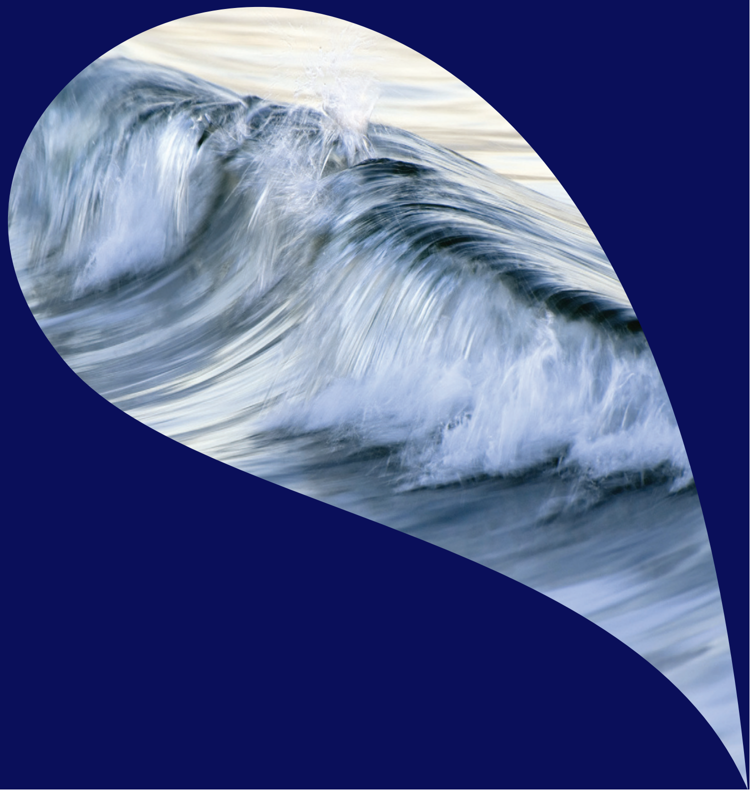
Nature Group PLC

Report and accounts for the year ended 31st December 2010

Wastewater reception and environmental treatment solutions for the shipping and oil industries



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nature group

NATURE GROUP PLC

REPORT AND ACCOUNTS

For the year ended
31 December 2010

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DIRECTORS, SECRETARY AND ADVISERS

DIRECTORS

R A Eldridge *(Chairman)*
B Muller *(Deputy Chairman)*
A Drenthen *(Chief Executive Officer)*
D P Laguea *(Managing Director)*
P Snell *(Finance Director)*
S O Keller *(Executive Director)*
N D A Sandy *(Non-Executive Director)*
C P Fairweather *(Non-Executive Director)*

SECRETARY

R A Eldridge

REGISTERED OFFICE

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31 Pier Road
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Jersey JE4 8PW

REGISTRARS

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St. Helier
Jersey JE4 9XY

AUDITORS

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PO Box 758
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22/24 John Mackintosh Square
Gibraltar

NOMINATED ADVISER

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London EC2V 7BB

BROKERS

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London EC4R 0DR

WEBSITE

www.ngrp.com

Nature Group PLC is listed on the AIM market of the London Stock Exchange with a TIDM of NGR

CHAIRMAN'S STATEMENT

Nature entered 2011 as the leading maritime waste reception and treatment group in Europe, following the acquisition of International Slop Disposal BV ('ISD'), the largest maritime and offshore waste collector in the Port of Rotterdam, with effect from mid December 2010.

The first quarter and indeed first 20 weeks of the current year successfully demonstrated our progress in achieving the results planned for the enlarged Group. However, in the afternoon of 31 May 2011, an explosion followed by a fire occurred in one of the tanks located at our Gibraltar storage facility. The fire damage was contained within the bunded area and, whilst damaging other tanks, appears not to have affected our treatment plant, in a separately located area. This event was announced to the London Stock Exchange and copies of the announcement can be found on our website. Our first concern is always for the safety of our staff and the public, and our thoughts are with the sub-contractor, working on the site, who was seriously injured. We have of course cooperated fully with the Gibraltar Government and Authorities to minimise any pollution from this accident, and to determine its cause in which respect appropriate investigations are underway. In the meantime our local management and directors are developing a number of contingency plans to maintain the essential maritime waste disposal service we provide in Gibraltar. During this period we will be working in close consultation with our professional advisers and insurers who are providing valuable assistance, and of course are actively participating with the relevant Gibraltar Authorities. I can advise that the Group's local subsidiary holds appropriate insurances in respect of its assets and liabilities and for business interruption on standard terms.

Our Group will increase its endeavours to maintain growth despite this incident, and our broader operations in S.W. Europe are expected to continue after rescheduling routes and destinations.

2010 Financial Highlights

- Revenues of £6,830,223 (2009: adjusted to £5,062,610)
- Profit after tax £1,528,379 (2009: £1,573,712)
- Earnings per share ("EPS") 3.71p (2009: 4.05p)
- EPS excluding share based payments and group acquisition costs 4.34p (2009: 4.05p)
- Profit before tax, depreciation, amortisation/goodwill impairment, share based payments and group acquisition costs £2,318,951 (2009: £2,203,458)
- Cash balances of £5,741,644 (2009: £1,586,823)
- A dividend of 0.7p per share will be proposed at the AGM in respect of 2010 (2009: 0.6p)

2010 Operational Highlights

- Acquisition of ISD and Ecoscrub Solutions BV ("Ecoscrub") for £16 million completed in December 2010
- Extension of oil waste collections to Malta and other locations
- Formal contract issued to Nature for a new treatment plant at Duqm Oman, although local site delays have deferred some anticipated revenues from 2010 to 2011
- Discussions commence with regard to other operational locations, and the deployment of containerised treatment units in offshore locations
- The Placing of shares to raise £3 million alongside the Rotterdam acquisitions and significant expansion of Nature's institutional shareholder base

2011 to date

- Synergies to be achieved as a result of the ISD acquisition were actioned in the first quarter of 2011. Transhipments from Rotterdam and collections of waste oil from Italy also commenced
- Offshore utilisation of our compact treatment units under possible deployment from August, potentially generating a new international market later in the year

- A new international port location for Nature Group agreed in principle
- Group integration and new Group identity progressing well. New website www.ngrp.com on line 2 June 2011
- Results for the first quarter 2011 satisfactorily achieved the budget established for the enlarged Group in December 2010
- The major incident at our facility in Gibraltar requires a comprehensive assessment as to its effect upon our operations. Insurance assessors on site are working with Group staff, advisers and local services

Review of Group Results for the Year ended 31 December 2010

The financial results for the year ended 31 December 2010 do not reflect the Group's revenue and profit growth that is evident since the integration of ISD and Ecoscrub, an environmental hydrocarbon gas cleaning business acquired at the same time. As a reflection of the incremental scale of the Group revenues and activities, we have provided later in this statement on page 6 a summarised pro forma statement of combined 2010 results for Nature and ISD and Ecoscrub showing Group revenues on a fully integrated basis for 2010 approximately 140% higher at £16.38 million. The Group Balance Sheet as at 31 December 2010 does, however, include consolidation of ISD and Ecoscrub after acquisition.

As indicated in my statement with the Circular issued on 13 December 2010, the revenues of the Group for the year ended 31 December 2010 increased in line with expectations, although previous accounts and 2010 budgets included our share of the revenues for our associate company in Stavanger, and these revenues are not included in group revenues as explained below. Whilst we did not achieve the revenues hoped for in the offshore sector in 2010, there are indications that significant revenues from this segment of our business could be secured in the near future.

Following the appointment of Deloitte Limited as Group auditors the 2010 results reflect certain accounting amendments which have an impact on prior year comparisons with 2009 and earlier. For example, Nature's 40% owned Norwegian treatment company, to which we supply both the General Manager and technical support, is included as an associate and its revenues are now excluded from consolidated revenues with the Group's proportion of after tax profits included in Group net profits. In addition we have complied with IFRS standards in evaluating the fair value on grant date of executive share options by the application of such factors as share price volatility. In view of the significant increase in Nature's share price during 2010 we have recognised a share-based payment expense under IFRS 2 for the first time, resulting in a deduction of £151,303 from 2010 profits. We have also prudently written off £106,937 of costs relating to our Rotterdam acquisitions.

The main event of the year was, however, the acquisition of ISD and Ecoscrub for £16 million, completed in December 2010. Both companies are based in the Port of Rotterdam where ISD is the largest maritime waste oil collector in Europe. This acquisition was financed by the issue of shares in Nature half of which were placed with institutions. At the same time a further £3 million before expenses was raised for future expansion.

The substantial effort of our executives and staff devoted to Group expansion throughout 2010 involved significant executive time, travel and other costs. This commitment had a positive effect on operational growth and, in financial terms, resulted in deductions of considerable corporate acquisition costs from our profits including certain professional costs in relation to the Rotterdam acquisitions. Together with the IFRS required introduction of a "share based payments reserve" and the deferment of an element of the Middle East project revenues, these factors meant that our profit after tax was approximately £300,000 lower than expected.

Group share capital increased significantly in 2010 as reported in our Circular of 13 December 2010 and, on a weighted average basis, earnings per share were 3.71p (2009: 4.05p). Excluding the newly introduced 'share based payments' and corporate acquisition costs, earnings would have been 4.34p per share.

These results do not portray the substantive Group progress in 2010 which was a year of "scale of business change" for Nature, with the enlarged Balance Sheet at year end reflecting cash balances of £5,741,644. The current growth in Group revenues has been providing strong cash generation from operations which gives your directors the confidence to continue exploring and developing new business opportunities.

The directors are pleased to propose a dividend of 0.7p per share in respect of the year ended 31 December 2010 (2009: 0.6p) for approval at the AGM to be distributed in July 2011. Your directors' proposals as to current and future dividend policy as stated in our Circular of 13 December 2010 – being the intended distribution of 25% of future net earnings – will be considered in September this year when announcing our results for the six months to June 2011.

European Port Reception Facilities

Our operations based out of Gibraltar achieved a 25% increase in revenues in 2010, with the inclusion of initial collections from Ceuta and Malta, in addition to the Canary Islands as in previous years. The logistics of inwards shipments, at an economic size for vessel movements involving some 3,000 tonnes per load, has been managed effectively by our dedicated staff there, requiring considerable logistical and personal commitment. As announced in December your directors had submitted plans and agreed a site extension enabling an increase in tank storage capacity on an adjacent site to our facility in Gibraltar Port.

We have also initiated further business opportunities in Southern Europe ranging from Italy to Portugal, including as announced, transhipment of waste oils from Malta.

In Rotterdam, ISD is recognised as the leading waste service provider to the maritime and offshore industry in the ARA (Amsterdam – Rotterdam – Antwerp) region. The team based in Rotterdam and operating ISD services, together with the Ecoscrub technology now uniquely approved for hydrocarbon gas scrubbing by Rotterdam port, have demonstrated their operational and commercial skills in developing the services there, now as Nature ISD, to such a leading position. We welcome them aboard, in particular Andreas Drenthen as our CEO and Bernard Muller as Deputy Chairman, and look forward to their valued contribution to our continued growth. The benefits of their international connections with both shipping lines and oil companies, and their existing infrastructure connections in other regions of the world, will undoubtedly accelerate our growth in these immediate months and years.

Oil Industry Services

2010 was a challenging year for our Norwegian businesses with several contracts ending in 2010, leading to a change of strategy to more international marketing, together with the process of integrating Northern Treatment AS and Nature Technology Solution AS into one business. We believe the benefits of the efforts made in recent years should at last come to fruition in second half 2011 and 2012 onwards.

The potential joint venture offshore with a leading international oil services contractor, whilst agreed in principle, was not concluded due to policy changes resulting from their integration into a larger group.

Our leading client for the utilisation of our Compact Treatment Unit ("CTU" previously referred to as Offshore Treatment Unit) was, for operational reasons, restricted to two campaigns in 2010 rather than the four we had anticipated. However in 2010, the development of our next generation of CTUs took place which are now available for wider utilisation in identified markets internationally, particularly as a result of synergies from the ISD team vision and contacts.

Our SAR Treatment AS (SART) associate company in Stavanger continues to deliver a good service treating wastewaters from the offshore oil industry. For this business we not only provide the General Manager but also provide a full technical support service which our co-shareholder endorses. In 2010 we experienced process capacity constraints in meeting demand which was addressed by commissioning a process upgrade, awarded to Nature for implementation, and installed early in 2011 with encouraging increases in throughput. This has led the SART Board to approve a substantial capacity upgrade to be designed and delivered by Nature for commissioning in the 4th quarter of 2011.

We still remain very confident in the future growth available to Nature deriving from the oil industry and for which the excellence of the knowledge and skill base inherent in our Norwegian team, together with Nature Norway's 12 year history and industry recognition of complex hydrocarbon treatment research and development, is an integral and valuable component of Group capabilities. For the future our business in Norway is to be renamed Nature Oil and Gas AS.

International Contracts

The contract to supply a turnkey port oil waste treatment facility to Duqm Oman was formally initiated in 2010. The overall regional project involves the development of substantial new infrastructures at Duqm by the main contractor Daewoo on a green 'sands' site 800 kms south of Muscat on the Indian Ocean. Our own progress has been hindered by a number of external factors beyond our control; as a consequence only 40% of the revenues attributable to Nature from the contract were recognised in our accounts for 2010. However, shipment of plant components is now under way, with installation due to commence shortly. We anticipate that over 80% of the contract will be fulfilled by September, with training of local Oman Docks Company staff commencing at that time.

The experience gained in the engineering and design work for a new build plant ten years after initiating our Gibraltar installation provides a valuable resource for application to the several potential new international projects where Nature will be involved as principal and operator.

Pro Forma Revenue and Profit summary for 2010

This assumes consolidation for the full year 2010 of ISD and Ecoscrub, including deduction of related acquisition costs and the share based payment provision (together £258,240), referred to earlier.

Revenues of the Enlarged Group	£16,384,730
Profits before tax	£3,582,338
Profits after tax	£3,085,745

Current and Future Development of the Group

Opportunities for the Group are widespread. Our resources as enlarged by the acquisition of ISD in December 2010, including the introduction of a number of significant institutional investors now owning in excess of 25% of the Group share capital, provide the platform for the evolution of the Group as a leader in our activities worldwide. The development of Group staff resources is also an essential process to complement the skills and enthusiasm of our existing staff and is currently a key focus for our senior team in support of our growth.

I anticipate that by the end of 2011 the Group will be actively involved in an expansion of our activities further afield in Europe, in Central and South America, with mainland USA and the Far East planned also as extensions to our "Nature" world. Achieving these aims and the enhancement of our service offerings to the maritime and oil industries is an exciting ambition, targeting leadership in our industry.

Meanwhile the implementation of a co-ordinated review of collected wastes in all locations including Rotterdam has commenced as a key factor in our strategy for extracting synergies from the enlarged Group activities in Europe. I am pleased to report that the first substantial transhipment from Rotterdam was achieved in March, with additional revenues as planned attributable to the Group after deduction of shipment costs.

We have also signed an initial agreement for a fast track project feasibility study for providing port oil waste services in a key international maritime location, where our substantial local partner is providing the proposed site at which the modular nature of our treatment units could enable initial operations to commence by the end of 2011.

Corporate responsibility

With regard to our ethical credentials and corporate responsibility, your directors are aware of the impact our operations can have on our various stakeholders in the contexts particularly of regulatory compliance, improving the environment and the welfare of our employees. At the time of the ISD acquisition we made a commitment to introduce an upgraded CSR (Corporate Social Responsibility) policy for the Group in 2011, the elements of which are set out on page 13. We intend to ensure that commitment to CSR is embedded in our organisation and we look to a programme of constant improvement. Through the services Nature provides and our technical know-how we feel our operations can make a strong and valid contribution to a better and cleaner maritime environment.

Annual General Meeting and dividend payment in respect of 2010

Our Annual General meeting will be held on Thursday, 14 July 2011 at our offices at Ordnance House, Pier Road, St. Helier, Jersey. The dividend payment of 0.7p per share to shareholders (excluding the 16 million shares received by Port Invest BV in December as part of the ISD transaction) will be proposed at the meeting, and if approved paid to shareholders shortly afterwards as advised by our Registrar.

Conclusion

I am very privileged to have been involved in the initial formation of the Group, the early engineering of treatment capabilities and our business development over the past 13 years. This has seen recognition of both our meaningful contribution to "cleaner seas" and the commercial potential of our core capabilities, with Governments and the industries we serve seeking high quality responsible solutions to their waste and environmental issues. I am further privileged to see the leadership and enthusiasm of the enlarged Group staff in taking forward our worldwide business in response to the many initiatives available to us. The current year and beyond will be significant in fulfilling returns to our shareholders and the leadership position for our sector that we aim to establish internationally. However, a Chairman's confident statement of ambition for the future should undoubtedly not end without words of caution – we must always be alert to changing market circumstances in today's turbulent global economies and the effect that they can have on subsequent business opportunities. As in my introductory words on page 3, addressing the recent accident in Gibraltar, events occur in life which create setbacks to be overcome and build from, and I can assure you that strenuous efforts are in hand to respond to the changed circumstances. The staff of Nature will I know rise to the challenge and in conclusion I would like to thank all stakeholders in Nature for their terrific support in our mutual endeavour.

Richard Eldridge
Chairman

15 June 2011

DIRECTORS' REPORT

The directors of Nature Group plc ("the Company" or, together with its subsidiaries, "the Group") present their Report for the year ended 31 December 2010 together with the financial statements of the Group and the independent auditor's report for the year. These will be laid before the shareholders at the Annual General Meeting to be held as set out in the Notice of Annual General Meeting on page 36.

Results

These financial statements are consolidated with the Company's wholly owned subsidiaries as listed on page 28. Previously the Group's share of the income and expenses of the Group's associate company, SAR Treatment AS, were accounted for in the consolidated statement of comprehensive income by proportionate consolidation resulting in "revenue from joint venture operations" of £929,834 and "costs of sales from joint venture operations" of £688,129 being recognised as separate items on the consolidated statement of comprehensive income for the year ended 31 December 2009 with the Group's share of other costs recognised together with the other costs of all Group companies. For the year ended 31 December 2010, these items have been aggregated and are recognised under the separate line item "Share of profits of associates", in line with IAS 28, with a resultant decrease in Group revenues, but no impact on the profitability of the Group. We have amended the 2009 comparatives to be in line with the 2010 treatment.

The consolidated profit for the year after taxation is set out on page 16 and is transferred to reserves.

Dividends

After the reporting date and subject to approval at the Annual General Meeting in July, a dividend of 0.7p per qualifying ordinary share was proposed by the directors (2009: 0.6p per share). The total cost of the dividend of £438,582 (2009: £235,861) has not been provided in these Accounts.

Principal activities

The Company's principal activity is that of a holding company for companies providing reception and treatment services for oily and polluted waste-waters, the ownership and application of intellectual and proprietary rights related to such treatment and the provision of reception and treatment plants for oily waste in onshore and offshore locations.

Share capital

Since 31 December 2010, on 16 February 2011 and on 6 June 2011 the issues of 245,500 and 850,000 new Ordinary shares respectively under the Company's share option scheme were approved.

Directors

The directors who served during the year and to date, and their interests in the issued Ordinary Share capital of the Company were as follows:

	At 8 June 2011 Ordinary Shares	*At 31 December 2010 Ordinary Shares*	*At 31 December 2009 Ordinary Shares*
R A Eldridge	2,921,500	3,076,500	4,086,000
B Muller (appointed 22.12.10)	4,080,500*	4,000,000*	N/A
A Drenthen (appointed 22.12.10)	4,080,500*	4,000,000*	N/A
D P Laguea	11,789,486	11,654,486	11,654,486
P Snell	625,000	672,000	722,000
S O Keller	1,033,638	933,638	1,583,638
N D Sandy	337,500	212,500	87,500
C P Fairweather (appointed 17.2.10)	2,964,883	3,064,883	N/A
E Gamman (retired 17.2.10)	–	–	172,630

Note:
P Snell is also interested in 200,000 Ordinary Shares held by a company in which he is a minority shareholder.

*The Interests of B Muller and A Drenthen are held through Port Invest BV, which owned 16,000,000 shares as at 31 December 2010, increased to 16,322,000 shares in February 2011. Each of Mr Drenthen and Mr Muller own 25% of Port Invest BV and their shareholdings above reflect such attributable share of the holding in the Company.

In addition at 31 December 2010, certain directors held the following options in respect of the Ordinary Shares of the Company, which have since been exercised:

	Ordinary Shares	*Option Price*	*Expiry Date*
P Snell	125,000	12p	28 July 2012
S Keller	300,000	125,000 @ 12p	28 July 2012
		175,000 @ 23p	1 February 2013
N Sandy	125,000	23p	1 February 2013

On a fully diluted basis assuming all option instruments were exercised, the percentage of issued Ordinary Share capital held by directors at 31 December 2010 would be as follows:

R A Eldridge	3.85%
D P Laguea	14.60%
Portinvest BV (50% owned by A Drenthen & B Muller)	20.01%
P Snell	0.84%
S O Keller	1.17%
N D Sandy	0.27%
C P Fairweather	3.83%
Total	44.57%

Other substantial interests as at 8 June 2011

	Ordinary Shares held	*% of issued Share Capital*	*Options Warrants or Derivatives held*	*% holding if all instruments exercised*
Legal & General Investment Management Limited	7,000,000	8.90%	Nil	8.73%
BlackRock Investment Management (UK) Limited	5,500,000	6.99%	Nil	6.85%
Nortrust Nominees Limited	4,500,000	5.72%	Nil	5.61%

International Financial Reporting Standards ("IFRS")

These financial statements were prepared under IFRS and interpretations adopted by the International Accounting Standards Board ("IASB").

Independent auditors

Deloitte Limited have expressed their willingness to be re-appointed independent auditors for the following year. A resolution to re-appoint Deloitte Limited as independent auditors of the Company and to authorise the directors to agree their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting

The Notice of the Annual General Meeting to be held on 14 July 2011 is set out on page 36.

By Order of the Board

R A Eldridge
Company Secretary
Ordnance House
31 Pier Road
St. Helier
Jersey

15 June 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 issued by the International Accounting Standards Board. The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, the directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that 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 (Jersey) Law 1991. 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.

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

	Remuneration	*Provision of services, offices and equipment*	*Total*
	£	£	£
R A Eldridge	12,000	86,746	98,746
B Muller	–	3,678	3,678
A Drenthen	–	12,259	12,259
D P Laguea	84,573	–	84,573
P Snell	36,000	–	36,000
S O Keller	86,998	–	86,998
N D A Sandy	18,000	–	18,000
C P Fairweather	15,000	–	15,000

Note: The sum of £86,746 paid in respect of the services of R A Eldridge and the provision of offices and equipment is disclosed in Note 18 as related party transactions. The amounts shown for B Muller and A Drenthen are a proportion of their remuneration given that they were only part of the Group for 22 days of the year.

The executive directors of Nature Group PLC are not entitled to any bonuses on Group results as at 31 December 2010, and it is not intended to consider such arrangements in the near future. S O Keller has a bonus arrangement in respective of Nature Technology Solution AS consolidated profit in Norway, which amounted to £nil in respect of 2010.

No directors receive benefits in the form of pensions contributions, save for statutory national employment deductions.

Share options outstanding in respect of directors as at 31 December 2010 are shown in the Directors' Report.

CORPORATE GOVERNANCE

Following the acquisition of ISD at the end of 2010, The Board recognised it would be appropriate to review the Group's compliance with the most recent guidance on Corporate Governance. The QCA guidelines updated in September 2010 formed the basis of this review. The directors recognise the importance of sound corporate governance and intend to progressively comply fully with the latest QCA guidelines.

The Board recognises its obligation to achieve long-term success of the Company through entrepreneurial leadership and the setting of strategic aims, and will ensure that this is achieved through prudent and effective controls combined with the resources to meet its objectives.

The growth of the Company and the appointment of a new executive management team has made it possible to have a clear division of responsibilities at the head of the Company. The Chairman no longer combines his role with that of Chief Executive Officer, although the Company recognises that the Chairman is never completely divorced from an executive responsibility.

The Company believes that its new Board of five executives including the Chief Executive Officer and Finance Director, and three non-executives, provides the appropriate range of skills and abilities to provide effective leadership and risk management. The Board now includes the appointment of a Deputy Chairman. The Board will review the appointment of a senior independent director.

The corporate governance review highlighted the need to consider the growth of the Company and the number and membership of the Board Committees. As a result the Company has now established a Nominations Committee to consider the appointment of new directors and changes to the Board. B Muller, C Fairweather and N Sandy have been appointed to the Nominations Committee.

The Audit Committee comprises C Fairweather, B Muller and P Snell with the appropriate terms of reference including monitoring the integrity of the financial statements, reviewing internal financial controls, risk management and matters relating to the appointment of the external auditors and recommendations to the AGM.

The Remuneration Committee comprises N Sandy, C Fairweather and B Muller. The terms of reference are focused on ensuring that the levels of remuneration will attract and motivate competent directors to manage the Company successfully, that part of their reward may be linked to corporate and personal performance, and incentive schemes and executive share options are appropriate and realistic for the business. The Company will ensure that no director may participate in any meeting or discussion relating to their own remuneration.

The Company through the Chairman and senior officers are committed to operating in an open and transparent manner and will ensure that their obligations to their shareholders are maintained through a satisfactory dialogue, announcements and for smaller investors at the AGM.

Details of the directors' beneficial interests in Ordinary Shares are set out in the Directors' Report. The directors intend to comply with Rule 21 of the AIM Rules relating to directors' dealings and will take all reasonable steps to ensure compliance by any employees of the Company to whom Rule 21 applies. The Company has, in addition, adopted the Share Dealing Code for dealings in its Ordinary Shares by directors and senior employees.

The Company will continue to monitor its compliance with the latest corporate governance guidelines and welcomes comments.

CORPORATE SOCIAL RESPONSIBILITY

People, planet and performance

We see corporate social responsibility (CSR) as embedded in our culture. Already since the start of our operations, we contribute to a sustainable world by collecting and treating maritime and offshore waste. Where possible, we give waste a second life, and in the meantime support cleaner seas.

Nevertheless, we believe, CSR goes beyond this. CSR is about having a positive impact on people, planet and performance. A positive impact for our stakeholders: employees, customers, suppliers, communities, (public) authorities/regulators, the society at large.

We have the ambition to be at the forefront in our business fields worldwide in order to contribute to a planet with cleaner seas.

Our ambition affects all our activities, everything we do day after day. We practice what we preach and strongly believe in:

Clean seas: This underpins the foundation of our business. We want to work with our customers to achieve our shared objectives for the benefits of the environment.

Compliance: We work in accordance with relevant rules and legislation to ensure we comply with all health, safety, human rights and environmental standards. This is at the core of our business.

People

Health and safety: We focus on providing a safe and healthy environment to work in. In this way we support the well-being of our employees.

Communities: We aim to be a good neighbour. We invest in community initiatives related to our business.

CSR: We expect everyone within our organisation to contribute to CSR by behaving in a responsible and ethical manner.

Planet

Energy: We aim for energy efficiency and a minimized carbon footprint in our business processes.

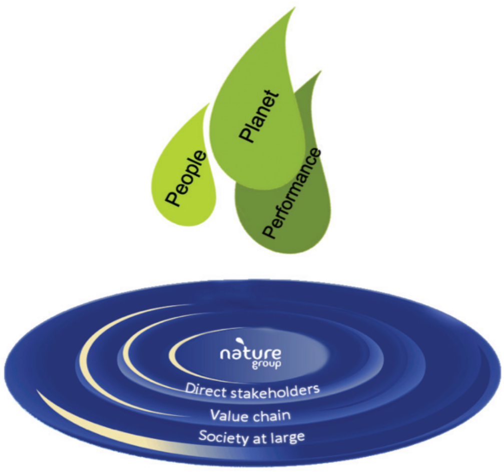
Waste: Our core business is waste. Therefore we reduce, reuse and recycle our own waste as much as possible.

Performance

Continuity: We strive for continuous improvement. We apply the highest standards of maintenance and adopt new techniques wherever possible.

Transparency: We communicate in an open and transparent manner with our stakeholders about how we do business.

We realise our ambition is only feasible in close cooperation with our stakeholders. By sharing knowledge and engaging our stakeholders, we strive for positive effects within our sphere of influence.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATURE GROUP PLC

We have audited the group financial statements (the "financial statements") of Nature Group plc for the year ended 31 December 2010 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs issued by the International Accounting Standards Board; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Emphasis of matter – Significant non-adjusting post balance sheet event

Without qualifying our report, we draw your attention to note 20 of these financial statements, which describes a significant post balance sheet event suffered by the Group's subsidiary, Nature Port Reception Facilities Limited, on 31 May 2011, which has led to the closure of the Group's sullage plant in Gibraltar for an as yet undetermined period. It is not known whether any claims will result from the incident and, due to the short time that has lapsed between the incident and the date of our report, the directors are of the opinion that they cannot accurately estimate the potential financial impact on the subsidiary and the Group at this point in time.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Jonathan Tricker
for and on behalf of Deloitte Limited
Chartered Accountants
Merchant House
22/24 John Mackintosh Square
Gibraltar

15 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Notes	2010 £	2009 Restated (see Note 2) £
Revenue			
Continuing operations	1,4	6,830,223	5,062,610
Cost of sales			
Continuing operations		(3,650,881)	(1,946,512)
Operating profit		3,179,342	3,116,098
Other income		16,439	15,793
Share based payments	15	(151,303)	0
Administrative costs		(938,028)	(1,006,986)
Depreciation and amortisation	7,8	(556,369)	(593,974)
Finance costs		(17,284)	(15,726)
Costs to acquire Group companies	10	(106,937)	0
Share of profits of associates after tax	9	78,482	94,279
Profit before tax		1,504,342	1,609,484
Taxation on profit on ordinary activities	5	24,037	(35,772)
Profit after tax		1,528,379	1,573,712
Earnings per share (pence)			
Basic	16	3.711	4.050
Diluted	16	3.546	3.945
Profit after tax, before share based payments and Group acquisition costs		1,786,619	1,573,712
Earnings per Share (pence) excluding share based payments and Group acquisition costs		4.338	4.050

The notes on pages 20 to 35 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2010

	Notes	2010 £	2009 £
Assets			
Non-current assets			
Plant, vessels and equipment	7	7,060,992	4,039,952
Goodwill	8	13,224,120	362,355
Other intangible assets	8	129,289	141,455
Investment in associated company	9	269,469	275,319
Deferred tax assets	5	89,827	26,996
Total non-current assets		20,773,697	4,846,077
Current assets			
Stocks and work in progress		98,059	92,871
Trade and other receivables	11	4,096,871	921,858
Cash and cash equivalents		5,741,644	1,586,823
Total current assets		9,936,574	2,601,552
Total assets		30,710,271	7,447,629
Liabilities			
Current liabilities			
Trade and other payables	12	(2,716,534)	(607,834)
Bank loans and overdrafts		(191,582)	0
Corporate taxes		(8,743)	(24,947)
Total current liabilities		(2,916,859)	(632,781)
Non current liabities			
Term loans	13	(1,555,110)	(547,456)
Net assets		26,238,302	6,267,392
Equity			
Called up share capital	14	155,120	77,720
Share premium account	14	21,683,488	3,233,799
Share option reserve		151,303	0
Capital reserve		2,925,520	2,925,520
Profit and loss account		1,322,871	30,353
Total equity attributable to equity shareholders		26,238,302	6,267,392

Approved by the board on 15 June 2011.

R A Eldridge
P Snell
} Directors

The notes on pages 20 to 35 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2010

	Share Capital Account £	*Share Premium Account* £	*Share Options Reserve* £	*Capital Reserve* £	*Profit and Loss Account* £	*Total* £
At 1 January 2009	77,720	3,233,799	–	2,925,520	(1,543,359)	4,693,680
Profit for the year	–	–	–	–	1,573,712	1,573,712
At 1 January 2010	77,720	3,233,799	–	2,925,520	30,353	6,267,392
Share based payments	–	–	151,303	–	–	151,303
Ordinary shares issued	77,400	19,017,850	–	–	–	19,095,250
Ordinary shares issuing costs	–	(568,161)	–	–	–	(568,161)
Profit for the year	–	–	–	–	1,528,379	1,528,379
Dividends paid	–	–	–	–	(235,861)	(235,861)
At 31 December 2010	155,120	21,683,488	151,303	2,925,520	1,322,871	26,238,302

The notes on pages 20 to 35 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2010

	Notes	2010 £	2009 £
Reconciliation of operating profit to net cash flow from operating activities:			
Profit for the year before taxation		1,504,342	1,646,098
Adjustments for:			
Depreciation and amortisation		556,369	593,974
Decrease/(increase) in stock		6,825	(1,187)
Increase in debtors		(1,304,479)	(44,943)
Increase in creditors		672,641	52,671
Increase in reserves due to share based payments		151,303	0
Net cash from operating activities		1,587,001	2,246,613
Investing activities:			
Decrease/(increase) in investments		5,850	(111,521)
Acquisition of tangible fixed assets		(607,661)	(1,137,141)
Acquisition of intangible fixed assets		0	(25,935)
Acquisition of subsidiaries net of cash acquired	10	(7,026,347)	0
Financing activities:			
Cash consideration from issuance of shares net of issuance costs		10,431,839	0
Dividends paid	20	(235,861)	0
Increase in cash balances		4,154,821	972,016
Analysis of cash and cash equivalents during the year:			
Balance at start of period		1,586,823	614,807
Increase in cash and cash equivalents		4,154,821	972,016
Balance at end of period		5,741,644	1,586,823

The notes on pages 20 to 35 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED ACCOUNTS

1 Accounting policies

Reporting entity

Nature Group plc is a company domiciled in Jersey and was admitted to the Alternative Investment Market (AIM) in September 2001. As a result there is no one controlling party. The consolidated financial statements of the Group as at and for the year to 31 December 2010 comprise the Company and its subsidiaries (see note 9) and the Group's interest in an associate company.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB"), and in accordance with Jersey Law.

During the period, the Group adopted all new and revised IFRS and International Accounting Standards (IAS), which are relevant and applicable to its operations. Standards and amendments that have been published but are not effective as yet the Group has chosen not to early adopt.

At the date of authorisation of the financial statements, some standards were in issue but not yet effective. The directors expect that the adoption of these standards in future periods will not have a material effect on the financial statements of the Group.

In accordance with Article 105(11) of the Companies (Jersey) Law 1991, the parent company is no longer required to present separate parent company only financial statements, as consolidated financial statements have been presented.

Functional and presentational currency

These consolidated financial statements are presented in Pounds Sterling (£) which is the Company's functional currency.

Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The most significant judgements made relate to the following:

- The calculation of goodwill on the purchase during the year of International Slop Disposal BV and Ecoscrub Solutions BV, in particular in relation to the fair value of the consideration paid given that half of the £16 million consideration was in newly issued shares of the Company – these shares have been valued at 50p per share, being the same price at which new shares in the Company were issued to outside investors on the same day in order to fund the purchase.
- The calculation of the Group's share of the income and expenses derived from International Slop Disposal BV and Ecoscrub Solutions BV during the year – the Company owned both entities for 22 days during the year and as no accounts are available for that period, the Company has chosen to pro-rate the annual profits of both companies for that 22 day period, resulting in the recognition of Group net profits after tax from these companies of £99,889.
- The calculation of the share based payments expense – the expense has been calculated in line with the Black-Scholes model, which requires significant judgement to be exercised in calculating management's best estimate of the inputs that should be applied to the model on the grant date of each tranche of options, for example in relation to the expected life of each option, the expected dividend yield, and the volatility to be applied.

1 Accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Nature Group plc and all its subsidiary undertakings (subsidiaries). The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method of accounting.

Foreign currencies

Foreign currency denominated assets and liabilities are translated into sterling at the year end exchange rate. Transactions and the results of overseas subsidiary undertakings in foreign currencies are translated at the average rate of exchange for the year and recognised in the consolidated statement of comprehensive income.

Revenue

Revenue is derived from the provision of services and is recognised in the consolidated statement of comprehensive income in proportion to the stage of completion of the services at the reporting date on an accruals basis.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown within trade and other receivables. For contracts where progress billings exceed contract costs incurred to date, plus recognised profits less recognised losses, the surplus is shown as sundry creditors and accruals. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade and other receivables.

1 Accounting policies (continued)

Plant, vessels and equipment

Items of plant, vessels and equipment are measured at cost less depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset in bringing it into use.

Depreciation is recognised in the consolidated statement of comprehensive income on a straight line basis on all plant and equipment to write off their cost less residual value over their estimated useful lives.

The rates in use on a straight line basis are:

Plant, machinery	over 5-20 years
Vessels	over 5-7 years
Office equipment	over 3-5 years
Motor vehicles	over 4 years

Goodwill

Goodwill arises on the acquisitions of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities of the acquiree. Goodwill is measured at cost. An annual impairment review is undertaken and impairment losses are not reversed.

Development costs, patents and licences

Costs involved in technical assistance and knowledge to install new plants, together with the costs to obtain the related patents and licences are capitalised as intangible assets and amortised over their expected useful lives as follows:

Licences	4 years
Patents	20 years
Development costs	5-10 years

Tax

(i) *Current tax*

Current tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted, or substantially enacted, by the balance sheet date.

(ii) *Deferred tax*

Deferred tax is recognised in full where the carrying value of assets and liabilities in the financial statements is different to the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated statement of comprehensive income, except where it relates to items charged or credited directly to reserves, when it is charged or credited there.

1 Accounting policies (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs, which are debited to the share premium account.

Capital reserve

The Capital reserve arose predominantly in 2004 following a restructure of the issued share capital. This reserve is distributable to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand with an original maturity of three months or less.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 15.

Segmental information

Segmental information is provided in note 6 showing the amount of revenue from each geographical market.

2. Restatement of prior year comparatives

Previously the Group's share of the income and expenses of the Group's associate company, SAR Treatment AS, were accounted for in the consolidated statement of comprehensive income by proportionate consolidation, resulting in "revenue from joint venture operations" of £929,834 and "costs of sales from joint venture operations" of £688,129 being recognised as separate items on the consolidated statement of comprehensive income for the year ended 31 December 2009, with the Group's share of other costs recognised together with the other costs of all Group companies. For the year ended 31 December 2010, these items have been aggregated and are recognised under the separate line item "Share of profits of associates", in line with IAS 28, with a resultant decrease in group revenues, but no impact on the profitability of the Group or the consolidated balance sheet. The 2009 comparatives have been amended to be in line with the 2010 treatment. The impact of the correction on the previously reported 2009 figures can be summarised as follows:

Consolidated statement of comprehensive income – Year ended 31 December 2009

	As previously reported £	*Amendment* £	*Reported in these accounts* £
Revenue – joint venture operations	929,834	(929,834)	–
Cost of sales – joint venture operations	(688,129)	688,129	–
Other income	16,764	(971)	15,793
Administrative costs	(1,050,094)	43,108	(1,006,986)
Depreciation and amortisation	(661,828)	67,854	(593,974)
Finance costs	(16,547)	821	(15,726)
Share of profits of associates after tax	–	94,279	94,279
Taxation on profit on ordinary activities	(72,386)	36,614	(35,772)
Total	**(1,542,386)**	**–**	**(1,542,386)**

3 Profit on ordinary activities

	2010 £	2009 (Restated) (see Note 2) £
Profit on ordinary activities is stated after recognising:		
Directors' emoluments	316,508	224,520
Employee costs	1,399,964	1,270,878
Depreciation of fixed assets	509,398	510,555
Amortisation of intangible assets	46,970	53,363
Impairment of goodwill	–	30,056
Auditor's remuneration	28,500	24,675
Foreign exchange gains	19,753	133,929

Other services provided by the Group Auditors amount to £5,050 (2009: £2,950).

4 Revenue from construction contracts

During the year, the Group commenced work on a project to design, build and install a slops and sludge facility in the port of Duqm in Oman. The total value of the contract to the Group is USD4,200,000, and the directors have estimated, based on costs incurred and actual work performed, that at 31 December 2010 the contract was 40% complete, with an expected margin to be achieved of 9%. In accordance with IAS 11 Construction Contracts, the Group has therefore recognised income of £1,050,000 in the year in relation to the contract, and expenses of £955,500.

At 31 December 2010, £1,323,890 had been billed under the contract, of which £276,268 had been settled, leaving the balance of £1,047,622 within debtors (all of which has been received in 2011). The surplus of amounts billed over and above the revenue recognised on the contract date, of £273,890, is recognised with sundry creditors and accruals.

5 Tax on profit on ordinary activities

Current tax

The tax charge is comprised of the following charges/(credits) for tax in the following subsidiaries:

	2010 £	2009 (Restated) (see Note 2) £
Nature Environmental Technologies Limited	2,695	–
Nature International Slop Disposal BV	33,074	–
Ecoscrub Solutions BV	320	–
Nature Technology Solutions AS	(60,126)	35,772
Total	(24,037)	35,772

The Company is an exempt company under the Income Tax (Jersey) Law 1961. Consequently it is liable to pay a flat £600 per annum which is included in administrative costs.

5 Tax on profit on ordinary activities (continued)

Deferred tax assets

Deferred tax assets have been recognised as a separate line item on the consolidated balance sheet under non-current assets.

	2010 £	2009 £
Nature Technology Solutions AS*	89,827	26,996

*The Nature Technology Solutions AS deferred tax balance includes also the Northern Trust AS deferred tax balance as they are part of the same group for tax purposes.

Deferred tax liabilities

Deferred tax liabilities have been recognised within trade and other payables (see note 12).

	2010 £	2009 £
Nature International Slop Disposal BV	391,155	–
Ecoscrub Solutions BV	(37)	–
	391,118	–

Offset deferred tax assets/liabilities

The Group has offset the deferred tax asset and liability of Nature Port Reception Facilities Limited, which can be reconciled as follows:

	2010 £
Liability relating to timing differences on property, plant & equipment	(219,217)
Asset relating to unused tax credits (“Development Aid”)	219,217
	–

6 Business and geographical segments

Business segments

For management purposes the Group is organised into three operating activities. These are the reception and treatment of waste liquids in onshore locations, the provision of offshore treatment modules and the design and supply of equipment for polluted waste water-constant flow treatment solutions utilising Group intellectual property and certain patent rights.

Geographical segments

The Group’s operations are based in Gibraltar, Holland, Norway and the UK (Jersey). The collection and treatment divisions are located in Gibraltar, Holland and Norway and the design and supply of equipment is carried out in Norway and the UK.

6 Business and geographical segments (continued)

The following table provides an analysis of revenue and operating profit, before intra Group charges, by geographical market:

	Revenue 2010 £	*Revenue (Restated) (see note 2) 2009 £*	*Profit before tax 2010 £*	*Profit before tax (Restated) (see note 2) 2009 £*
Gibraltar	4,072,799	3,232,122	1,790,043	1,441,462
Norway – wholly owned and associates	1,094,598	1,830,488	(5,665)	323,722
Holland (22 days)	612,826	–	133,283	–
UK (Jersey) – Operational	1,050,000	–	74,812	(52,761)
– Head office (intra Group charges excluded)	–	–	(336,828)	(102,939)
			1,655,645	1,609,484
Share based payments – Group	–	–	(151,303)	–
Total	6,830,223	5,062,610	1,504,342	1,609,484

The following table provides an analysis of total assets and total liabilities, by geographical market:

	Total assets 2010 £	*Total assets 2009 £*	*Total liabilities 2010 £*	*Total liabilities 2009 £*
Gibraltar	4,230,887	4,862,007	(533,130)	(606,793)
Norway – wholly owned and associates	1,322,717	1,935,943	(512,232)	(505,533)
Holland	5,817,955	–	(2,619,091)	–
UK (Jersey) Operational	231,591	5,131	(528,382)	(8,850)
Head office	19,107,121	644,548	(279,134)	(59,061)
Total	30,710,271	7,447,629	(4,471,969)	(1,180,237)

7 Plant, vessels and equipment

	Total £	Vessels £	Plant & Machinery £	Office Equipment £	Motor Vehicles £
Cost					
As at 1 January 2009	4,524,295	514,312	3,920,169	25,134	64,680
Additions at cost	1,137,141	802,236	302,635	842	31,428
As at 1 January 2010	5,661,436	1,316,548	4,222,804	25,976	96,108
Additions at cost	626,732	66,064	541,023	18,871	774
Acquisitions through business combinations	2,903,706	2,822,149	81,557	–	–
As at 31 December 2010	9,191,874	4,204,761	4,845,384	44,847	96,882
Depreciation					
As at 1 January 2009	1,110,929	285,135	778,410	13,223	34,161
Charge for the year	510,555	149,514	333,528	7,915	19,598
As at 1 January 2010	1,621,484	434,649	1,111,938	21,138	53,759
Charge for the year	509,398	223,161	263,297	4,716	18,224
As at 31 December 2010	2,130,882	657,810	1,375,235	25,854	71,983
Net book value					
As at 31 December 2010	7,060,992	3,546,951	3,470,149	18,993	24,899
As at 31 December 2009	4,039,952	881,899	3,110,866	4,838	42,349

8 Intangible assets

	Total £	Development costs £	Goodwill £	Patents £	Licences £
Cost					
As at 1 January 2009	812,559	118,102	541,000	36,866	116,591
Additions at cost	25,935	25,935	–	–	–
As at 1 January 2010	838,494	144,037	541,000	36,866	116,591
Additions at cost	12,901,025	–	12,901,025	–	–
Disposals at cost	(4,456)	(4,456)	–	–	–
Balance at 31 December 2010	13,735,063	139,581	13,442,025	36,866	116,591
Amortisation					
As at 1 January 2009	251,265	22,143	187,849	10,249	31,024
Charge for the year	83,419	29,068	30,056	2,405	21,890
As at 1 January 2010	334,684	51,211	217,905	12,654	52,914
Charge for the year	46,970	24,935	–	2,405	19,630
As at 31 December 2010	381,654	76,146	217,905	15,059	72,544
Net book value					
As at 31 December 2010	13,353,409	63,435	13,224,120	21,807	44,047
As at 31 December 2009	503,810	92,826	323,095	24,212	63,677

9 Subsidiary undertakings and associated companies

Subsidiary undertakings

The Company held, though wholly owned subsidiaries or directly, 100% of the issued share capital of the following principal trading subsidiaries (unless otherwise stated) all of which operate in the waste treatment or maritime services sectors and have been consolidated in the Group's financial statements:

Name	*Country of incorporation*
Nature Environmental Technologies Limited (Group design and technical services)	UK
Nature Environmental Solutions Limited	UK (Jersey)
Nature International Slop Disposal BV (formerly "International Slop Disposal BV")	Netherlands
Ecoscrub Solutions BV	Netherlands
Nature Technology Solutions AS	Norway
Northern Trust AS	Norway
Nature Port Reception Facilities Limited	Gibraltar
Nature Shipping Agency Limited	Gibraltar
Nature Group Trading Limited*	UK (Jersey)

* This entity did not trade during the years ended 31 December 2010 or 2009

Associated companies

Throughout the years ended 31 December 2010 and 2009, the Company held, through a subsidiary company, 40% of the voting rights in SAR Treatment AS, a company incorporated in Norway. The summarised financial information of this entity is set out below:

	2010 £	*2009* £
Total assets	1,284,040	1,282,714
Total liabilities	(526,898)	(750,146)
Net assets	757,142	532,568
Group's share of associate's net assets	269,469	275,319
Total revenue	1,830,348	2,324,585
Total profit after tax for the year	196,205	235,697
Share of associate's profit after tax for the year	78,482	94,279

10 Business combinations

On 10 December 2010, the Group acquired all the issued share capital of International Slop Disposal BV and Ecoscrub Solutions BV, for a total consideration of £16,000,000 calculated as follows:

	£
Cash paid	8,000,000
New Nature Group Ordinary shares issued	8,000,000
Total	16,000,000

The new Nature Group Ordinary shares issued as part of the consideration have been valued at 50p per share, being the same price at which new shares in the Company were issued to outside investors on the same day as the acquisition in order to fund the purchase.

10 Business combinations (continued)

International Slop Disposal BV ("ISD") is the largest maritime and offshore waste collection group in Rotterdam and the ARA (Amsterdam, Rotterdam and Antwerp) region and Ecoscrub Solutions BV ("Ecoscrub") is ISD's associated vented gas scrubbing company. ISD has approximately 60% of the collected maritime and offshore waste in the Port of Rotterdam. It operates a fleet of 10 barges and in recent years has been owned by Port Invest BV, a supplier of port and maritime services which has been developed in association with the Burando Group, a long established oil storage and maritime services business headquartered in Rotterdam.

The aggregate book values of the assets acquired, which equated to their fair values at the acquisition date, are summarised below.

Net assets acquired

	ISD £	*Ecoscrub* £	*Total* £
Vessels and equipment	2,873,120	30,585	2,903,705
Debtors	1,781,331	47,363	1,828,694
Stock	–	12,014	12,014
Cash and cash equivalents	973,653	–	973,653
Current trade and other payables	(1,221,263)	(67,356)	(1,288,619)
Non-current term loans	(1,330,472)	–	(1,330,472)
Total net assets acquired	3,076,369	22,606	3,098,975
Goodwill	12,901,025	–	12,901,025
Total consideration	15,977,394	22,606	16,000,000

The enlarged Group will have an extended coverage in Western Europe for maritime and offshore waste reception and treatment, and, as a result, goodwill has been recognised reflecting the potential synergies from operations as a single group. The first annual impairment review will take place on 31 December 2011.

The Group incurred total expenses of £675,098 relating to the acquisition, of which £568,161 has been debited to the share premium account as they related to the issue of new share capital and £106,937 has been expensed in the consolidated statement of comprehensive income.

These financial statements consolidate the results of both ISD and Ecoscrub since the acquisition date of 10 December 2010. The revenue and profit after tax recognised in the consolidated Group financial statements for the year ended 31 December 2010 in relation to ISD and Ecoscrub are as follows:

	ISD £	*Ecoscrub* £	*Total* £
Revenue	592,128	20,697	612,825
Profit after tax	98,611	1,278	99,889

Had both entities been owned for all of the financial year ended 31 December 2010, and before allowing for any synergies that the Group might have been able to exploit, the Group would have reported the following results for the year ended 31 December 2010 after providing for share based payments and Group acquisition costs, together amounting to £258,240.

	£
Revenue	16,384,730
Profit after tax	3,085,745

10 Business combinations (continued)

Net cash outflow on acquisition

	2010 £	2009 £
Total purchase consideration	16,000,000	–
Less: non-cash consideration	(8,000,000)	–
Consideration paid in cash	8,000,000	–
Less: cash and cash equivalents acquired	(973,653)	–
	7,026,347	–

11 Trade and other receivables

	2010 £	2009 £
Trade debtors	3,205,584	689,104
Other debtors and prepayments	891,287	232,754
	4,096,871	921,858

12 Trade and other payables

	2010 £	2009 £
Trade creditors	864,862	130,484
Sundry creditors and accruals	1,274,635	477,350
Deferred tax liabilities	391,118	–
Term loan from SAR AS	185,919	–
	2,716,534	607,834

Repayment of the unsecured loan from SAR AS commenced in 2010. The balance outstanding is due for repayment during 2011. The loan bears interest at a variable rate of 1% over NIBOR. SAR AS is a related party as that entity owns the remainder of the share capital of SAR Treatment AS, the Group's associate investment.

13 Non-current liabilities

	2010 £	2009 £
Group		
Term loan from SAR AS	–	186,271
Term loan from Innovasjon Norge	36,484	52,421
Term loan "Humber Mist"	188,154	308,764
Term loan ING Bank	1,330,472	–
	1,555,110	547,456

Repayment of the unsecured loan from SAR AS commenced in 2010 and bears interest at a variable rate. The 5 year loan from Innovasjion Norge is at an interest rate of 8% and is due for repayment by August 2012. Security has been taken over the assets of Nature Technology Solution AS.

13 Non-current liabilities (continued)

The loan for Humber Mist was for a 7 year period at an interest rate of 3.5% over LIBOR, is secured by a mortgage on that vessel, and is due for repayment by June 2016.

ING Bank has issued two mortgage loans. The loans are due for repayment by and during 2025. The interest rate applicable is 3 months Euribor plus 2%.

14 Called-up share capital

	2010	2009
Authorised:	£	£
100,000,000 (2009: 50,000,000) Ordinary shares of 0.2p each	200,000	100,000
Issued, called-up and fully paid:		
	£	£
Ordinary shares		
77,560,155 (2009: 38,860,155) Ordinary shares of 0.2p each	155,120	77,720

Below is a reconciliation of the share capital issued at 31 December 2010:

	2010			2009		
	Shares	*Share capital* £	*Share premium* £	*Shares*	*Share capital* £	*Share premium* £
At beginning of year	38,860,155	77,720	3,233,799	38,860,155	77,720	3,233,799
Exercise of options	700,000	1,400	93,850	–	–	–
Issued on 13 December 2010	38,000,000	76,000	18,924,000	–	–	–
Issue costs	–	–	(568,161)	–	–	–
At end of year	77,560,155	155,120	21,683,488	38,860,155	77,720	3,233,799

15 Share-based payments

Employee share option plan

The Group has a share option plan for employees and directors, under which individuals are granted options to subscribe for shares at a strike price based on the quoted trading price of Nature Group plc on the date of grant, in exchange for services granted to the Group. The options vest on issue and expire after 3 years. The resignation of the holder of an option from the Group does not affect the rights of the holder to exercise the option prior to or at such resignation date. Each share option becomes one ordinary share of Nature Group plc on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor vesting rights. Options may be exercised at any time from the date of vesting to the date of their expiry or the date of cessation of employment whichever is the sooner.

15 Share-based payments (continued)

The following options were outstanding at 31 December 2010:

Options series	*Directors*	*Employees*	*Total*	*Exercise price*	*Expiry date*
1	–	625,000	625,000	10p	April 2012
2	250,000	125,000	375,000	12p	July 2012
3	300,000	775,000	1,075,000	23p	February 2013
4	–	50,000	50,000	44p	September 2013
5	–	200,000	200,000	56p	December 2013
6	–	75,000	75,000	54p	December 2013
			2,400,000		

The weighted average fair value of the share options granted during the financial year is 7p per share. Options were priced using the Black-Scholes model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of exercise restrictions and behavioural considerations. Expected volatility is based on the historical share price volatility over the previous period equivalent to the expected life of each series.

The following reconciles the outstanding share options granted under the employees share option plan at the beginning and end of the financial year:

	Number of options		*Weighted average exercise price*	
	2010	*2009*	*2010*	*2009*
Balance at beginning of the financial year	1,575,000	1,325,000	11p	12p
Granted during the financial year	1,525,000	1,125,000	26p	10p
Exercised during the financial year	(700,000)	–	14p	–
Expired during the financial year	–	(875,000)	–	10p
Balance at end of the financial year	2,400,000	1,575,000	22p	11p

16 Earnings per share

	2010	*2009*
Basic Earnings per Share		
Profit for the year attributable to shareholders	1,528,379	1,573,712
Weighted average number of equity shares in issue	41,192,758	38,860,155
Basic earnings per share (pence)	3.71	4.05
Diluted Earnings per Share		
Profit for the year attributable to shareholders	1,528,379	1,573,712
Diluted average number of equity shares in issue	43,100,840	39,893,374
Diluted earnings per share (pence)	3.55	3.94
Earnings per Share excluding share based payments and acquisition costs		
Profit for the year attributable to shareholders	1,528,379	1,573,712
Add back share based payments and acquisition costs	1,786,619	1,573,712
Weighted number of equity shares in issue	41,192,758	38,860,155
Adjusted earnings per share (pence)	4.34	4.05

17 Capital commitments

Contingent liabilities

At year end, guarantees issued by Nature International Slop Disposal B.V amounted to £123,562. An amount of £42,918 is long term. The remaining balance is short term.

Operational leases

The Group had the following non-cancellable annual operating lease commitments on leases which expired within the following periods after the year-end:

	2010 £	*2009* £
Not longer than 1 year	42,919	–

Commitments

The Group had no capital commitments as at 31 December 2010 (2009: £nil) except for Nature Port Reception Facilities Limited which was committed to pay £303,325 in respect of a lease on land adjacent to its current facility for the purposes of tankage expansion.

18 Related party transactions

All related party transactions including transactions with directors are disclosed within the directors' report or the notes to these financial statements, with the exception of the following:

During year ended 31 December 2010, payments aggregating £86,746 (2009: £47,272) were made to Atlantis Energy Services Limited, a company in which Richard Eldridge, a director of the company, had a material interest, in respect of the supply of offices, related costs including communications, the procurement of computers and the services of Mr Eldridge.

As part of normal operations, Nature International Slop Disposal BV made net sales to other related parties amounting to £305,717. In addition, the Company incurred costs of sales with other related parties amounting to £187,753 both during the year ended 31 December 2010. The related parties involved shared common directors and shareholders.

19 Financial instruments and risk management

The Group's financial instruments comprise borrowings, cash on deposit and in current accounts, and other items such as trade and other receivables and trade and other payables that arise directly from operations. Their main purpose is to finance the Group's trading activities. The Group's policy is to ensure that adequate cash is available for this purpose. It does not trade in financial instruments and has not entered into any derivative transactions.

The fair value of the Group's financial assets and liabilities are not considered to be materially different from their book values.

Interest rate risk

Materially all the Group's borrowings of £1.9 million as at 31 December 2010 are at variable rates over their respective currency bank base rates; consequently, an adverse movement of 1% per annum would create an additional charge to profits of some £19,000 per annum. Conversely, 'free' cash of approximately £5.5 million is mostly held on short term deposits, at rates of up to 2% p.a. Thus, at the year end, and at the date of this report an upward movement in interest rates would be marginally beneficial to the Group, although this could change in the future when the Group's activities in Gibraltar and elsewhere expand. It is anticipated that fixed installations such as treatment plants and storage tanks will be financed by longer term borrowings as well as operational cash flow.

19 Financial instruments and risk management (continued)

Liquidity risk

The directors monitor the Group's cash flow and bank balances on a continuous basis to ensure there is sufficient liquidity to meet anticipated needs. In view of the Group's net cash surplus, liquidity is not considered to be a material risk for the foreseeable future.

Credit risk

The Group's ongoing trading policy is to deal only with recognised creditworthy third parties and its historical bad debt experience, including the recently acquired Dutch operations, has been minimal. Of the trade and other receivables of £4.1 million at 31 December, £0.8 million related to the Oman contract all of which has since been paid. Of the balance of £3.3 million, one customer represented more than 10% of Group receivables. On the basis that the Dutch companies had been owned for the whole of 2010, one customer apart from the Oman contract represented more than 10% of combined turnover.

Commodity risk

The only commodity risk to which the Group is potentially exposed is the price of oil. However, in practice the prices which are obtained for recovered oil are not directly related to the fluctuating market for crude, and the Group protects itself by selling at prearranged fixed prices which only varied during 2010 by 4%.

Foreign currency risk

The Group has significant transactional currency exposures in Euros and Norwegian Kroner on an ongoing basis, and in US dollars during the duration of the Oman contract. A significant element of the transactional exposure in Euros and Norwegian Kroner is naturally hedged due to both costs and sales being made in the same currencies. Steps are taken where possible to minimise the effect of US dollar fluctuations.

Foreign currency sensitivity

The following table sets out the foreign currency risk relating to balances denominated in Euros ("EUR"), Norwegian Kroner ("NOK") and US dollars ("USD") where those currencies are the functional currencies of the operating units, and translated into sterling at the year-end exchange rate. (In 2009 there was minimal exposure to USD.)

	Carrying value giving rise to currency risk				
	EUR 2010 £'000	*NOK 2010 £'000*	*USD 2010 £'000*	*EUR 2009 £'000*	*NOK 2009 £'000*
Year end exchange rate with GBP used	*1.165*	*9.1*	*1.603*	*1.1*	*9.5*
Stocks and work in progress	12	5	–	–	5
Trade and other receivables	2,264	217	1,048	268	173
Trade and other payables	(1,266)	(290)	(274)	(11)	(266)
Cash and short term deposits	1,413	600	–	139	699
Loans payable within one year	(127)	(186)	–	–	–
Long term loans payable	(1,330)	(36)	–	–	(239)
Total	966	310	774	396	372

A 10% increase or decrease in the year end exchange rate would have had the following net impact:

10% Increase, in £'000	(88)	(32)	(95)	(36)	(34)
10% Decrease, in £'000	107	35	86	44	41

20 Events after the balance sheet date

Dividends

A dividend of 0.7p per share, at a total cost to the Group of £438,582 will be proposed at the AGM in July 2011 in respect of profits generated in 2010 (at the AGM in 2010, a dividend of 0.6p per share was declared and subsequently paid out at a cost of £235,861).

Significant non-adjusting event at the Group's Gibraltar subsidiary, Nature Port Reception Facilities Limited

On 31 May 2011, an explosion and fire occurred in a large reception tank at the Group's facility in Gibraltar. Two sub-contractors working on the site were injured, one seriously. The response to the incident involved fire fighting and other specialist assistance and there may have been some limited coastal pollution. The facility has not operated since the incident and it is not yet known when use of the treatment plant within the facility, which the directors believe to be still operational, albeit at a reduced capacity, will be able to restart operations.

The Gibraltar subsidiary holds insurance over assets and for business interruption under standard terms. However, the cause of the explosion is yet to be determined and it is not possible at this early stage to estimate the potential financial impact of the incident on the Group.

NOTICE OF AN ANNUAL GENERAL MEETING
To the Members of Nature Group PLC

NOTICE IS HEREBY GIVEN that the Annual General Meeting of this Company will be held at Ordnance House, 31 Pier Road, St. Helier Jersey JE4 8PW, at 1300 on Thursday 14 July 2011, to conduct the following business:

To consider and if thought fit, to pass the following resolutions numbered 1 to 4

Resolution 1: To receive and consider the report of the directors and the financial statements of the Company for the period to 31 December 2010, with the auditors report thereon

Resolution 2: To authorise payment of a final dividend of 0.7p per Ordinary share in respect of 2010

Resolution 3: To re-appoint Deloitte Limited as auditors

Resolution 4: To authorise the directors to fix the remuneration of the auditors

To transact any other business which may be properly transacted at an annual general meeting

BY ORDER OF THE BOARD

R A Eldridge
Ordnance House
31 Pier Road
St Helier
Jersey, Channel Islands
JE4 8PW

Dated: 15 June 2011

A Member entitled to attend and vote at this Meeting is entitled to appoint a Proxy to attend and vote on his behalf, and Proxy so appointed need not also be a Member of the Company.

Notes:

1. Holders of ordinary shares are entitled to attend and vote at the meeting. Any member may appoint another person (whether a member of the Company or not) as his proxy to attend and, on a poll, vote in his stead. A form of proxy is enclosed for use by holders of Ordinary shares. Proxies must be lodged at the office of the Company's registrar, Computershare Services (Channel Islands) Limited, Queensway House, Hilgrove Street, St. Helier, Jersey JE4 9XY, Channel Islands before the time of the meeting.
2. These reports and financial statements will be tabled at the Annual General Meeting. Copies will be available at and can be obtained on written request to the Registrars, Queensway House, Hilgrove Street, St. Helier, Jersey JE4 9XY, Channel Islands.

NATURE GROUP PLC

FORM OF PROXY

I/We,...,

of ....,
being a member/members of the above-named Company, do hereby nominate and appoint

....

of...
or failing him, The Chairman of the Annual General Meeting, to vote for me/us and on my/our behalf at the Annual General Meeting of the above-mentioned Company, to be held at 1300 on 14 July 2011, and at any adjournments thereof.

Resolutions	For	Against
1. Adoption of the directors' report and financial statements.	☐	☐
2. Approval of the final dividend of 0.7p per share.	☐	☐
3. Re-appointment of Deloitte Limited as auditors.	☐	☐
4. Authorisation of the Directors to fix the remuneration of the auditors.	☐	☐
In respect of any other business.	☐	☐

Please indicate how you wish your proxy to vote in respect of the special resolutions detailed on your notice, by placing an "X" in the boxes desired. Unless otherwise instructed, the Proxy will vote or abstain as he/she thinks fit. The proxy will act in his/her discretion in relation to any other business arising at the Meeting (including any resolution to adjourn the Meeting).

Dated this..............................day of................................2011

INDIVIDUAL:

Signed by the said: ....

Name: ....

CORPORATION:

The Common Seal of ....

was hereunto affixed in the presence of: ....
Director

....
Director/Company Secretary

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised. A proxy need not be a member of the Company.

Notes:
(1) In the case of joint holdings the signature of one holder will suffice, but the names of all joint holders should be shown.
(2) Completion and return of this form of proxy will not preclude the member from attending and voting in person at the Meeting. However, a vote given or poll demanded by a proxy shall be valid notwithstanding the previous determination of the authority of the proxy, unless notice of such determination is received by the Company at the registered office of the Company or, if the relevant form of proxy was deposited at the Company's Registrars' office, its registrars' office before the commencement of the Meeting or, if the Meeting is adjourned, the adjourned Meeting at which the vote is given or the poll demanded, or (in the case of a poll taken otherwise than on the same day as the Meeting or adjourned Meeting) the time appointed for taking the poll.
(3) Any alteration or deletion must be signed or initialled.
(4) The Chairman of the Meeting will act as proxy unless any other proxy is desired, in which case the member should insert the full name of the proxy in the space provided above.
(5) To be effective this proxy must be deposited with The Registrars (Computershare Investor Services Jersey Ltd, Queensway House, Hilgrove Street, St. Helier, Jersey JE4 9XY, Channel Islands) not less than 48 hours before the time of the Meeting or any adjourned Meeting.

Number of shares held: ....

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BUSINESS REPLY SERVICE
Licence No. JE147

1

The Registrar
Computershare Investor Services Jersey Ltd
Queensway House
Hilgrove Street
St. Helier
Jersey JE4 9XY

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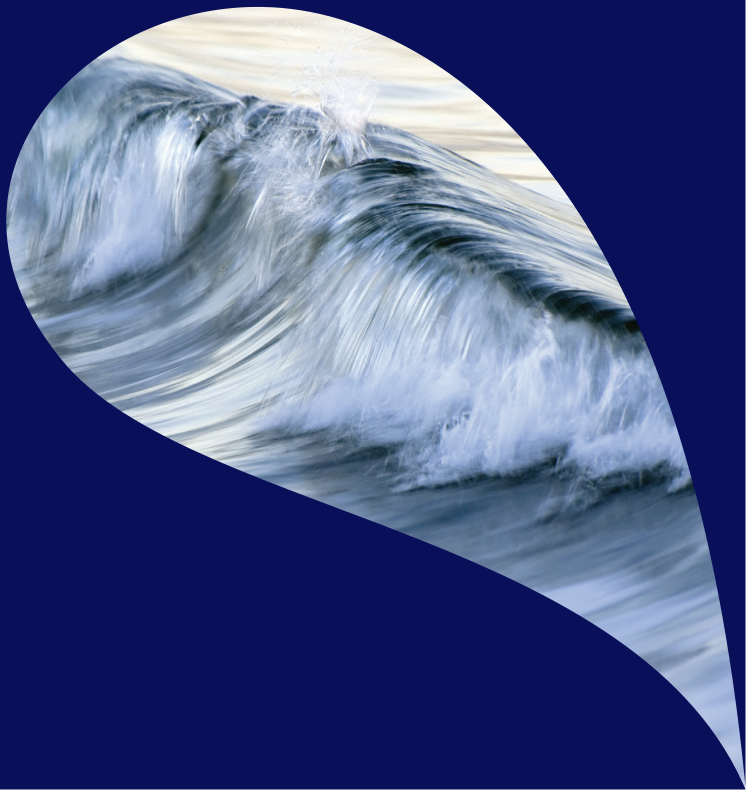

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