Nature Group PLC

Unaudited Interim Results for the 6 months to 30 June 2011

Chairman's Statement

The results for the Group in the first half of this year demonstrate the strength and quality of revenues and profits in the enlarged Nature Group following the acquisition of Rotterdam based, International Slop Disposal BV (ISD), now Nature International Slop Disposal (NISD), at the end of 2010.

Results

I am pleased to report that the Group revenues for the half year to 30th June 2011 were £8.38 million compared with £2.90 million for the same period in 2010 (which excluded ISD). Pretax profits of the Group were £2.03 million (2010 – £0.82 million) and earnings after tax rose to £1.89 million (2010 – £0.84 million) after charging £75,000 reorganisation and other one-off expenses incurred as we integrate the two businesses. In arriving at the results for the half year, we have not taken credit for any part of the loss incurred in June by Nature Port Reception Facilities Limited (NPRF) in Gibraltar following the accident of 31 May 2011 which might be expected to be recovered from insurance under our Loss of Business insurance cover. That said, we have not provided at 30 June for the costs of repairing the damage to the storage tanks estimated at some £900,000 as we expect to recover these from insurers, and we have adopted the same approach with third party liability claims which are covered by Liability insurance.

Regarding Norway, we have restated the 2010 comparative figures to reflect the removal of the proportionate share of revenues and costs of our 40% Joint Venture, by including only our share of after tax profits (which for 2011 were substantially above budget but the 2010 adjustment has no effect on Group profits after tax).

Nature Environmental Solutions Ltd's (NESL) contract in Oman for the construction of a new port treatment plant reached 60% completion at end June enabling a further 20% of projected profit to be included in these Accounts.

Capital expenditure for the half year amounted to some £1.1 million, more than covered by profits before depreciation of £2.3 million. Major items comprised the initial land and building costs of the extension in Gibraltar, the cost of our second and updated compact treatment unit and another barge in Rotterdam. Group cash balances as at 30 June were a healthy £6.7 million, up from £5.7 million at 31 December 2010.

Dividend

Your Directors announced our intended dividend policy at the time of the ISD acquisition in December 2010. Accordingly, your Directors are sufficiently confident in the earnings and cash flow that the Group will generate this year to declare an interim dividend of 0.5p per share (2010 nil), payable to shareholders on 20 October 2011 with a record date of 30 September 2011 and an ex dividend date of 28 September 2011. This compares with the final dividend of 0.7p declared and paid in July 2011 relating to profits for 2010. Note that neither the 0.5p dividend payable in October 2011, nor the 0.7p dividend declared and paid in July 2011 have been accounted for as at 30 June 2011, in line with IFRS.

Operations

Rotterdam (NISD)

NISD, our key volume operation based in Rotterdam, the leading port in Europe, started strongly in the first quarter, but due to a general slow down in the shipping industry has shown some weakness in the second quarter. Year on year volumes were down 9% partly due to winning a large one off contract in 2010. However, net profit remained solid compared to 2010 and on the same basis gross margin was slightly improved after being adjusted on a like for like basis.

Seasonally the second half typically shows a rise in volumes compared to the first half and we anticipate that this trend will continue for 2011.

Gibraltar (NPRF)

The accident in Gibraltar was a set back for our operations in that region; however, the local management team has taken action to mitigate losses whilst the full treatment plant is out of action. Our contingency plans have ensured that we continue to provide our maritime customers with waste collection and disposal services. This has meant that we have been able to maintain volumes comparable to those of 2010, although profitability is reduced as we sub-contract treatment to a third party. The current focus is on working with our insurers and Government agencies to enable us to organise repairs to our storage tanks and re-commission the process plant, which was undamaged.

The unfortunate accident has not prevented us from continuing our strategy to develop a hub and spoke operation to service other ports in South West Europe, primarily in the Mediterranean Region, for the collection and treatment of hydrocarbon contaminated water. The development of our business strategy to handle shipments of waste oil that was initiated in 2010 has continued into 2011 with transhipments from our Rotterdam operation into Gibraltar for reprocessing in the first half. There are further developments on service and operational expansion that we hope to report in due course.

Norway and Offshore

Nature Oil and Gas (NOG) is the new division incorporating our Norwegian assets reflecting the importance we place on the growth of these activities. Our commitment to the development of offshore treatment units has enabled us to achieve technical leadership with our CTUs (Compact Treatment Units). The Norwegian team won a significant North Sea contract recently to supply a major

International oil contractor with a unit, now successfully and profitably completed, with two more likely before the end of the year. Management attention has also been focused on a new sales and business plan to target the global oil and gas offshore markets based on solutions using our CTU know-how. As a result we were able to announce recently the award of an important contract to provide one of the leading oil companies with a CTU to operate on their FPSO (Floating Production, Storage and Offloading vessel) working offshore in Brazilian waters.

Our 40% share of SART, the Stavanger oil services port treatment facility, had an excellent first half far exceeding budget as a result of improved volume sales. This performance resulted in NOG receiving an order for further treatment modules to be delivered before the year end, in order to expand capacity at SART.

Engineering Services (NESL)

The Oman contract is on track to see the installation phase completed by the end of 2011 with the initial stages of commissioning starting. Currently we have shipped all components for the treatment plant to Duqm ready for the next phase. Recently we have been invited to bid for the contract to operate the plant after we have completed the handover which we anticipate will be in March 2012.

New and Strategic Developments

At the beginning of 2011 we appointed a Business Development Manager with a brief to identify new opportunities for growth on a global but targeted basis. His initial reports indicate that the resources of the enlarged Group have the potential to open up new markets to expand on current activities. As a result we see the Group’s organisational structure being developed with two ‘legs’, the first being to continue the expansion of port reception facilities to service the waste disposal requirements of the Maritime Industry under MARPOL legislation. The second leg is to focus on the offshore oil and gas sector to exploit our know how in the development and operation of compact treatment units.

A good example of the potential of the oil and gas division is the recently announced contract in Brazil operating on an offshore “FPSO” for an oil major. We are able to offer our customers a combination of financial and logistical benefits and at the same time enhance our clients’ environmental credentials. This contract is not just important in its own right but also enables the Group to establish a presence in Brazil as one of the key emerging markets. It is fair to say that our management involved in business development have very full diaries.

Directorate

I see 2011 as a year of transformation for Nature Group as we integrate the two core businesses into a growth organisation. One of the most obvious and visual changes is that the new executive team is more youthful with an average age of around 40. This is not to say that the older generation will not be around to provide the guiding hand of experience. As part of this I am pleased to announce a number of changes that are taking place.

Firstly, I welcome the appointment of Kieron Becerra FCCA as our new Group Financial Director. Kieron, who joined us last year, has been the Financial Director of NPRF in Gibraltar and will now be joining the senior executive team. He will be taking over from Peter Snell FCA who will remain on the board as a non-executive Director. I, on behalf of my colleagues, would like to thank Peter for the huge contribution he has made to Nature over the years and I know that we are all pleased that he will be around to help and support Kieron going forward.

Stig Keller, who has been the driving force behind the development of our CTU and biological treatment technologies, has decided to step back from the Group Board. However we are very pleased that he will continue on the Norwegian subsidiary board to focus on the technical developments to support our growth ambitions in the oil and gas sector.

Currently, we are seeking to recruit an Executive Director based in Rotterdam to support our CEO with responsibility for all compliance matters relating to operational legislation, health and safety and management systems under the ISO regime.

Regrettably, due to some recent health problems, I have decided to announce my retirement as Chairman of the Group. I had originally intended this to happen at the next AGM having reached the age of 70. However, I am pleased that my colleagues have persuaded me to continue for a further period as Company Secretary and corporate counsel as a resource of past experience and to provide continuity for a seamless change.

Therefore, I am pleased to announce that Bernard Muller will take over as Chairman of the Group having successfully managed the role of Deputy Chairman since the ISD acquisition last December. The role is not new to Bernard as he is currently the Chairman of the Burando Group in Rotterdam, the previous owner of ISD. I am very confident that, with Bernard the Group will be in good hands and that he will successfully lead Nature Group as we go forward into a period of opportunity and growth.

I am also pleased to announce that Nigel Sandy, who joined us in 2007 as a non executive Director with a wealth of PLC and waste industry experience, has agreed to become Deputy Chairman, and support Bernard in his role as Chairman. Thank you both.

Outlook for the Year

With both the European and Global economic situation going through a period of uncertainty, and the expectation that our Gibraltar treatment plant is unlikely to be back in full operation before the end of 2011, the Board feels it would not be prudent to predict the final outcome for 2011. In contrast, the Board feel that with 2011 behind us and the task of business integration completed, we will be going into 2012 with confidence based on all the opportunities we have in hand, and the contacts made during this year.

Despite all the gloom that we all read and hear about, it is encouraging to see that the International commitment to higher standards for a cleaner environment continues to hold strong. This gives us optimism that the sectors in which we operate will continue to grow, and support our corporate commitment to cleaner seas and oceans.

Conclusion

I would like to conclude my last Chairman’s Statement with my personal thanks to all directors, staff, employees, investors, clients, contractors, suppliers and anyone who has contributed to the success of Nature in the last 10 years and I wish all a continued success in our exciting endeavours.

Richard Eldridge
Chairman

21 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year to 30 June 2011

	Unaudited Six months to 30 June 2011 £	*Unaudited Six months to 30 June 2010* £	*Audited Year to 31 December 2010* £
REVENUE			
Continuing operations	8,383,443	2,903,757	6,830,223
COST OF SALES			
Continuing operations	(4,631,483)	(1,159,891)	(3,650,881)
OPERATING PROFIT	3,751,960	1,743,866	3,179,342
Other income	14,353	933	16,439
Share based payments	(26,840)	0	(151,303)
Administrative costs	(1,384,992)	(657,986)	(938,028)
Depreciation and goodwill amortisation	(446,183)	(326,430)	(556,369)
Finance costs	(37,760)	(15,536)	(17,284)
Costs to acquire group companies	0	0	(106,937)
Share of profits of associates after tax	162,667	79,530	78,482
Profit before taxation	2,033,205	824,377	1,504,342
Taxation on profit of ordinary activities	(139,258)	14,824	24,037
Profit after tax	1,893,947	839,201	1,528,379
Earnings per share (EPS) (pence)			
Basic earnings per share	2.433p	2.130p	3.711p
Diluted earnings per share	2.365p	2.016p	3.546p
Profit after tax, before share based payments	1,920,787	839,201	1,786,619
EPS excluding Share based payments	2.467p	2.130p	4.338p

CONSOLIDATED BALANCE SHEET

At 30 June 2011

	Unaudited As at 30 June 2011 £	*Unaudited As at 30 June 2010* £	*Audited As at 31 December 2010* £
Assets			
Non-current assets			
Plant, vessels and equipment	7,724,000	4,072,838	7,060,992
Goodwill	13,224,120	308,067	13,224,120
Other intangible assets	111,427	143,252	129,289
Investment in associated company	448,877	278,537	269,469
Deferred tax assets	149,156	23,918	89,827
Total non-current assets	21,657,580	4,826,612	20,773,697
Current assets			
Stocks and work in progress	98,649	114,894	98,059
Trade and other receivables	3,734,938	1,584,095	4,096,871
Cash and cash equivalents	6,714,195	1,876,094	5,741,644
Total current assets	10,547,782	3,575,083	9,936,574
TOTAL ASSETS	32,205,362	8,401,695	30,710,271
LIABILITIES:			
Current liabilities			
Trade and other payables	(1,738,172)	(909,768)	(2,716,534)
Bank loans and overdrafts	(166,348)	0	(191,582)
Corporate taxes	(205,716)	0	(8,743)
Total current liabilities	(2,110,236)	(909,768)	(2,916,859)
Non-current liabilities			
Term loans	(1,523,586)	(331,333)	(1,555,110)
Net assets	28,571,540	7,160,594	26,238,302
EQUITY			
Called up share capital	157,311	78,621	155,120
Share premium account	21,904,867	3,286,899	21,683,488
Share option reserve	114,021	0	151,303
Capital reserve	2,925,520	2,925,520	2,925,520
Foreign currency translation reserve	188,881	0	0
Profit and loss account	3,280,940	869,554	1,322,871
Total equity attributable to equity shareholders	28,571,540	7,160,594	26,238,302

CONSOLIDATED CASH FLOW STATEMENT

For the half year to 30 June 2011

	Unaudited half year to 30 June 2011 £	*Unaudited half year to 30 June 2010* £	*Audited year to 31 December 2010* £
Reconciliation of operating profit to net cash flow from operating activities:			
Profit for the year after taxation	1,893,947	839,201	1,528,379
Adjustments for:			
Depreciation and amortisation	446,183	326,430	556,369
(Increase)/decrease in stock	(590)	(22,023)	6,825
Decrease/(increase) in debtors	302,605	(659,159)	(1,304,481)
(Decrease)/increase in creditors	(838,147)	60,864	648,605
Foreign exchange differences	188,881	0	0
Increase in reserves due to share based payments	26,840	0	151,303
Net cash from operating activities	2,019,719	545,313	1,587,000
Investing activities:			
(Increase)/decrease in investments	(179,408)	(3,212)	5,850
Acquisition of tangible fixed assets	(1,099,377)	(306,830)	(607,661)
Acquisition of intangible fixed assets	8,047	0	0
Acquisition of subsidiaries net of cash acquired	0	0	(7,026,347)
Financing activities:			
Cash consideration from issuance of shares net of issuance costs	223,570	54,000	10,431,839
Dividends paid	0	0	(235,861)
Increase in cash balances	972,551	289,271	4,154,821
Analysis of cash and cash equivalents during the year:			
Balance at start of period	5,741,644	1,586,823	1,586,823
Increase in cash and cash equivalents	972,551	289,271	4,154,821
Balance at end of period	**6,714,195**	**1,876,094**	**5,741,644**

Notes to the accounts

1. The calculation of basic earnings per share has been based on the profit for the period and the weighted average 77,845,221 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 2010.

3. The unaudited results for the half year to 30 June 2010 have been restated as 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 proportianate consolidation. The results are now recognised under the separate line item "Share of profits of associates after tax" in line with IAS 28.

4. The interim report to 30 June 2011 was approved by the Directors on 21 September 2011. The report will be posted to shareholders and will be available to the public, free of charge, from the offices of Northland Capital Partners Ltd, 60 Gresham Street, London EC2V 7BB.

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