Final Results

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Augean Plc
21 March 2017

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Augean plc ("Augean" or the "Group")
Final results for the year ended 31 December 2016
and
Board changes

Augean, one of the UK's leading specialist waste management businesses, is pleased to announce its preliminary results for the year ended 31 December 2016.

Financial highlights
From continuing operations and excluding exceptional items
- Total revenue increased by 25% to £76.0m
- EBITDA [(1)] increased by 17% to £14.1m
- Profit before taxation increased 16% to £7.0m
- Net operating cash flows increased by 22% to £13.5m
- Post maintenance cashflow increased 44% to £7.3m
- Adjusted basic earnings per share decreased by 5% to 4.42 pence
- ROCE [(2)] increased from 11.4% to 11.8%
- Net debt increased by £6.5m to £10.8m (2015: £4.3m)
- Proposed dividend per share of 1.0 pence, an increase of 54% (2015: 0.65 pence)

From continuing operations including exceptional items
- Profit before tax reduced 50% to £1.3m (2015: £2.5m) after exceptional items of £5.7m
- Exceptional items of £5.7m principally include £3.3m non-cash impairment of East Kent, £1.2m related to a trade dispute settlement, and £0.8m of Colt acquisition fees.
- Basic earnings per share decreased from 1.60 pence to 0.40 pence

Operational highlights
- Continued strong performance from **Energy & Construction**, with 48% growth in Air Pollution Control Residue (APCR) volumes
- Improved performance from **Industry & Infrastructure** across all of the main sites and the Avonmouth turnaround plan successfully implemented. Colt, acquired in May 2016, has had a slower start than anticipated and broke even for the year
- Continued strategic traction at **Augean Integrated Services** with further success in winning additional Total Waste Management contracts with top-tier customers. Although the Group has impaired the East Kent asset during the year it remains a key point of differentiation in the pharmaceutical and high tech market
- **Augean North Sea Services** has traded strongly in the second half of 2016 with further progress on its diversification objective including the partnership with Forth Ports Limited for the management of waste arising from the decommissioning of offshore equipment at the Port of Dundee
- **Radioactive Waste Services** is in line with expectations but has been impacted by a sharp reduction in volumes from UK nuclear decommissioning as previously reported

Outlook
- Encouraging start to 2017 with a growing sales pipeline
- Continued emphasis on moving Group revenues to long-term contracts and frameworks
- Board focused on further improving shareholder returns
- Group trading in line with market expectations for 2017

Commenting on the Results, Dr Stewart Davies, Chief Executive Officer, said:

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

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

There will be a meeting for analysts at 9.00am today at the offices of FTI Consulting, 9th Floor, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD. For further information please call 020 3727 1000.

For further information, please call:
Augean plc
Dr Stewart Davies, Chief Executive 01937 844 980
Mark Fryer, Group Finance Director

N+1 Singer
Shaun Dobson 020 7496 3000
Alex Price

FTI Consulting
Oliver Winters 020 3727 1000
Fiona Walker

(1) EBITDA means earnings before interest, taxation, depreciation and amortisation

(2) Return on capital employed is defined as operating profit divided by average capital employed, where capital employed is net assets excluding net debt

Chairman's statement

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

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

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

The Board continues to support investment in strategic business growth and, in May 2016, £8.9m net was paid to purchase the share capital of Colt Holdings Limited. Significant headroom remains on the Group's banking facility of £20m, with a further £10m available exclusively to fund potential acquisitions. All investments are made with the expectation of acceptable payback periods and increasing levels of return. The Group's return on capital employed[2] for the year increased to 11.8% (2015: 11.4%).

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

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

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

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

Augean North Sea Services (ANSS) responded positively to changes in its market by securing several new contract wins during 2016 and delivering the cost reduction plan announced in the Interim Statement. This evidences the continued execution of the strategy to diversify this business away from exploration drilling waste management, on which the business was originally built, to an increased share of revenue generated from production waste management and onshore industrial services, maintaining the high proportion of total revenues generated directly from major oil & gas operators. During the year a strategic investment was made in a site at Great Yarmouth to support a new contract with a major operator which has opened up further potential commercial prospects from the southern North Sea.

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

Protecting the environment is not only a matter of compliance with permits, but encompasses our broader responsibilities to society and future generations. The Group diligently monitors its performance in this regard, the results of which are regularly reported to the Board. The majority of our sites in England are ranked by the Environment Agency as Category A and the Scottish Environmental Protection Agency rates all of the Group's sites in Scotland as "Excellent".

The Board recognises that our business success is dependent on the quality, diligence and hard work of all Augean's employees and I would like to take this opportunity on behalf of the Board to thank everyone who has contributed to the Group's continued progress during the year.

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

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

The Group's balance sheet and operating cash flow remain robust and the Board has proposed a 54% increase in the dividend payment to 1.0p per share. This reflects confidence in the prospects of the Group and the Board's ongoing commitment to pay a progressive dividend to its shareholders, with the dividend being covered[3] 4.4 times (2015: 7.2 times).

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

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

Jim Meredith

Non-Executive Chairman

20 March 2017

[1] EBITDA means Earnings before interest, tax and depreciation

[2] Return on capital employed (ROCE) is defined as operating profit divided by average capital employed, where capital employed is net assets excluding net debt

[3] Dividend cover based on earnings per share from continuing operations and excluding exceptional items

Operating review

Introduction

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

The results of the Group, excluding exceptional items, show that:

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

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

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

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

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

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

The Group remains committed to growth in all of its businesses and markets, through both organic and acquisitive means, as appropriate. Aside from its strong operating cash flows, the Group also had a £20m bank facility in place as at 31 December 2016, compared with net debt of £10.8m, equivalent to 0.8 times EBITDA[1], from continuing operations and before exceptional items. The current facility, refinanced in March 2016, allows application for a further optional £10m facility increase exclusively to fund acquisitions. This facility leaves the Group well placed to take advantage of investment opportunities that accelerate the strategy and are value enhancing for shareholders.

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

The Group employed an average of 377 staff (2015: 345) over the course of the year. The number of employees in the Group has increased during 2016 by acquisition and the Group has continued to invest in high-quality employees who remain key to the future growth plans and continuing execution of the strategy of the Group.

Business performance

The Group operated through five business units during 2016 and 2015 (Energy & Construction, Radioactive Waste Services, Industry & Infrastructure, Augean Integrated Services and Augean North Sea Services). The performance of each of the five business units in 2016 is set out below.

Energy & Construction (E&C)

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

Revenues, excluding landfill tax, increased by 25% to £25.3m (2015: £20.2m), with the significant increase primarily the growth in volumes of APCR treated in 2016 compared with 2015.

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

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

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

APCR volumes have shown strong growth as a result of major contract wins for the Group, as announced in April 2016. An increase in the volume of APCR treated by the Group remains a key strategic objective in the short and medium term, with the business well-positioned to utilise its additional investment in treatment capacity to service the growth in Energy from Waste and biomass energy capacity in the areas of the UK served by our sites.

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

Radioactive Waste Services (RWS)

The principal activity of this business unit is the treatment and disposal of low level radioactive waste generated from the UK nuclear estate. The disposal of the waste is facilitated by the Nuclear Decommissioning Authority (NDA) as the waste is generated primarily from the decommissioning of redundant power plants and research facilities, with the RWS business bidding to dispose of the waste through a framework with Low Level Waste Repository Limited (LLWR).

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

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

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

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

Throughout 2016, RWS has strategically sought to reduce its dependence upon the disposal of waste from LLWR. Focus remains on the medium-term growth strategy for this business, whilst continuing discussions with key stakeholders within Government organisations in an effort to obtain greater predictability and consistency in waste volumes for the Group, which operates a number of essential assets for the delivery of the Government's strategy for dealing with radioactive waste. The Group will continue to monitor the investment made in RWS to ensure appropriate returns are generated.

Industry & Infrastructure (I&I)

The principal activity of this business unit is the recovery and recycling of oil and solvents and the generation of secondary liquid and solid fuels from waste. This business also provides specialist industrial cleaning and other waste management services to a range of markets, including refinery chemical processing & manufacturing, port & shipping operations and water treatment. The business primarily operates from sites in Avonmouth, Paisley, Hull, the Port Clarence Waste Recovery Park (PCWRP) on Teesside as well as providing industrial services on client sites.

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

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

Industrial Services is a service line of increasing importance to the growth of the I&I business, with progress also made in moving away from spot and 3rd party business to a number of term contracts secured with customers, providing opportunities to leverage the Group's specialist waste knowledge with support services. The strategy continues to be broadening the range of services and increasing market penetration through new and existing customers using Group treatment and disposal facilities to support and provide end-to-end supply chain security.

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

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

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

Augean Integrated Services (AIS)

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

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

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

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

As previously noted, the AIS business has built a commercial team with sector-specific expertise, which has enabled the wider AIS business to secure further total waste management (TWM) contracts with high-value customers in 2016, the full year impact of which is expected to occur in 2017 and beyond. New customers from the manufacturing, life sciences and pharmaceutical sectors have been won during the year and management are positive about continuing strong revenue growth for this business. Headway has been made in the manufacturing sectors with a number of large international companies contracting AIS on term contracts (typically 3 years) to manage their wastes across the UK. In addition, work has commenced on building up a prospect base in the food manufacturing and civil engineering sectors which represent significant new growth areas. The first contract wins from these sectors will be rolled out in early 2017.

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

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

Augean North Sea Services (ANSS)

The ANSS business unit operates in the North Sea Oil & Gas market, primarily from four sites in Aberdeen, a site at Lerwick, in the Shetland Islands and a site in Great Yarmouth. The primary revenue streams are from drilling waste management, which includes drill cuttings management and the rental of offshore engineers and equipment to customers, production waste management, onshore & marine industrial services, decommissioning and water treatment.

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

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

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

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

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

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

A further framework contract was secured to provide drill cuttings, industrial services and total waste management services. The client's marine logistics are based in Peterhead and, with their support, ANSS is now operating in this location for the first time. All these contract wins represent strategic traction in diversifying the ANSS business away from dependence on exploration and development drilling into production waste management, full scope industrial service work and decommissioning, and further underpin existing management expectations for 2017 revenues and profits from this business.

The cost base of this business is monitored closely by management, alongside the continuous improvement in safety and service delivery performance that has continued to earn the business increasing recognition from operators and top tier customers in the sector, which has been key to the successful award of the contracts referred to above.

The Board remains confident that the ANSS business has the capability and reputation in its core market to position the business for continued profitable growth. The Board continues to monitor events in the North Sea Oil & Gas market, given their potential impact.

Long term contracts

The Group aims to increase the proportion of its customer base which is served through a formalised agreement, consisting of either a contract or framework agreement. In 2016, the top-20 customers of the Group made up 43% of total Group revenue at £33.0m (2015: 42% and £25.8m), of which 88% was through a formalised agreement (2015: 95%).

Legal case

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

Transactions

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

Legislative environment

Regulation underpins the demand for Augean's services and accordingly the business follows closely the development of legislation and guidance and engages proactively with policy makers and regulators. Of particular interest to the business in 2016 have been the implications of Brexit and developments on the derogations for landfill acceptance criteria. The Department for Environment, Food and Rural Affairs (DEFRA) has recently confirmed that there is no clear justification or environmental benefit for removal of the derogations supporting the Augean practice for safe treatment of air pollution control residues.

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

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

Planning and permitting

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

In July 2013, the Secretary of State for Communities and Local Government granted a Development Consent Order (DCO) for the extension of the landfill site at ENRMF. This site provides treatment and disposal services for a range of remediated soils and building rubble, APCR and low activity radioactive wastes and is the principal hazardous waste landfill site in the South of England. To make full use of the DCO it has been necessary to vary the permits for LLW and hazardous wastes. Extensive technical work was undertaken including environmental impact and risk assessments to ensure that the on-going development would not cause harm to human health or pollution of the environment. Permits for the treatment and disposal of hazardous waste were granted in 2015 and the radioactive waste permit was issued during the first half of 2016. The Group has continued to actively engage with local communities resulting in general acceptance of its proposals and no objections.

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

Financial performance

Group overview

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

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

Exceptional items are detailed below.

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

Trading, operating profit and EBITDA

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

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

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

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

Exceptional items

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

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

Finance costs

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

Taxation

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

The accounting tax charge of £2.5m for continuing operations and excluding exceptional items (2015: £1.2m) represents 35.3% of profit before taxation on the same basis (2015: 20.3%). This compares against the headline rate of corporation tax of 20% for 2016 (2015: 20.25%). The increase in tax charge in the current year reflects a higher level of disallowable costs due to acquisition and a reduction in the recognised deferred tax asset subsequent to a review of the Group's non-qualifying asset base. These factors are not expected to recur.

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

A deferred tax asset of £1.1m (2015: £2.3m) is recognised in the balance sheet, which reflects the probability that the Board believes that the assets will be recovered in the short to medium term. A potential deferred tax asset of £0.8m is unrecognised (2015: £0.8m) as the expected usage is not sufficiently predictable. This asset is expected to eventually be recovered in the ordinary course of business and will, therefore, be re-recognised when its recovery is probable.

Earnings per share

Basic earnings per share (EPS), from continuing operations and excluding exceptional items, decreased by 5% to 4.42 pence (2015: 4.65 pence) due to the high tax charge in the year.

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

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

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

Dividend

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

Cash flow and net debt

The cash flow of the Group is summarised as follows:

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

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

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

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

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

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

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

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

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

Capital investment in property, plant & equipment and intangible assets made by the Group totalled £8.3m (2015: £7.3m), excluding the payments to acquire East Kent, and is shown in the table below. This is split between maintenance investment, focused on upgrading existing facilities and development investment on new activities, with planning investment to secure permissions to operate split between maintenance and development, dependent upon the specific nature of that capital expenditure:

	2016 Maintenance £'m	**2016 Development £'m**	**2016 TOTAL £'m**	**2015 TOTAL £'m**
Energy & Construction	2.6	1.1	3.7	3.8
Radioactive Waste Services	-	-	-	-
Industry & Infrastructure	0.3	0.1	0.4	0.6
Augean Integrated Services	0.3	1.1	1.4	0.8

Augean North Sea Services	0.1	1.9	2.0	1.6
Other/corporate	0.6	0.2	0.8	0.5
	3.9	**4.4**	**8.3**	**7.3**

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

Financing

During 2016, the activities of the Group were substantially funded by a bank facility, comprising a revolving credit facility and bank overdraft. That facility was renewed on 21 March 2016 with HSBC Bank plc at a level of £20m with the option of a further £10m exclusively to fund acquisitions. The additional £10m is structured as an accordion facility and therefore is uncommitted and would require bank approval to draw down. The maturity of the facility is October 2020 and the overdraft is reviewed annually. This facility, along with the underlying cash generation of the Group, is expected to provide the required funds to support further growth of the business over that period. As at 31 December 2016, the net debt is £10.8m with headroom available to the Group totalling £19.2m including the £10.0m undrawn accordion.

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

Ratio of net debt to EBITDA: not more than 2.5 times

Ratio of operating profit to cash interest costs : not less than 3.0 times

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

Balance sheet and return on capital employed

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

Impairment reviews

In accordance with IAS36 'Impairment of Assets', an annual impairment review was carried out for each cash-generating unit (CGU) to which significant goodwill is allocated and also any other CGU where management believed there may have been an indication of potential impairment to the carrying values of assets in those CGUs.

For the continuing operations of the Group, this exercise was completed for the Energy & Construction and Industry & Infrastructure CGUs, which both contain significant levels of goodwill, as well as the Augean Integrated Services High Temperature Incinerator, as a result of performance levels. Reviews were completed for the Augean North Sea Services business as a result of the prevailing macroeconomic conditions seen in the market and the Colt business given its level of performance.

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

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

Outlook

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

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

Marketplace

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

Hazardous waste overview

The market for hazardous waste in the UK is based on a legislative environment underpinned by the implementation of the European Union's Waste Framework Directive and the UK's own hazardous waste National Policy Statement (NPS), which encourage sustainable methods of managing waste and the development of treatment, recycling and recovery facilities as the key focus of future waste management activities. The adoption of the NPS in June 2013 confirmed the need for the portfolio of treatment and disposal facilities and services developed by Augean. Importantly, the Group plays an active part in five of the eight sectors identified as essential for the management of hazardous wastes in the UK. The Waste Hierarchy provides a framework for waste management and implementation of infrastructure which will allow sustainable waste management solutions. However, the Waste Hierarchy is a simplification of Best Overall Environmental Outcome, which is the goal of environmental strategy, policy and regulation, and for hazardous wastes there is a particular need to consider the fate of the persistent and toxic pollutants in the waste.

The hazardous waste market is highly segmented with a total volume of approximately 5 million tonnes of waste handled in the UK each year. Within this arena Augean continues to focus on the treatment and disposal of waste from construction and demolition activities, Oil & Gas, energy from waste operators, specialist manufacturers, clinical and pharmaceutical waste, and other industrial producers.

Hazardous landfill

Data published by the Environment Agency for 2015 (the most recent data available) on the production of hazardous waste indicated that approximately 0.9 million tonnes are disposed per annum to hazardous landfill sites and the total UK capacity for hazardous landfill was approximately 16 million tonnes (source: Environment Agency). Augean's Energy & Construction business continues to be a leading provider within this market, holding in excess of 40% of the UK's remaining hazardous landfill capacity.

Energy-from-Waste and Biomass Energy waste market

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

Construction waste market

Construction soils are a key input to the Group's landfill sites. In 2016, the Group received high volumes of this waste into its sites at ENRMF and Port Clarence where contaminated soils are treated and disposed to landfill. The volume of these soils available to the Group is variable and linked to activity in the construction sector, including the progress of large scale infrastructure projects. The market for these soils, by nature, is not operated on a long term contracted basis. It is sensitive to the prevailing market spot price, influenced by haulage costs and thus proximity to the disposal site.

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

Radioactive waste market

The Group's key radioactive waste market is the nuclear decommissioning market, relating to the closure and dismantling of the UK's redundant nuclear power and research facilities. This is managed on behalf of the UK government by the Nuclear Decommissioning Authority (NDA). The disposal of naturally occurring radioactive material (NORM) generated principally from the Oil and Gas industry is the second key radioactive waste market for the Group. Augean has planning permission and environmental permits in place to dispose of low activity low level waste (LLW), very low level waste (VLLW) and NORM. The NDA publishes regular forecasts on the volumes of radioactive wastes requiring disposal and treatment, the latest of which was released in December 2016 and shows 120% year on year increase in LLW volumes from NDA sites to 8,000 cubic metres in 2017/18, albeit from a low base in 2016/17. We do not expect to see this increase impacting the Group until the second half of 2017.

Industrial waste market

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

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

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

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

North Sea Oil & Gas waste services market

The markets for waste produced in the exploration, appraisal, development, production and decommissioning of North Sea Oil & Gas are centred on Aberdeen and extend to the Shetland Isles for the northern sector. The southern sector is centred on Great Yarmouth, with further activities in North West England, for the East Irish Sea. Augean North Sea Services (ANSS) provides a full range of services, equipment rental and manpower provision for the containment and treatment of offshore wastes. These include the cuttings and slop waters from drilling of oil and gas wells, contaminated waters from the oil production process, production wastes, oil sludges, including those contaminated with low level naturally-occurring radioactive material (NORM), wellbore and topside production equipment & water contaminated with NORM as well as a more general range of industrial general and hazardous wastes.

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

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

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

Key performance indicators

The Augean plc Board of Directors, Group Management Board and local management teams regularly review the performance of the Group as a whole along with the performance of individual business units. This includes the use of a balanced scorecard for applicable key performance indicators (KPIs) to monitor progress towards delivery of the Group's principal targets.

The focus of the Group is in three priority areas.

1. Health & safety: monitored through near miss incidents and the number of accidents incurred;
2. Compliance with regulations, in particular Environment Agency and Scottish Environment Protection Agency audit results; and
3. Financial performance.

Certain KPIs are set out in the table below for continuing operations, each relating to these priorities and showing the equivalent result for the previous year. An explanation as to why these KPIs are important to the Group is also included and where appropriate, KPIs are linked to the core areas of the Group's strategy, using the key shown underneath the following table:

KPI	Link to strategy	Applicable area(s) of the Group	2016 Outcome	2015 Outcome
Number of accidents (1) Health & safety is the highest priority of the Group	SMP	E&C, I&I, AIS, ANSS	59	34

Number of near misses reported (2) Health & safety is the highest priority of the Group	SMP	E&C, I&I, AIS, ANSS	2,331	2,015
Compliance scores (3) Augean operates in a highly regulated environment and aims to carry on the highest levels of compliance with relevant regulations and planning & permitting conditions	SMP	E&C, RWS, I&I, AIS, ANSS	E&C: A RWS: A I&I: B/Excellent AIS: B ANSS: Excellent	E&C: A RWS: A I&I: A/Excellent AIS: B ANSS: Excellent
Underlying profit before taxation (4) This is the key measure of underlying profitability of the Group	GSV	Group	£7.0m	£6.0m
Post-maintenance free cash flow (5) This shows the efficiency of the Group in converting its profits into cash, in a steady state, which is then available to reinvest for future growth and distribute to our shareholders	GSV	Group	£9.6m	£5.6m
Return on capital employed (6) The Group has several capital intensive business units and aims to generate a superior return for its shareholders from its investments.	GSV	Group	11.8%	11.4%

KPI	Link to strategy	Applicable area(s) of the Group	2016 Outcome	2015 Outcome
Proportion of revenue from contracts or framework agreements (7) This is a measure of the relative certainty of future cash flow	SMP, CFS, GSV	Group	88% of top 20 Top 20 43% of Group revenue	95% of top 20 Top 20 42% of Group revenue
Volumes of waste disposed to our landfill sites This is a prima facie indicator of successful growth in the highly regulated markets in which we operate	SMP, CFS, GSV	E&C, RWS	E&C: 574,000 t RWS: 2,000 t	E&C: 434,000 t RWS: 3,200 t
Level of contracted revenue from Total Waste Management We aim to deliver a total solution to the marketplace, which allows us to use our specialist sector expertise to add value to our customers and grow our returns in this capital-light, service-led business area	SMP, CFS, GSV	AIS, ANSS	£7.4m	£4.8m
Amount of North Sea Oil & Gas revenue generated directly from operators and Top-Tier customers We aim to generate an increasing proportion of our revenues from these companies, moving up the supply chain, increasing our credibility in the marketplace and reducing both credit risk and the risk of intermediary margin erosion	SMP, CFS, GSV	ANSS	84% of ANSS revenue	89% of ANSS revenue

Strategic key

SMP Develop sustainable market positions

CFS Grow through client-focused solutions

GSV Grow shareholder value

(1) The number of total reported accidents, including those resulting in damage to plant or equipment. This is an absolute figure which has not been normalised for changes in employee numbers.

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

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

(4) Group profit before taxation, from continuing operations and excluding exceptional items

(5) Net operating cash flows, from continuing operations and excluding exceptional items, less maintenance capital expenditure

(6) Calculated as operating profit, from continuing operations and excluding exceptional items, divided by average capital employed, where capital employed is the consolidated net assets of the Group excluding net debt

(7) Total revenue from top 20 customers, arising from commercial arrangements under contract or other framework agreement, divided by the total revenue of those customers in the year.

Managing risk

Risk description	Mitigation
General Economic risk The performance of the business is linked to economic activity in the waste markets it serves, including the manufacturing, construction, nuclear decommissioning, Energy-from-waste and oil & gas sectors. Fluctuations in the UK economy in general and these sectors in particular affect Group performance, as do inflationary and other cost pressures.	• Diversification of customer base • Linking gate fees and other customer charges, wherever possible, to prevailing operating costs and commodity prices, including the costs of waste disposal outside of the Group
Environmental legislation Regulation is a key driver of the hazardous waste market. Changes in legislation (including tax legislation with environmental goals) or its interpretation can have a significant and far reaching impact on waste markets. The simplistic application of the waste hierarchy to the markets in which the Group operates, with its focus on reducing the volume of waste disposed to landfill, could be perceived as a threat to the business in the long term.	• Employ high quality technical management to interpret the evolving legislative framework and its potential and current impact on the Group's operations. • Maintain a presence on a number of industry groups to influence the shaping of policy and liaises regularly with relevant regulators and legislative bodies, including the Environment Agency (EA), the Scottish Environment Protection Agency (SEPA), the Department for Environment, Food & Rural Affairs (DEFRA) and the Department for Business Energy and Industrial Strategy (BEIS). • Develop treatment solutions for customers which utilise landfill when this is the most appropriate commercial and environmental solution, but provide alternative approaches whenever they are suitable • Highlight, the importance of Best Overall Environmental Outcome (BOEO) in moderating the simplistic application of the waste hierarchy by regulators
Tax legislation The use of tax legislation to drive environmental objectives, particularly the diversion of wastes away from landfill disposal and towards greater treatment and recycling, represents a risk in all time horizons. Landfill tax regulations (LFT1) were last updated in December 2015. LFT is not totally prescriptive on the tax treatment of the many alternate types of waste received by the group. This could lead to differences in opinion on the treatment and the applicable tax rate. The standard rate of landfill tax rose to £84.40 per tonne on 1 April 2016 and will continue to rise in line with the retail price index. Whilst European and national legislation encourages "zero landfill" solutions for a range of waste streams, disposal in properly engineered and permitted landfills continues to be the most appropriate waste management solution for many hazardous wastes.	• Develop a range of waste treatment solutions for customers • Broaden capabilities to ensure the Group's sites are able to accept all those wastes which do require landfill disposal • Maintain specialist testing facilities and seek appropriate external chemical, engineering, taxation and legal advice. • Modelling of the financial impact under different external legislative positions
Environmental compliance All operating sites and activities are regulated by environmental authorities in line with the requirements set out within licences and permits. These licences and permits are required to carry on the business of the Group and compliance with their terms is essential to its success. Withdrawal or temporary suspension could have a significant impact on the Group's ability to operate.	• Adherence to the highest environmental standards • Maintenance of good relations with local communities and to satisfy customers that the techniques, practices and procedures adopted by the Group are consistent with those of a responsible business. • Employment of technical experts who work to well-established policies and procedures described in the Group's Integrated Management System • Provision of training to develop the knowledge and competence of its staff • Regular monitoring and review of compliance performance • Production of the Group's corporate social responsibility (CSR) report.
Health and safety The activities of the Group involve a range of health and safety risks, from offshore operations to the handling of hazardous wastes.	• Health and safety is the first priority for all directors, managers and employees across the Group • Investments in relevant assets and resources are made on an on-going basis to ensure that the highest health and safety standards are applied • Health and safety performance is constantly monitored and reviewed, including formal reviews at each Augean plc Board meeting and in depth quarterly reviews by the Group's Management Board. These mechanisms also include detailed reviews of any relevant incidents, which allow the lessons learnt from such incidents to be fed back to local teams, in order to reduce the likelihood of recurrence
Price risk Price pressure remains a key feature of the hazardous waste market, where customers often have a range of options for the ultimate disposal of their wastes and access to several companies competing to service their needs.	• Review pricing policies on an on-going basis to ensure that the Group influences and stabilises the market • Respond to emerging trends and customer need • Specialist in-house resource to assesses 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	• Develop positions in a range of markets requiring specialist waste management capabilities and which have high barriers to entry

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.	• 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
North Sea oil and gas investment With a well-established business focused on providing waste management services to North Sea oil and gas operators, the Group has some exposure to any fall in investment for oil and gas exploration activity in the North Sea, such as those announced by certain major oil companies in early 2015. This may in turn reduce the volume of waste available for management by Augean North Sea Services.	• Maintain a comparatively low level of operational gearing, with the business therefore able to adjust its significant direct cost base in the event of a significant and permanent reduction in revenues • Diversify North Sea activities across a number of revenue-generating streams, with services provided to production customers offshore and onshore • Pursue North Sea decommissioning as new market opportunities for ANSS that would further mitigate 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 focussed on wastes arising in Britain and uses disposal infrastructure almost entirely based in the UK, the Group may fail to anticipate and manage the potential impact of Britain leaving the European Union, notably potential increases in interest rate.	• Engage with trade association (Environmental Services Association) to anticipate and attempt to influence government plans • Monitor market conditions to allow appropriate investment in infrastructure and management of costs • Maintenance of ability to accept wastes into sites in different geographical locations before onward transfer to their final treatment or disposal destinations • Modelling of the financial impact of different scenarios which could result from this external change

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

Consolidated statement of comprehensive income
for the year ended 31 December 2016

		Before exceptional items 2016 £'000	**Exceptional items 2016 £'000**	**Total 2016 £'000**	Before exceptional items 2015 £'000	Exceptional items 2015 £'000	Total 2015 £'000
Continuing operations							
Revenue		**75,959**	-	**75,959**	61,005	-	61,005
Operating expenses		**(68,161)**	(5,719)	**(73,880)**	(54,185)	(3,508)	(57,693)
Operating profit		**7,798**	(5,719)	**2,079**	6,820	(3,508)	3,312
Net finance charges		**(812)**	-	**(812)**	(788)	-	(788)
Profit before tax		**6,986**	(5,719)	**1,267**	6,032	(3,508)	2,524
Taxation	4	**(2,464)**	1,602	**(862)**	(1,227)	390	(837)
Profit / (loss) from continuing operations		**4,522**	(4,117)	**405**	4,805	(3,118)	1,687
Profit / (loss) for the year and total comprehensive income		**4,522**	(4,117)	**405**	4,805	(3,118)	1,687

Profit / (loss) and total comprehensive income attributable to :							
Equity shareholders of Augean plc		**4,522**	(4,117)	**405**	4,753	(3,118)	1,635
Non-controlling interest		**-**	-	**-**	52	-	52
Earnings per share							
From continuing and discontinued operations							
Basic	6			**0.40p**			1.60p
Diluted	6			**0.39p**			1.56p

	Group 2016 £'000	2015 £'000
Non-current assets		
Goodwill	**23,997**	19,757
Other intangible assets	**2,265**	214
Property, plant and equipment	**44,475**	42,918
Deferred tax asset	**1,176**	2,316
	71,913	65,205
Current assets		
Inventories	**379**	306
Trade and other receivables	**18,461**	11,829
Cash and cash equivalents	**3,188**	3,553
	22,028	15,688
Current liabilities		
Trade and other payables	**(17,192)**	(10,838)
Current tax liabilities	**(658)**	(940)
Borrowings	**(171)**	(1,054)
Provisions	**(50)**	(25)
	(18,071)	(12,857)
Net current assets	**3,957**	2,831
Non-current liabilities		
Borrowings	**(13,833)**	(6,764)
Provisions	**(7,470)**	(6,874)
	(21,303)	(13,638)
Net assets	**54,567**	54,398
Shareholders' equity		
Share capital	**10,275**	10,225
Share premium account	**748**	612
Retained earnings	**43,544**	43,561
Total equity	**54,567**	54,398

Group Statement of financial position
As at 31 December 2016

Consolidated statement of cash flow
For the year ended 31 December 2016

		Group 2016 £'000	2015 £'000
Operating activities			
Cash generated from operations	7	**12,859**	12,348
Finance charges paid		**(704)**	(715)
Tax paid		**(941)**	(1,105)
Net cash generated from operating activities		**11,214**	10,528

Investing activities			
Purchases of property, plant and equipment		**(8,335)**	(7,474)
Purchases of intangible assets		**(51)**	(51)
Purchase of business (net of cash or overdraft acquired)	10	**(8,901)**	(91)
Net cash used in investing activities		**(17,287)**	(7,616)
Financing activities			
Dividends paid	5	**(665)**	(511)
Issue of equity		**186**	96
Acquisition of non-controlling interest		**-**	(1,050)
Drawdown of Loan facilities		**6,208**	626
Repayments of obligations under finance leases		**(21)**	(22)
Net cash generated from / (used in) financing activities		**5,708**	(861)
Net (decrease) / increase in cash and cash equivalents		**(365)**	2,051
Cash and cash equivalents at beginning of year		**3,553**	1,502
Cash and cash equivalents at end of year		**3,188**	3,553

Statement of changes in shareholders' equity
for the year ended 31 December 2016

Group	Share capital £'000	Share premium account £'000	Retained earnings £'000	Shareholders' equity £'000	Non-controlling Interest £'000	Total equity £'000
At 1 January 2015	**10,199**	**542**	**42,059**	**52,800**	**955**	**53,755**
Total comprehensive income for the year						
Retained profit	-	-	1,635	1,635	52	1,687
Total comprehensive income for the year	-	-	1,635	1,635	52	1,687
Transactions with the owners of the company						
Dividend	-	-	(511)	(511)	-	(511)
Issue of equity	26	70	-	96	-	96
Acquisition of non-controlling interest	-	-	(43)	(43)	(1,007)	(1,050)
Share-based payments	-	-	421	421	-	421
Total transactions with the owners of the company	26	70	(133)	(37)	-(1,007)	(1,044)
At 1 January 2016	**10,225**	**612**	**43,561**	**54,398**	-	**54,398**
Total comprehensive income for the year						
Retained profit	-	-	405	405	-	405
Total comprehensive income for the year	-	-	405	405	-	405
Transactions with the owners of the company						
Dividend	-	-	(665)	(665)	-	(665)
Issue of equity	50	136	-	186	-	186
Share-based payments	-	-	243	243	-	243
Total transactions with the owners of the company	50	136	(422)	(236)	-	(236)
At 31 December 2016	**10,275**	**748**	**43,544**	**54,567**	-	**54,567**

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

1 Basis of preparation

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined by section 434 of the Companies Act 2006. It has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) adopted for use in the European Union, including IFRIC interpretations issued by the International Accounting Standards Board, and in accordance with the AIM rules and is not therefore in full compliance with IFRS. The principal accounting policies of the Group have remained unchanged from those set out in the Group's 2016 annual report. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are carried at fair value.

The financial information for the period ended 31 December 2016 was approved by the Board on 20 March 2017 and has been extracted from the Group's financial statements upon which the auditor's opinion is unmodified and does not include a statement under section 498(2) or (3) of the Companies Act 2006.

The statutory accounts for the period ended 31 December 2016 will be posted to shareholders at least 21 days before the Annual General Meeting and made available on our website www.augeanplc.com. In due course, they will be delivered to the Registrar of Companies. The statutory accounts for the period ended 31 December 2015 have been delivered to the Registrar of Companies.

2 Operating segments

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

- Energy and Construction: Augean operates three modern hazardous and non-hazardous landfill operating sites based at East Northants Resource Management Facility (ENRMF), Thornhaugh in Peterborough and Port Clarence on Teesside, providing waste remediation, treatment and disposal services to its customers. The business unit includes a site at Cooks Hole in Northamptonshire where minerals are extracted and also generates energy as electricity from closed landfill cells.
- Radioactive Waste Services: Augean provides waste disposal services of low level radioactive wastes and naturally occurring radioactive material produced in the UK.
- Augean Integrated Services (AIS): Augean operates a High Temperature Incinerator at Sandwich, East Kent and a site in Cannock focused on Total Waste Management solutions.
- Augean North Sea Services: This business unit provides waste management and waste processing services to offshore oil and gas operators in the North Sea.
- Industry and Infrastructure: Augean operates three waste processing sites across the UK, with activities focused on the management of oil-contaminated waste. The business unit also provides specialist industrial cleaning services including the Colt Industrial Services business.

Information regarding the results of each reportable segment is included below. Performance is measured based on the segment operating profit, as included in the internal management reports that are reviewed by the Group's CEO. This profit measure for each business unit is used to measure performance as management believes that such information is the most relevant in evaluating the results of each of the business units relative to other entities that operate within these sectors.

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

	2016					
	Energy and Construction	Radioactive Waste Services	Augean Integrated Services	Industry and Infrastructure	Augean North Sea Services	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue						
Hazardous landfill activities	12,354	-	-	-	-	12,354
Non-hazardous landfill activities	4,505	-	-	-	-	4,505
Waste treatment activities	-	-	2,715	-	-	2,715
Total waste management activities	-	-	5,470	19,959	-	25,429
Energy generation	56	-	-	-	-	56
APCR management	9,377	-	-	-	-	9,377
Radioactive waste management	-	1,205	-	-	-	1,205
Processing of offshore waste	-	-	-	-	5,313	5,313
Rental of offshore equipment and personnel	-	-	-	-	4,013	4,013
Waste transfer activities	-	-	-	-	3,609	3,609
Total revenue net of landfill tax	**26,292**	**1,205**	**8,185**	**19,959**	**12,935**	**68,576**
Landfill tax	10,091	-	-	-	-	10,091
Total revenue including inter-segment sales	**36,383**	**1,205**	**8,185**	**19,959**	**12,935**	**78,667**
Inter-segment sales	(1,005)	(26)	(547)	(1,117)	(13)	(2,708)
Revenue	**35,378**	**1,179**	**7,638**	**18,842**	**12,922**	**75,959**
Result						
Operating profit/(loss) before exceptional items	8,349	308	(656)	457	481	8,939
Exceptional items (note 3)	(242)	(162)	(3,512)	(280)	(1,523)	(5,719)
Operating profit/(loss)	**8,107**	**146**	**(4,168)**	**177**	**(1,042)**	**3,220**
Net finance charges						**(812)**
Central costs						**(1,141)**
Profit before tax						**1,267**
Tax (note 4)						**(862)**
Profit after tax						**405**
Other information						
Capital expenditure	3,819	200	1,390	844	1,983	8,236

Depreciation and amortisation	3,648	135	655	1,044	792	6,274
Impairment loss	-	-	3,348	-	-	3,348

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

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

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

3 Exceptional Items

The following pre-tax items have been charged to operating profit:

	2016 £'000	**2015 £'000**
Impairment of property, plant and equipment	**3,348**	2,888
Net settlement of trade related legal case	**1,162**	-
Restructuring charges	**297**	474
Acquisition related costs	**820**	117
Other	**92**	29
Exceptional charge from continuing operations	**5,719**	3,508

4 Taxation

Group	**2016**	2015
	£'000 Total	£'000 Total
Current tax		
UK corporation tax on profit for the year	**1,327**	1,463

Adjustments in respect of prior years	**(669)**	2
	658	1,465
Deferred tax		
Credit in respect of the current year	**(802)**	(430)
Reassessment of tax qualifying assets	**379**	-
Adjustments in respect of prior years	**627**	(198)
	204	(628)
Tax charge on the result for the year	**862**	837

Tax reconciliation for continuing operations

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

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

5 Dividends

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

At the forthcoming Annual General Meeting, the Board will recommend to shareholders that a resolution is passed to approve payment of a dividend for the year ended 31 December 2016. This has not been included as a liability in these financial statements.

The payment of the dividend will not have corporation tax consequences for the Group.

6 Earnings per share

The calculation of basic earnings per share (EPS) is based on the profit attributable to ordinary shareholders of £96,000 (2015: £1,635,000) and a weighted average number of ordinary shares outstanding of 102,420,517 (2015: 102,139,647), calculated as follows:

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

The exceptional items (note 3) have been adjusted, in the adjusted earnings per share, to better reflect the underlying performance of the business, when presenting the basic and diluted earnings per share.

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

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

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

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

8 Analysis of changes in net debt
The table below presents the net debt of the Group at the balance sheet date.

	1 January 2016 £'000	**Cash flow £'000**	**Acquisitions £'000**	**Other movement £'00**	**31 December 2016 £'000**
Cash and cash equivalents	**3,553**	(5,253)	4,888	-	**3,188**
Overdraft	**-**	(167)	-	-	**(167)**
Bank loans	**(7,750)**	(6,250)	-	**167**	**(13,833)**
Finance leases	**(68)**	64	-	-	**(4)**
Net debt	**(4,265)**	**(11,606)**	**4,888**	**167**	**(10,816)**

9 Contingent liabilities
In accordance with Pollution, Prevention and Control (PPC) permitting, the Group has to make such financial provision as is deemed adequate by the Environment Agency to discharge its obligations under the relevant site permits for its landfill sites. Consequently guarantees have been provided, by certain subsidiaries of the company, in favour of the Environment Agency in respect of the Group's landfill sites. Total guarantees outstanding at the year-end were £7.7m (2015: £8.2m).

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

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

	2016 Book Value £'000	**2016 Provisional Fair Value adjustments £'000**	**2016 Fair Value £'000**
Intangible assets	-	2,262	2,262
Property, plant and equipment	2,524	-	2,524
Inventories	82	(32)	50
Trade and other receivables	2,625	(78)	2,547
Cash and cash equivalents	4,888	-	4,888
Deferred tax liabilities	(198)	(438)	(636)
Trade and other payables	(1,674)	(412)	(2,086)
Total identifiable assets	**8,247**	**1,302**	**9,549**

Goodwill	4,240
Total consideration	**13,789**

Net cash outflow arising on acquisition:	
Cash consideration	13,789
Less: cash balances acquired	(4,888)
Total cash outflow	**8,901**

The goodwill of £4,240,000 arising from the acquisition comprises, inter alia, staff expertise, skills and experience, general reputation of those individuals within their industry and future potential synergies to be realised by Augean.

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

11 Annual Report & Accounts

The Annual Report will be sent to shareholders on or around 19 May 2017 and will be available on the Company's website www.augeanplc.com from that date. The Annual General Meeting will be held at 10am on 27 June 2017 at FTI Consulting, 200 Aldersgate, London EC1A 4HD.