has progressed during 2020 and the first tribunal was heard in September 2020. As at 31 December 2020, following a full reassessment, the overall probability of success has increased marginally. As a result a credit of £1.8m has been recognised in the income statement, and separately a £1.4m reduction in the tax deposit asset has been reflected, consistent with the reduction in the overall assessment value less amounts already deposited (net of amounts recovered). This represents the best estimate of the expected economic outflow from the Group under a consistent probability weighted methodology in accordance with accounting standards and guidance. Given the complexity and judgement in regards to this matter, including the measurement of the expense and residual tax deposit asset, we identified this area as a key audit matter.	The accounting policy in this area was established by the Group during the course of the prior year. In the current year the Group have appropriately applied this policy on a consistent basis. We confirmed the mechanical accuracy of the calculations supporting the income statement credit and movement in the tax deposit asset. We reviewed the correspondence with the Group's independent legal advisor and specialist in landfill tax supporting management's judgement in this area for the 2020 financial year end. We challenged management on the continued application of this accounting policy, and in particular the appropriateness of the expected value approach in light of a reduced number of outstanding assessments. We reviewed and recalculated the calculation, at the year end, as updated for new information relevant to 2020. We reviewed the disclosure of this area as a key accounting estimate in note 1(t), the landfill tax deposit accounting policy 1(o) and note 28, as well as the provisions note 17 and the supporting references in the narrative reporting section of the Annual Report. **Key observations** We concur with the assumptions and mechanics underpinning management's best estimate of the landfill tax provision. The disclosures in the Annual Report adequately reflect both the estimates and judgements applied, as well as the sensitivity of this item.

Key audit matter		How the scope of our audit addressed the key audit matter
North Sea impairment See notes 1(t) and 9.	As described in note 1(u), Significant judgements and key sources of estimation uncertainty, management have assessed the recoverable value of the North Sea business at the year end reporting date. Management have performed an impairment review of the carrying value of the cash generating unit ('CGU') due to indicators arising from the impact of Covid-19 and wider economic conditions in the oil and gas industry, which had seen decreased business performance and results during 2020. An impairment charge of £2,931,000 has been recognised against the tangible fixed assets (including right-of-use assets) of the CGU. The discounted cash flow calculations used to determine the recoverable value are based on the forecast future performance for the CGU which is inherently judgemental. Other estimates are made in the impairment review calculations, including the discount rate applied to the 15 year cash flows (to the end of the expected useful life) and the growth/decline rates through this period. Due to the estimation uncertainty in the calculation of the recoverable value of the CGU we have identified this as a key audit matter.	We reviewed the mechanical accuracy of management's impairment calculations, and considered the accuracy of key inputs including the discount rate. We involved our own valuation experts to support this review. In doing this we validated the inputs to the discount rate against external and internal sources of information as applicable. We performed an assessment of the cash flow forecasts by comparing the future estimates to the current and recent years, as well as the expected decline in the industry over the remaining useful life of the assets. We also considered the short term growth rate applied to the cash flow forecasts, challenging management on the basis of this and calculating the sensitivity of reasonable changes in this estimate. **Key observations** We did not identify any significant issues with the impairment review or the resulting impairment charge recognised in the year.

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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2020 £'000s	2019 £'000s	**2020 £'000s**	2019 £'000s
Materiality	**900**	930	**300**	300
Basis for determining materiality	**5.1% of adjusted* profit before tax**	5.0% of adjusted* profit before tax	**0.5% of gross assets (capped as considered necessary for component aggregation)**	0.5% of gross assets (capped as considered necessary for component aggregation)
Rationale for the benchmark applied	**Listed group**	Listed group	**Holding company**	Holding company
Performance materiality	**630**	605	**210**	195
Basis for determining performance materiality	**70% of materiality**	65% of materiality	**70% of materiality**	65% of materiality

* We have adjusted the statutory profit before tax (2019: loss before tax) for the items relating to the landfill tax assessments and North Sea impairment, as referred to in our key audit matters, in addition to a £7.7m accelerated share based payment expense recognised in 2019. These items of income or expense are considered to be non-underlying in the year and not being representative of the trading performance of the Group.

Component materiality

We set materiality for each component of the Group based on a percentage of between approximately 22% and 53% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £200,000 to £475,000. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £27,000 (2019: £28,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

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

Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: ○ adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or ○ the Parent Company financial statements and the part of the Directors' remuneration report to be audited 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industries in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Group's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the Company financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary.

We made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We also addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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.

BDO LLP

Mark Langford
(Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
Leeds
26 February 2021

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 2020

	Note	2020 £'000	2019 £'000
Revenue		**91,660**	107,137
Operating expenses		**(71,208)**	(87,228)
Adjusted operating profit	27	**20,452**	19,909
Share-based payments	19	**–**	(7,693)
Landfill tax assessments credit / (charge)	3	**1,824**	(26,179)
Impairment of tangible assets	3	**(2,931)**	–
Other non-underlying items	3	**(1,721)**	(664)
Operating profit / (loss)	3	**17,624**	(14,627)
Net finance charges	4	**(1,195)**	(697)
Profit / (loss) before tax		**16,429**	(15,324)
Taxation (charge) / credit	6	**(3,169)**	2,568
Profit / (loss) from operations		**13,260**	(12,756)
Profit / (loss) for the year and total comprehensive income attributable to equity Shareholders of Augean plc	3	**13,260**	(12,756)
Earnings / (loss) per share			
Basic	8	**12.70p**	(12.26)p
Diluted	8	**12.70p**	(12.17)p

The notes on pages 43 to 75 form an integral part of these financial statements.

Statements of Financial Position

As at 31 December 2020

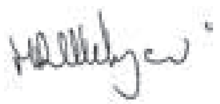
		Group		Company	
	Note	**2020 £'000**	2019 £'000 Restated*	**2020 £'000**	2019 £'000
Non-current assets					
Goodwill	9	**19,757**	19,757	**–**	–
Other intangible assets	10	**89**	45	**89**	45
Investments in subsidiaries	11	**–**	–	**50,768**	50,768
Property, plant and equipment	12	**36,042**	38,309	**893**	1,034
Right of use assets	15	**2,546**	4,516	**284**	494
Deferred tax asset	6	**3,016**	4,350	**41**	–
Landfill tax asset	28	**14,638**	–	**–**	–
		76,088	66,977	**52,075**	52,341
Current assets					
Inventories		**548**	302	**–**	–
Trade and other receivables	13	**16,778**	26,000	**727**	7,694
Landfill tax asset	28	**–**	14,200	**–**	–
Cash and cash equivalents		**19,721**	21,588	**9,579**	11,752
		37,047	62,090	**10,306**	19,446
Current liabilities					
Trade and other payables	14	**(24,362)**	(32,205)	**(18,697)**	(6,936)
Current tax liabilities		**(2,342)**	(1,145)	**–**	–
Borrowings	16	**(6,667)**	(6,667)	**(6,667)**	(6,667)
Lease liabilities	15	**(1,237)**	(1,445)	**(169)**	–
Provisions	17	**(521)**	(500)	**–**	–
		(35,129)	(41,962)	**(25,533)**	(13,603)
Net current assets / (liabilities)		**1,918**	20,128	**(15,227)**	5,843
Non-current liabilities					
Borrowings	16	**(6,666)**	(28,123)	**(6,666)**	(28,123)
Lease liabilities	15	**(2,078)**	(3,104)	**(91)**	(484)
Provisions	17	**(8,267)**	(8,242)	**–**	–
		(17,011)	(39,469)	**(6,757)**	(28,607)
Net assets		**60,995**	47,636	**30,091**	29,577
Shareholders' equity					
Share capital	18	**10,497**	10,409	**10,497**	10,409
Share premium account		**827**	816	**827**	816
Retained earnings		**49,671**	36,411	**18,767**	18,352
Total equity		**60,995**	47,636	**30,091**	29,577

* The comparative information is restated on account of correction of disclosures. See note 29.

The company made a profit of £415,000 (2019: profit of £766,000).

The notes on pages 43 to 75 form an integral part of these financial statements.

The financial statements were approved by the Board on 26 February 2021 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 2020

	Note	Group 2020 £'000	Group 2019 £'000
Operating activities			
Cash generated from / (used in) operations	20	**29,797**	(16,215)
Finance charges paid		**(1,078)**	(597)
Corporation tax paid		**(638)**	(820)
Net cash generated from / (used in) operating activities		**28,081**	(17,632)
Investing activities			
Proceeds on disposal of assets held for sale		**–**	3,350
Proceeds on disposal of property, plant and equipment		**49**	–
Purchases of property, plant and equipment		**(7,067)**	(5,823)
Purchases of intangible assets		**(82)**	(18)
Net cash (used in) investing activities		**(7,100)**	(2,491)
Financing activities			
Dividends paid	7	**–**	–
Issue of equity	18	**99**	89
(Repayment) / drawdown of loan facilities		**(21,457)**	32,000
Payment of principal on lease liabilities	15	**(1,490)**	(1,540)
Net cash (used in) / generated from financing activities		**(22,848)**	30,549
Net increase in cash and cash equivalents		**(1,867)**	10,426
Cash and cash equivalents at beginning of year		**21,588**	11,162
Cash and cash equivalents at end of year		**19,721**	21,588

Statements of Changes in Shareholders' Equity

For the year ended 31 December 2020

Group	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 1 January 2019	**10,379**	**757**	**49,125**	**60,261**
Total comprehensive loss for the year				
Retained loss	–	–	(12,756)	(12,756)
Total comprehensive loss for the year	–	–	(12,756)	(12,756)
Transactions with the owners of the Company				
Issue of equity	30	59	–	89
Share-based payments	–	–	42	42
Total transactions with the owners of the Company	30	59	42	131
At 31 December 2019	**10,409**	**816**	**36,411**	**47,636**
Total comprehensive profit for the year				
Retained profit	–	–	13,260	13,260
Total comprehensive profit for the year	–	–	13,260	13,260
Transactions with the owners of the Company				
Issue of equity	88	11	–	99
Total transactions with the owners of the Company	88	11	–	99
At 31 December 2020	**10,497**	**827**	**49,671**	**60,995**

Statements of Changes in Shareholders' Equity

For the year ended 31 December 2020

Company	Share capital £'000	Share premium account £'000	Retained earnings £'000	Shareholders' equity £'000
At 1 January 2019	**10,379**	**757**	**17,544**	**28,680**
Total comprehensive income for the year				
Retained profit	–	–	766	766
Total comprehensive income for the year	–	–	766	766
Transactions with the owners of the Company				
Issue of equity	30	59	–	89
Share-based payments	–	–	42	42
Total transactions with the owners of the Company	30	59	42	131
At 31 December 2019	**10,409**	**816**	**18,352**	**29,577**
Total comprehensive income for the year				
Retained profit	–	–	415	415
Total comprehensive income for the year	–	–	415	415
Transactions with the owners of the Company				
Issue of equity	88	11	–	99
Total transactions with the owners of the Company	88	11	–	99
At 31 December 2020	**10,497**	**827**	**18,767**	**30,091**

Notes to the Financial Statements
For the year ended 31 December 2020

1 Accounting policies
(a) Basis of accounting
The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The company has elected to prepare its Parent Company financial statements in accordance with Financial Reporting Standard 101 (FRS 101). The financial statements have been prepared on the historical cost basis with the exception of certain items which are measured at fair value as disclosed in the principal accounting policies set out below. These policies have been consistently applied to all years presented unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its individual statement of comprehensive income in these financial statements. The Company's overall result for the year is given in the statement of changes in Shareholders' equity. The Company has taken advantage of all available disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include: a statement of cashflows and related disclosures, IAS 24-related party disclosures, capital management disclosures and the effect of future standards not adopted.

(i) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences to the date on which control ceases. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(ii) 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.

In August 2020, the Group acquired a small group of assets adding the Haliburton Ecocentre at Peterhead to its portfolio of assets at significant discount to its fair value. An independent valuation was undertaken of the land and buildings which was placed within the financial statements. The remaining consideration was allocated to the remaining assets and stock at equal proportion to what their fair value was calculated at on acquisition date.

(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 and 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.

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 and expense at the point of acceptance and an appropriate expense in the statement of comprehensive income and corresponding 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 is no material concentration of revenue from countries outside the United Kingdom, however one customer accounts for £11.1m of revenue (2019: £14.1m) which is all reported in the North Sea Services segment.

Government grant
In response to the Covid-19 pandemic, in March 2020 the UK government introduced a wage subsidy programme for companies that had to shift their operations and furlough staff. The Group's application for the programme was approved in March 2020 and it was entitled to the wage subsidy on a monthly basis conditional on the employees continuing to be on furlough and the Group continuing to pay their salary. The Group presents grants related to income as revenue in the statement of comprehensive income.

(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, LTIP charges, legal costs associated with the Landfill tax dispute, change in the accounting for the landfill tax asset as probabilities are reassessed 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.

1 Accounting policies (continued)

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset into use. Borrowing costs related to the purchase of property, plant and equipment are capitalised where the cost is directly attributable to the property, plant or equipment being purchased. Freehold land and buildings are recognised at historical cost.

Subsequent costs are included in an asset's carrying value or recognised as a separate asset, when it is probable that future economic benefits associated with the additional expenditure will flow to the Group and the cost of the item can be measured reliably. All other costs are charged to profit or loss when incurred.

The acquisition, commissioning and site infrastructure costs for each landfill site are capitalised when incurred. These costs are then depreciated over the useful life of the site, which is assessed with reference to the usage of the void space available.

Cell engineering costs are capitalised when incurred. The depreciation charged to profit or loss is calculated with reference to actual costs to date and expected future costs for each cell including the cost of the future cap, the total of which is spread over the useful economic life of the cell. Useful life is assessed by reference to the usage of the void space available and the rate at which the void space is filled.

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

Freehold buildings	–	50 years
Leasehold land and buildings	–	20 years 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.

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 as the effect is immaterial 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.

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

1 Accounting policies (continued)
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 (Right of use assets)
The Group has leases for 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 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.

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.

(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.

1 Accounting policies (continued)

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) 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.

(o) 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 likely economic outflow. The resulting outflow has then been deducted from the tax deposit in arriving at the asset recognised in the Statement of Financial Position.

The probabilistic assessment is reassessed at the end of each accounting period and appropriate adjustments recognised in the Statement of Financial Position.

(p) 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. An impairment loss has been provided based on annual revenue and receivables from the highest risk industry customer grouping. 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.

1 Accounting policies (continued)

(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.

(q) 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.

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is discounted to 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.

A contingent asset is disclosed if there is a possible receipt from a past event and the inflow is not probable or unable to be measured.

(s) Intercompany balances
The Company provides for impairment for amounts due from subsidiary undertakings based on forward looking going concern assessments for the Group including its individual subsidiaries including and excluding Parent Company guarantees.

(t) 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.

1 Accounting policies (continued)

Landfill Tax assessments (estimate)

The Group have made payments to HMRC in 2019 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 and with reference to IFRIC guidance issued in January 2019.

The assessments are divided into five distinct waste types ('baskets'). However, there are multiple points of law being considered and challenged within each basket and some interdependencies between assessments. In order to calculate the 'best estimate' of settlement under IAS 37 the likelihood of success on each basket has been estimated by 3rd party legal experts together with a further uncertainty factor applied. These estimates have been applied to the baskets in creating a probabilistic assessment of likely economic outflow. The expected outflow has then been deducted from the total payment lodged with HMRC, to arrive at a tax deposit of £14,638,000 (2019: £14,200,000) recognised in the Statement of Financial Position. Further information can be found in note 28.

The probabilistic modelling is reassessed based on input from external lawyers at the end of each accounting period and adjustments are recognised as appropriate. The tax asset had been disclosed in 2019 as a current asset, as the tribunal for one of the waste types was expected to take place in less than one year and the Group had an expectation, at the time, that the assessments could be settled during 2020. As the Group are still awaiting a verdict on this tribunal, the asset has been classified as a non-current asset at 31 December 2020 as recoverability within 12 months is not certain.

Ultimately the economic outflow of this dispute will be determined by tribunals for each individual point of law with further appeals possible following which the outcome may be different from the amount charged to the Statement of Comprehensive Income. The range of possible outcomes from the assessments as at 31 December 2020 range from £nil to £42,750,000 should the group lose all assessments and periods not yet assessed.

Impairment of tangible assets and ROU assets (judgement and estimate)

The Group has property, plant and equipment with a carrying value of £36,042,000 (note 12) and right of use assets with a carrying value of £2,546,000 (note 15). These assets are reviewed annually for impairment as described in these financial statements to ensure that goodwill and property, plant and equipment are not carried above their estimated recoverable amounts. To assess if any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual outcomes could vary from such estimates of discounted future cash flows. Factors such as changes in expected use of property, plant and equipment, closure of facilities, or lower than anticipated revenues could result in impairment. An impairment of £2,931,000 has been recognised during the year against property, plant and equipment and right of use assets to reflect management's judgement of the value in use of the North Sea Services business unit being less than the book value of the assets held within that business unit. Management judgement has been used to forecast future cashflows which can have a significant impact on the level of impairment recognised. The judgements made by management in forecasting the future cashflows for the ANSS CGU are as follows:

- Forecast period of 15 years to reflect the perceived CGU/industry life
- A reduction in revenue outside of the forecast horizon of 5% p.a.
- Maintenance capex to increase at 1% p.a. up until the last two years where it decreases by 50% p.a.
- As ROU assets drop off these have been replaced with their lease cost as under IAS 17 to recognise the appropriate level of cashflow.

This impairment has been recognised within the statement of comprehensive income.

This impairment has been recognised within the statement of financial position on a pro rata basis across all items of property, plant and equipment and right of use assets except, where doing so would reduce the carrying value of the asset below its fair value less cost to dispose (note 12 and note 15).

Deferred tax (estimate)

A deferred tax asset of £3,016,000 (2019: £4,350,000) has been recognised for unused tax losses and temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary difference is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

1 Accounting policies (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

(u) New IFRS standards and interpretations applied

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

(v) 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	Endorsement status
New Standards			
IFRS 17 Insurance contracts	18–May–2017	01–Jan–23*	TBC
Amendments to existing standards			
COVID-19-Relates to Rent Concessions (Amendment to IFRS 16)	28–May–2020	01–06–20	Endorsed
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	27–Aug–2020	01–Jan–21	Endorsed
Onerous contracts – Cost of fulfilling a contract (Amendments to IAS 37)	14–May–2020	01–Jan–22	Endorsed
Annual Improvements to IFRS Standards 2018-2020	14–May–2020	01–Jan–22	Endorsed
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	14–May–2020	01–Jan–22	Endorsed
Reference to the Conceptual Framework (Amendments to IFRS 3)	14–May–2020	01–Jan–22	Endorsed
Classification of Liabilities as Current or Non-current (Amendment to IAS 1)	23–Jan–2020	01–Jan–23	TBC

* 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 and 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, waste processing services and decommissioning work 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.

2 Operating segments (continued)

Total revenue for one customer amounts to more than 10% of the total revenue of the Group. One customer accounts for £11.1m of revenue (2019: £14.1m) 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.

Information about reportable segments

	2020		
	Treatment & disposal £'000	North Sea Services £'000	Group £'000
Assets			
Segment assets	**79,821**	**10,577**	**90,398**
Unallocated segment assets			
Deferred tax asset			**3,016**
Cash and cash equivalents			**19,721**
Group total assets			**113,135**
Liabilities			
Segment liabilities	**(32,963)**	**(3,502)**	**(36,465)**
Unallocated segment liabilities			
Bank overdraft and loans			**(13,333)**
Current tax liabilities			**(2,342)**
Group total liabilities			**(52,140)**

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

2 Operating segments (continued)

	2020		
	Treatment & disposal £'000	North Sea Services £'000	Group £'000
Revenue			
Incinerator ash and APCr management	**19,738**	**–**	**19,738**
Other landfill activities	**15,745**	**–**	**15,745**
Waste treatment activities	**17,208**	**–**	**17,208**
Radioactive waste management	**2,200**	**–**	**2,200**
Services to oil production and exploration customers	**–**	**22,365**	**22,365**
Total revenue net of landfill tax	**54,891**	**22,365**	**77,256**
Landfill tax	**14,730**	**–**	**14,730**
Total revenue including inter-segment sales	**69,621**	**22,365**	**91,986**
Inter-segment sales	**(326)**	**–**	**(326)**
Revenue	**69,295**	**22,365**	**91,660**
Operating profit before non-underlying items	**19,986**	**1,355**	**21,341**
Landfill tax assessments credit	**1,824**	**–**	**1,824**
Impairment of tangible assets	**–**	**(2,931)**	**(2,931)**
Other non-underlying items	**(811)**	**(910)**	**(1,721)**
Operating (loss) / profit	**20,999**	**(2,486)**	**18,513**
Net finance charges			**(1,195)**
Central costs			**(889)**
Profit before tax			**16,429**
Taxation charge			**(3,169)**
Profit for the year attributable to equity shareholders of Augean plc			**13,260**

	2019		
	Treatment & disposal £'000	North Sea Services £'000	Group £'000
Revenue			
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
Total revenue net of landfill tax	57,398	34,896	92,294
Landfill tax	15,611	–	15,611
Total revenue including inter-segment sales	73,009	34,896	107,905
Inter-segment sales	(748)	(20)	(768)
Revenue	72,261	34,876	107,137
Operating profit before non-underlying items	18,062	2,619	20,681
Non-underlying items	(26,843)	–	(26,843)
Operating profit / (loss)	(8,781)	2,619	(6,162)
Net finance charges			(697)
Share-based payments			(7,693)
Central costs			(772)
Loss before tax			(15,324)
Taxation credit			2,568
Loss for the year attributable to equity Shareholders of Augean plc			(12,756)

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

3 Operating profit / (loss)

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

	2020 £'000	2019 £'000
Fees payable to the Company's auditor for the audit of the annual financial statements	**72**	68
Fees payable to the Company's auditor for other services:		
– audit of the financial statements of the Company's subsidiaries pursuant to legislation	**27**	25
– other assurance services	**–**	–
Total audit fees	**99**	93
Total non-audit fees	**5**	–
	104	93
Amortisation of intangible assets	**38**	39
Depreciation of property, plant and equipment:		
– owned assets	**6,934**	7,471
– right of use assets	**1,525**	1,454
Total	**8,459**	8,925
Non-underlying items:		
Landfill tax assessments (credit) / charge	**(1,824)**	26,179
Impairment of PPE and ROU assets (note 12 / note 15)	**2,931**	–
Other non-underlying charges	**381**	–
Restructuring and similar charges	**890**	165
Legal costs associated with Landfill tax dispute	**450**	499
Total	**2,828**	26,843

The Landfill tax credit arises in part as a result of cash received from HMRC in relation to one waste type received in December 2020 and in part in relation to reassessment in conjunction with our external counsel of the IAS 37 probabilistic outcomes of the various remaining tribunal outcomes resulting in a £1.8m exceptional profit.

Further information can be found in note 28.

4 Net finance charges

	2020 £'000	2019 £'000
Net interest and charges payable on bank loans and overdrafts	**976**	451
Interest expense on lease liabilities	**119**	146
Unwinding of discount on provisions (note 17)	**100**	100
	1,195	697

Interest receivable is not considered material for separate disclosure.

5 Group and Company employees

The average monthly number of employees analysed by function was:

	2020 Number	2019 Number
Sales	**20**	21
Operations	**218**	283
Administration	**78**	88
	316	392

	2020 £'000	2019 £'000
Wages and salaries	**10,908**	14,887
Social security costs	**1,411**	1,607
LTIP	**–**	7,000
Other pension costs	**768**	677
	13,087	24,171

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 178 (2019: 181) people in the year. The total employee costs to the company were £9,243,000 (2019: £11,482,000)

The total remuneration of the Directors of the Company was £1,400,000 (2019: £5,203,000). The highest paid Director received total emoluments of £790,000 (2019 highest paid Director: total emoluments of £3,552,000).

One Director exercised share options during the year (2019: none).

The Directors have identified 6 (2019:6) key management personnel. The total key management personnel compensation, including the Non-Executive Directors, presented below, was as follows:

	2020 £'000	2019 £'000
Short-term employment benefits	**1,474**	1,437
Post-employment benefits	**–**	12
Share-based payments	**–**	5,258
	1,474	6,707

6 Taxation

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on profit /(loss) for the year	**3,534**	–
Adjustments in respect of prior years	**(1,699)**	68
	1,835	68
Deferred tax		
(Credit) in respect of the current year	**(675)**	(2,458)
Adjustments in respect of prior years	**2,009**	(178)
	1,334	(2,636)
Tax charge / (credit) on the result for the year	**3,169**	(2,568)

6 Taxation (continued)

Tax reconciliation

	2020		2019	
	£'000	%	**£'000**	%
Profit / (loss) before tax	**16,429**		(15,324)	
Tax at theoretical rate	**3,121**	**19**	(2,912)	19
Effects of:				
– expenses not deductible for tax purposes	**268**	**(2)**	270	(2)
– change in tax rate	**(275)**	**2**	291	(2)
– effect of share options	**(162)**	**1**	(108)	1
– movement on unrecognised deferred tax	**(62)**	**0**	–	0
– income not taxable	**(31)**	**0**	–	0
– adjustments in respect of prior years	**310**	**(2)**	(110)	1
Tax charge / (credit) on the result for the year	**3,169**	**19**	(2,569)	17

The main rate of corporation tax in the UK was 19% (2019: 19%).

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 Restated* £'000	Trade losses Restated* £'000	Total £'000
At 1 January 2019	121	897	30	733	–	1,781
Credited to the income statement	1	169	77	211	2,402	2,860
Adjustment in respect of prior years	–	(4)	–	(287)	–	(291)
At 31 December 2019	122	1,062	107	657	2,402	4,350
Credited / (charged) to the income statement	13	956	(107)	(126)	(61)	675
Adjustment in respect of prior years	(10)	58	–	284	(2,341)	(2,009)
At 31 December 2020	**125**	**2,076**	**–**	**815**	**–**	**3,016**
Deferred tax assets	125	2,076	–	815	–	3,016
At 31 December 2020	**125**	**2,076**	**–**	**815**	**–**	**3,016**

* Within the 2019 Annual Report the deferred tax asset recognised in respect of tax losses was included within the provisions deferred tax balance. In order to provide a clearer narrative this has been disclosed separately for 2020 and the comparatives restated for consistency. See note 29 for further information.

The company has a deferred tax asset at 31 December 2020 of £41k (2019: £nil).

The retention in the main rate of corporation tax, following on from the announcement of the 2020 Budget, to 19% from 1 April 2021 has been substantively enacted at the balance sheet date. Accordingly, deferred tax balances have been valued at 19% in these accounts to the extent that timing differences are expected to reverse after this date. £275,000 (2019: £291,000 charge) relates to changes in tax rates during the year.

In 2019 the Group incurred taxable losses as a result of the recognition of the Landfill Tax provision and related expense. Given the nature of these one-off costs, which have little impact on future taxable profits, the Group has recognised the tax effect of £14,132,000 of tax losses (tax impact: £2,402,000), as management considered it probable that future taxable profits would be available against which such losses could be used. In 2020, the Group achieved its planned profitability; therefore management continues to consider it probable that future taxable profits would be available against which the tax losses can be recovered and, therefore, the related deferred tax asset can be realised.

6 Taxation (continued)

On submission of the final 2019 tax computations to HMRC £2,341,000 of the taxable losses held as at 31 December 2019 were utilised and carry backed to prior periods. This has been shown in the 2020 accounts as a prior year deferred tax charge and corresponding corporation tax credit.

No deferred tax has been recognised during the year in respect of certain temporary differences of £2,957,000 (2019: £3,940,000). 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:

	2020 £'000	2019 £'000
Unrecognised deferred tax asset	**562**	670

There are no unrecognised deferred tax assets in the company (2019: nil).

7 Dividends

	2020 £'000	2019 £'000
Proposed final dividend for the year ended 31 December 2020 of nil pence per share (2019: nil pence per share)	**–**	–
Total	**–**	–

8 Earnings per share

Earnings per share (EPS) is calculated as follows:

	2020 £'000	2019 £'000
Profit / (loss) after tax for the purposes of basic and diluted earnings per share	**13,260**	(12,756)
Non-underlying items net of tax	**2,291**	22,467
Share-based payments net of tax	**–**	6,231
Adjusted earnings for the purposes of adjusted basic and diluted earnings per share	**15,551**	15,942

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, in 2019 were considered to be adjusting items due to the vesting of the scheme in full after two years compared to the expected life of five years.

	2020 Number	2019 number
Number of shares		
Weighted average number of shares for basic earnings per share	**104,371,664**	104,006,779
Effect of dilutive potential ordinary shares from share options	**–**	802,208
Weighted average number of shares for diluted earnings per share	**104,371,664**	104,808,987
Earnings / (loss) per share		
Basic	**12.70p**	(12.26)p
Diluted	**12.70p**	(12.17)p
Adjusted earnings per share		
Basic	**14.90p**	15.33p
Diluted	**14.90p**	15.21p

9 Goodwill

	£'000
Cost	
At 1 January 2019, 1 January 2020 and 31 December 2020	108,163
Accumulated impairment	
At 1 January 2019, 1 January 2020 and 31 December 2020	(88,406)
Net book value	
At 1 January 2019, 1 January 2020 and 31 December 2020	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 2020. The allocation of goodwill by CGU is as follows:

	2020 £'000	2019 £'000
Treatment and Disposal	**19,757**	19,757
North Sea Services	**–**	–

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

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

- North Sea Services CGU

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 12.2% (2019: 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, made taking into account past experience, for the Treatment and Disposal CGU's cash flows are:

- based on approved budgets and plans for 2021 and, beyond this period, have been forecast for a total period of 20 years, being the shortest potential life associated with any of the CGUs' operations in their current form;
- revenue growth over the time horizon is expected to achieve 2.5% per annum for Treatment and 5.0% per annum for Disposal;
- 1% increase in maintenance capital expenditure from 2021 onwards; and
- cash operating costs 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 over £200,000,000 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 2020
Discount factor	1%	£20.7m
EBITDA margin	1%	£6.0m
Revenue growth rate	1%	£14.2m

9 Goodwill (continued)

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

The key assumptions, made taking into account past experience, for the North Sea Services CGUs' cash flows are:

- based on approved budgets and plans for 2021 and, beyond this period, have been forecast for a total period of 15 years, being the shortest potential life associated with any of the CGUs' operations in their current form;
- revenue decline over the forecasted period is an average of 1% p.a.;
- 1% increase in maintenance capital expenditure from 2021 onwards with a drop of 50% p.a. in the final two years of the forecast; and
- cash operating costs are expected to increase by 1% per annum, reflecting the impact of cost inflation offset by effective underlying cost control.

Using the discount rate above, the North Sea Services CGU has a value in use of £4.5m. The North Sea Services business has £7.5m of tangible PPE, £2.1m of right of use assets, less £2.2m of lease liability associated.

The impairment charge of £2.9m has been allocated £2.2m to tangible PPE with the remaining £0.7m allocated to ROU assets.

10 Other intangible assets

	Group		Company
	Computer software £'000	Total £'000	Computer software and total £'000
Cost			
At 1 January 2019	879	879	879
Additions	18	18	18
At 31 December 2019	897	897	897
Additions	82	82	82
At 31 December 2020	**979**	**979**	**979**
Amortisation			
At 1 January 2019	813	813	813
Charge for the year	39	39	39
At 31 December 2019	852	852	852
Charge for the year	38	38	38
At 31 December 2020	**890**	**890**	**890**
Net book value			
At 31 December 2020	**89**	**89**	**89**
At 1 January 2020	45	45	45
At 1 January 2019	66	66	66

Included within the closing cost are the following assets that are under construction as at the year end:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Intangibles	**31**	–	**31**	–
	31	–	**31**	–

11 Investments in subsidiaries

Company	£'000
Cost	
At 1 January 2019	147,272
At 1 January 2020	147,272
At 31 December 2020	**147,272**
Provision for impairment	
At 1 January 2019	(96,504)
At 1 January 2020	(96,504)
At 31 December 2020	**(96,504)**
Net book value	
At 31 December 2020	**50,768**
At 1 January 2020	50,768
At 1 January 2019	50,768

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 PLC except where noted. The principal place of business for all companies is the United Kingdom.

12 Property, plant and equipment

Group

	Freehold land and buildings £'000	Leasehold improvements £'000	Engineered cells £'000	Plant and machinery £'000	Total £'000
At 1 January 2019	46,859	1,506	16,281	31,938	96,584
Additions	798	130	2,931	1,548	5,407
Disposals	–	–	–	–	–
At 31 December 2019	47,657	1,636	19,212	33,486	101,991
Additions	2,747	–	2,982	1,274	7,003
Disposals	–	–	–	(407)	(407)
At 31 December 2020	**50,404**	**1,636**	**22,194**	**34,353**	**108,587**
Accumulated depreciation					
At 1 January 2019	15,677	543	15,864	24,127	56,211
Charge for year	2,545	128	2,061	2,737	7,471
At 1 January 2020	18,222	671	17,925	26,864	63,682
Charge for year	1,950	114	2,355	2,515	6,934
Impairment loss (note 9)	651	249	–	1,309	2,209
Disposals	–	–	–	(280)	(280)
At 31 December 2020	**20,823**	**1,034**	**20,280**	**30,408**	**72,545**
Net book value					
At 31 December 2020	**29,581**	**602**	**1,914**	**3,945**	**36,042**
At 1 January 2020	29,435	965	1,287	6,622	38,309
At 1 January 2019	31,182	963	417	7,811	40,373

Included within the closing cost are the following assets that are under construction as at the year end:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Freehold land and buildings	**991**	–	**–**	–
Engineered cells	**2,078**	–	**–**	–
Plant and machinery	**223**	429	**193**	196
	3,292	429	**193**	196

12 Property, plant and equipment (continued)

There were outstanding contractual commitments for acquisitions of property, plant or equipment of £2,119,000 at 31 December 2020 (2019: £187,000).

At 31 December 2020, land and buildings with a carrying value of £32,715,000 (2019: £32,783,000) were subject to a first legal charge that forms security for bank loans as disclosed in note 16.

Company

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2019	928	1,728	2,656
Additions	–	157	157
Disposals	–	–	–
At 31 December 2019	928	1,885	2,813
Additions	–	34	34
At 31 December 2020	**928**	**1,919**	**2,847**
Accumulated depreciation			
At 1 January 2019	159	1,376	1,535
Charge for year	13	231	244
Disposals	–	–	–
At 31 December 2019	172	1,607	1,779
Charge for year	13	162	175
At 31 December 2020	**185**	**1,769**	**1,954**
Net book value			
At 31 December 2020	**743**	**150**	**893**
At 1 January 2020	755	279	1,034
At 1 January 2019	769	352	1,121

13 Trade and other receivables

Current assets

	Group		Company	
	2020 £'000	2019 £'000 *Restated	**2020 £'000**	2019 £'000
Trade receivables	**13,970**	20,247	**–**	–
Prepayments and other debtors	**1,783**	1,335	**727**	383
Amounts due from subsidiary undertakings	**–**	–	**–**	7,311
Contract assets	**1,025**	4,418	**–**	–
	16,778	26,000	**727**	7,694

* 2019 has been restated to separately disclose the landfill tax deposit asset on the face of the Statement of Financial Position. This has reduced prepayment and other debtors and total trade and other receivables by £14,200,000. Further detail can be found in note 29.

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.

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

14 Trade and other payables

Current	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade payables	**5,512**	7,050	**433**	972
Amounts due to subsidiary undertakings	**–**	–	**16,743**	–
Other taxes and social security	**10,074**	10,588	**686**	3,553
Accruals	**8,776**	14,567	**835**	2,411
	24,362	32,205	**18,697**	6,936

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 table below reflects the current number of lease contracts by asset types all of which have fixed payments.

Group	2020 Number Lease contracts	2020 % Fixed payments	2019 Number Lease contracts	2019 % Fixed payments
Property leases	**9**	**19**	8	18
Leases of plant, equipment and vehicles	**56**	**81**	69	82
Total	**65**	**100**	77	100

All the Company's ten (2019: 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 £'000			Company £'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)
At 1 January 2020	1,674	2,842	4,516	494
Additions	**–**	**334**	**334**	**32**
Disposal	**–**	**(57)**	**(57)**	**–**
Impairment	**(471)**	**(251)**	**(722)**	**–**
Depreciation	**(270)**	**(1,255)**	**(1,525)**	**(242)**
At 31 December 2020	**933**	**1,613**	**2,546**	**284**

15 Leases (continued)

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

	Group £'000			Company £'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)
At 1 January 2020	1,796	2,753	4,549	484
Additions	**–**	**334**	**334**	**32**
Interest expense	**50**	**69**	**119**	**11**
Disposal	**–**	**(79)**	**(79)**	**(9)**
Lease payments	**(311)**	**(1,297)**	**(1,608)**	**(258)**
At 31 December 2020	**1,535**	**1,780**	**3,315**	**260**

The expense charged to the Statement of Comprehensive Income in relation to low value assets is £103,000 (2019: £3,000) for the Group and Company. The expense relating to variable lease payments not included in the measurement of lease liabilities is £Nil (2019: £Nil) for the Group and Company.

The Group have not taken or accounted for any right of use Covid-19 rent concessions during 2020.

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.

Some property leases contain extension options exercisable by the lessor up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the lessor for a period of time determined by the lessor and not by the Group. The Group assesses at the lease commencement date whether it is reasonably certain to be extended. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Given the unknown variables in respect of the extension options and that it is out of the Group control we have not assessed the potential increase in lease liability if the extension option was to be exercised but it would be immaterial to the Group. This judgement is reassessed at each reporting period. A reassessment of the remaining life of the lease could result in a recalculation of the lease liability and an immaterial adjustment to the associated balances.

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

	2020 Discounted £'000	**2020 Undiscounted £'000**	2019 Discounted £'000	2019 Undiscounted £'000
Up to 3 months	**347**	**363**	373	479
Between 3 and 12 months	**890**	**950**	1,072	1,387
Total due within 1 year	**1,237**	**1,313**	1,445	1,866
Between 1 and 2 years	**645**	**689**	1,195	1,497
Between 2 and 5 years	**674**	**697**	1,112	1,067
Over 5 Years	**759**	**1,199**	797	754
Total due after 1 year	**2,078**	**2,585**	3,104	3,318
Total	**3,315**	**3,898**	4,549	5,184

The undiscounted amounts above represent the undiscounted cashflows gross of interest. The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2020 was 3.0%.

Variable lease payments as a result of revenue based rents are expensed as they are paid and are not recognised under IFRS 16.

16 Borrowings

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

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Current				
Bank overdraft	**–**	–	**–**	–
Bank loans	**6,667**	6,667	**6,667**	6,667
Obligations under finance leases and hire purchase contracts	**–**	–	**–**	–
	6,667	6,667	**6,667**	6,667
Non-current				
Bank loans	**6,666**	28,123	**6,666**	28,123
	6,666	28,123	**6,666**	28,123
Analysis of total borrowings				
Bank overdraft	**–**	–	**–**	–
Bank loans	**13,333**	34,790	**13,333**	34,790
	13,333	34,790	**13,333**	34,790
Total borrowings are repayable as follows:				
– on demand or within one year	**6,667**	6,667	**6,667**	6,667
– in the second year	**6,666**	28,123	**6,666**	28,123
– in the third to fifth years inclusive	**–**	–	**–**	–
	13,333	34,790	**13,333**	34,790

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.

17 Provisions

	Group				
	Restoration and after-care costs of landfill sites £'000	Capping provision £'000	Other provisions £'000	Landfill tax assessments £'000	Total £'000
At 1 January 2019	3,841	4,773	76	–	8,690
Charged / (credited) to profit or loss during the year					
– 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)
At 31 December 2019	**4,395**	**4,271**	**76**	**–**	**8,742**
Charged / (credited) to profit or loss during the year					
– unwinding of discount	100	–	–	–	100
- transferred from accruals	841	–	–	–	841
– provision in the year	336	124	–	(1,824)	(1,364)
Utilised during the year	(61)	(1,294)	–	1,824	469
At 31 December 2020	**5,611**	**3,101**	**76**	**–**	**8,788**

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 and the use of external consultants 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 (2019: £50,000). In 2020 a balance of £841,000 was transferred from accruals to restoration and aftercare provisions to better reflect the uncertainty of timing around spend related to transfer of clay from site.

17 Provisions (continued)

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. Costs of site development and cell engineering/capping are estimated using either the work of external consultants or internal experts. The Group has accelerated the program of capping its landfill cells with a spend of £1,294,000 (2019: £324,000) during the year. This provision is not discounted as the costs are expected to be incurred shortly after consumption of the void. £471,000 (2019: £450,000) of this provision is expected to be utilised within 12 months of the balance sheet date.

In 2019 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 after-care would be higher than previously expected. A reclassification between those two provisions was therefore reflected in the prior 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 restoration and after-care provision would result in a change in the amount provided of £766,000. A reduction in the assumed costs in the restoration and after-care provision of 1% would result in a change in the amount provided of £43,000.

The provision in relation to landfill tax in the prior year relates to assessments received from HMRC in relation to landfill tax balances. Any change in the provision estimate will be recognised against the asset, to the extent that the asset remains.

The Group made payments to HMRC in 2019 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 and with reference to IFRIC guidance issued January 2019. The accounting policy and key estimates made in recognising this provision are detailed in note 1(t).

18 Share capital

	2020 £'000	2019 £'000
Allotted, called up and fully paid – 104,971,924 (2019: 104,085,198) shares of 10p	**10,497**	10,409

During the year, 886,726 shares (2019: 299,000) were issued as a result of the exercise of share options. The total proceeds were £99,155 (2019: £89,000).

19 Share-based payments

At 31 December 2020, 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 2020**	**Granted**	**Exercised**	**Lapsed**	**At 31 December 2020**
Augean Share Option Schemes						
May 2011 – May 2021	**29p**	**55,172**	**–**	**(55,172)**	**–**	**–**
		55,172	**–**	**(55,172)**	**–**	**–**
Augean LTIP Scheme						
April 2020 – September 2027	**10p**	**476,687**	**–**	**(475,977)**	**(710)**	**–**
April 2019 – September 2026	**10p**	**106,500**	**–**	**(106,500)**	**–**	**–**
April 2017 – September 2024	**10p**	**249,077**	**–**	**(249,077)**	**–**	**–**
		887,436	**–**	**(886,726)**	**(710)**	**–**
Weighted average exercise price		**11.9p**	**10p**	**10p**	**10p**	**–**
Of which exercisable		**887,436**				**–**
Weighted average exercise price		**11.9p**				**–**

19 Share-based payments (continued)

Outstanding awards at 31 December 2019 were as follows:

Exercise date	Exercise price	At 1 January 2019	Granted	Exercised	Lapsed	At 31 December 2019
Augean Share Option Schemes						
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
Augean LTIP Scheme						
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
Weighted average exercise price		18.1p	10p	10p	10p	11.9p
Of which exercisable		948,497				887,436
Weighted average exercise price		20.1p				11.9p

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

	Group	
	2020 £'000	2019 £'000
Operating profit/(loss)	**17,624**	(14,627)
Impairment of non-current assets	**2,931**	–
Depreciation of right of use assets	**1,525**	1,417
Amortisation of intangible assets	**38**	39
Depreciation	**6,934**	7,471
Earnings / (loss) before interest, tax, depreciation and amortisation (EBITDA)	**29,052**	(5,700)
Share-based payments	**–**	42
(Increase) in inventories	**(246)**	(28)
Decrease / (Increase) in trade and other receivables	**8,784**	(21,737)
(Decrease) / Increase in trade and other payables	**(7,797)**	10,885
Loss on disposal of property, plant and equipment	**58**	–
(Decrease) / Increase in provisions	**(54)**	323
Cash generated from / (used in) operations	**29,797**	(16,215)
Finance charges paid	**(1,078)**	(597)
Tax paid	**(638)**	(820)
Net cash inflow / (outflow) from operating activities	**28,081**	(17,632)

The above EBITDA and net cash generated from operating activities includes a total net cash inflow of £1,927,000 relating to non-underlying items which includes £1,824,000 reassessment of the IAS 37 liability in respect of landfill tax assessments (2019: 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).

21 Analysis of changes in net debt

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

	1 January 2020 £'000	New leases £'000	Cash flow £'000	31 December 2020 £'000
Cash and cash equivalents	**21,588**		(1,867)	19,721
Lease liabilities	**(4,549)**	(334)	1,568	(3,315)
Bank loans within one year	**(6,667)**		–	(6,667)
Bank loans after one year	**(28,123)**		21,457	(6,666)
Net (debt) / cash	**(17,751)**	(334)	21,158	3,073

22 Financial instruments

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

As at 31 December 2020	**Group and total amortised costs £'000**	**Company and total loans and receivables £'000**
Trade receivables	**13,970**	**–**
Contract assets	**1,025**	**–**
Cash and cash equivalents	**19,721**	**9,579**
	34,716	**9,579**

As at 31 December 2019	Group and total loans and receivables £'000	Company and total Loans and receivables £'000
Trade receivables	20,247	–
Contract assets	4,418	–
Cash and cash equivalents	21,588	11,752
	46,253	11,752

As at 31 December 2020	**Group and total amortised costs £'000**	**Company and total financial liabilities at amortised cost £'000**
Trade payables – current	**5,512**	**433**
Lease liabilities – current and non-current	**3,315**	**260**
Accruals	**8,776**	**835**
Borrowings – current and non-current	**13,333**	**13,333**
Amounts owed to subsidiary undertakings	**–**	**16,743**
	30,936	**31,604**

22 Financial instruments (continued)

As at 31 December 2019	Group and total financial liabilities at amortised cost £'000	Company and total financial liabilities at amortised cost £'000
Trade payables – current	7,050	972
Lease liabilities – current and non-current	4,549	484
Accruals	14,567	2,411
Borrowings – current and non-current	34,790	34,790
Amounts owed to subsidiary undertakings	–	–
	60,956	38,657

The Group and Company's financial liabilities have contractual maturities (including interest payments where applicable) which are summarised below. The amounts are gross and undiscounted, and include contractual interest payments.

Group

		Contractual cash flows				
As at 31 December 2020	**Carrying amount £'000**	**Total £'000**	**Amounts due in less than one year £'000**	**Amounts due in first to second year £'000**	**Amounts due in second to fifth year £'000**	**Amounts due in more than five years £'000**
Trade and other payables	**14,288**	**(14,288)**	**(14,288)**	**–**	**–**	**–**
Secured bank loans	**13,333**	**(13,636)**	**(6,886)**	**(6,750)**	**–**	**–**
Lease liabilities	**3,315**	**(3,898)**	**(1,313)**	**(689)**	**(697)**	**(1,199)**
Total	**30,936**	**(31,822)**	**(22,487)**	**(7,439)**	**(697)**	**(1,199)**

		Contractual cash flows				
As at 31 December 2019 *Restated	Carrying amount £'000	Total £'000	Amounts due in less than one year £'000	Amounts due in first to second year £'000	Amounts due in second to fifth year £'000	Amounts due in more than five years £'000
Trade and other payables	21,617	(21,617)	(21,617)	–	–	–
Secured bank loans	34,790	(35,965)	(7,466)	(21,812)	(6,687)	–
Lease liabilities	4,549	(5,204)	(1,886)	(1,497)	(1,067)	(754)
Total	60,956	(62,786)	(30,969)	(23,309)	(7,754)	(754)

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 2020 remained consistent throughout the following 12 month period, the amount of interest payable would be £275,000 (2019: £683,000).

22 Financial instruments (continued)

Company

As at 31 December 2020	Carrying amount £'000	Contractual cash flows Total £'000	Amounts due in less than one year £'000	Amounts due in first to second year £'000	Amounts due in second to fifth year £'000	Amounts due in more than five years £'000
Trade and other payables	18,697	(18,697)	(18,697)	–	–	–
Secured bank loans	13,333	(13,636)	(6,886)	(6,750)	–	–
Lease liabilities	260	(260)	(166)	(53)	(41)	–
Total	32,290	(32,593)	(25,749)	(6,803)	(41)	–

As at 31 December 2019 *Restated	Carrying amount £'000	Contractual cash flows Total £'000	Amounts due in less than one year £'000	Amounts due in first to second year £'000	Amounts due in second to fifth year £'000	Amounts due in more than five years £'000
Trade and other payables	6,936	(6,936)	(6,936)	–	–	–
Secured bank loans	34,790	(35,965)	(7,466)	(21,812)	(6,687)	–
Lease liabilities	484	(523)	(214)	(136)	(89)	(84)
Total	42,210	(43,424)	(14,616)	(21,948)	(6,776)	(84)

* Prior year financial liabilities did not include undiscounted lease liabilities or the contractual interest payments for the remaining contractual maturities of financial liabilities as required under paragraph B11D of IFRS 7 – Financial Instruments: Disclosures. This has been disclosed in 2020 figures and therefore 2019 has been restated in order to provide comparative information.

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 2020, the Group carried net cash of £6,388,000 (2019: £13,202,000 debt) and short term flexibility is achieved through bank facilities comprising of a £40m revolving credit and term loan facility. Quarterly payments are made to repay the bank debt however the Group ensures that more is held in cash than the value of the facility in order to manage the peaks and troughs in trade to manage liquidity risk.

22 Financial instruments (continued)

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 carrying amounts of financial assets and contract assets represent the maximum credit exposure. The Group do not consider there to be any additional significant credit risk concentrations by industry sector although the largest is the oil and gas sector with 14% of trade receivables (2019: 43%).

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	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Cash and cash equivalents	**19,721**	21,588	**9,579**	11,752
Contract assets	**1,025**	4,418	**–**	–
Trade receivables	**13,970**	20,247	**–**	–
	34,716	46,253	**9,579**	11,752

At 31 December 2020, £5.2m (2019: £2.8m) of the Group's trade receivables were past due. A credit loss provision of £0.2m (2019: £0.2m) is held to mitigate the exposure to potential bad and doubtful debts.

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

	2020 £'000	2019 £'000
Not more than four months past due	**4,390**	2,420
More than four months past due	**797**	408
Total past due trade receivables	**5,187**	2,828
Trade receivables not yet past due	**8,943**	17,579
Total gross trade receivables	**14,130**	20,407
Expected credit loss	**(160)**	(160)
Total net trade receivables (note 13)	**13,970**	20,247

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 2020.

The Company has no trade receivables (2019: £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 ageing. 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 2018	159
Amounts released	(52)
Amounts provided	53
Expected credit loss provision as at 31 December 2019	**160**
Amounts released	(5)
Amounts provided	5
Expected credit loss provision as at 31 December 2020	**160**

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

22 Financial instruments (continued)

Interest rate risk

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

The interest rate profile of the Group and Company's borrowings at 31 December 2020 was:

Group	Floating rate £'000
Bank loans	13,333
At 31 December 2020	**13,333**
At 31 December 2019	34,790

Company	Floating rate £'000
Bank loans	13,333
At 31 December 2020	**13,333**
At 31 December 2019	34,790

The Group met its short-term working capital requirements for 2020 through a secured loan of £20m and a revolving credit facility of £20m with HSBC Bank plc renewed in December 2019. 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 £67,000 (2019: £175,000).

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	**2020 £'000**	2019 £'000
Share capital	18	**10,497**	10,409
Share premium		**827**	817
Borrowings	16	**13,333**	34,790
		24,657	46,016

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 £40.0m of headroom at 31 December 2020 (2019: £26.8m).

22 Financial instruments (continued)

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:

	2020 Actual	2020 Target	2019 Actual
Net debt to EBITDA*	**(0.2)**	<2.5	0.5
EBIT* to net bank debt cash costs	**20.4**	>3.5	44.5
Net debt to equity ('gearing') (%)	**9.5%**	prior year	27.9%
Free cash flow (£'000s)	**21,016**	prior year	(21,831)

* from continuing operations and excluding non-underlying items

The Group confirms that they have met all bank facility covenants during 2020. If there were to be a breach of covenant this may require the Group to repay the loan earlier than indicated in the above table. Under the agreement, the covenant is monitored on a regular basis by the finance team and regularly reported to management to ensure compliance with the agreement.

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:

	2020 £'000	2019 £'000
Net operating cash flow (note 20)	**28,081**	(17,484)
Purchase of property, plant and equipment	**(7,065)**	(4,721)
Free cash flow	**21,016**	(22,205)

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 £768,000 (2019: £677,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2020, contributions of £Nil (2019: £47,000) 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 (EA) 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 £10.3m (2019: £9.0m). The guarantees have increased in 2020 due to additional void created at the Port Clarence landfill site resulting from the issuing of the permit by the Environment Agency to enable R coded APCr treatment. Future site restoration costs for each landfill site have been provided as disclosed in note 17.

25 Contingent Assets

In June 2020, the Group submitted a claim to HMRC for £11.1m of LFT paid or currently being assessed by ongoing HMRC assessments being contested by the Group in relation to material used for engineering purposes beneath but forming a functional support layer for the landfill cap. The Group's claim results from a successful challenge by other landfill operators against HMRC's interpretation of applicable LFT rates. The matter has been heard at the Lower and Upper Tax Tribunals with the courts having found against HMRC. HMRC are however continuing to appeal to the final stage. The Group's £11.1m claim includes £10.1m of material currently contained within the £40.4m assessment value and £1.0m of LFT paid not included within the current assessment values. Should Augean be successful in our legal challenge of the HMRC assessments the value of this claim will reduce to £1.0m which is considered a contingent asset in line with IAS 37.

26 Related party disclosures

IAS 24 'Related Party Transactions' requires the disclosure of the details of material transactions between reporting entities and related parties. The Group has taken advantage of the exemption under IAS 24 not to disclose transactions between subsidiaries which are eliminated on consolidation.

Related party transactions of the Group which are not eliminated on consolidation and related party transactions of the Company are both as follows:

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

Transactions and balances with subsidiary undertakings - Company

Included within current trade and other payables (note 14) are amounts payable to 100% subsidiary undertakings of £16,743,000 (2019: £7,311,000 receivable). These amounts are repayable on demand and do not incur interest.

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

27 Reconciliation of performance metrics

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

Revenue

	2020			2019		
	Revenue £'000	**Landfill Tax £'000**	**Adjusted revenue £'000**	Revenue £'000	Landfill Tax £'000	Adjusted revenue £'000
Treatment & disposal segment	**69,295**	**(14,730)**	**54,565**	72,261	(15,611)	56,650
North Sea Services segment	**22,365**	**–**	**22,365**	34,876	–	34,876
Total Group	**91,660**	**(14,730)**	**76,930**	107,137	(15,611)	91,526

EBIT

	2020			
	Statutory £'000	**Share-based payments £'000**	**Non-underlying items £'000**	**Adjusted £'000**
Treatment & disposal segment	**20,981**	**–**	**(1,013)**	**19,968**
North Sea Services segment	**(2,468)**	**–**	**3,841**	**1,373**
Central costs	**(889)**	**–**	**–**	**(889)**
Operating profit	**17,624**	**–**	**2,828**	**20,452**
Finance charges	**(1,195)**	**–**	**–**	**(1,195)**
Profit before tax	**16,429**	**–**	**2,828**	**19,257**
Taxation	**(3,169)**	**–**	**(537)**	**(3,706)**
Total Group operating profit	**13,260**	**–**	**2,291**	**15,551**

	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)
Operating profit from continuing operations	(14,627)	7,693	26,843	19,909
Finance charges	(697)	–	–	(697)
Profit before tax from continuing operations	(15,324)	7,693	26,843	19,212
Taxation	2,568	(1,462)	(4,376)	(3,270)
Total Group operating profit	(12,756)	6,231	22,467	15,942

28 Landfill tax asset

	Group		Company	
	2020 £'000	2019 Restated* £'000	**2020 £'000**	2019 £'000
Current				
Landfill tax asset	**–**	14,200	**–**	–
Non-current				
Landfill tax asset	**14,638**	–	**–**	–
	14,638	14,200	**–**	–

* The comparative information is restated in order to correct classification. See note 29

The Landfill Tax deposit asset represents the difference between the amount deposited with HMRC in settlement of the Landfill Tax assessments in 2019 and the IAS 37 provision recognised at the same time.

In December 2020, the Group received £1.4m of Landfill Tax relating to overpayment for a particular customer which was a small element of the £40.4m paid in December 2019. As a result of this, and in conjunction with our external counsel, we have re-assessed the IAS 37 probabilistic modelling of our legal challenges to the HMRC assessments.

Notes 1(t) and the narrative on page 8 explain the detailed IAS 37 approach taken to calculating the provision and related expense in relation to these assessments.

The tax asset had been disclosed in 2019 as a current asset, as the tribunal for one of the waste types was expected to take place in less than one year and the Group had an expectation, at the time, that the assessments could be settled during 2020. As the Group are still awaiting a verdict on this tribunal, the asset has been classified as a non-current asset at 31 December 2020 as recoverability within 12 months is not certain.

This tax deposit asset will be reviewed at each reporting period and revisions made to the carrying value as a result of any reassessment of the IAS 37 assessments.

29 Prior year reclassifications

Tax deposit

It has been noted that the disclosure of the landfill tax asset was within other debtors in the 2019 financial statements instead of on the face of the Statement of Financial Position. As this could be misleading to the readers of the financial statements due to its material size and nature, in 2020 this has been split out on the face of the Statement of Financial Position and the 2019 comparatives restated for comparability. The amount reclassified is £14,200,000 in 2019 which has reduced prepayments and other debtors from £15,535,000 to £1,335,000 and reduced trade and other receivables from £40,200,000 to £26,000,000. This adjustment has no impact on net assets as at 31 December 2019 or the loss previously reported for the year then ended.

Deferred tax assets

Within the deferred tax asset note in 2019 (note 6) we included the material balance in respect of the DTA recognised for losses incurred in the year and included this within the description of 'provisions'. We note that this may be misleading to readers of the financial statements as a significant proportion of the movement incurred in the year, arising from recognition of these losses, does not relate to deferred tax on provisions. In 2020 we have separately disclosed the deferred tax in respect of the losses incurred and have restated 2019 for comparability. This has had the impact in 2019 of reducing the DTA in relation to provisions by £2,402,000. This has no impact on the deferred tax asset in total.

We are pleased to write to you with details of our 2021 Annual General Meeting (AGM) which will be held at 12 noon at Augean plc's offices at 4 Rudgate Court, Wetherby, LS23 7BF on Wednesday 16 June 2021. The formal notice of Annual General Meeting is set out on pages 78 to 79 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 10)

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 10, which will be proposed as an ordinary resolution, seeks to renew the allotment authority so that the Section 551 amount shall be £3,499,064 (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 10 is passed to 30 June 2022 or the conclusion of the Company's next Annual General Meeting, whichever is earlier.

Authority to purchase own shares (Resolution 11)

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 11, 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 15,735,291 Ordinary shares, being an amount equal to approximately 14.99% of the issued share capital of the Company (as at 25 February 2021, 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 12 and 13)

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 12, which will be proposed as a special resolution and which will only be effective if Resolution 10 is passed, seeks to renew the disapplication authority so that the Section 561 amount shall be £524,860 (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 12 is passed to 30 June 2022 or the conclusion of the Company's next Annual General Meeting, whichever is earlier.

Resolution 13 is also proposed as a special resolution, which will only be effective if Resolution 10 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 12. 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 six 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 13 shall be the period from the date Resolution 13 is passed to 30 June 2022 or the conclusion of the Company's next Annual General Meeting, whichever is earlier.

Political donations (Resolution 14)

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 14 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 pages 78 to 79. 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 Monday 14th June 2021. The completion and return of a proxy appointment form will not preclude you from attending and voting at the meeting, should you so wish. A hard copy proxy appointment form is enclosed for your use.

Recommendation

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

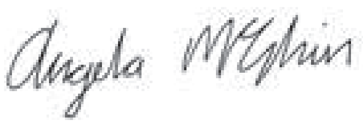
NOTICE IS HEREBY GIVEN that the 2021 Annual General Meeting of Augean plc (the 'Company') will be held at 12 noon at the Company's offices at 4 Rudgate Court, Wetherby, LS23 7BF on Wednesday 16 June 2021 for the purpose of considering and, if thought fit, passing the resolutions set out below. Resolutions 11,12 and 13 will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

1. THAT the reports of the Directors and the auditor and the audited financial statements for the year ended 31 December 2020 be received.
2. THAT Jim Meredith be re-elected as a Director of the Company.
3. THAT Mark Fryer be re-elected as a Director of the Company.
4. THAT John Rauch be re-elected as a Director of the Company.
5. THAT John Grant be re-elected as a Director of the Company.
6. THAT Roger McDowell be re-elected as a Director of the Company.
7. THAT Christopher Mills be re-elected as a Director of the Company.
8. THAT BDO UK LLP be appointed auditor of the Company, to hold office until the next meeting at which accounts are laid before the Company.
9. THAT the Directors be authorised to determine the auditor's remuneration.
10. 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 2022 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 £3,499,064.
11. 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 15,735,291;
    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.
12. THAT, subject to the passing of resolution 10, 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 2022 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 £524,860.
13. THAT, subject to the passing of resolution 10, the power, in addition to that granted under resolution 12, 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 2022 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 £524,860, provided that such authority shall only be used for the purpose of financing (or refinancing, if the authority is to be used within six 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.

14. 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 Companies Act 2006.

By order of the Board



Angela McGhin
Company Secretary
26 February 2021

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 Monday 14th June 2021 (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 Monday 14th June 2021.

To appoint more than one proxy you may photocopy the hard copy proxy form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

(d) Electronic appointment of proxies: As an alternative to completing the hard-copy proxy form, you can appoint a proxy electronically by going to www.investorcentre.co.uk/eproxy. You will be asked to enter the Control Number, the Shareholder Reference Number and PIN all found on the front sheet of your hard copy proxy form. For an electronic proxy appointment to be valid, your electronic message confirming the details of the appointment in accordance with the relevant instructions must be transmitted so as to be received by Computershare Investor Services plc no later than 12.00pm on Monday 14th June 2021.

(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 Monday 14th June 2021. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

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

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

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

Advisers and Company Information

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A McGhin

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