

Nature Group PLC



Unaudited Interim Results for the 6 months to 30 June 2010

Chairman's Statement

Results

I am pleased to report continued growth in Group revenues for the first half of 2010 to £3.36 million compared with £2.7 million in 2009, and a proportionate increase in Group earnings after tax from £574,000 to £839,000. At the AGM on 15 July we reported that Group turnover would approach £3.9 million for the first 6 months, but your Board has conservatively decided to defer £560,000 of invoiced sales related to the Oman Project until the second half. The effect of this deferment has been to include only some 15% of expected revenues from this contract at 30 June and, following significantly increased workload, we expect to include a further 50% of contracted revenues in the final 6 months.

In Norway our offshore treatment operations, now subject to a Letter of Intent as to future co-operation internationally, completed one operating contract in the first half, with a subsequent contract in August. As anticipated in my June Chairman's Statement, direct revenues from the Stavanger treatment plant operated by our 40% joint venture were reduced, although this did partially benefit our share of its profits as shown overleaf.

The increase in net profits of the Group after tax generated a useful 44% rise in earnings per share from 1.48p per share to 2.13p, although we do not expect to achieve this % rate of increase in net earnings in the second half compared with 2009, due partially to lower proportionate margins on the Oman project.

Strategic Developments

In August, following detailed discussions regarding the potential deployment of offshore treatment units [OTU's] in the offshore rig sector since the start of 2010, a Letter of Intent, whereby Nature would license the OTU technology worldwide, was signed. The legal documentation for such a commercial arrangement with a multinational Group in the offshore services sector involving intellectual property and Nature offshore operating experience, is complex and we will keep shareholders informed as to progress in the fulfilment of this intent. Meanwhile the building and commissioning of a second generation OTU has moved from design phase to procurement and should provide our offshore services Norwegian subsidiary with the resources to move into profit after depreciation in 2011. The anticipated collaboration with a strategic partner, in addition to our continued efforts to secure further offshore deployments, should result in more units in operation by mid 2011, and further penetration into the offshore market thereafter.

In the port services sector we are exploring specific acquisition opportunities to grow the business in Europe and potentially widen our services to shipping lines and oil companies, building on our success in S.W. Europe.

We hope to be in a position to announce further progress with regard to these strategic developments in the near future.

Operations

Port Reception Facilities

In Gibraltar, commercial shipping waste deliveries have fluctuated on a monthly basis as shipping operators adapt to the new legislation regarding offloading of waste, resulting in some excellent months of over 8,000 cu.m's inwards but with other months seeing lower volumes. Our Nature Port Reception operations have achieved a useful increase in revenues

over the same period in 2009 reflecting input of waste from Malta and Ceuta, and as a result achieved profits significantly higher than the first six months of 2009, although this rate of increase is unlikely to be as high in the second half.

Expansion plans for increased storage volumes in Gibraltar as outlined at our Annual General Meeting are under design review and evaluation, and discussions with regard to reception of waste oil from other locations continue.

Oil Industry Operations

The Nature team in Norway has been focussed throughout 2010 on the development of our activities offshore as referred to above, and in July this year, commissioned the treatment unit delivered to Kazakhstan in 2009. This had been deferred for 12 months, due to local operational delays faced by our customer. A frame agreement for the continued support of this facility has recently been signed.

Our joint venture treatment plant in Stavanger has performed satisfactorily and continued to contribute to our direct revenues for support and supplies, whilst generating joint venture revenues and profits. Since the half-year Nature has signed a new 5 year rental agreement, worth £710,000 to supply a new treatment unit to replace a previous rental unit.

As a result of this focus, turnover of our Norway operations overall was static in these six months compared to 2009, but achieved a useful contribution both before and after tax. However, the prospects going forward are encouraging.

Oman – Duqm New Port

Despite some delays in the construction of the port infrastructure and finalising the engineering interface with the main contractors, a programme agreed in Oman in late August should result in Nature Group having all equipment delivered or approved by the end of 2010. Some acceptance test procedures will now be undertaken in the UK with others in the UAE, and shipping to Muscat is planned to take place in the period November 2010 to January 2011. Despite the delays we expect a useful contribution to our overall 2010 results from this project.

Duqm is planned to be a prestigious and substantial development in a strategically important country. The additional benefits of having developed a new generation, larger slops and sludge plant for remote or port locations, together with the required engineering, delivery and commissioning skills for such a project, should yield additional benefits in following years.

Prospects

In conclusion, the Group has moved forward again in 2010, particularly in terms of building staff, skills and opportunities. Upon successful evolution of the strategic developments referenced above which are now at an advanced stage, I anticipate writing to you again to provide details of these expected additions to the geographical scope of our operations and of the potential expansion of Group operations.

Your Directors recommend the continuation of our recently initiated dividend policy for the current year, and onwards, subject of course to Group performance. The level of dividend recommended will be reviewed in the light of the anticipated outcome for 2010 over the coming months.

Richard Eldridge
Chairman

23 September 2010



CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the half year to 30 June 2010

	<i>Unaudited</i> Six months to 30 June 2010 £	<i>Unaudited</i> Six months to 30 June 2009 £	<i>Audited</i> Year to 31 December 2009 £
REVENUE			
Continuing operations	2,903,757	2,263,219	5,062,610
Joint venture	459,019	442,280	929,834
	<u>3,362,776</u>	<u>2,705,499</u>	<u>5,992,444</u>
OPERATING COSTS			
Continuing operations	(1,159,891)	(848,373)	(1,946,512)
Joint venture	(295,090)	(335,397)	(688,129)
	<u>1,907,795</u>	<u>1,521,729</u>	<u>3,357,803</u>
OPERATING PROFIT	1,907,795	1,521,729	3,357,803
Interest receivable	933	499	16,764
Administrative costs	(677,845)	(599,670)	(1,050,094)
Bank interest and charges	(15,866)	(10,573)	(16,547)
	<u>1,215,017</u>	<u>911,985</u>	<u>2,307,926</u>
Depreciation and goodwill amortisation	(359,712)	(283,541)	(661,828)
	<u>855,305</u>	<u>628,444</u>	<u>1,646,098</u>
Profit on ordinary activities before taxation	855,305	628,444	1,646,098
Taxation on profit on ordinary activities	(16,104)	(54,264)	(72,386)
	<u>839,201</u>	<u>574,180</u>	<u>1,573,712</u>
Profit for the financial period	<u>839,201</u>	<u>574,180</u>	<u>1,573,712</u>
Earnings per share (pence)	2.13	1.477	4.05

CONSOLIDATED BALANCE SHEET

At 30 June 2010

	<i>Unaudited</i> As at 30 June 2010 £	<i>Unaudited</i> As at 30 June 2009 £	<i>Audited</i> As at 31 December 2009 £
Assets			
Non current assets			
Plant and equipment	4,072,838	4,011,847	4,039,952
Intangible assets	451,319	527,744	503,810
Investments	278,537	216,269	275,319
Deferred tax asset	23,918	40,339	26,996
	<u>4,826,612</u>	<u>4,796,199</u>	<u>4,846,077</u>
Total non current assets	4,826,612	4,796,199	4,846,077
Current assets			
Inventory	114,894	98,359	92,871
Trade and other receivables	1,584,095	908,417	921,858
Cash and cash equivalents	1,876,094	647,941	1,586,823
	<u>3,575,083</u>	<u>1,654,717</u>	<u>2,601,552</u>
Total current assets	3,575,083	1,654,717	2,601,552
TOTAL ASSETS	8,401,695	6,450,916	7,447,629
LIABILITIES:			
Current liabilities	(909,768)	(622,996)	(632,781)
Non-current liabilities			
Long term loan	(331,333)	(560,060)	(547,456)
	<u>7,160,594</u>	<u>5,267,860</u>	<u>6,267,392</u>
Net assets	7,160,594	5,267,860	6,267,392
EQUITY			
Called up share capital	78,621	77,720	77,720
Share premium	3,286,899	3,233,799	3,233,799
Capital Reserve	2,925,520	2,925,520	2,925,520
Profit and loss account	869,554	(969,179)	30,353
	<u>7,160,594</u>	<u>5,267,860</u>	<u>6,267,392</u>
Total equity attributable to equity shareholders	7,160,594	5,267,860	6,267,392

CONSOLIDATED CASH FLOW STATEMENT

For the half year to 30 June 2010

	<i>Unaudited half year to 30 June 2010</i>	<i>Unaudited half year to 30 June 2009</i>	<i>Audited year to 31 December 2009</i>
	£	£	£
Reconciliation of operating profit to net cash flow from operating activities:			
Profit after tax	839,201	574,180	1,573,712
Depreciation (excluding joint venture)	326,430	283,541	593,974
(Increase) in stock	(22,023)	(6,675)	(1,187)
(Increase)/Decrease in debtors	(659,159)	(44,845)	(44,943)
(Decrease)/increase in creditors	60,864	131,876	125,057
	<u>545,313</u>	<u>938,077</u>	<u>2,246,613</u>
Net cash from operating activities			
Investing activities:			
Increase in investments	(3,212)	(52,471)	(111,521)
Acquisition of fixed assets	(306,830)	(852,472)	1,163,076
Issuance of share capital	54,000	–	–
	<u>289,271</u>	<u>33,134</u>	<u>972,016</u>
Increase/(Decrease) in cash balances			
Movement in cash balances:			
Balance at bank 1 January 2010	1,586,823	614,807	614,807
Net cash inflow/(outflow)	<u>289,271</u>	<u>33,134</u>	<u>972,016</u>
Balance at 30 June 2010	<u><u>1,876,094</u></u>	<u><u>647,941</u></u>	<u><u>1,586,823</u></u>

Notes to the accounts

1. The calculation of earnings per share has been based on the profit for the period and the average 39,235,155 Ordinary Shares in issue throughout the period.
2. These unaudited results have been prepared on the basis of the accounting policies adopted in the accounts to 31 December 2009.
3. The interim report to 30 June 2010 was approved by the Directors on 23 September 2010. The report will be posted to shareholders and will be available to the public, free of charge, from the offices of Astaire Securities Limited, 46 Worship Street, London EC2A 2EA.
4. The increase in trade receivables at 30 June 2010 compared with 31 December 2009 is substantially due to progress payments invoiced in respect of the Oman project.