

Buy

Price 59.5p

Target Price 80p

Reuters/BBG Index NGR.L / NGR LN
Sector FTSE AIM
 Support Services
Market Cap £46.1m
Shares in Issue 77.4m
NAV 37.3p
Gearing na
Interest Cover 31.4x
FCF Yield 5.6%

Performance vs AIM
 1 month: -4.0%
 3 months: +0.4%
 12 months: +113.2%
High/Low 66p / 22p

Last Results Interims – Sep 10
Next Event Finals – May 11



Source: Fidessa

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Marketing Communication

This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Please refer to important disclosures towards the end of this document.

Nature Group*

Acquisition of ISD – Global Growth Potential

The combination of Nature Group and ISD demonstrates a compelling business proposition. Nature Group has proven waste treatment capabilities in both the onshore and offshore markets and ISD has the logistics capabilities, management and relationships to enable the combined entity to become the leading global marine waste services provider. An immediate earnings enhancement is expected to come through from the transshipment of waste oil from Rotterdam to the treatment facility in Gibraltar. Beyond this, we believe there to be further growth potential from cross-selling of services to the existing customer base and additional revenue streams to be generated from OTU's and EcoScrub solutions. We initiate coverage with a Buy recommendation and 80p price target.

Potential to become the leading global marine waste services provider. In addition to existing locations, we believe other potential ports could include Panama, Suez Canal and Singapore, as well as a focus on the major global shipping lanes.

A regulatory driven market. The markets in which the businesses operate are driven by IMO, OSPAR and EU legislation, with ship/oil rig operators responsible for waste generated from cradle to grave. Enforcement of the international legislation varies significantly by port and region at present, although this trend is steadily improving.

Immediate potential earnings uplift from recovered oil. We estimate that around 20,000m³ of partially processed MARPOL Annex I classified waste could be shipped to Gibraltar from Rotterdam in 2011, with the benefit to the enlarged group coming from the value of oil recovered, this resulting in a potentially sizeable uplift in group ebita.

Valuation undemanding - attractive dividend payout ratio. Given the consistency of cash backed earnings we expect a dividend payout ratio of 25%. Based on our estimates, the shares are trading on a December 2011 P/E of 9.1x and EV/Ebitda of 5.3x. We initiate coverage with a Buy recommendation and 80p 12-month share price target.

Estimates (Dec - £m)	2008A	2009A	2010E	2011E	2012E
Revenue	3.4	6.0	7.3	21.2	23.8
EBITDA	0.9	2.2	2.5	7.5	9.9
PBT	0.7	1.6	1.9	6.1	8.2
EPS (p)	2.6	4.0	4.3	6.6	8.8
P/E (x)	23.2	14.9	13.8	9.1	6.8
EV/EBITDA (x)	51.4	20.3	16.7	5.3	3.9
DIV (p)	0.0	0.6	0.7	1.6	2.2
Yield (%)	0.0	1.0	1.2	2.8	3.7
Net Cash (Debt)	0.6	1.0	4.0	6.0	7.7
Net Assets	4.7	6.3	25.0	28.8	34.0

Source: WHI Research *Assumes no trading benefit to Nature Group from ISD in 2010
 **2010 net assets include £14.1m of acquired intangibles from the acquisition of ISD

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PROFIT & LOSS

Y/E Dec (£m)	2009A	2010E	2011E	2012E
Revenue				
ISD Rotterdam			10.6	11.3
Gibraltar	3.2	4.2	5.0	5.5
Norway (NTS plus SART)	2.6	1.8	2.2	2.6
NESL	0.0	1.2	1.2	0.5
NGTL	0.0	0.0	1.7	1.8
Ecoscrub	0.0	0.0	0.2	1.0
NT (O T U)	0.3	0.1	0.3	1.0
Group Revenue	6.0	7.3	21.2	23.8
Growth (%)	76.8	22.9	189.3	12.1
Operating Profit	1.6	1.9	6.3	8.4
Operating Profit Margin (%)	27.2	25.8	29.6	35.1
Interest	0.0	0.0	-0.2	-0.2
Pre-Tax Profit (Clean)	1.6	1.9	6.1	8.2
Exceptionals	0.0	0.0	0.0	0.0
Pre-Tax Profit (Headline)	1.6	1.9	6.1	8.2
Tax Rate (%)	4.2	5.0	15.8	16.5
Shares in Issue (Avg)	38.9	40.9	77.4	77.4
EPS (p) Clean	4.0	4.3	6.6	8.8
Growth (%)	55.9	7.6	52.5	33.3
EPS (p) Clean Fully Diluted	4.0	4.3	6.6	8.7
Growth (%)	55.9	7.6	52.2	33.3
Dividend (p)	0.6	0.7	1.6	2.2
Growth (%)	na	16.7	134.6	33.3

CASHFLOW & BALANCE SHEET

Y/E Dec (£m)	2009A	2010E	2011E	2012E
Group Operating Profit	1.6	1.9	6.3	8.4
Depreciation	0.6	0.6	1.2	1.5
Working Capital	0.0	-0.2	0.4	-0.2
Other	0.0	0.0	0.0	0.0
Operating Cashflow	2.1	2.4	8.0	9.7
Interest	0.0	0.0	-0.2	-0.2
Tax	0.0	0.0	-1.0	-1.3
Gross Free Cashflow	2.1	2.3	6.8	8.1
Capex	-1.3	-0.4	-4.2	-5.1
Acquisitions/Disposals	0.0	-8.0	0.0	0.0
Dividend	0.0	-0.2	-0.6	-1.4
Other	0.0	0.1	0.1	0.1
In/outflow b/f	0.9	-6.2	2.0	1.7
Share Issue	0.0	10.5	0.0	0.0
Other Financing	0.0	0.0	0.0	0.0
Net Cashflow	0.9	4.3	2.0	1.7
Other	-0.4	-1.4	0.0	0.0
Net Cash (Debt)	1.0	4.0	6.0	7.7
Net Assets	6.3	25.0	28.8	34.0

Source: WHI Research *Assumes no trading benefit to Nature Group from ISD in 2010 **2010 net assets include £14.1m of acquired intangibles

Investment Case

- A legislative driven and highly fragmented global market
- Nature Group - proven marine waste treatment capability with available capacity to accept additional volumes from other ports
- ISD – proven marine services and logistics business delivering all types of shipping and offshore waste to third party treatment facilities
- Global growth potential from expansion beyond the existing port locations
- Immediate potential earnings uplift from additional waste oil recovered
- Further growth potential from cross-selling of services to existing customer base, Offshore Treatment Units (OTUs) and EcoScrub
- Attractive proposed dividend payout ratio
- Potential for earnings multiple expansion from single digit base

The combination of Nature Group and ISD demonstrates a compelling business proposition, in our view. Nature Group has proven waste treatment capabilities in both the onshore and offshore markets and ISD builds on the logistics capabilities, management and relationships to drive the business forward to become the leading global marine waste service provider. An immediate uplift in earnings is expected to be achieved from additional waste oil recovered. Beyond this, we believe there to be further growth potential from cross-selling of services to the existing customer base, as well as additional revenue generated from the OTUs and EcoScrub. We initiate coverage with a Buy recommendation and 80p 12-month share price target.

Nature Group has a proven marine waste treatment capability with available capacity to accept additional volumes from other ports. The business has more than 10-years experience in the collection and treatment of marine waste. There are presently facilities in Gibraltar and Stavanger ports, with a construction contract underway for a new reception facility in Oman. The facilities in Gibraltar not only receive waste from those ships entering the port but also receives transshipments from the ports of Malta, Cueta and Gran Canaria, with a recent agreement having been reached with Italy. Importantly, a fully documented process is in place, tracking the waste from collection to final treatment. The proprietary OTU technology developed in Norway has clear cost and operational benefits to customers although the product has been unable to gain traction in the market to date, something we believe will be rectified under the enlarged group given the enhanced relationships.

International Slops Disposal (ISD) is a marine services and logistics business, providing a one stop waste collection solution to shipping and offshore markets. The business has a c.65% market share of waste collection in Rotterdam, with the key differentiator in comparison to competitors being that the ships will collect all waste and not just that with an oil content, thereby providing a one stop service for ship owners and operators. The EcoScrub proprietary technology has been developed to provide a solution to MARPOL VI, which relates to emissions, although deployment is at an early stage. ISD currently has over 40 contracts in place with ship owners.

The combination of Nature Group and ISD positions the enlarge business to become the leading global marine waste services provider

Significant IP is held within Nature Group

ISD's key competitive advantage is that it is able to collect all waste and not just that with an oil content

Potential to build facilities in the worlds major ports and shipping lanes.

Potential to expand services to become a global services provider. The International Maritime Organisation requires all ports to have a Port Reception Facility, although there is a shortage of supply globally. Obvious candidates for expansion would include ports such as Panama, Suez Canal and Singapore, as well as a focus on major shipping lanes. The construction contract for the treatment plant in Oman that is currently underway will provide a blueprint for further expansion potential.

A regulatory driven market

A legislative driven market. The markets in which the businesses operate are driven by IMO (International Maritime Organisation), OSPAR (Oslo/Paris convention on discharges to sea from all activities in the North Sea) and EU legislation. Under the International Convention for the Prevention of Pollution from Ships (MARPOL), six annexes set out the responsibilities for ships and their owners. The most important ones for Nature Group are Annex I (covering regulations for the prevention of the pollution from oil), Annex II (covering the control of pollution of chemical waste) and with the development of Ecoscrub by ISD, Annex VI (covering the prevention of air pollution from ships).

Ship and rig operators are responsible for waste produced until it has been fully treated

Ship/oil rig operators are responsible for the waste produced until it has been fully treated, therefore creating the need to use suppliers who can provide documented evidence of the supply chain. As recent cases have shown, for businesses (or their supply chain) found to be breaching international laws and regulations, the impact is likely to be that of a heavy fine along with the associated negative publicity. Enforcement of the international legislation varies significantly by port and region at present, although the trend is steadily improving.

Typical competitors are single site operators

Competition is highly fragmented. The markets in which Nature/ISD operate are highly fragmented where typical competitors are single site operators. The combination of the businesses should enable ISD to expand existing ship owner contracts to include Norway and the Mediterranean.

There is the potential to deliver 20,000m³ of partially processed waste to Gibraltar where the oil content can be recovered

Potential immediate uplift from additional transshipment of oil waste to Gibraltar. We estimate that around 20,000m³ of partially processed Annex I waste, where the water content has been reduced from 70-90% water to around 40% (using either barges or storage tanks to reduce transport costs) could be shipped to Gibraltar from Rotterdam at a cost no more than that presently paid to the third party treatment provider. In addition, or as an alternative, further potential opportunities could come through from the direct sale in and around the port of Rotterdam. The benefit to the enlarged group would come from the value of oil recovered and is expected to result in a potentially significant uplift in group ebita.

Proposed dividend payout ratio of 25%

Attractive proposed dividend payout ratio. Given the consistency of earnings, management have committed to a dividend payout ratio of 25% of post tax earnings. At the current share price, this would imply a current year dividend yield of 2.8%.

We initiate coverage with a Buy recommendation and 80p share price target.

Valuation undemanding. Based on our estimates, the shares are trading on a December 2011 P/E of 9.1x and EV/Ebitda of 5.3x. This compares to our peer group averages of 11.7x and 6.9x respectively. We initiate coverage with a Buy recommendation and 80p share price target based on a basket of three valuation metrics.

Transaction Details

Nature Group is acquiring ISD for a total purchase price of £16.0m.

The acquisition of ISD by Nature Group not only provides a potentially significant uplift in earnings for the combined entity through transshipment volumes to Gibraltar but also provides a platform from which to create a global marine waste services provider. Nature Group is paying a total purchase price of £16.0m for ISD equating to an historic P/E multiple of 9.6x and EV/Ebitda of 6.7x. This is made up of £8m in cash and £8m in new shares (at a placing price of 50p) being issued to Portinvest, ISD's previous owner, who will therefore continue to hold a 20% stake in the enlarged group. Portinvest is owned by a group of four individuals, each holding a 25% stake in the company, including Bernard Muller (proposed Deputy Chairman of the enlarged Nature Group) and Andreas Drenthen (proposed Chief Executive of the enlarged Nature Group). At the same time, a further £3.0m has been raised in order to fund global growth opportunities and directors have sold shares to the value of £1.0975m, resulting in a free float of 53.6% post transaction. In total, a further 38.0m shares have been issued taking the total number of shares in issue to 77.4m.

Valuation

The combined Nature Group is somewhat of a unique investment proposition, with no quoted peer group in which to compare valuation metrics against. In our attempt to ascribe a fair value to the shares, we have taken a basket of stocks across a number of European and Nordic markets whose business characteristics and/or end markets are similar to those of the Nature/ISD combination. We have then included a 10-year DCF using a discount rate of 10.0%, implicit forecasts for years 1-3, followed by a conservative growth rate of 2.5% in years 4-10 and terminal growth rate of 2.0%.

Fig 1: DCF Fair Value

10-year DCF Model	11e	12e	13e	14e	15e	16e	17e	18e	19e	20e	Perpetuity
EBITDA	6.3	8.4	10.2	10.5	10.7	11.0	11.3	11.6	11.9	12.2	
Depreciation & Amortisation	1.2	1.5	1.6	1.7	1.7	1.8	1.8	1.9	1.9	2.0	
Working Capital	0.4	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	
Operating Cashflow	8.0	9.7	11.7	12.0	12.3	12.6	12.9	13.2	13.5	13.9	
Cash Tax	-1.0	-1.3	-1.7	-1.8	-1.8	-1.9	-1.9	-2.0	-2.0	-2.1	
Cap-Ex/Acq/Disposals/Other	-4.2	-5.0	-4.2	-4.3	-4.4	-4.5	-4.6	-4.7	-4.9	-5.0	
Net Cashflow	2.8	3.3	5.8	5.9	6.0	6.2	6.4	6.5	6.7	6.8	85.5
Year of cashflow	1	2	3	4	5	6	7	8	9	10	
Discount Factor (WACC)	1.10	1.21	1.33	1.46	1.61	1.77	1.95	2.14	2.36	2.59	2.59
PV of netcashflow	2.6	2.7	4.3	4.0	3.8	3.5	3.3	3.0	2.8	2.6	33.0
Present Value	65.7										
Net Cash	6.0										
Equity Value	71.6										
Shares in issue	77.4										
Value Per share (p)	92										
Discount Rate	10.0%										
Terminal Growth Rate	2.0%										

Source: WH Ireland research / Company data

Taking a simple average of these, we see fair value on a 12-month view at 80p and we therefore initiate coverage with a Buy recommendation.

Fig 2: Share Price Target

Share Price Target	Value (p)	Multiple (x)
P/E	77	11.7
EV/EBITDA	76	6.9
DCF	92	
Average	81	

Source: WH Ireland research / Company data

Investment Risks

Variance in Waste Volumes Received

Volumes of waste processed are directly linked to marine transport volumes

Volumes of waste received are driven by the volume of marine transport at the port locations at which the group operates. The market for the treatment processes and the supply of products and services in each of the group's locations could be affected by a decline in marine transport volumes.

International Environmental Regulation

International Environmental Legislation could change requiring further investment

In the bioremediation process, the treatment of oil wastes and oil sullages and the discharge of treated water back into the sea and other sites is closely regulated by environmental legislation in the various jurisdictions in which Nature and ISD operate. The current environmental and pollution control legislation in these jurisdictions may change in a manner that may require stricter standards and a heightened degree of responsibility for companies and their directors and employees. There may also be unforeseen environmental liabilities resulting from the treatment of oily, industrial and biological waste waters and these liabilities may be costly. Changes to the legal or regulatory framework within which Nature and ISD operate could have an adverse effect on the group's business but clearly may also benefit volumes received. Additionally, the failure or inability of the regulatory authorities to implement the legal or regulatory regime could adversely affect the volumes received.

Environmental Licences

Each location is required to have various environmental licenses

The treatment operation in Gibraltar has a lease in place with the Government of Gibraltar for the land allocation of the installation at the port, which runs through to 2026 (which has agreed to be extended by a further 5-years ahead of construction of the planned extension to the facility). The Environmental License for Treatment is issued by the Gibraltar Environment Agency and is required to be renewed every two years. In addition, SAR Treatment has been granted a discharge permit from the Norwegian Pollution Control, allowing the discharge of treated water from its plant in Tananger into the North Sea in accordance with regulations issued by the Norway Environmental Agency. The issue and maintenance of such licences is important to future operations of the group as it may not be able to operate treatment plants in specific international locations without holding a waste discharge licence, depending upon the regulatory regime. As a result of Transshipment licenses only being assignable for a period of 12-months by international law, firm contracts with ports outside Gibraltar such as Malta, Ceuta and Gran Canaria can only be in place for a similar 12-month period. ISD holds an indefinite environmental license to collect liquid waste in Rotterdam.

Environmental Risk

Treatment solutions have proven to be highly effective to date

Both the Nature and ISD businesses' primary aim is to ensure compliance with environmental legislation. Whilst there is a risk that the group's systems and procedures fail, all treatment units are monitored continuously, records of treated water discharged maintained and employees are highly qualified. Treatment solutions have proven to be highly effective to date.

Competition

Competitors are actively attempting to bring similar/superior products and services to the market. Oil waste collection services exist in busy maritime locations and in particular those which may be targeted by Nature for potential plant locations. These businesses have existed primarily to benefit economically from recovered oil. As the group expands, it is expected that in each port location there will be a period of commercial evolution and positioning of the services offered by the group in relation to existing businesses. The group's plant in Gibraltar is sponsored by the Government of Gibraltar and forms part of the integrated waste management strategy of the Port of Gibraltar. Competitors may attempt to copy or otherwise obtain, develop and/or use the Nature group's intellectual property independently. The group has historically not protected its rights to its bio technology process through the use of patents. As the bioremediation process is a natural process, we understand that the company has been advised that intellectual property protection by registration of patents is not applicable as far as the process itself is concerned, although it should be noted that Nature has been granted a patent in respect of its coagulant agent. There is a lack of supply of treatment facilities globally, however, new ports could be built in the locality of existing facilities, thereby reducing the volume of waste received. Increased competition in any of the markets in which the combined group operates could put pressure on pricing and hence margins. A recent example has been seen to a certain extent in Rotterdam where certain ISD competitors have reacted to lower shipping volumes by offering to collect sludge for free. However, due to the lack of ability to take the liquid wastes associated, this has been fairly unsuccessful to date.

Nature and ISD hold strong competitive positions

Acquisition/Execution Risk

The acquisition of ISD should enable the enlarged group to benefit from the processing of additional waste in house, in combination with sales of the oil recovered. Operations will, in effect, continue to operate autonomously. However, as with any acquisition, execution risks remain.

As with any acquisition, execution risks are inherent

Currency Exposure

The combined business is exposed to currency risk, with the majority of transactions being derived in Euros, US\$ or NOK. The group reports in GBP so translation exposure exists.

The group is exposed to currency fluctuations

Alternative solution found

The introduction of new technologies providing alternative solutions to waste water treatment would potentially impact Nature should they reduce the time required in the treatment process, thereby reducing cost. The current technology employed by Nature results in water disposed back to sea being of a higher quality than is enforced by current legislation. However, other technologies may provide improved results.

New technologies could prove to be more cost effective

Oil Price

Nature provides services to the oil and gas industry as well as selling oil recovered from the treatment process. It is therefore impacted by both the level of activity being undertaken at any period in time as well as the price paid for the oil recovered.

Recovered oil prices tend to be less volatile

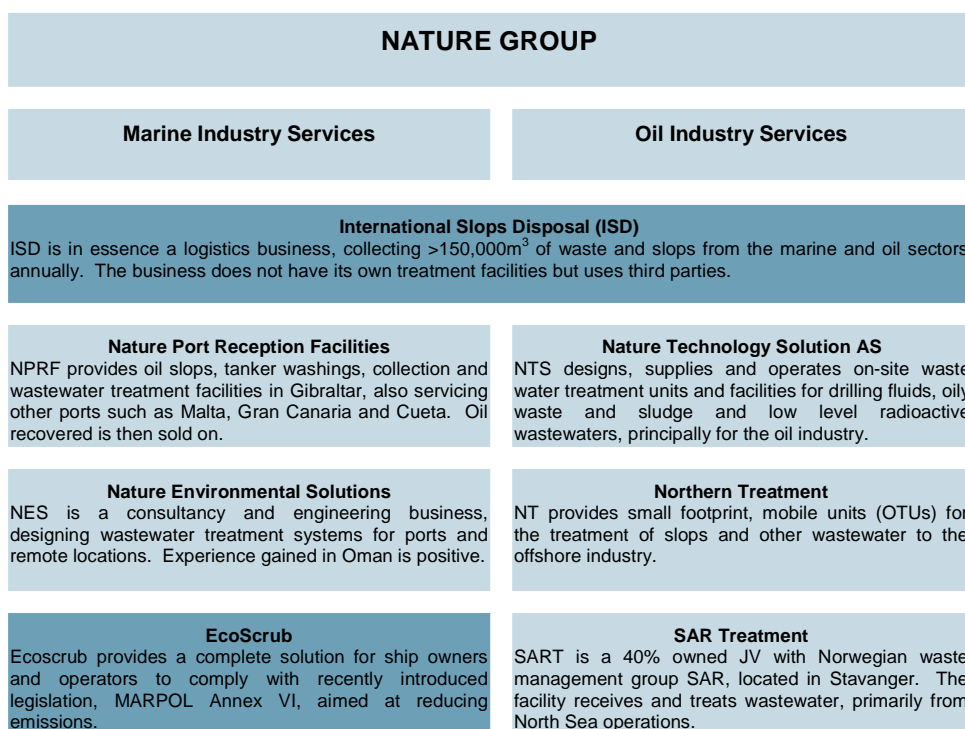
Attraction and Retention of Key Employees

The group's success will depend on its current and future executive management team. The loss of the services of any of the executive Directors or Proposed Directors or other key personnel could have a materially adverse effect upon the Group's future.

ISD and Nature are dependent on a number of key employees

Business Review

Nature Group specialises in complex wastewater treatment to the marine and oil sectors, including vessel slops, tanker washings, oil waste and other waste water. The acquisition of ISD, with its logistics capabilities and strong relationships with ship operators and the oil industry provides the opportunity to create a global marine services business in this highly fragmented market.



The enlarged Nature Group services both marine and oil markets

Nature Port Reception Facilities – Gibraltar

Nature Port Reception Facilities in Gibraltar provides oil slops, tanker washings and wastewater treatment services (MARPOL Annex I & II) under a long-term agreement which runs until 2026 (increased by a further 5-years following the expansion of the facility), with the Government of Gibraltar and regulated by the Gibraltar Environment Agency. The division is also contracted to register and clear ships entering the port of Gibraltar for their Annex II waste. The port of Gibraltar is somewhat unique in that waste water cannot be returned to the municipal system and must be treated prior to being discharged to sea. Recovered oil is then sold, creating a second income stream.

The facility presently has over 7,000m³ of reception and storage tankage for oily wastewaters, with investment being made to increase capacity to 12,000m³ to expand the range of services provided, in addition to receiving further potential transshipments of oil wastes. The operation has a 220,000m³ annual throughput capacity bio treatment plant, of which around only 30% of capacity has been utilised annually over the last few years.

NPRF in Gibraltar provides oil slops, tanker washings and wastewater treatment services

Fig 3: Nature Port Reception Facilities - Gibraltar

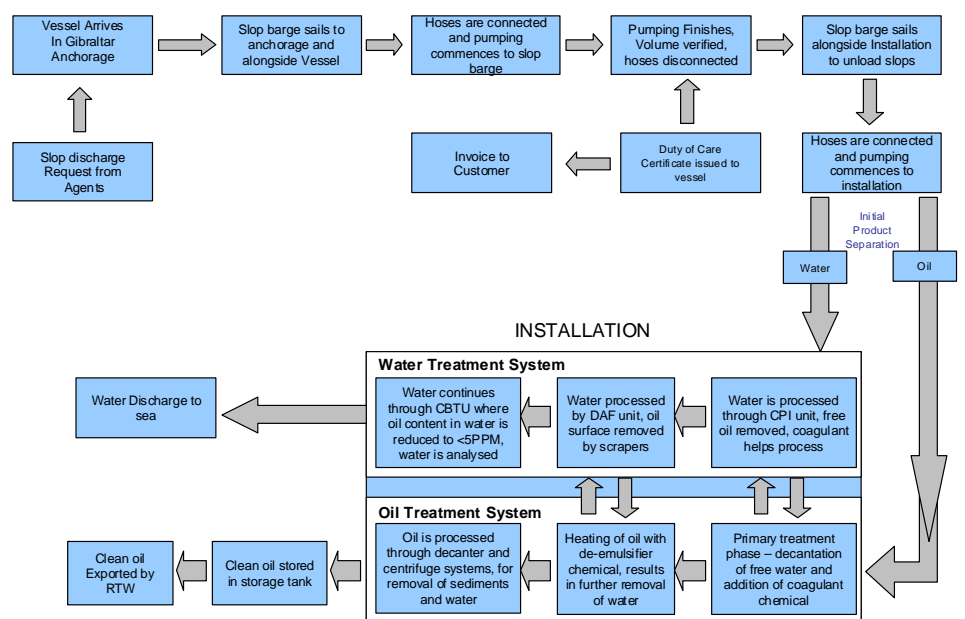


Source: WH Ireland research / Company data

Waste is collected in other port locations in the Atlantic and Mediterranean oceans, including Malta, Gran Canaria and Cueta

The facility processes the separated and dried oil recovered in the primary stages of treatment and treats the separated water to discharge to sea at the standards set by current environmental legislation. The process incorporates gravity, interceptor and dissolved air separation modules for the removal of hydrocarbons. The final water polishing is by constant flow bio-treatment. Treatment flow rate is up to 20m³ per hour. These capabilities enable the marine industry to deliver slops to an approved location which is capable of treating wastewaters to levels approaching the zero discharge targets set for the Mediterranean and elsewhere. Capabilities include both powered and towed barging, tank storage facilities and steam heating utilising recovered oil. The facility is both IPPC licensed and ISO 9001 approved. Nature now also receives wastewaters collected in other port locations in the Atlantic and Mediterranean oceans, including Malta, Gran Canaria and Cueta (a JV which receives and stores oil waste prior to transshipment), with a recently signed agreement in Italy.

Fig 4: Oil Waste Movement and Treatment: Process Overview



Source: WH Ireland research / Company data

International Slops Disposal (ISD)

ISD collects in excess of 150,000m³ of slops, sludge, bilge water and tanker washings

International Slops Disposal (ISD) is a Rotterdam based ship waste disposal company. The business was founded in 1982 and collects shipping and offshore waste, including in excess of 150,000m³ of slops, sludge, bilge water and tanker washings (Annex I & II) each year, servicing over 4,000 vessels, equating to c.65% share of the Rotterdam market. The business operates ten collecting barges with a total capacity of 8,500m³, including the recently acquired double hull newbuild 'Hydrovac 11', which recently came into service in November. The business also collects MARPOL Annex IV (sewage) and V (general rubbish) waste. Revenue is generated both from a charge for collection/treatment of the waste, as well as transport/storage and currently sells around 5,000m³ of oil per annum from its debunkering operation. However, ISD does not presently have its own treatment plant and paid external providers €5.0m in 2009 in operating and treatment costs for the waste collected. As such, ISD as a standalone entity does not benefit from the sale of the oil element of waste sent to these third parties.

Fig 5: ISD Barges



Source: WH Ireland research / Company data

All ISD barges are fully automated, with all orders given and managed through its proprietary IT systems. The collection barges are equipped with between four and twelve separate collection tanks. Each cargo has its own specification and requires a different way of treatment, enabling ISD to segregate chemicals, mineral and crude oil washings, ensuring safe storage and transport to the treatment facility.

In addition to the slops collection business, ISD has created Ecoscrub, a unique solution for ship owners and operators to comply with recently introduced legislation (MARPOL Annex VI), which relates to odours and emissions. Both permanent and mobile solutions are provided for maritime and industrial clients. The Dutch Environment Agency recently classified Ecoscrub as BAT (best available technology) for complying with Annex VI legislation, which means that solution should be used by ship operators going forward.

Ecoscrub provides a unique solution for ship owners for MARPOL Annex IV legislation

Nature Environmental Solutions Ltd

NESL has proven skills in the construction of new treatment facilities

Nature Group has developed the skills and engineering capabilities to provide stand alone port waste treatment facilities for biological treatment of high COD/BOD wastewater in other locations, such as the Middle East. Through a joint venture consortium based in the UAE and Oman, Nature Environmental Solutions has been awarded a contract to deliver a modular oil slops and sludge facility to a new port and drydock currently under

construction at Duqm in Oman. The siteworks and related tank storage for oily wastewaters are the responsibility of Oman Drydock Company. The joint venture and Nature will design, build and commission the treatment units and provide training for the future operation of this facility. The potential exists for Nature to become the operating partner for the facility once construction is complete.

Completion of the Oman project is expected to occur in 2011

Completion of this project is expected in 2011 but importantly, the learning from this contract should enable the group to establish further facilities in other key port locations. We believe that there is the opportunity to provide a global solution that enables ship operators to enter into an agreement with the combined group. With the existing operations in Gibraltar and Rotterdam, lack of sizable competitors and having gained experience in the building of a brand new facility in Oman, there is now the potential to expand to other global ports such as Suez, Panama and Singapore, in our view.

Nature Technology Solution AS

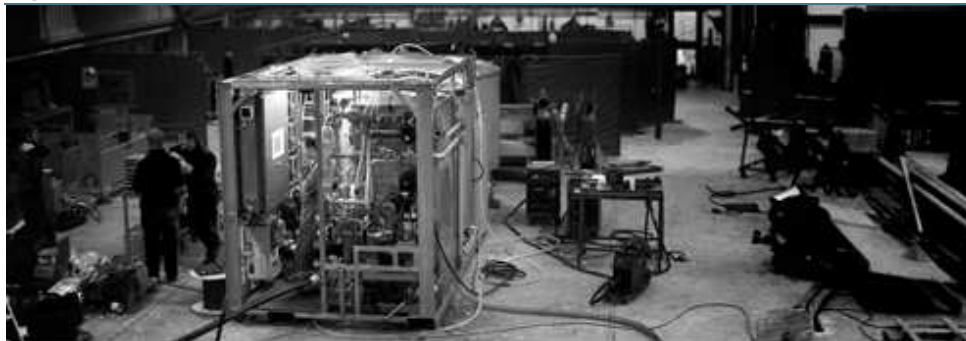
Nature Technology Solution AS is the group's R&D centre, involved in the development and commercialisation of new technology relating to environmental remediation. Based in Stavanger Norway, NTS develops new technology for oilfield produced water treatment, offshore waste water treatment units and constant flow bio-treatment units for separation of complex wastewater containing high concentrations of suspended solids, oil, heavy metals and BOD. In addition, the business provides consulting and technical assistance, troubleshooting and development of treatment solutions for industrial wastewater. The business can design and build bespoke treatment units, as has been deployed in Kazakhstan by Halliburton, in Denmark by Grundfos and Norway by SART. NTS holds intellectual property rights, which are utilised commercially by the group.

NTS is the group's R&D centre

In recent years Nature has responded to the requirement for containerised systems, built to full onshore and / or offshore standards and design criteria, enabling deployment where the site footprint or the level of wastewater flow require a pre-packaged solution.

The patented agent used is non-toxic and reduces dissolved hydrocarbons and the process significantly reduces dissolved hydrocarbons in addition to removing dispersed oil from water, with both laboratory and production tests showing that total hydrocarbon concentrations of below 5 ppm are readily achievable. The bio-treatment uses no chemical agents, is constant flow and low sludge producing.

Containerised treatment units (CTU's), typically in 20ft standard containers, can have solids removal built in or as a separate attached module, with the Nature designed dissolved air flotation capabilities. For higher flow requirements or more permanent sites, 40ft side opening containers can be built.

Fig 6: An example CTU

Source: WH Ireland research / Company data

Northern Treatment AS – Offshore Solutions

Northern Treatment AS specialises in treatment of oily and polluted wastewaters in offshore related activities. Northern Treatment built the first offshore treatment unit (OTU) for slop tank wastewaters on offshore installations, in response to the increasing costs associated with physical disposal logistics. Currently, wastewaters generated on offshore installations are shipped to shore and collected by companies dealing with specialist wastes and then delivered to the treatment facility. The costs associated with this supply chain are significant, as well as taking into consideration the environmental factors involved in transportation of large quantities of wastewaters.

Fig 7: OTU situated on an Oil Rig

Source: Nature Group

The 20ft standard container has a treatment rate of 2-10m³/hr with licensed discharge of c.90% of wastewater treated discharged to sea, with the oil in water targeted at below 15ppm. Revenue is generated through the rental of the unit and operator on a day rate, with additional revenues from consumables.

To date, the oil industry supply chain has proved to be challenging for Nature's offering. Major oilfield contractors have been trying to provide this service over the last few years as an integral element of 'fluids contracts' including drilling muds, as part of the frame agreements between major oil companies and the contractors. However, management remain confident that there will be opportunities to utilise their OTUs offshore and CTUs onshore with a renewed focus on marketing from the enlarged group. We understand that

To date, the oil industry supply chain has proved to be challenging for Nature's offering but management are confident of progress under the enlarged group

given the similarity in the design of the CTUs and OTUs, it is management's intention to merge NT and NTS.

OTU - key benefits:

- HSE effective solution with significant cost saving potential
- Between 70%-90% reduction in hazardous waste transported to shore
- Avoids tanker washing on supply ships and reduces vessel turnaround time both offshore and onshore
- Continuous onsite treatment minimises on-rig storage requirements
- Reduced CO2 emissions from conventional methods

Nature has now developed a 12ft offshore container solution, capable of an operating rate of 15m³/hr, with a maximum flow through rate of 20m³/hr. This is expected to be available to customers from early next year.

A smaller OTU has been developed, which is expected to come into operation early next year

Fig 8: 12ft OTU Container



Source: WH Ireland research / Company data

SAR Treatment AS – 40% JV

Nature has an integrated storage and treatment facility for wastewater at NorSea Base in Tananger, operating as SART (SAR Treatment AS), with 90% of wastewaters received from the oil industry. Wastewater can be delivered to the SART site by ship or road tankers. The total storage capacity available at the site is 5,000m³, with additional storage being provided if necessary. The site has incoming water storage tanks for quarantining water of uncertain origin until it can be verified that this water can be treated at the site to within the agreed environmental discharge limits. The treatment system is a chemical/physical flotation process, where the oil-suspended particles and oil dissolved in the water are captured in a stable chemical floc. The flocs are removed by sedimentation or flotation. The clean water is regulated for correct pH prior to release into the sea. The treatment capacity is 10 cubic meters / hour (dependent upon the complexity of the water) and can presently handle in excess of 24,000m³ of waste per annum.

SART can presently handle in excess of 24,000m³ of waste per annum

Market Review

The markets in which Nature/ISD operate are highly fragmented. Demand for services is driven by legislation, specifically the six annexes of MARPOL, which relates to the International Convention for the Prevention of Pollution from Ships, combined with EU Directive 2000/59/EC and OSPAR. Ship/oil rig owners are responsible for the waste produced until it has been fully treated, therefore creating the need to use suppliers who can provide documented evidence of the supply chain. As recent cases have shown, for those businesses (or their supply chain) found to be breaching international laws and regulations, the impact is likely to be that of a heavy fine along with the associated negative publicity. Enforcement of the international legislation varies significantly by port and region at present (with the US/Europe being most compliant), although the trend is steadily improving. However, we would highlight that market data is very limited, with the information recorded by individual ports varying markedly.

The markets in which Nature/ISD operate are highly fragmented

Marine Industry

There is a growing market for industrial waste water treatment facilities at strategic harbour and industrial locations. According to the International Maritime Organisation (IMO), all ports are required to have a Port Reception Facility but there remains a shortage of supply globally and enforcement of legislation varies between geographies. EU/IPPC and IMO standards for vessel waste management are legally imposed in European, Mediterranean, Red Sea and Gulf Ports, although the enforcement of this legislation in practice varies by port.

All ports require a Port Reception Facility but there remains a shortage of supply globally

Competition is highly fragmented in both the collection and treatment segments. Larger overall waste operators / water utilities are not specialists in the port waste management and treatment sector but some do have facilities, such as ATM operated by Shanks Group and the land based collector in Rotterdam, Avista. The operations in Gibraltar also compete against other ports in the Mediterranean.

One of the key issues in the industry is the amount of waste that appears to be still being dumped at sea by ship operators

One of the key issues in the industry, in addition to the severe lack of treatment facilities, is the amount of waste that appears to be still being dumped at sea by ship operators. Market statistics are hard to come by given that the recording of information can be described as 'patchy' at best. In Northern European ports, where enforcement is tighter and logging of information is better, it is estimated that around 16% of the total ships coming into port dispose of waste. However, in Gibraltar, where enforcement has historically been lower (although we understand the government is now looking into how this can be improved), it is estimated that only around 4% of ships presently dispose of waste in the port.

Vessel Requirements

Under the European Union Port Waste Reception Facility Regulations 2003, ships are required to:

- Provide notification before entry into a port, of the waste they will discharge, including information on the type and quantity;

- Deliver their waste to port reception facilities before leaving port, unless they have sufficient storage capacity; and
- Pay a mandatory charge to significantly contribute to the cost of port reception facilities for ship generated waste whether they use them or not. Exemption may be granted as per Marine Guidance Note 259 where ships are engaged in "Scheduled traffic with frequent and regular port calls" and give evidence "of an arrangement ensuring the delivery of waste and payment of charges in a harbour or terminal along the ships route"

Port and Harbour Requirements

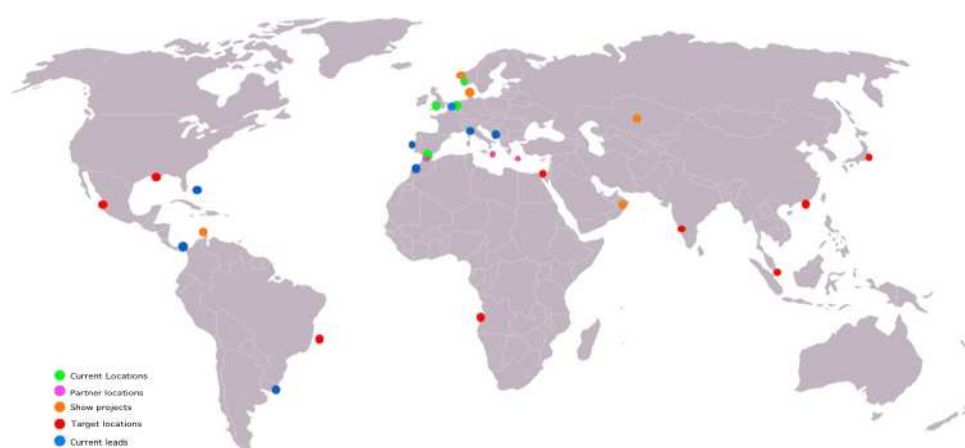
Under the European Union Port Waste Reception Facility Regulations 2003, Ports, Harbours and some terminals are required:

- To have adequate waste reception facilities for ship landed waste including cargo residues, noxious liquid substances and ship generated waste (including sewage);
- To draw up a Waste Management Plan
- To have a pre-notification and mandatory charging system in place

The Global Opportunity

We believe that there is the opportunity to provide a global solution that enables ship operators to enter into an agreement with the combined group. With the existing operations in Gibraltar and Rotterdam, lack of sizable competitors and having gained experience in the building of a brand new facility in Oman, there is now the potential to expand to other global ports such as Suez, Panama and Singapore.

Fig 9: Potential Global Ports



Source: WH Ireland research / Company data

Due to the distinct lack of supply, we believe there to be a significant opportunity for the combined group globally

Oil Industry

Environmental concerns remain high in the oil industry

Oil & Gas companies are highly aware of their environmental responsibilities, with the recent BP disaster further enforcing this focus. The growing concern related to the long term effects of continuing the discharge of produced water from offshore production activities in the North Sea is addressed in the international recommendations from OSPAR (Oslo/Paris convention on discharges to sea from all activities in the North Sea), which came into enforcement in February 2001. The oil companies operating on the Norwegian continental shelf are committed to a philosophy of 'zero effect of emissions' with action started before 2005. In accordance with OSPAR requirements, all North Sea oil companies were to reduce produced water discharge loads by 15% from 2000 levels by 2006. Furthermore, it is estimated that over the next 20-years, more than 450 installations in the North Sea will need to be decommissioned, each requiring the disposal of between 10,000m³ and 30,000m³ of waste water.

Offshore wastes have high transportation and shore reception / disposal costs

Offshore wastes have high transportation and shore reception / disposal costs and environmental pressures continue to grow worldwide. Key competitors to the group would include Halliburton, Mi-SWACO and Scome Oiltools. The group's Offshore Treatment Unit (OTU) has limited constant flow treatment competitors. However, due to the supply chain in existence in the industry, where the major oil field services contractors will typically provide an all encompassing disposal contract, the product to date has failed to break into the market in a meaningful way. However, under the enlarged group, management are confident of making further progress.

Summary of Key Legislation

International Convention for the Prevention of Pollution from Ships

MARPOL is the primary legislative framework globally

The MARPOL Convention is the main international convention covering prevention of pollution of the marine environment by ships from operational or accidental causes. It is a combination of two treaties adopted in 1973 and 1978 respectively and also includes the Protocol of 1997 (Annex VI). The Convention includes regulations aimed at preventing and minimising pollution from ships - both accidental pollution and that from routine operations - and currently includes six technical Annexes.

Annex I Regulations for the Prevention of Pollution by Oil (entered into force 2 October 1983). Covers prevention of pollution by oil from operational measures as well as from accidental discharges. The 1992 amendments to Annex I made it mandatory for new oil tankers to have double hulls and brought in a phase-in schedule for existing tankers to fit double hulls, which was subsequently revised in 2001 and 2003.

Annex II Regulations for the Control of Pollution by Noxious Liquid Substances in Bulk (entered into force 2 October 1983) Annex II details the discharge criteria and measures for the control of pollution by noxious liquid substances carried in bulk. Some 250 substances were evaluated and included in the list appended to the Convention. The discharge of their residues is allowed only to reception facilities until certain concentrations and conditions (which vary with the category of substances) are complied

with. No discharge of residues containing noxious substances is permitted within 12 miles of the nearest land. More stringent restrictions applied to the Baltic and Black Sea areas.

Annex III Prevention of Pollution by Harmful Substances Carried by Sea in Packaged Form (entered into force 1 July 1992). Annex III contains general requirements for the issuing of detailed standards on packing, marking, labelling, documentation, stowage, quantity limitations, exceptions and notifications for preventing pollution by harmful substances. The International Maritime Dangerous Goods (IMDG) Code has, since 1991, included marine pollutants.

Annex IV Prevention of Pollution by Sewage from Ships (entered into force 27 September 2003). Annex IV contains requirements to control pollution of the sea by sewage.

Annex V Prevention of Pollution by Garbage from Ships (entered into force 31 December 1988). This deals with different types of rubbish and specifies the distances from land and the manner in which they may be disposed of. The requirements are much stricter in a number of "special areas" but the most important feature of the Annex is the complete ban imposed on the dumping into the sea of all forms of plastic.

Annex VI Prevention of Air Pollution from Ships (entered into force 19 May 2005) The regulations in this annex set limits on sulphur oxide and nitrogen oxide emissions from ship exhausts as well as particulate matter and prohibit deliberate emissions of ozone depleting substances.

EU Directive 2000/59/EC

Directive 2000/59/EC of the European Parliament relates to the provision and usage of port reception facilities for ship generated waste. Under the legislation, every harbour authority is expected to provide waste reception facilities adequate to meet the needs of the ships normally using the harbour, without causing undue delay to ships.

The European regulations included three areas of noticeable change from previous legislation:

- Ships must provide notification, before entry into the port of the waste they will discharge, including information on types and quantities.
- Ships must deliver their waste to port reception facilities before leaving the port unless they have storage capacity to store waste until the next port of call and have followed the required notification procedure.
- Ships must pay a mandatory charge to make a significant contribution to the cost of port reception facilities for ship generated waste, whether they use them or not.

Financial Review

The combination of Nature Group and ISD in our view will be immediately earnings enhancing from the additional transshipment volumes of oily waste and we have included this within our forecasts. Our estimates do not presently include additional revenue generated through the expansion to other ports globally.

Fig 10: Revenue Breakdown

Revenue (£m)	Proforma 2010e	2011e	Growth (%)
Rotterdam	10.2	10.6	4.8%
Gibraltar	4.2	5.0	19.7%
Norway	1.8	2.2	20.0%
NESL	1.2	1.2	0.0%
NGTL	0.0	1.7	na
Ecoscrub	0.0	0.2	na
OTU	0.1	0.3	na
Other	0.2	0.0	-100.0%
Group Revenue	17.7	21.2	20.0%

Source: WH Ireland research

We are forecasting a first time contribution from transshipment volumes to Gibraltar in 2011 (shown as NGTL)

Revenue. We are forecasting an 20.0% rise in group revenue in 2011 from our proforma December 2010 estimate of £17.7m to £21.2m. This is driven by a 4.8% increase in revenue from Rotterdam (5.0% increase in Annex I, II and IV volumes), a 19.7% rise in revenue at Gibraltar (7.5% increase in Annex I, II and IV volumes), 20.0% rise in revenue from the Norwegian operations driven by existing leads coming through as well as cross-selling from contracts across the enlarged group, with Nature Environmental Solutions revenue remaining broadly flat, a first time revenue contribution from the transshipment volumes of recovered oil (NGTL), Ecoscrub and increased OTU sales.

Fig 11: Operating Profit Breakdown

	Proforma 2010e	Margin (%)	2011e	Margin (%)
Rotterdam	2.4	23.8%	2.8	26.5%
Gibraltar	1.7	40.0%	2.2	43.5%
Norway	0.1	3.7%	0.1	3.7%
NESL	0.1	10.0%	0.2	12.3%
NGTL	0.0	na	0.9	53.1%
Ecoscrub	0.0	na	0.1	52.3%
OTU	0.0	na	0.1	24.0%
Operating Profit	4.3	24.7%	6.3	29.6%

Source: WH Ireland research

Operating Profit. At the group level, we are forecasting a 490bps rise in the 2011 operating margin from our proforma 2010 expectations. The most significant factor behind this is the recovery of oil waste from Rotterdam, contributions from Ecoscrub and OTU units, as well as margin improvements feeding through from increased volumes at Rotterdam and Gibraltar.

Fig 12: Profitability and Dividends

£m	Proforma 2010e	2011e
Net Int	-0.2	-0.2
PBT	4.1	6.1
Tax	-0.6	-1.0
Profit After Tax	3.6	5.1
EPS (p)		6.6
DPS (p)		1.6

Source: WH Ireland research

We are forecasting EPS of 6.6p in 2011...

PBT & EPS. As a result of these assumptions, we are forecasting a £2.0m rise from our 2010 PBT proforma estimate to £6.1m in 2011. We anticipate an underlying tax charge in 2011 of 16.5% for the group, below the standard tax rate as a result of the profits generated in Gibraltar and Oman. With an estimated 77.4m average number of shares in issue, this feeds through to our EPS estimate for the year of 6.6p.

...implying a dividend for the full year of 1.6p

DPS. In line with management's stated intention of a 25% dividend payout ratio, we are forecasting a full year dividend of 1.6p in 2011.

Fig 13: Cashflow & Balance Sheet

Y/E Dec (£m)	2010e	2011e
Operating Cashflow	2.4	8.0
Interest	0.0	-0.2
Tax	0.0	-1.0
Gross Free Cashflow	2.3	6.8
Capex	-0.4	-4.2
Acquisitions/Disposals	-8.0	0.0
Dividend	-0.2	-0.6
Other	0.1	0.1
In/outflow b/f	-6.2	2.0
Share Issue	10.5	0.0
Other Financing	0.0	0.0
Net Cashflow	4.3	2.0
Net Cash (Debt)	4.0	6.0
Net Assets	25.0	28.8

Source: WH Ireland research *2010 shows forecast cashflow but assumes deal completes before 31st December

Both Nature Group and ISD are highly cash generative businesses

Cashflow & Balance Sheet. We are forecasting gross free cashflow of £6.8m in 2011 on the first full year of ownership of ISD. We anticipate capex spend of £4.2m, the bulk of which is made up of investment in Gibraltar of £1.5m and £2.6m from the purchase of a seagoing barge. With the dividend payout ratio of 25%, this feeds through to a dividend cost of £0.6m. Nature and ISD are both inherently cash generative and we estimate that the group's net cash position will stand at £6.0m at the end of December 2011 and the group will have net assets of £28.8m, of which £14.1m relates to acquired intangibles.

Management Team

Richard Eldridge (Chairman)

Richard is a Chartered Accountant, whose experience has been primarily within the oil and gas industry, having originally qualified as a Mechanical Engineer with Shell. From 1989 to 1996 he was a Vice President of Chase Manhattan Bank, with executive responsibility for oilfield service projects. In 1997 he negotiated the contract to build state of the art waste treatment facilities for the Port of Gibraltar. He is also the chairman of Unique Maritime Group FZC. He has previously been a Director of a number of public companies in the oil, gas and oilfield service industries.

Andreas Drenthen (CEO)

Andreas has an economics degree and was raised in a shipping family. Has been a partner with Portinvest since 2007, and was able to double revenues and triple profits in these years, through opening new markets. Has a strong financial and commercial background.

Darren Laguea (MD)

After an initial career in the Royal Naval Auxiliary Fleet involved with ship refuelling and transport of oil, where he gained the Merchant Navy Deck officer qualification, he continued his career with major oil companies. For the last 15 years he has been involved with waste oil collection, fuel oil transfer and bunkering, and has been responsible for the considerable growth achieved in the Company's operations in both Gibraltar and SW Europe, including the reception of waste oils from the Canary Islands and latterly the export of recovered oil to Rotterdam.

Peter Snell (FD)

Peter is a Chartered Accountant with significant experience in the development of small and medium sized businesses in the manufacturing, contracting and service industries. He is currently a Diagnosys Test Systems Ltd, Director of Frontier Travel Ltd, Gruppo Speciale Ltd, West Sussex Partners Ltd and House of Italy Ltd. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Stig Keller (CTO)

Stig is the founder of Nature Technology Solution AS, which he started in 1999 as a student of the Environmental Technology Department at the University of Stavanger. He is the initiator of SAR Treatment AS, our port facility in Norway and Northern Treatment AS, our offshore treatment business. In the period of 1997 and 1999 he invented and patented the Nature coagulant. He is performing most of the research, business development and treatment technology development activities for Nature Norway, for both offshore wastewaters and onshore environmental projects.

Bernard Muller (Deputy Chairman)

Bernard started his own business at 21 years old, son of an inland barge owner and practically raised on a ship. After several enterprises ended up partnering in Hofftrans BV in 1997, later merged into Burando Maritime Services. Responsible for strategy and finance set out growth plans which resulted in becoming the leading and major maritime service provider in the ARA (Amsterdam, Rotterdam Antwerp) area.

Nigel Sandy, aged 66, MBA Non-Executive Director

Nigel Sandy commenced his career in the marine aggregates industry as an Accountant and has an MBA from Bath University. Following experience in the UK and Holland with Boskalis Group, he joined Hanson PLC in 1986 and subsequently was appointed Managing Director of the Hanson Group Waste Management activities in 1991. These were sold to the Waste Recycling Group PLC, a public group which became a constituent of the FTSE 250 index with Nigel as Chief Executive. In 2003 he led the sale of WRG to Terra Firma, a major private capital group. From 1994 to 1998 Nigel was Deputy Chairman and then Chairman of the Environmental Services Association, representing the National and EU interests of the UK waste sector.

Charles Fairweather, aged 60, FCA, Non Executive Director

Charles Fairweather is a Chartered Accountant with a wide range of commercial and property interests in the UK, Europe and the USA. Following many years as a Partner of a London accountancy practice, he has, in recent years, focused on the development of a number of businesses including venture capital involvement in technologies derived from university research.

Proforma Shareholder Structure**Fig 14: Proforma Shareholder Structure Post Deal**

Holder	Total Number of Shares	% of enlarged group
Richard Eldridge	3,076,500	3.97%
Darren Laguea	11,789,486	15.22%
Peter Snell	872,000	1.13%
Portinvest	16,000,000	20.66%
Other Directors	4,205,971	5.43%
Free Float	41,491,198	53.58%
Total no. of Shares	77,435,155	100.00%

Source: WH Ireland research / Company data

Glossary of Terms

Ballast Waters. Ballast waters is water utilised by ships, barges and other floating structures for the flooding of ballast tanks to maintain stability

Bio-remediation/ Bio-treatment. is a process for treating liquid or solid wastes by the application of bacteria cultures consume organic matter into carbodioxide and water.

Bunkering. Bunkering is the supply of ships with fuels and lubricants.

BOD. BOD is the amount of dissolved oxygen required for the biological oxidation of biodegradable organic matter in waste waters.

COD. COD is the amount of dissolved oxygen required for the oxidation of chemical contaminants in waste waters

Coagulation. Coagulation is the process where very small colloidal particles in a liquid are joined together to form larger suspended particles.

Cu.m/hr. Cubic metres per hour

Hydrocarbons. Hydrocarbons are molecules consisting of carbon and hydrogen, normally forming gases, oil and/or condensate which can be refined into fuels, lubricants or chemicals.

Low Flash. Liquids combustible at lower temperatures.

High Flash. Liquids combustible at higher temperatures.

MARPOL. The MARPOL Convention is the main international convention covering prevention of pollution of the marine environment by ships from operational or accidental causes. It is a combination of two treaties adopted in 1973 and 1978 respectively and also includes the Protocol of 1997 (Annex VI).

Oil Waste. Oil waste is generated from the refining, storage, transportation or utilisation of hydrocarbons

PPM. Parts per million

Produced Water. Produced water is water combining with the hydrocarbon stream from oil and gas reservoirs during production

Sullage/Slops. Wastewaters generated by ships, barges and other floating structures, being principally saline bilge waters contaminated by fuels, lubricants and tanker washings.

Analysis of the environment

Porter's five competitive forces model



SWOT analysis

Strengths

The combined business has a strong presence in the maritime industry in what is a technologically and knowledge driven market

Experienced management team in which to significantly grow the business

The balance sheet benefits from a net cash position, the business is cash generative and directors are committed to a 25% dividend payout ratio

Threats

The volume of shipping/oil related activity in the territories in which the group operates could come under pressure

New competition enters the markets in which the group operates

New technology/solutions are developed by competitors

Weaknesses

The actual enforcement of legislation varies significantly by port
Norway has shown much potential but has been unable to deliver commercially to date

Limited scope to expand market share in existing ports and current lack of business development experience presently within the group

Opportunities

The combined group would have first mover advantage in developing a global solution to ship operators, in part through the use of JV partners

The waste presently collected in Rotterdam can be delivered to Gibraltar for treatment and the oil recovered at no additional cost

Both the OTUs and Ecoscrub encompass market leading technology, the commercialisation of which has been limited to date

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Disclosures

WH Ireland Recommendation Definitions

Buy

Expected to outperform the FTSE All Share by 15% or more over the next 12 months.

Outperform

Expected to outperform the FTSE All Share by 5/15% over the next 12 months.

Market Perform

Expected to perform in line with the FTSE All Share over the next 12 months.

Underperform

Expected to underperform the FTSE All Share by 5/15% or more over the next 12 months.

Sell

Expected to underperform the FTSE All Share by 15% or more over the next 12 months.

Speculative Buy

The stock has considerable level of upside but there is a higher than average degree of risk.

Share Price Target

The share price target is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon.

Stock Rating Distribution

As at the quarter ending 30 September 2010 the distribution of all our published recommendations is as follows:

Recommendation	Total Stocks	Percentage %	Corporate
Buy	43	47%	13
Speculative Buy	6	7%	6
Outperform	14	15%	1
Market Perform	22	24%	4
Underperform	5	5%	0
Sell	2	2%	0
Total	92	100%	24

This table demonstrates the distribution of WH Ireland recommendations. The first column illustrates the distribution in absolute terms with the second showing the percentages.

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The research analyst or analysts attest that the views expressed in this research report accurately reflect his or her personal views about the subject security and issuer. Furthermore, no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report.

WH Ireland has acted as manager in the underwriting or placement of securities of this company within the last 12 months.

Within the past 12 months, WH Ireland has received compensation for investment banking services from this company.

WH Ireland acts as Broker to this company.

Companies Mentioned

Company Name	Recommendation	Price	Price Date/Time
Nature Group	Buy	59.5p	09/12/10 16:30
Shanks	n/a	117p	09/12/10 16:30

Share Price Date/Time

Company Name	Recommendation	Price	Price Date/Time
Nature Group	Buy	59.5p	09/12/10 16:30

Summary of Company Notes

Headline	Date
Acquisition of ISD – Global Growth Potential	13/12/10

Summary of Security Recommendations

Recommendation	From	To	Analyst*
Buy	13/12/10	Present	CA

*Current Analyst (CA), Previous Analyst (PA)

Disclaimer

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Nature Group

Company Overview

Nature Group specialises in complex wastewater treatment to the marine and oil sectors, including vessel slops, tanker washings, oil waste and other waste water. The acquisition of ISD, with its logistics capabilities and strong relationships with ship operators and the oil industry provides the opportunity to create a global marine services business.

Valuation	2008A	2009A	2010E	2011E	2012E
P/E (x)	23.2	14.9	13.8	9.1	6.8
EV/EBITDA (x)	51.4	20.3	16.7	5.3	3.9
EV/Sales (x)	13.5	7.5	5.7	1.9	1.6
Dividend Yield (%)	0.0	1.0	1.2	2.8	3.7
Cash Yield (%)	0.5	1.9	4.2	5.6	6.7
P/CFPS (x)	65.2	26.5	12.7	18.0	15.0
P/NAV (x)	3.3	3.7	1.8	1.6	1.4
PEG (x)	na	0.3	1.8	0.2	0.2

Returns Profile	2008A	2009A	2010E	2011E	2012E
ROCE (%)	20.3	34.7	14.4	24.1	28.4
WACC (%)	9.9	9.9	10.3	10.6	10.9
Spread (%)	10.4	24.7	4.1	13.5	17.5
CROCE (%)	na	34.7	14.4	24.1	28.4
ROE (%)	na	28.3	11.3	18.9	21.6

P&L Data	2008A	2009A	2010E	2011E	2012E
Revenue (£m)	3.4	6.0	7.3	21.2	23.8
Growth (%)	181.5	76.8	22.9	189.3	12.1
EBITDA (£m)	0.9	2.2	2.5	7.5	9.9
Growth (%)	31.7	60.1	13.5	199.1	30.9
PTP (£m)	0.7	1.6	1.9	6.1	8.2
Growth (%)	23.2	55.5	14.1	228.1	34.4
EPS (p)	2.6	4.0	4.3	6.6	8.8
Growth (%)	39.9	55.9	7.6	52.5	33.3
Dividend (p)	0.0	0.6	0.7	1.6	2.2
Growth (%)	na	na	16.7	134.6	33.3
Dividend Cover (x)	na	na	6.2	4.0	4.0
Interest Cover (x)	33.5	na	na	31.4	46.4
EBITDA Margin (%)	26.2	37.2	34.3	35.5	41.4
EBITA Margin (%)	22.1	27.2	25.8	29.6	35.1
PTP Margin (%)	21.4	27.2	25.3	28.6	34.3

Cashflow & B/S Data	2008A	2009A	2010E	2011E	2012E
Net Assets (£m)	4.7	6.3	25.0	28.8	34.0
Net Cash (Debt) (£m)	0.6	1.0	4.0	6.0	7.7
Gearing (%)	-12.1	-16.7	-15.8	-20.7	-22.7
Free Cash EPS (p)	0.9	2.2	4.7	3.3	4.0
NAV (p)	18.3	16.1	32.3	37.3	43.9

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