

COMPANY NUMBER 4636789

Augean South Limited

Annual Report

Year ended 31 December 2011

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Company information

Directors	P Blackler N D Canwell G Wilson R D Allen N Bowen M Snaith D Unsworth
Secretary	Tmf Corporate Administration Services Limited (resigned 1 September 2011) A G Secretarial Ltd (appointed 1 September 2011)
Registered office	4 Rudgate Court Walton Wetherby West Yorkshire LS23 7BF
Registered number	4636789 Incorporated in England and Wales
Auditors	Grant Thornton UK LLP No 1 Whitehall Riverside Leeds LS1 4BN
Bankers	HSBC Bank plc 33 Park Row Leeds LS1 1LD

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2011

Principal activities

The principal activity of the Company was the operation of landfill sites and treatment facilities at East Northants Resource Management Facility (ENRMF) and Thornhaugh, both near Peterborough. The Company also operated a laboratory on the ENRMF site.

Business review and future developments

Including landfill tax, revenue for the Company increased to £15.5m (2010: £10.6m). Hazardous waste volumes were 48% higher than 2010 at 216,477 tonnes (2010: 146,155 tonnes). Operating profit increased to £3.3m (2010: £1.9m) and margin strengthened to 21% (2010: 18%).

Key Performance Indicators

Key Performance Indicator	2011	2010
Annualised Tonnage Growth ¹	28.7%	8.9%
Operating Margin ²	21.2%	18.1%
Annualised Sales Growth/(Decline) ³	45.6%	(8.3)%

Notes to KPI's

¹ **Annualised Tonnage Growth** = the annual increase in tonnage into landfill as a percentage of tonnage into landfill from the prior year

Tonnages have increased by 58,751 tonnes in 2011 to 263,109 tonnes. The mix has shifted away from hazardous waste with hazardous volumes representing 82.3% (2010: 71.5%) of the Company's total volume.

² **Operating Margin** = Operating profit as a percentage of turnover

Operating margins have increased to 21.1% (2010: 18.1%).

³ **Annualised Sales Growth** = the annual increase in revenue as a percentage of revenue from the prior year

Annual sales have increased substantially by 45.6% due primarily due to a change to the mix of wastes disposed of and the increase in volumes.

Principal risks and their mitigation

The performance of the business is linked to economic activity in the markets it serves, principally the industrial and construction sectors. Fluctuations in the economy in these sectors therefore affect the Company's 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 commodity prices. In addition to this general economic risk, there are a number of risks specific to the waste industry.

Environmental legislation

Regulation is a key driver of the waste market. This is further complicated by the ongoing change in legislation resulting from the increased profile of environmental issues. Changes in legislation (including tax legislation with environmental goals) or its interpretation can have a significant and far-reaching impact on markets. The Company endeavours to mitigate this risk by employing high-quality technical management to interpret the evolving legislative framework and its impact on the Company's operations. In addition, the Company maintains a presence on a number of industry groups to have influence in the shaping of policy.

Directors' report (continued)

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. Therefore the negotiation of, and compliance with, their terms is of paramount importance as 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. The Company mitigates this risk through the employment of technical expertise throughout the Company and through the provision of training to develop the Company's staff to understand their role in ensuring compliance is maintained.

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

By its nature, the waste industry has inherent risks in the area of health and safety. The Board believes 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. The Company continues to invest and resource the business to ensure that the highest health and safety standards are required and applied.

Price risk

The waste sector has experienced significant changes in the commercial framework for the management of hazardous waste over the past few years. Price pressure is inherent in the sector where a range of technologies and solutions are available to waste producers for the ultimate disposal of their wastes. 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. 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.

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.

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 long term risk. The escalation of landfill tax by £8/tonne in each year up to 2013 may encourage some customers to divert volumes away from our sites. The full rate of landfill tax rose to £56/tonne on 1 April 2011 and will reach £72/tonne on 1 April 2013. To mitigate against this risk the Company has developed a range of treatment solutions for customers.

Directors' report (continued)

Results and dividends

The profit for the year after tax amounted to £3.9m (2010 profit £1.8m). The directors do not recommend a dividend (2010 £nil).

Directors

The present directors of the Company are set out on page 1, all of whom served throughout the year and to the date of this report.

Charitable and political contributions

During the period the Company made £nil (2010 £nil) of charitable donations.

No political donations were made during the period (2010 £nil).

Corporate governance

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

Going concern

The Company's business activities and the factors likely to affect its future development, performance and position are set out on pages 2 and 3.

The Company is financed by 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. At 31 December 2011 the group carried relatively low levels of debt and short term flexibility is achieved by bank facilities comprising of a £10m revolving credit & overdraft facility. The previous facility which was due for renewal on 30 November 2012 was renewed on 2 March 2012. The facility ensures that the company has access to a £1m overdraft and £9m revolving credit facility for 3 years from this date.

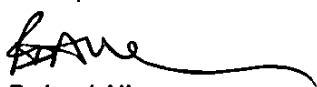
After making enquiries the directors have a reasonable expectation that the Company and the group have adequate resources for the Company to continue in operational existence for the foreseeable future. On the basis of detailed forecasts for the next twelve months the directors are confident that the 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.

Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the Company receives notice under Section 488 (1) of the Companies Act 2006.

Approval

The report of the directors was approved by the Board on 27 September 2012 and signed on its behalf by



Richard Allen
Director

Company number
4636789

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 IFRSs 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

The directors confirm that

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

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

We have audited the financial statements of Augean South Limited for the year ended 31 December 2011 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in shareholders' equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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



Andrew Wood
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
27 September 2012

Statement of comprehensive income

For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Revenue	2	15,500	10,644
Operating expenses		(12,221)	(8,655)
Operating profit	3	<u>3,279</u>	<u>1,989</u>
Finance charge		-	(59)
Profit before tax		<u>3,279</u>	<u>1,930</u>
Tax	5	573	(117)
Profit for the year attributable to equity shareholders		<u>3,852</u>	<u>1,813</u>
Total comprehensive income attributable to equity shareholders		<u>3,852</u>	<u>1,813</u>

The notes on pages 10 to 24 form an integral part of these financial statements

Statement of financial position

As at 31 December 2011

	Note	2011 £'000	2010 £'000
Non-current assets			
Property, plant and equipment	6	9,028	8,040
Deferred tax assets	5	840	3
Trade and other receivables	7	2,839	-
		<u>12,707</u>	<u>8,043</u>
Current assets			
Trade and other receivables	7	936	1,089
		<u>936</u>	<u>1,089</u>
Current liabilities			
Trade and other payables	8	(2,384)	(1,243)
Current tax liabilities		(187)	-
		<u>(2,571)</u>	<u>(1,243)</u>
Net current (liabilities)		<u>(1,635)</u>	<u>(154)</u>
Non-current liabilities			
Trade and other payables	8	-	(215)
Provisions for liabilities	9	(4,268)	(4,722)
		<u>(4,268)</u>	<u>(4,937)</u>
Net Assets		<u>6,804</u>	<u>2,952</u>
Shareholders' equity			
Share capital	10	-	-
Retained earnings		6,804	2,952
Total shareholders' equity		<u>6,804</u>	<u>2,952</u>

The notes on pages 10 to 24 form an integral part of these financial statements

The financial statements were approved by the Board on 27 September 2012 and signed on its behalf by



Richard Allen
Director

Statement of cash flows

For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Operating activities			
Cash generated from operations	15	2,782	2,016
Net cash generated from operating activities		<u>2,782</u>	<u>2,016</u>
Investing activities			
Purchase of property, plant and equipment		(2,782)	(2,018)
Proceeds on disposal of property, plant and equipment		-	2
Net cash used in investing activities		<u>(2,782)</u>	<u>(2,016)</u>
Net change in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of period		-	-
Cash and cash equivalents at end of period		<u>-</u>	<u>-</u>

Statement of changes in shareholders' equity

For the year ended 31 December 2011

	Share capital £'000	Profit and loss account £'000	Shareholders' equity £'000
At 1 January 2010	-	1,139	1,139
Retained profit and total comprehensive income for the year	-	1,813	1,813
At 31 December 2010	-	<u>2,952</u>	<u>2,952</u>
Retained profit and total comprehensive income for the year	-	3,852	3,852
At 31 December 2011	-	<u>6,804</u>	<u>6,804</u>

Notes to the financial statements for the year ended 31 December 2011

1. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with IFRS, International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union and those parts of the Companies Act 2006 that remain applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis with the exception of certain items which are measured at fair value as disclosed in the principal accounting policies set out below. These policies have been consistently applied to all years presented unless otherwise stated.

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

Revenue recognition

The company's responsibility for waste arises as soon as the waste is accepted into one of the disposal facilities. Revenue is therefore recognised at the point of acceptance. Revenue shown in the statement of comprehensive income charges for all waste accepted exclusive of value added tax, relating to the principal activities of the company.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset into use. Borrowing costs related to the purchase of fixed assets are 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 company and the cost of the item can be measured reliably. All other costs are charged to the statement of comprehensive income when incurred.

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

Cell engineering costs are capitalised when incurred or when an obligation to fund future expenditure in the case of the cap arises. The depreciation charged to the statement of comprehensive income is calculated with reference to actual costs to date and expected future costs for each cell including the cost of the future cap, the total of which is spread over the useful life of the cell. Useful life is assessed by reference to the usage of the void space available and the rate at which the void space is filled.

Freehold land 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 and machinery	-	two to ten years

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

Notes to the financial statements for the year ended 31 December 2011

1. Accounting policies (continued)

Property plant and equipment (continued)

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

Restoration and after-care provisions

The anticipated total cost of restoration and post-closure monitoring and after-care is charged to the statement of comprehensive income over the expected useful life of the sites in proportion to the amount of void consumed at the sites during the period. The costs of restoration and post-closure monitoring are charged to the provision when incurred. The provision has been estimated using current costs and is discounted

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

Notes to the financial statements for the year ended 31 December 2011

1. Accounting policies (continued)

Tax (continued)

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

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. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial instruments

(i) Financial assets

Financial assets are categorised as other loans and receivables. The company's trade and all other receivables fall into the 'loans and receivables' category. Financial assets are assigned to this category on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses is recognised in the statement of comprehensive income or directly in equity.

Augean South 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. An annual assessment is made to ascertain whether there is objective evidence that the financial assets are impaired. All income and expense relating to financial assets are recognised in the statement of comprehensive income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less any provision for impairment. Any change in their value is recognised in the statement of comprehensive income. Discounting, however, is omitted where the effect is immaterial.

Significant receivables are considered for impairment on a case-by-case basis when they are past due at the statement of financial position date or when objective evidence is received that a specific counterparty will default. Provision against trade receivables is made when there is objective evidence that the company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the impairment is determined as the difference between the asset's carrying amount and the present value of estimated future cashflows.

(ii) Financial liabilities

The company's financial liabilities include trade payables, debt and finance costs and derivatives. Trade payables are not interest-bearing and are recognised at fair value and carried at amortised cost. Debt is initially recognised at fair value and carried at amortised cost. The company's policy is that no trading in financial instruments or derivatives shall be undertaken.

Financial liabilities are recognised when the company becomes a party to the contractual agreements 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 line item 'finance charges'.

Notes to the financial statements for the year ended 31 December 2011

1. Accounting policies (continued)

Equity

Equity comprises the following

- 'Share capital' represents the nominal value of equity shares
- 'Retained earnings' represents retained earnings and losses

Significant judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical experience 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 period 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 £9.0m (note 6). These assets are reviewed annually for impairment to ensure that property, plant and equipment are not carried above their estimated recoverable amounts. To assess if any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual outcomes could vary from such estimates of discounted future cash flows. Factors such as changes in expected use of buildings, plant and machinery, closure of facilities, or lower than anticipated sales could result in impairment.

Site development and cell engineering/capping

Total anticipated site development and cell engineering/capping costs are charged to the statement of comprehensive income as void usage progresses. Costs re site development and cell engineering/capping are estimated using either the work of external consultants or internal experts. Management uses its judgement and experience to provide for these estimated costs over the life of the site and cell.

Aftercare costs

Provision is made for aftercare costs as soon as the obligation arises, and is charged to the statement of comprehensive income as void usage progresses. Aftercare costs are estimated using either the work of external consultants or internal experts. Management uses its judgement and experience to provide for these estimated costs over the life of the site.

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.

Notes to the financial statements for the year ended 31 December 2011

1. Accounting policies (continued)

New IFRS standards and interpretations not applied

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011

- Improvements to IFRS issued May 2010
- IFRS 1 First-time Adoption of IFRSs – Revaluation as deemed cost
- IFRS 1 First-time Adoption of IFRSs – Use of deemed cost for rate regulated operations
- IFRS 7 Financial Instruments Disclosures – Amendments to disclosures
- IAS 1 Presentation of Financial Statements – Presentation of statement of changes in equity
- IAS 24 (Revised 2009) 'Related Party Disclosures'
- Amendment to IAS 32 'Classification of Rights Issues'
- IAS 34 Interim Financial Reporting – Significant events and transactions
- IFRIC 13 Customer Loyalty Programmes – Fair value of award credit
- Amendments to IFRIC 14 'Prepayments of a Minimum Funding Requirement'
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'

The IASB and IFRIC have issued additional standards and interpretations which are effective for periods starting after the date of these financial statements. The following standards and interpretations have yet to be adopted by the company

- Amendments to IAS 1 – Presentation of Other Comprehensive Income
- IFRS 9 'Financial Instruments' (effective 1 January 2013)
- Amendments to IFRS 7 'Disclosures – Transfers of Financial Assets' (effective 1 July 2011)
- Amendments to IAS 12 Income Taxes – Deferred tax - Recovery of Underlying Assets (effective 1 January 2012)
- Amendments to IFRS 1 'Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – First-time Adoption of International Financial Reporting Standards' (effective 1 July 2011)
- IFRS 13 Fair Value Movements (effective 1 January 2013)
- Amendments to IAS 27 Separate Financial Statements (effective 1 January 2013)
- Amendments to IAS 28 Investment in Associates and Joint Ventures (effective 1 January 2013)
- Amendments to IAS 19 Employee Benefits (effective 1 January 2013)
- IFRIC 20 Stripping costs in the production phase of a surface mine (effective 1 January 2013)
- Amendments to IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)
- Amendments to IAS 32 – Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)
- IFRS 9 Financial instruments (effective 1 January 2015)

The revised standards will be adopted when effective in the company's financial statements, although are not anticipated to have a significant impact on the company

2. Revenue by geographical market

	2011 £'000	2010 £'000
United Kingdom	15,500	10,644

Notes to the financial statements for the year ended 31 December 2011

3. Operating profit

Operating profit is arrived at after charging

	2011 £'000	2010 £'000
Depreciation of property, plant and equipment	1,794	1,700
Profit on sale of fixed assets	-	(2)
Hire of plant and equipment	621	301
Fees payable to the company's auditor for the audit of the annual financial statements	1	1
	<hr/>	<hr/>

Other auditors' remuneration is disclosed in the Group financial statements, as the Group financial statements are required to comply with regulation 5(1) of the Companies (Disclosure of Auditor Remuneration) Regulations 2005

4. Directors and employees

All directors and employees of the company are employed and remunerated via Augean Plc

Notes to the financial statements for the year ended 31 December 2011

5. Tax

	2011 £'000	2010 £'000
Current tax		
United Kingdom corporation tax current tax on profit for the year	(182)	(117)
Adjustments in respect of prior periods	(82)	-
	<u>(264)</u>	<u>(117)</u>
Deferred tax		
Charge in respect of the period	121	-
Adjustments in respect of prior periods	716	-
	<u>837</u>	<u>-</u>
 Tax credit/(charge) on the result for the year	 <u>573</u>	 <u>(117)</u>

The company's deferred tax position is shown below

Effects of	2011 £'000	2010 £'000
Recognised		
Depreciation in excess of capital allowances	840	3
Unrecognised		
Depreciation in excess of capital allowances	-	627
	<u>-</u>	<u>627</u>

Current tax reconciliation

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	3,279	1,930
Expected tax at corporation tax rate of 26% (2010 28%)	853	540
Effects of		
Expenses not deductible for tax purposes	(68)	-
Prior year adjustment re deferred tax	(716)	-
Group relief	(647)	(391)
Research and development relief	-	(54)
Changes in unrecognised deferred tax assets	-	(95)
Tax rate change	8	-
Adjustments in respect of prior periods	(3)	117
Tax (credit)/charge on results	<u>(573)</u>	<u>117</u>

Notes to the financial statements for the year ended 31 December 2011

6. Property, plant and equipment

	Freehold land and buildings £'000	Cell engineering £'000	Plant & machinery £'000	Total £'000
Cost				
At 1 January 2010	7,945	6,062	1,089	15,096
Additions	1,516	382	120	2,018
Disposals	-	-	(18)	(18)
At 1 January 2011	9,461	6,444	1,191	17,096
Additions	842	1,521	419	2,782
At 31 December 2011	10,303	7,965	1,610	19,878
Depreciation				
At 1 January 2010	1,410	5,171	793	7,374
Disposals	-	-	(18)	(18)
Charged in year	534	972	194	1,700
At 1 January 2011	1,944	6,143	969	9,056
Charged in year	456	1,158	180	1,794
At 31 December 2011	2,400	7,301	1,149	10,850
Net book value				
At 31 December 2011	7,903	664	461	9,028
At 1 January 2011	7,517	301	222	8,040
At 1 January 2010	6,535	891	296	7,722

Notes to the financial statements for the year ended 31 December 2011

7. Trade and other receivables

Current	2011 £'000	2010 £'000
Trade receivables	872	999
Other receivables	-	-
Prepayments and accrued income	64	90
	<u>936</u>	<u>1,089</u>
Non-current		
Amounts payable to group companies	<u>2,839</u>	<u>-</u>

The carrying amount of trade receivables is considered a reasonable approximation to fair value

8. Trade and other payables

	2011 £'000	2010 £'000
Current		
Trade payables	592	299
Other taxes and social security costs	-	172
Accruals and deferred income	1,792	772
	<u>2,384</u>	<u>1,243</u>
Non-current		
Amounts payable to group companies	<u>-</u>	<u>215</u>

With the exception of amounts due to group undertakings, all amounts are short-term. The carrying values are considered to be a reasonable approximation of fair value

Notes to the financial statements for the year ended 31 December 2011

9. Provisions for liabilities and charges

	Restoration and aftercare £'000	Capping provision £'000	Other Provisions £'000	Total £'000
At 1 January 2010	1,328	1,688	743	3,759
Provided in the year – unwinding of discount provision	58	-	-	58
Provided in the year – other	110	377	493	980
Released in the year	-	-	(75)	(75)
Utilised in the year	-	-	-	-
At 31 December 2010	1,496	2,065	1,161	4,722
Provided in the year – unwinding of discount provision	60	-	-	60
Provided in the year – other	84	488	-	572
Released in the year	-	-	(1,086)	(1,086)
Utilised in the year	-	-	-	-
At 31 December 2011	1,640	2,553	75	4,268

The provision for restoration and after-care relates to closure and post-closure costs for all landfill sites, charged over the estimated active life of the landfill sites. The expenditure is incurred partially on completion of the landfill sites and in part after the closure of the landfill sites over a considerable period of years. The provision has been estimated using current costs and is discounted using a real rate of 3%. Other provisions relate to the cost of capping cells acquired and for remediation of issues inherited on landfill sites acquired from Atlantic Waste Holdings Limited.

Other provisions relate to the cost of capping cells acquired and for remediation of issues inherited on landfill sites acquired from Atlantic Waste Holdings Limited.

10. Share capital

	2011 £	2010 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
1 ordinary share of £1 each	1	1

Notes to the financial statements for the year ended 31 December 2011

11. Related party transactions

IAS 24 (Related party transactions) requires the disclosure of the details of material transactions between reporting entities and related parties. The related party transactions of the company are as follows:

	2011	2010
	£'000	£'000
Transactions with Augean Treatment Limited		
Revenue	164	787
Costs	-	-

12. Parent undertaking

The immediate and ultimate parent company is Augean plc, which is registered in England and Wales.

Its group accounts are available to the public on payment of the appropriate fee, from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

The group accounts are also available on the parent company website www.augeanplc.com.

13. Financial instruments

The financial assets of the company are categorised as follows:

	As at 31 December 2011			As at 31 December 2010		
	Loans and receivables £'000	Non- financial assets £'000	Total £'000	Loans and receivables £'000	Non- financial assets £'000	Total £'000
Property, plant and equipment	-	9,028	9,028	-	8,040	8,040
Deferred tax asset	-	840	840	-	3	3
Trade and other receivables - current	872	64	936	999	90	1,089
Trade and other receivables - non current	-	-	2,839	-	-	-
	872	9,932	13,643	999	8,133	9,132

Notes to the financial statements for the year ended 31 December 2011

13. Financial instruments (continued)

The financial liabilities of the company are categorised as follows

	As at 31 December 2011			As at 31 December 2010		
	Financial liabilities At amortised cost £'000	Liabilities not within Scope of IAS 39 £'000	Total £'000	Financial liabilities At amortised cost £'000	Liabilities not within Scope of IAS 39 £'000	Total £'000
Trade and other payables – current	1,529	855	2,384	596	647	1,243
Trade and other payables – non-current	-	-	-	215	-	215
Current tax liabilities						
Provisions	-	4,268	4,268	-	4,722	4,722
	1,529	5,123	6,652	811	5,369	6,180

The company's financial liabilities have contractual maturities (including interest payments where applicable) which are summarised below

As at 31 December 2011	Amounts due in less than one year £'000	Amounts due in second to fifth year £'000	Amounts greater than five years £'000	Financial liabilities £'000
Trade and other payables – current	1,529	-	-	1,529
	1,529	-	-	1,529

As at 31 December 2010	Amounts due in less than 1 year £'000	Amounts due in second to fifth year £'000	Amounts greater than 5 years £'000	Financial liabilities £'000
Trade and other payables – current	596	-	-	596
Trade and other payables – non current	-	-	215	215
	596	-	215	811

Notes to the financial statements for the year ended 31 December 2011

13. Financial instruments (continued)

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. At 31 December 2011 the group carried relatively low levels of debt and short term flexibility is achieved by bank facilities comprising of a £10m revolving credit & overdraft facility.

The previous facility which was due for renewal on 30 November 2012 was renewed on 2 March 2012. The facility ensures that the company has access to a £1m overdraft and £9m revolving credit facility for 3 years from this date.

Credit risk

The company has a customer credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The company has standard credit terms of 30 days from date of invoice. Invoices greater than 30 days old are assessed as overdue. The maximum exposure to credit risk is the carrying value of each financial asset included on the balance sheet as summarised below.

	2011 £'000	2010 £'000
Trade and other receivables	936	1,089
	936	1,089

At 31 December 2011, £0.4m (2010: £0.4m) of trade receivables were past due. A provision of £9,000 (2010: £15,000) is held to mitigate the exposure to potential bad and doubtful debts.

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

	2011 £'000	2010 £'000
Greater than 1 but not more than 4 months old	382	398
More than 4 months old	20	9
Total past due trade receivables	402	407
Trade receivables not yet past due – less than 1 month old	479	607
Total gross trade receivables	881	1,014
Bad debt provision	(9)	(15)
Total net trade receivables	872	999

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

Notes to the financial statements for the year ended 31 December 2011

13. Financial instruments (continued)

The movement on the bad debt provision in the period is analysed below

	£'000
Bad debt provision as at 31 December 2010	15
Amounts utilised	(15)
Amounts provided	9
Bad debt provision as at 31 December 2011	9

Interest rate risk

The company finances its operations through a mixture of retained profits, borrowings from group and hire purchase leasing. 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.

Capital management policies and procedures

The Company defines the capital that it manages as the Company's share capital and financial liabilities. The Company's capital management objectives, which have remained unchanged during the year, are

- To ensure the group's ability to continue as a going concern, and
- To provide a strong financial base to deliver growth and adequate return to shareholders

The Company's primary source of capital is bank debt provided through Group's loan facility with HSBC Bank plc. The Company can also access funding through finance leases when management believe these are appropriate to support capital expenditure. In the first instance funding for operating activities would be achieved through drawing on the loan facility, which had £6.7m of headroom at 31 December 2011 (2010 £6.0m).

To ensure that funds are available to the Company when required the Group's management sets targets against the following measures and monitors the group's performance against each throughout the year

- Bank facility covenants, which include Net debt to EBITDA and EBIT to net debt costs
- Net debt to equity ratio
- Free cash flow generated

The value of net debt and available free cash flow is monitored on a daily basis and balances of finance leases are reviewed monthly as repayments are made and balances reduce.

14. Financial commitments

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

	2011 £'000	2010 £'000
Plant and machinery		
Leases expiring		
within one year	150	102
In two to five years	145	171
In greater than five years	-	-
	<u>295</u>	<u>273</u>

Notes to the financial statements for the year ended 31 December 2011

15. Reconciliation of operating profit to net cash generated from operating activities

	2011 £'000	2010 £'000
Operating profit	3,279	1,930
Depreciation	1,794	1,700
Earnings before interest, tax, depreciation and amortisation (EBITDA)	5,073	3,630
Profit on sale of property, plant and equipment	-	(2)
(Increase) / decrease in trade and other receivables	(2,686)	995
Increase / (decrease) in trade and other payables	926	(3,570)
(Decrease) / increase in provisions	(454)	963
Cash generated from operations	2,859	2,016
Tax paid	(77)	-
Net cash generated from operating activities	2,782	2,016

16. Contingent liabilities

In accordance with Pollution, Prevention and Control ("PPC") permitting, the Company 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 in favour of the Environment Agency in respect of the Company's landfill sites. Total guarantees outstanding at the year end were £4.4m (2010: £4.1m). Future site restoration costs for each landfill site have been provided as disclosed in note 9.