Nature Group PLC

Unaudited Interim Results for the 6 months to 30 June 2012

Chairman's Statement

I am pleased to announce the results for the half year to 30th June 2012 which demonstrate a pleasing degree of resilience to the general slowdown in the world economies and the challenges we have faced over the last 12 months.

Results

The Group revenues for the half year to 30th June 2012 were £8.08 million compared with £8.38 million for the same period in 2011. Pre-tax profits of the Group were £1.01 million (2011 – £2.03 million). Earnings after tax stood at £0.93 million (2011 – £1.89 million) after incurring significant budgeted costs relating to investment for the future structure and expansion plans for the group. These include extra costs, of which around 75% will be recurring, related to our new vessel M/V Crystalwater, restructuring costs in our Norwegian subsidiary and expansion in human resources and business development. The Board has determined that these are necessary to establish the infrastructure required to manage the anticipated business opportunities, and, cement our foundations for expansion within our 5 year strategy plan for operations in the major shipping centres internationally, and within the oil and gas industry.

In arriving at the results for the half year, we have not taken credit for any part of the loss incurred by Nature Port Reception Facilities Limited (NPRF) in Gibraltar following the accident of 31 May 2011- that we are still looking to recover from insurers under our Loss of Business insurance cover. Meanwhile we have the provision of £750,000, brought forward from 31 December 2011, for the costs of repairing the damaged facility that we are also still looking to recover from insurers. We also have the £3.90 million provision in relation to third party claims similarly covered by insurance.

Capital expenditure for the half year amounted to some £1.0 million comfortably covered by profits before depreciation of £1.6 million. Major items comprised the purchase of storage tanks, finalising the construction of CTU's (containerised treatment units) 3 & 4, works undertaken on the M/V Crystalwater and capitalised costs in relation to works carried out at the Gibraltar facility. Group cash balances as at 30 June were £2.7 million.

Dividend

Whilst your Directors are confident that the Group's long term strategy is on track, it was felt prudent not to pay a dividend at this stage this year. The Group remain fully committed to maintaining their previously declared dividend policy, but at this point in the year, with a number of key investments in the pipeline, we consider it sensible to conserve current cash resources for investment. The decision reflects the consequences of longer term cash-flow planning. However, there will be a final dividend payable after the publication of our full year results and in line with our stated policy.

Operations

As part of the integration of ISD acquired at the end of 2010, we established a medium term growth plan for the development of the Group's business. This included the development of the operational capabilities of the Group in areas such as health and safety, compliance, business development, accounting and management. Consequently, the first half of 2012 has seen an increase in core administration costs as we have invested in the people required to deliver our 5 year strategy.

Maritime Division

Rotterdam (NISD) – This division is at the heart of the key European economies and it is unrealistic for us to expect to be immune from a slowdown in maritime activity. As a consequence of this global downturn ship owners are doing their utmost to reduce their cost base, as they face freight rates that are at an all time low and barely covering their operating costs. In the port of Rotterdam volumes have been weaker compared to H1 2011 and the continuing volatility creates uncertainty in predicting future volumes. However, we are confident that we are maintaining our market share and going on the offensive to establish how we can work with ship owners on ways we can both benefit during these challenging times. We are looking at how we can enhance our maritime service offering through closer relationships with the shipping companies, new customers and new port facilities.

Gibraltar (NRPF) – Naturally we understand that our shareholders are keen to know when the storage and treatment plant will be up and running after the fire in 2011. This is a sensitive issue locally but we have a clearly defined strategy to bring the plant back on stream. I have been closely involved in working with local politicians to establish an operation that co-exists in harmony with the local community and the shipping engaged in the seasonal cruising business, which is important for the local economy. As part of this process, in conjunction with independent consultants, we are submitting a completely redesigned plant to meet the most stringent operating standards and any safety concerns that might exist. Concurrently we have been granted permission by the Government of Gibraltar to undertake the preparatory repair works to the damaged plant by cleaning out the storage tanks and removing off-site the components of the plant that are beyond repair. This work, and associated clean-up of the site, is progressing pending the approval to rebuild the facility. We expect to be able to announce later this year the time frame for the repairs and reinstatement of operations.

Although we had reported earlier this year that Underwriters were denying liability for the damage claim, we are continuing to pursue our claim for reimbursement and have appointed professional advisors to help us in this process. We shall of course advise of any developments on this front.

Meanwhile the SW Europe management team have been very active in continuing to maintain the Gibraltar business through the use of third party facilities. In addition the hub and spoke operation that has been successfully established in the Mediterranean continues to grow with a number of exciting opportunities in the pipeline. The most recent development is the new joint venture in Setubal, Portugal (NPRF Portugal), which not only expands our operations into another country but more importantly a partner who will help us further our interests in oil recycling.

Oil and Gas

Norway (NOAG) - In the Annual Report we announced that a Managing Director, based in Stavanger, had been appointed to develop our strategy to grow the offshore treatment business. Stig Feyling has restructured the business following the relocation of the operation to an improved site with workshop and storage facilities. Historically, the lead time to manufacture a CTU was hampering our efforts at securing new business. Consequently, we have invested in two new CTUs which were delivered in June, ready for an immediate despatch to new customers. This enables us to demonstrate to major offshore oil companies that we are in a position to deliver equipment expeditiously. The strengthened local management have pursued a new marketing campaign with our CTUs exhibited at a number of the leading offshore exhibitions, the response has reinforced our belief in the product and we are confident that a number of new enquiries will be converted into firm orders. Alongside the marketing campaign we have recently commenced a partnership network, under agency agreements, for regions outside of Europe as a route to fast-tracking growth.

During the half year we successfully completed our CTU contract in Brazil where the unit remains due to the local interest that has been expressed within the Region. In the North Sea we are continuing to fulfil a contract for a major oil company which will continue on a recurring project basis.

Engineering & Industry

Nature Environmental Solutions Ltd (NESL) – Except for final commissioning costs, the contract to build a waste treatment facility in the new port of Duqm in Oman was successfully completed in the half year. Accordingly 97.5% of revenue has been recognised on the contract to date. Currently we are assisting the client with plant commissioning and the training of local staff. The successful outcome of this contract is a credit to the NESL team working alongside multi-national contractors and in a difficult environment that involved working in a remote ‘green field’ location. This team will now focus on design, engineering and project management for the new Panama facility.

Ecoscrub Solutions (Emission and Odour Control Technology)

Following the award last April of BAT (Best Available Technology) from the Dutch Environmental Protection Agency this has created considerable interest among potential clients where improved emission control is a key requirement. We have received a firm order for a contract to supply a large multi-national chemical company, plus a three month contract to service a large oil storage facility in Rotterdam where discussions are ongoing to provide Ecoscrub on a long term basis. The strong interest that has been shown has encouraged us to invest in the building of a second unit, an example of where we are able to help our clients meet the ever increasing demands of improved compliance standards.

Business Development

We have to bear in mind that when we developed new medium and long term strategies for the next three to five years we were trying to achieve it from a position where we had limited human resources which has progressively improved with the addition of key management appointments. We are ambitious, as reflected in the Panama project and more recently new discussions to establish a facility in the US region of the Gulf of Mexico. Alongside these developments we have expanded in Europe through Portugal and we have the opportunities that are available to us in the CTU and Ecoscrub markets.

Business Directorate

Over the last 18 months we have been active in creating the Organisation that we need to fulfil the potential we see for the Nature Group. This has involved standardising and structuring the business. Through this process we have identified the need to recruit new staff, examples of which are our new Managing Director in Norway, a Group Compliance Manager and an experienced water treatment engineer. Due to the forthcoming retirement of our current NPRF Managing Director, Freddie Becerra, I am pleased to announce the appointment of Gillaine Dellipiani as the new Managing Director in Gibraltar. More recently, with her knowledge of Gibraltar, she was hired as an external consultant and is now keen to bring her know how and business experience in house to help us achieve the goals and local strategy we have defined for that business.

Outlook for the Year

As previously announced our joint venture in Portugal began operations in July this year and is already making a contribution to operating profit. Since the period end we have also won a medium term contract in South West Europe to process waste oil as well as a new project in northern Europe.

I have already highlighted that Nature has a number of exciting opportunities both in the pipeline, and, looking further ahead. Although we have taken a prudent view on our Gibraltar insurance claim, we will nevertheless, as I mentioned earlier, be pursuing it vigorously.

The simple fact is that environmental global compliance is definitely going to increase - this is clearly a growth business and that is where Nature is positioned with its port reception facilities, offshore with our CTUs and, ultimately, our innovative engineering capabilities.

The forecasts for global shipping and associated freight rates are not currently showing signs of recovery for the remainder of this year and 2013. Whilst this inevitably impacts on our key Port Reception Facility Division, given the continuing regulatory drivers and our pipeline of new business opportunities, we remain optimistic that we will be able to meet market expectations for the year ending 31 December 2012.

Conclusion

Despite the distractions of last year’s incident and its aftermath, I am pleased to see that our long term strategy was kept on course and our management and staff are working hard to fulfil our mission. Nature Group are uniquely placed to help our customers operating in the maritime and offshore sectors to meet their environmental and compliance obligations.

Bernard Muller
Chairman

21 September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year to 30 June 2012

	Unaudited 30 June 2012 £	*Unaudited 30 June 2011* £	*Audited 31 December 2011* £
REVENUE			
Continuing operations	8,076,423	8,383,443	15,051,934
COST OF SALES			
Continuing operations	(4,121,020)	(4,631,483)	(8,961,101)
OPERATING PROFIT	3,955,403	3,751,960	6,090,833
Other income	9,702	14,353	49,451
Share based payments	–	(26,840)	(26,840)
Administrative costs	(2,326,707)	(1,384,992)	(3,645,146)
Depreciation and goodwill amortisation	(663,700)	(446,183)	(1,031,986)
Finance costs	(26,668)	(37,760)	(81,271)
Share of profits of associates	60,121	162,667	160,792
Profit before taxation	1,008,151	2,033,205	1,515,833
Taxation on profit on ordinary activities	(79,944)	(139,258)	(394,521)
Profit after tax	928,207	1,893,947	1,121,312
Earnings per share (EPS) (pence)			
Basic earnings per share	1.176	2.433	1.423
Diluted earnings per share	1.159	2.365	1.400
Profit after tax, before share based payments	928,207	1,920,787	1,148,152
EPS excluding Share based payments	1.176p	2.467p	1.457p

CONSOLIDATED BALANCE SHEET

At 30 June 2012

	Unaudited 30 June 2012 £	*Unaudited 30 June 2011* £	*Audited 31 December 2011* £
Assets			
Non-current assets			
Plant, vessels and equipment	9,598,568	7,724,000	9,269,481
Goodwill	13,224,120	13,224,120	13,224,120
Other intangible assets	89,539	111,427	113,671
Investment in associated company	474,860	448,877	420,608
Deferred tax assets	107,204	149,156	108,455
Total non-current assets	23,494,291	21,657,580	23,136,335
Current assets			
Stocks and work in progress	69,425	98,649	119,588
Trade and other receivables	4,934,979	3,734,938	3,958,683
Cash and cash equivalents	2,687,050	6,714,195	2,912,406
Corporate taxes	100,765	–	39,300
Insurance Recoveries on 3rd Party Claims	3,900,000	–	3,900,000
Total current assets	11,692,219	10,547,782	10,929,977
TOTAL ASSETS	35,186,510	32,205,362	34,066,312
LIABILITIES:			
Current liabilities			
Trade and other payables	(2,418,202)	(1,738,172)	(1,963,925)
Bank loans and overdrafts	(203,415)	(166,348)	(139,712)
Corporate taxes	–	(205,716)	–
Provision for 3rd Party Claims	(3,900,000)	–	(3,900,000)
Total current liabilities	(6,521,617)	(2,110,236)	(6,003,637)
Non-current liabilities			
Term loans	(1,257,393)	(1,523,586)	(1,387,867)
Net assets	27,407,500	28,571,540	26,674,808
EQUITY			
Called up share capital	158,561	157,311	157,561
Share premium account	21,953,617	21,904,867	21,917,117
Share option reserve	114,021	114,021	114,021
Capital reserve	2,925,520	2,925,520	2,925,520
Foreign currency translation reserve	(348,883)	188,881	(115,868)
Profit and loss account	2,604,664	3,280,940	1,676,457
Total equity attributable to equity shareholders	27,407,500	28,571,540	26,674,808

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CONSOLIDATED CASH FLOW STATEMENT

For the half year to 30 June 2012

	Unaudited 30 June 2012 £	*Unaudited 30 June 2011* £	*Audited 31 December 2011* £
Reconciliation of operating profit to net cash flow from operating activities:			
Profit for the year after taxation	928,207	1,893,947	1,515,833
Adjustments for:			
Depreciation of fixed assets	663,700	446,183	1,031,986
Decrease/(Increase) in stock	50,163	(590)	(21,529)
(Increase)/decrease in debtors	(1,036,511)	302,605	250,809
Increase/(decrease) in creditors	387,507	(838,147)	(1,545,535)
Foreign exchange differences	(233,015)	188,881	(115,868)
Increase in reserves due to share based payments	–	26,840	26,840
Net cash from operating activities	760,051	2,019,719	1,142,536
Investing activities:			
Acquisition of investments	(54,252)	(179,408)	(151,139)
Acquisition of tangible fixed assets	(969,586)	(1,099,377)	(3,171,375)
Acquisition of intangible fixed assets	931	8,047	(53,482)
Financing activities:			
Cash consideration from issuance of shares net of issuance costs	37,500	–	236,070
Dividends paid	–	223,570	(831,848)
Increase in cash balances	(225,356)	972,551	(2,829,238)
Analysis of cash and cash equivalents during the year:			
Balance at start of period	2,912,406	5,741,644	5,741,644
Increase in cash and cash equivalents	(225,356)	972,551	(2,829,238)
Balance at end of period	**2,687,050**	**6,714,195**	**2,912,406**

Notes to the accounts

1. The calculation of earnings per share has been based on the profit for the period and the average 78,961,974 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 2011.
3. The interim report to 30 June 2012 was approved by the Directors on 21 September 2012. The report will be posted to shareholders and will be available to the public, free of charge, from the offices of WH Ireland Limited, 24 Martin Lane, London, EC4R 0DR.

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