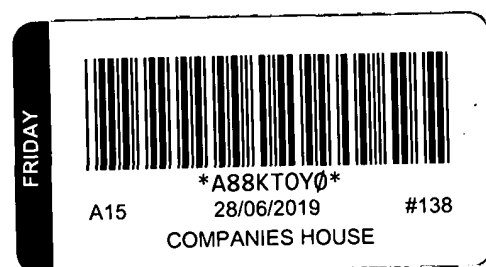


COMPANY NUMBER 04062656

Augean Treatment Limited

Annual report

Year ended 31 December 2018



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Company information

Directors	N Bowen (resigned on 31 August 2018) E Pigg (resigned 16 March 2018) M R M Fryer J H Rauch G B Wilson
Secretary	A G Secretarial Ltd
Registered office	4 Rudgate Court Walton Wetherby West Yorkshire LS23 7BF
Registered number	04062656 Incorporated in England and Wales
Auditors	BDO LLP Central Square 29 Wellington Street Leeds LS1 4DL
Bankers	HSBC Bank plc City Point 29 King Street Leeds LS1 2HL

Strategic report

The review of financial performance includes the results from the operations of Augean Treatment Limited (the Company).

Business review

Total revenue for the Company from continuing operations was £19.4m (2017: £14.5m), representing an increase of 34.0% from the previous year.

The company's financial position has improved during 2018 due to the profit for the year from discontinued operations.

Key Performance Indicators

Key Performance Indicator	2018	2017
Operating Margin ¹	1.3%	(17.1)%
Annualised Total Sales Growth ²	34.0%	(1.5)%

Notes to KPI's

¹ **Operating Margin** = Operating profit as a percentage of turnover; calculated with reference to continuing operations and before exceptional items.

² **Annualised Sales Growth** = the annual increase in total revenue from continuing operations as a percentage of revenue from continuing operations from the prior year.

The operating margin and annualised sales growth have fluctuated in the year as a result of changing conditions in the markets the company serves.

Augean Treatment Limited has traded through 1 business unit during the year.

Treatment and Disposal

The principal activity of this business unit is the recovery and recycling of oil and solvents, the generation of secondary liquid and solid fuels from waste and the disposal of air pollution control residues (APCR), incinerator bottom ash (IBA), asbestos and other contaminated waste materials and soils, mainly from the Energy-from-Waste, biomass energy and construction sectors. The largest waste stream by revenue and profit is the disposal of ash from EfW sites which comprises bottom ash and ash from the burning of biomass and municipal waste to generate energy. A key growth market in Treatment and Disposal is low level radioactive waste decommissioning.

Discontinued operations

Augean Integrated Services

The AIS business traded through this company in its entirety until January 2016. Subsequent to this date the business unit contracted with customers through a different statutory entity. The company retained the assets and permits associated with this business unit and charged the costs of their operation on to this separate Group company.

On 16th March 2018 the AIS business excluding the East Kent High Temperature Incinerator ("HTI") asset were sold. Included within disposals of property, plant and equipment are assets with NBV of £0.8m (2017: £Nil) which relate to assets held by the AIS division which were transferred to Axil Integrated Services Limited (previously Augean Integrated Services Limited) on the 1 March 2018 prior to the sale of Axil Integrated Services Limited on 16 March 2018.

Strategic report (continued)

East Kent Incinerator

A review of this asset was completed in 2018 and the Group decided that the facility would be mothballed early in the New Year. The assets associated with the facility less committed costs to prepare for sale are therefore classified as an asset held for sale in this report. The previously recognised impairment to the assets associated with this site has been reversed in 2018. On 25 January 2019 the Group sold the land, buildings and plant associated with East Kent High Temperature Incinerator for a total cash consideration of £3.35m.

Principal risks and their mitigation

The performance of the business is linked to economic activity in the waste markets it serves, including the industrial, construction and oil & gas sectors. Fluctuations in the economy in general and these sectors in particular affect the Company performance, as do inflationary and other pressures from the wider economy. Risks are mitigated by diversifying the customer base as far as possible and by linking gate fees, wherever possible, to prevailing operating costs and commodity prices, including the costs of waste disposal outside of the Company. In addition to this general economic risk there are a number of risks specific to the waste industry and increasingly aspects of the oil and gas industry can have a material impact on activities.

Environmental legislation

Regulation is a key driver of the waste market. Changes in legislation (including tax legislation with environmental goals) or its interpretation can have a significant and far reaching impact on waste management markets. The Company endeavours to mitigate this risk by employing high quality technical management to interpret the evolving legislative framework and its potential and current impact on the Company's operations. In addition, the Company maintains a presence on a number of industry groups to influence the shaping of policy and liaises regularly with relevant regulators and legislative bodies.

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 Company and compliance with their terms is essential to its success. Withdrawal or temporary suspension could have a significant impact on the Company's ability to operate. Adherence to the highest environmental standards is also important to ensure the maintenance of good relations with local communities and to satisfy customers that the techniques, practices and procedures adopted by the Company are consistent with those of a responsible business. The Company mitigates this risk through the employment of technical experts, by working to well-established policies and procedures described in its Integrated Management System, through the provision of training to develop the knowledge and competence of its staff and through regular monitoring and review of compliance performance.

The Company also relies on its principal regulator, the Environment Agency, to ensure that other operators within the industry are adhering to the standards required on a local, regional and national basis. The success of the regulator in achieving this is critical in providing a level playing field and a positive climate for investment in responsible waste management practices. The Company maintains an active dialogue with the Environment Agency to promote the best interests of the industry and of the environment as a whole.

Health and safety

The waste industry has inherent risks in the area of health and safety. The directors believe that the Company's employees are its most important and valuable assets and their health and safety is vital to the continued success of the business. As a result, health and safety is the first priority for all directors, managers and employees across the Company. Investments in relevant assets and resources are made on an ongoing basis to ensure that the highest health and safety standards are applied. Health and safety performance is constantly monitored and reviewed, with the lessons learnt from incidents fed back to local teams to avoid repeat situations.

Price risk

Price pressure remains a key feature of the waste market, where customers often have a range of technological options for the ultimate disposal of their wastes and access to several companies competing to service their needs. The Company reviews its pricing policies on an ongoing basis to ensure that it influences and stabilises the market, whilst responding to emerging trends and customer needs. As part of the Company's established sales infrastructure specialist roles exist to assess and price waste consignments in line with market rates and available disposal solutions. All services are kept under review to ensure that price changes in the market do not lead to uneconomic activities being undertaken by the Company.

Strategic report (continued)

Economic growth

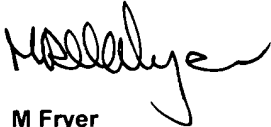
The Company relies on economic activity in the UK, which in turn leads to production of the hazardous wastes which form the basis of its sales revenues. The UK is experiencing a well-documented extended period of limited economic growth, with a corresponding impact on output from sectors including construction and manufacturing. This downturn has the potential to restrict the quantum of hazardous wastes available to the Company and therefore its revenues. These macro-economic conditions are mitigated in part by following a strategy of developing niche markets requiring specialist waste management capabilities, which have high barriers to entry, and also through continuing to identify and invest in the techniques, assets and resources to provide a broad range of services to customers, diversifying the revenue base of the Company.

Transport disruption

The Company 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 delay or possibly lose revenue for the Company. Mitigation is provided as far as possible through the use of its own fleet of vehicles and the ability to accept wastes into sites in different geographical locations before onward transfer to their final treatment or disposal destinations.

Approval

The strategic report was approved by the Board on 24 June 2019 and signed on its behalf by:



M Fryer
Director
Company number
04062656

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the Company is the operation of waste treatment sites and waste transfer stations, dealing with a broad range of specialist and hazardous wastes across the UK.

Results and dividends

The profit for the year after tax amounted to £1.7m (2017: loss of £1.6m). The directors do not recommend a dividend (2017: £nil).

Directors

The directors who served the Company during the year and to the date of the report are set out on page 2.

Going concern

The Company's business activities and the factors likely to affect its future development, performance and position are set out on pages 3 to 5.

The Company is in a net liability position of £29m (2017: £31m) which is as a result of large intercompany balances and that whilst they are technically repayable on demand the Company has obtained a letter of support from the parent that does not require payment within the next 12 months and therefore the Company is able to meet its liabilities as they fall due.

The Company is financed by cash balances and funds provided from Augean plc group undertakings. The key risk to the Company is therefore ensuring that the group has sufficient funding available to allow the Company to draw down funds to meet its liabilities as they fall due.

The group seeks to ensure sufficient funding is available to the Company by maintaining a balance between continuity of funding and flexibility. The objective of the group and the Company is to maintain sufficient resource to meet the funding needs for the foreseeable future.

The Group met its short term working capital requirements during 2018 through its cash balances and an overdraft and revolving loan facility (the Facility), which was renewed and increased with HSBC Bank plc in March 2016, providing access to a term loan and revolving loan facility to a total level of £20m until October 2020. The overdraft is reviewed annually. This facility, along with the underlying cash generation of the Group, is expected to provide the required funds to support further growth of the business over that period. The provision of the Facility is subject to certain covenants, focused on the cover of interest costs and the ratio of net debt to EBITDA.

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

After making enquiries and receipt of a letter of support from the parent company the directors have a reasonable expectation that the Company and the group have adequate resources for the Company to continue in operational existence for the foreseeable future. On the basis of detailed forecasts for the next twelve months the directors are confident that the Company will be able to meet its liabilities as they fall due and therefore these financial statements have been prepared on a going concern basis.

Future developments and post balance sheet events

On 25 January 2019 the East Kent HTI was sold for consideration of £3,350,000. As such East Kent has been disclosed as being a discontinued operation within the financial statements.

The directors are not aware, at the date of this annual report, of any other likely major changes in the company's activities in the next financial year.

Qualifying third party indemnity provisions

All directors benefitted from qualifying indemnity insurance policies in place during the financial year.

Directors' report

Risk management objectives and policies

As the Company's transactions take place solely in sterling there is no direct foreign currency risk. The principal risks arising from the Company's financial instruments are liquidity, credit and interest rate risk.

The Company's principal financial instruments during the period comprised loans from group undertakings. The main purpose of the financial instruments is to finance the Company's operations. The Company's other financial instruments include short term receivables and payables which arise directly from its operations. There was no material difference between the fair value of the assets and liabilities and their book value.

The Company has maintained its policy that no trading in financial instruments shall be undertaken.

Liquidity risk

The Company is financed by funds provided from group undertakings. The key risk to the Company is therefore ensuring that the Group has sufficient funding available to allow the Company to draw down funds to meet its liabilities as they fall due.

The Group seeks to ensure sufficient funding is available to the Company by maintaining a balance between continuity of funding and flexibility. The objective of the Group and the Company is to maintain sufficient resource to meet the funding needs for the foreseeable future.

Credit risk

The Company monitors its exposure to credit risk on an ongoing basis. The Company has standard credit terms of 30 days from date of invoice. Invoices outstanding longer than agreed credit terms are assessed as overdue.

Interest rate risk

The Company finances its operations through a mixture of retained profits and borrowings from group. No interest rate swaps or other forms of risk management have been undertaken. The Company regularly reviews its exposure to interest rate risk and will take future action if required to minimise the impact on the business of movements in interest rates.

Auditors

After a tender process, Grant Thornton UK LLP resigned as auditor on the 4 October 2018. On the 19 October 2018 BDO LLP were appointed as the Group's Auditor. In accordance with Section 489(4) of the Companies Act 2006, a resolution to appoint BDO LLP will be proposed at the Annual General Meeting.

Approval

The report of the directors was approved by the Board on 24 June 2019 and signed on its behalf by:



M Fryer
Director
Company number
04062656

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The Directors have elected to prepare the Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS101). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.



M Fryer
Director
24 June 2019

Independent auditor's report to the members of Augean Treatment Limited

Opinion

We have audited the financial statements of Augean Treatment Limited ("the Company") for the year ended 31 December 2018 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Independent auditor's report to the members of Augean Treatment Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent auditor's report to the members of Augean Treatment Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

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

26 June 2019

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

Statement of comprehensive income

For the year ended 31 December 2018

	Note	2018 £'000	2017 Restated £'000
Turnover	2	19,371	14,458
Operating expenses (including exceptional items of £138k (2017: £85k))		(19,257)	(17,017)
Operating profit/(loss)	3	<u>114</u>	<u>(2,559)</u>
Net finance (charge)/income		(1)	1
Profit/(loss) before tax		<u>113</u>	<u>(2,558)</u>
Tax (charge)/credit	5	(1,433)	1,002
Loss for the year from continuing operations		<u>(1,319)</u>	<u>(1,556)</u>
<i>Discontinued operations</i>			
Profit/(loss) from discontinued operations	11	2,171	(34)
Total comprehensive income attributable to equity shareholders		<u>852</u>	<u>(1,590)</u>

The notes on pages 15 to 28 form an integral part of these financial statements.

The prior year comparative has been restated to include the result for operations which were discontinued in 2018 within the profit/(loss) from discontinued operations as per the Directors' Report.

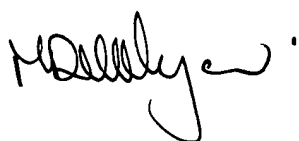
Statement of financial position

As at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible fixed assets	7	2,716	4,320
Stock	8	81	129
Asset held for sale	11	3,304	-
Debtors falling due within one year	9	10,476	7,494
Debtors falling due after more than one year	5	816	687
Cash at bank and in hand		2,938	1,292
		<u>17,615</u>	<u>9,602</u>
Creditors falling due within one year	10	(50,576)	(45,019)
Net current liabilities		<u>(32,961)</u>	<u>(35,417)</u>
Total assets less current liabilities		<u>(30,245)</u>	<u>(31,097)</u>
Net liabilities		<u>(30,245)</u>	<u>(31,097)</u>
Capital and reserves			
Share capital	12	1	1
Share premium account		1	1
Profit and loss account		(30,247)	(31,099)
Total shareholders' deficit		<u>(30,245)</u>	<u>(31,097)</u>

The notes on pages 15 to 28 form an integral part of these financial statements.

The financial statements were approved by the Board on 24 June 2019 and signed on its behalf by:



M Fryer
Director
Company number 04062656

Statement of changes in equity

For the year ended 31 December 2018

	Share capital	Share premium	Profit and loss account	Shareholders' equity
	£'000	£'000	£'000	£'000
At 1 January 2017	1	1	(29,509)	(29,507)
Retained loss and total comprehensive income for the year	-	-	(1,590)	(1,590)
At 31 December 2017	1	1	(31,099)	(31,097)
Retained profit and total comprehensive income for the year	-	-	852	852
At 31 December 2018	1	1	(30,247)	(30,245)

Notes to the financial statements for the year ended 31 December 2018

1. Accounting policies

Augean Treatment Limited is a private company limited by shares, incorporated in the United Kingdom. The principal place of business is the UK.

Basis of accounting

The company has elected to prepare its financial statements in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 'The Reduced Disclosure Framework' (FRS101). The financial statements have been prepared on the historical cost basis with the exception of certain items which are measured at fair value as disclosed in the principal accounting policies set out below. These policies have been consistently applied to all years presented unless otherwise stated. The financial statements are presented in Sterling and have been presented in round thousands (£'000).

In preparing these financial statements, the Company has taken advantage of the disclosure exemptions conferred by FRS101. Therefore these financial statements do not include:

- a statement of cash flows and related notes
- the requirements of IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the group as they are wholly owned within the group
- presentation of comparative reconciliations for property, plant and equipment
- disclosure of key management personnel compensation
- capital management disclosures
- presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period
- certain share based payment disclosures
- disclosures in relation to impairment of assets
- disclosures in respect of financial instruments (other than disclosures required as a result of recording financial instruments at fair value)
- fair value measurement disclosures (other than disclosures required as a result of recording financial instruments at fair value)

Going Concern

As described in the Director's report, the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The going concern basis of accounting has therefore been adopted in preparing the financial statements. The Company has net liabilities of £29m (2017: £31m) at the year end which is as a result of large intercompany balances. The Directors have taken into account the letter of support from the parent company which states that these intercompany balances do not require settlement within the next 12 months.

Revenue recognition

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

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

Service revenue is recognised at point of delivery of each separate service or where the right to invoice a customer for that revenue is met. Contract assets and liabilities may arise where there is a short-term timing difference between recognition and invoicing.

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

There are no material concentrations of revenue by customer or from countries outside of the United Kingdom.

Notes to the financial statements for the year ended 31 December 2018

1. Accounting policies (continued)

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised as an intangible asset. It is tested for impairment at least annually and is carried at cost less accumulated impairment losses. Any impairment is recognised immediately in the statement of comprehensive income.

Exceptional items

Items that are significant and outside the normal course of business are presented as exceptional items in the statement of comprehensive income. The directors believe the separate recording of the exceptional items provides helpful information about the Company's underlying business performance. Examples of events which may give rise to the classification of items as exceptional include restructuring of the business, acquisition costs, compensation for loss of office, impairment of fixed assets and non-recurring income or expenditure.

Tangible fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset into use. Borrowing costs related to the purchase of fixed assets are not capitalised.

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

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Freehold land is not depreciated. Depreciation is provided evenly on all other tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its useful life as follows:

Freehold buildings	- fifty years
Plant, machinery and vehicles	- two to ten years
Leasehold improvements	- thirteen years
Computers and office equipment	- four years

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

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

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

Leases and hire purchase contracts

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

In both cases the asset and associated liability is recorded in the statement of financial position as a tangible fixed asset and liability at their fair value or, if lower, at the present value of the minimum lease payments, both determined at the inception of the lease.

Depreciation is calculated in accordance with the above depreciation policies.

Other leases are treated as operating leases, the rentals for which are charged to the statement of comprehensive income on a straight-line basis over the lease term.

Notes to the financial statements for the year ended 31 December 2018

1. Accounting policies (continued)

Stock

Inventories are stated at the lower of cost (measured on a first in first out basis) and net realisable value and where appropriate are stated net of provisions for slow moving and obsolete inventory.

Tax

Current tax

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

Deferred tax

Deferred tax on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes is accounted for using the liability method.

Using the liability method, deferred tax liabilities are recognised in full for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, if the deferred tax asset or liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit, it is not recognised.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realised or the liability settled based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Current and deferred tax are recognised in the statement of comprehensive income except when they relate to items recognised directly in equity, when they are similarly taken to equity.

Where deferred tax assets such as tax losses, which were not recognised at the acquisition date due to uncertainty over their recovery, are subsequently utilised or recognised, goodwill is reduced by an amount equivalent to the deferred tax assets calculated at the relevant tax rate with an equivalent credit to the tax account in the statement of comprehensive income.

Assets held for sale

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with a maturity of three months or less. Bank overdrafts are shown within current liabilities.

Financial instruments

(i) Financial assets

Financial assets that are held to collect are categorised as amortised cost under IFRS 9. This includes the Company's trade and other receivables, and cash and cash equivalents. Financial assets are assigned to this category on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses is recognised in the statement of comprehensive income or directly in equity.

Notes to the financial statements for the year ended 31 December 2018

1. Accounting policies (continued)

Financial instruments continued

(i) Financial assets (continued)

Augean Treatment Limited recognises all financial assets when the Company becomes party to the contractual provisions of the instrument. Financial assets are recognised at fair value plus transaction costs. Financial assets are reviewed for impairment under the simplified approach to the expected credit loss model under IFRS 9. This is calculated through the use of a provision matrix by considering default rates by receivable age. A historic 2 year actual impairment loss on receivables, adjusted for management's expectation of future market conditions is utilised within this matrix. The movement in allowances for receivables is charged or credited through the income statement. Discounting of long-term receivables is omitted where the effect is immaterial.

(ii) Borrowings

The Company's financial liabilities include trade payables, debt and finance lease liabilities and are all categorised under amortised cost in accordance with IFRS 9. Trade payables are not interest bearing and are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method. Debt is initially recognised at fair value less transaction costs and carried at amortised cost. The Company's policy is that no trading in financial instruments or derivatives shall be undertaken, therefore the fair value through profit and loss classification under IFRS 9 is not used for any financial liabilities.

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the statement of comprehensive income under 'finance charges'.

Equity

Equity comprises the following:

- 'Share capital' represents the nominal value of equity shares
- 'Share premium account' represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue
- 'Profit and loss account' represents retained earnings and losses

Significant judgements and key sources of estimation uncertainty

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

Actual results may however differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based, or as a result of new information or further information. Such changes are recognised in the year in which the estimate is revised.

Certain accounting policies are particularly important to the preparation and explanation of the Company's financial information. Key assumptions about the future and key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities over the next twelve months are set out below.

Impairment of fixed assets

The Company has property, plant and equipment with a carrying value of £3m (note 7). These assets are reviewed annually for impairment to ensure that property, plant and equipment are not carried above their estimated recoverable amounts. Factors such as changes in expected use of buildings, plant and machinery, closure of facilities, or lower than anticipated sales could result in impairment.

Notes to the financial statements for the year ended 31 December 2018

1. Accounting policies (continued)

Significant judgements and key sources of estimation uncertainty (continued)

Income taxes

Estimates may be required in determining the level of current and deferred income tax assets and liabilities, which the directors believe are reasonable and adequately recognise any income tax related uncertainties. Various factors may have favourable or adverse effects on the income tax assets or liabilities. These include changes in tax legislation, tax rates and allowances, future levels of spending and the Company's level of future earnings. See note 5.

A deferred tax asset is recognised where the future expected profits of the company are such that the benefit of this asset will be realised. The directors have reviewed the forecasts and concluded that suitable taxable profits are probable in the near future.

New IFRS standards and interpretations not applied

The following new standards, amendments to standards and interpretations will be mandatory for the first time in this financial year:

	Issued date	IASB mandatory effective date	EU endorsement status
IFRS 15 Revenue from Contracts with Customers	28-May-14	01-Jan-18	Endorsed
IFRS 9 Financial Instruments	Various	01-Jan-18	Endorsed

The Company has considered the impact of these changes and noted no material impact on previously applied policies. The policies are explained in this note. Revenue disaggregation, as explained previously in this note, is included in note 2.

The Company have applied IFRS 9 for the first time in the current year, in replacement of IAS 39. The Company applied the simplified method of the expected credit loss model when calculating impairment losses on its financial assets measured at amortised cost, such as trade and other receivables. This resulted in greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions.

In applying IFRS 9 the Company considered the probability of a default occurring over the contractual life of its trade receivables and contract asset balances on initial recognition of those assets. Under the previous incurred loss model, the historical loss rate has typically been between 0% and 1% of the gross carrying amount of receivables over the last 2 years, and at 31 December 2018 this provision amounted to £66,000 which is comparable to that in the previous year.

The Company has chosen not to restate comparatives on adoption of IFRS 9 given the immaterial nature of the transitional impacts and, therefore, these changes have been processed in the current year.

The classification of certain financial instruments was also affected on initial application of IFRS 9. Financial assets previously categorised as Loans and receivables under IAS 39 are now classified as Amortised cost however the measurement remains consistent subject to the application of the expected credit loss model outlined above. Financial liabilities continue to be recognised and measured under the Amortised cost category. Refer to earlier in note 1 for further detail.

Notes to the financial statements for the year ended 31 December 2018

1. Accounting policies (continued)

The following new standards, amendments to standards and interpretations will be mandatory for the first time in future financial years:

	Issued date	IASB mandatory effective date	EU endorsement status
IFRS 16 Leases	13-Jan-2016	01-Jan-19	Endorsed
IFRIC 23 Uncertainty over Income Tax Treatments	7-Jun-17	1-Jan-19	Endorsed
Amendments to IFRS 9: Prepayment Features with Negative Compensation	12-Oct-17	1-Jan-19	Endorsed
Amendments to IAS 28: Long-term interests in Associates and Joint Ventures	12-Oct-17	1-Jan-19	Expected Q1 2019
Annual Improvements to IFRSs (2015-2017 Cycle)	12-Dec-17	1-Jan-19	Expected Q1 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	7-Feb-18	1-Jan-19	Expected Q1 2019
Amendments to References to the Conceptual Framework in IFRS Standards	7-Feb-19	1-Jan-20	Expected 2019
Amendments to IAS 3 Business Combinations – definition of a business	22-Oct-18	1-Jan-20	Expected 2019
Definition of Material – Amendments to IAS 1 and IAS 8	31-Oct-18	1-Jan-20	Expected 2019

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

Notes to the financial statements for the year ended 31 December 2018

2. Turnover

	2018 £'000	2017 Restated £'000
Waste services provided in the United Kingdom	19,371	14,458

3. Operating profit/(loss)

Operating profit/(loss) is arrived at after charging:

	2018 £'000	2017 Restated £'000
Depreciation of tangible fixed assets	642	859
Hire of plant and equipment	155	286
Exceptional items (continuing operations)	138	85
Fees payable to the Company's auditor for the audit of the annual financial statements	1	1

Any other auditor remuneration which occurs is borne by Augean plc and is disclosed in the Group financial statements.

Exceptional items relate to restructuring costs £138k (2017: business restructuring costs of £85k).

4. Directors and employees

All directors and employees of the Company are employed and remunerated by Augean plc and recharged to the company in both years presented. It is not practical to split these amounts from the overall intercompany management charge.

Notes to the financial statements for the year ended 31 December 2018

5. Tax

	£'000 Continuing operations	2018 £'000 Discontinued operations	£'000 Total	£'000 Continuing operations	2017 £'000 Discontinued operations	£'000 Total
Current tax						
UK corporation tax on profit/(loss) for the year	657	(391)	266	(836)	(38)	(874)
Adjustment in respect of prior years	836	38	874	-	-	-
	<u>1,493</u>	<u>(353)</u>	<u>1,140</u>	<u>(836)</u>	<u>(38)</u>	<u>(874)</u>
Deferred tax						
Charge/(credit) in respect of the year	(121)	(68)	(189)	(44)	(53)	(97)
Adjustments in respect of prior years	61	-	61	(122)	18	(104)
	<u>(60)</u>	<u>(68)</u>	<u>(128)</u>	<u>(166)</u>	<u>(35)</u>	<u>(201)</u>
Tax charge/(credit)	<u>1,433</u>	<u>(421)</u>	<u>1,012</u>	<u>(1,002)</u>	<u>(73)</u>	<u>(1,075)</u>

The Company has recognised a deferred tax asset as shown below:

Effects of:

	2018 £'000	2017 £'000
Goodwill intangible election	121	118
Capital allowances in excess of depreciation	695	569
	<u>816</u>	<u>687</u>

Tax reconciliation – continuing operations

	2018 £'000	2017 £'000
Profit/(loss) on ordinary activities before tax	113	(2,557)
Expected tax at corporation tax rate of 19.00% (2017: 19.25%)	22	(492)
Effects of:		
Expenses not deductible for tax purposes	514	(388)
Adjustments in respect of prior years	897	(122)
Tax charge/(credit) on profit for the year	<u>1,433</u>	<u>(1,002)</u>

Notes to the financial statements for the year ended 31 December 2018

6. Goodwill

	Goodwill
	£'000
Cost:	
At 1 January 2018	8,213
At 31 December 2018	<u>8,213</u>
Impairment:	
At 1 January 2018	(8,213)
At 31 December 2018	<u>(8,213)</u>
Net book value:	
At 31 December 2018	<u>-</u>
At 31 December 2017	<u><u>-</u></u>

Notes to the financial statements for the year ended 31 December 2018

7. Tangible assets

	Freehold & leasehold land & buildings	Plant & machinery, vehicles, computer and office equipment	Total
	£'000	£'000	£'000
At 1 January 2018	2,443	19,750	22,193
Additions	5	448	453
Reclass to held for sale	-	(714)	(714)
Disposals	(73)	(1,673)	(1,746)
At 31 December 2018	2,375	17,811	20,186
Depreciation			
At 1 January 2018	1,470	16,403	17,873
Charged in year	9	735	744
Reclass to held for sale	-	(209)	(209)
Disposals	(40)	(898)	(938)
At 31 December 2018	1,439	16,031	17,470
Net book value			
At 31 December 2018	936	1,780	2,716
At 31 December 2017	973	3,347	4,320

Included within the net book value is £nil (2017: £nil) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £nil (2017: £0.1m).

Included within disposals is NBV £0.8m (2017: £Nil) which relate to assets held by the AIS division which were transferred to Axil Integrated Services Limited (previously Augean Integrated Services Limited) on the 1 March 2018 prior to the sale of Axil Integrated Services Limited on 16 March 2018.

Notes to the financial statements for the year ended 31 December 2018

8. Stocks

	2018 £'000	2017 £'000
Stocks	81	129

Stocks relates to oil stocks held for resale and critical engineering spares

9. Debtors

	2018 £'000	2017 £'000
Debtors due within one year		
Trade debtors	9,927	6,265
Prepayments and accrued income	549	1,229
	<u>10,476</u>	<u>7,494</u>
Debtors due after more than one year		
Deferred tax	816	687

All of Augean Treatment Limited's trade and other debtors have been reviewed for indicators of impairment. The carrying value of trade receivables is considered a reasonable approximation of fair value.

10. Creditors due within one year

	2018 £'000	2017 £'000
Trade creditors	1,664	1,176
Accruals and deferred income	2,107	1,943
Other taxes and social security costs	2,149	720
Amounts payable to group companies	44,656	41,180
	<u>50,576</u>	<u>45,019</u>

The carrying values are considered to be a reasonable approximation of fair value.

The amounts payable to group companies are due on demand and are non-interest bearing.

11. Discontinued operations

A review of the East Kent asset was completed in the year and the Company has decided and announced to the market that the Facility will be mothballed early in the New Year with the Board seeking a buyer. As this asset is available for immediate sale and the plan to mothball has been publicly announced and initiated this asset is classified as "held for sale" and the associated result is therefore disclosed as discontinuing.

The analysis below shows the result from this operation-

	2018	2017
	East Kent	East Kent
	£'000	£'000
Revenue	2,893	3,134
Operating expenses	(3,788)	(3,241)
Loss before tax and exceptional items	(895)	(107)
Exceptional items	2,644	-
Profit / (Loss) before tax	1,749	(107)
Taxation	468	73
Profit / (Loss) after Tax	2,218	(34)

A reversal of impairment of £2,644,000 on the East Kent site assets has also been recognised in exceptional costs. Market conditions indicated that the asset's value on the open market is in excess of its current carrying value. Therefore income at a level equal to the depreciated historical cost of the impaired assets has been recognised in exceptional items and an equivalent asset has been recognised and classified as an asset held for sale.

12. Share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid 10,368 ordinary shares of 10p each	1	1

13. Parent undertaking

The immediate and ultimate parent company is Augean plc, which is registered in England and Wales. Augean plc prepares publicly available consolidated financial statements in accordance with IFRS. The largest and smallest group in which the results of the Company are consolidated is that headed by the ultimate parent company. Its group accounts are available to the public on the parent Company website www.augeanplc.com

Notes to the financial statements for the year ended 31 December 2018

14. Financial commitments

The minimum lease payments which the Company is committed to make under operating lease agreements are as follows:

	2018 £'000	2017 £'000
Plant and machinery		
Leases expiring		
within one year	9	228
In two to five years	5	221
	<hr/>	<hr/>
	-	449
Land and buildings		
Leases expiring		
within one year	-	59
In two to five years	-	45
	<hr/>	<hr/>
	-	104
	<hr/>	<hr/>

The financial commitments of the Company represent substantially operating leases of plant and machinery leased on 3 to 5 year terms. The leases generally do not have options to extend and there are no contingent payments.

15. Related party transactions

As permitted by FRS 101 related party transactions with wholly owned members of Augean plc have not been disclosed.

16. Contingent liabilities

A cross guarantee has been given by the Company to HSBC Bank PLC in favour of Augean PLC and other group company members. At 31 December 2018, bank borrowings of group company members covered by the Company's cross guarantee amounted to £2,922,000 (2017: £17,378,000).

17. Post balance sheet events

On 25 January 2019 the Company sold the land, buildings and plant associated with East Kent High Temperature Incinerator for a total consideration of £3.35m. £2.35m of the consideration is deferred and payable within 3 months of completion. As noted in Note 11, a profit as a result of a reversal of impairment of £2.6m was recognised in 2018 as an exceptional credit to the Income Statement.