Nature Group PLC

Unaudited Interim Results for the 6 months to 30 June 2013

Chairman and Chief Executive Statement

We are pleased to announce the results for the half-year to 30 June 2013, which have exceeded our expectations and reflect our confidence that a number of new contracts in the Oil and Gas division would be awarded in 2013.

Results

The Group revenues for the half-year to 30 June 2013 were £10.99 million compared with £8.08 million for the same period in 2012. Underlying pre-tax profits (excluding exceptional items of £50,658 and the sale of SART associate) of the Group were £1.41 million (2012 – £1.13 million). Earnings after tax including the exceptional sale of SART associate stood at £1.98 million, £1.07 million excluding SART sale (2012 – £0.93 million).

In arriving at the results for the half year, we have again not taken credit for any recovery of the losses incurred by Nature Port Reception Facilities Limited (NPRF) in Gibraltar following the accident of 31 May 2011– which we are still looking to recover from insurers under our Loss of Business insurance cover. We continue to have the £4.04 million provision in relation to third party claims covered by insurance.

Capital expenditure for the half year amounted to £0.50 million comfortably covered by profits before depreciation of £2.2 million. Significant projects included work in progress in the construction of 3 Containerised Treatment Units (CTUs), 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 2013 were £4.31 million with free cash flow standing at £2.79 million.

All three divisions have either exceeded or met management expectations. The Oil and Gas result is particularly pleasing as it vindicates our decision to invest in strengthening the Divisional overhead in advance of securing new contracts.

Dividend

The Board feel it would be premature to announce an interim dividend for 2013, being very aware of the disappointment felt by shareholders after not paying a dividend for 2012. However, if the current year performance continues on track we would anticipate a return to the payment of a final dividend after the publication of our full year results for 2013.

Operations

Maritime Division

Rotterdam (NISD)

The collection of maritime waste in the Port of Rotterdam increased 16% year-on-year to 86,465m^3 for the first six months of 2013, despite a reduction in the number of vessels calling at the port. The increase of our market share was the result of chartering two new chemical tankers to support the change in legislation, whereby single hull older barges are not allowed to collect chemical and low flash products anymore. Leading the market with four double hull tankers in Rotterdam gives Nature the flexibility to service our customers in the best way. Unfortunately, the new barges come with higher operating costs than the “old” single hull barges. As a result, the increase in net contribution has been slower than the volume growth would suggest, but does give us a competitive advantage in Rotterdam.

Gibraltar (NPRF)

We are obviously frustrated by the slow pace of progress in the rebuilding of our facility after the 2011 fire damage, but at the same time we recognise that the Authorities want to ensure that we take the opportunity to incorporate in our rebuild plans the latest standards in engineering and operating health and safety. On the 5th September, after the required public notification where no objections were received, the Gibraltar Development and Planning Commission considered and deferred our rebuild planning submission for tank storage. However, pending the ratification of Nature’s proposals from the cruise liner operators and reassurance that there is no impact from the proposed new local power station, we are optimistic that approval will be confirmed at the next meeting at the end of October. Throughout this process we have maintained a positive dialogue with various Government Departments and Agencies, both sides conscious that it is an EU requirement to provide port reception facilities for maritime oily waste.

On our insurance claim for material damage and loss of business, again whilst the process has been slow, our professional advisers, Aon, are actively engaged with underwriters to reconsider their decision to deny our insurance claim. By necessity the review work has to be carefully evaluated to ensure that the loss adjusters are fully acquainted with all aspects of our claim. Whilst our results have reflected the worst-case position regarding the insurance claim, we nevertheless remain cautiously optimistic that a positive outcome will be achieved.

With revenue and profits running ahead of our budget for the first half of the year we have proven our ability to maintain our service to our customers using our vessel Crystalwater to provide a combination of floating storage and hub and spoke collections in the region.

Portugal (NPRF Portugal)

Nature's operation in Portugal remains vital in being able to serve our customers in Gibraltar, as the largest share of our collected waste in Gibraltar is being treated in Portugal. In the first six months Portugal treated 8.500m^3. Besides treating waste from other ports, Nature is working hard to receive a license to collect maritime waste in the Port of Lisbon, which is expected to be completed by the end of 2013.

Oil and Gas Division

Nature Oil and Gas

With the first half profit before tax running ahead of our internal budget we are pleased the year has started well for the division.

Nature Oil and Gas is currently operating its unique CTUs from the Barents Sea in Norway to Tanzania and Brazil. The results of all contracts are exceeding our customers' expectations and next to the short-term projects, which are for a limited number of months, we currently have two long-term contracts for at least one year. The pipeline of projects is continually growing and the extension of our current rental fleet from 4 to 7 units by the end of September is welcomed in order to support forthcoming opportunities. A new sales director for the UK and Norwegian market has been hired in Norway to further support our projected growth.

Our results this year include an exceptional item of £0.91 million representing the profit on disposal of our 40% share in SART, the onshore waste treatment operation in Stavanger. With the growth of our offshore treatment capability this disposal made sense as we felt these funds would be better utilised through capital investment in the expansion of our CTU rental stock.

Engineering Division

NESL

The award of a £2.4 million contract to design and build an onshore treatment unit for an overseas Ministry of Defence base, to treat maritime oily waste, was welcome news at the end of 2012. This followed on from completion of the treatment plant in Duqm, Oman, and is recognition of our in-house know-how and experience in processing waste to a standard that allows treated water to be discharged to sea. We are hopeful that this work, which is carried out from the UK, will lead to similar contracts.

EcoScrub

The newbuild EcoScrub scrubber, which was delivered at the end of 2012, has proven itself during multiple projects for DuPont in 2013. After last year's successful test project in Oman, we are awaiting the follow-up tender procedure. We remain positive that EcoScrub's breakthrough, achieving market penetration, will happen in the coming year.

Business Development

The board is pleased with the Group's overall business development We are looking at expanding the number of locations for our port reception facilities to our network. Nature's unique capability for designing and building waste treatment facilities has resulted in a second order from the British Ministry of Defence for one of its overseas territories worth over £2 million. These developments are examples of our commitment to business development and the fulfilment of our 5 year strategy plan for growth in the major shipping centres and within the oil and gas industry.

Organisation

Over the last 2 years we have been building and strengthening the organisation in many ways, systems have been improved through quality assurance processes and new staff have been added to the management team. However, to fulfil and maintain our growth ambitions we recognise the need to make a small number of strategic appointments, although the challenge, as ever, is to find the calibre of staff we would like to recruit.

Outlook

We have made a good start to 2013 and we are keen to maintain and build on the momentum we have created.

We remain confident that we are operating in the right sectors for growth driven by economic need and the continuing quest for improvement in environmental standards. Nature has an enthusiastic management team whose objective is to ensure we deliver shareholder value.

Nigel Sandy
Chairman

12 September 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year to 30 June 2013

	Unaudited *30 June 2013* £	*Unaudited* *30 June 2012* £	*Audited* *31 December 2012* £
REVENUE			
Continuing operations	10,986,646	8,076,423	14,296,141
COST OF SALES			
Continuing operations	(6,397,786)	(4,121,020)	(8,313,965)
OPERATING PROFIT	4,588,860	3,955,403	5,982,176
Other income	12,078	9,702	18,574
Administrative costs	(2,415,726)	(2,326,707)	(4,428,093)
Depreciation and goodwill amortisation	(845,998)	(663,700)	(1,398,202)
Finance costs	(23,405)	(26,668)	(45,169)
Share of profits of associates	41,939	60,121	102,056
Profit before extraordinary income	1,357,748	1,008,151	231,342
Gain recognised on disposal of interest in former associate	911,968	–	–
Profit before taxation	2,269,716	1,008,151	231,342
Taxation on profit on ordinary activities	(283,215)	(79,944)	(75,954)
Profit after tax	1,986,501	928,207	155,388
Attributed to non-controlling interest	(8,238)	–	(8,995)
Total comprehensive income for the period attributed to owners	1,978,263	928,207	146,393
Earnings per share (EPS) (pence)			
Basic earnings per share	2.495	1.176	0.185
Diluted earnings per share	2.478	1.159	0.183

Profit after tax, before share based payments	1,978,263	928,207	146,393
EPS excluding share based payments	2.495p	1.176p	0.185p

CONSOLIDATED BALANCE SHEET

At 30 June 2013

	Unaudited 30 June 2013 £	*Unaudited 30 June 2012* £	*Audited 31 December 2012* £
Assets			
Non-current assets			
Plant, vessels and equipment	9,720,475	9,598,568	9,961,747
Goodwill	13,224,120	13,224,120	13,224,120
Other intangible assets	42,011	89,539	69,201
Investment in associated company	250	474,860	535,401
Deferred tax assets	287,403	107,204	111,192
Total non-current assets	23,274,259	23,494,291	23,901,661
Current assets			
Insurance recoveries on 3rd party claims	4,036,000	3,900,000	4,036,000
Corporate taxes	–	100,765	186,785
Stocks and work in progress	855,803	69,425	96,241
Trade and other receivables	6,002,746	4,934,979	4,042,692
Cash and cash equivalents	4,309,817	2,687,050	2,321,405
Total current assets	15,204,366	11,692,219	10,683,123
TOTAL ASSETS	38,478,625	35,186,510	34,584,784
LIABILITIES:			
Current liabilities			
Trade and other payables	(3,978,174)	(2,418,202)	(2,229,581)
Bank loans and overdrafts	(233,123)	(203,415)	(355,252)
Corporate taxes	(155,209)	–	–
Provision for 3rd party claims	(4,036,000)	(3,900,000)	(4,036,000)
Total current liabilities	(8,402,506)	(6,521,617)	(6,620,833)
Non-current liabilities			
Term loans	(1,281,878)	(1,257,393)	(1,190,130)
Net assets	28,794,241	27,407,500	26,773,821
EQUITY			
Called up share capital	158,561	158,561	158,561
Share premium account	21,953,617	21,953,617	21,953,617
Share option reserve	81,409	114,021	114,021
Capital reserve	2,925,520	2,925,520	2,925,520
Foreign currency translation reserve	(214,723)	(348,883)	(246,595)
Profit and loss account	3,833,725	2,604,664	1,822,850
Equity attributable to owners of the group	28,738,109	27,407,500	26,727,974
Non-controlling interest	56,132	–	45,847
Total equity attributable to equity shareholders	28,794,241	27,407,500	26,773,821

CONSOLIDATED CASH FLOW STATEMENT

For the half year to 30 June 2013

	Unaudited 30 June 2013 £	*Unaudited 30 June 2012* £	*Audited 31 December 2012* £
Reconciliation of operating profit to net cash flow from operating activities:			
Profit before taxation	2,269,716	1,008,151	231,342
Adjustments for:			
Depreciation of fixed assets	845,998	663,700	1,398,202
(Increase)/Decrease in stock	(759,562)	50,163	23,347
Increase in debtors	(1,960,055)	(1,036,511)	(234,231)
Increase in creditors	1,621,828	307,563	207,505
Foreign exchange differences	(31,872)	(233,015)	(130,727)
Net cash from operating activities	1,986,053	760,051	1,495,438
Investing activities:			
Decrease/(Increase) in investments	579,382	(54,252)	(114,793)
Acquisition of tangible fixed assets	(577,023)	(969,586)	(2,044,109)
Acquisition of intangible fixed assets	–	931	(1,889)
Financing activities:			
Cash consideration from issuance of shares net of issuance costs	–	37,500	37,500
Proceeds from investments by non-controlling interest	–	–	36,852
Increase/(Decrease) in cash balances	1,988,412	(225,356)	(591,001)
Analysis of cash and cash equivalents during the period:			
Balance at start of period	2,321,405	2,912,406	2,912,406
Increase/(Decrease) in cash and cash equivalents	1,988,412	(225,356)	(591,001)
Balance at end of period	**4,309,817**	**2,687,050**	**2,321,405**

Notes to the accounts

1. The calculation of earnings per share has been based on the profit for the period and the average 79,280,655 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 2012.

3. The interim report to 30 June 2013 was approved by the Directors on 12 September 2013. 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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