

MERCURY RECYCLING GROUP PLC

Interim Report for the period ending 30 June 2011

CHAIRMAN'S STATEMENT

The Group's unaudited results for the 6 months ended 30th June 2011 show sales of £1,371,821 with Operating Profits of £76,972. These figures compare to £1,330,154 and £158,000 respectively for the same period in 2010. Included in these figures were £72,000 of non-recurring costs as detailed below. The cash position remains strong at £422,524.

The volume of lamps recycled was reasonable, but price reduction has had an effect. More important has been the expenditure to prepare the premises (£34,000) for the new battery business. This has saved much larger capital expenditure which would otherwise have been required for new premises. In addition legal costs and aborted acquisition costs accounted for a further £38,000.

The Department for Business Innovation and Skills (BIS), has advised that the position is likely to change considerably in the lamp recycling industry when the 'recast' Waste Electrical and Electronic Equipment Directive (WEEE Directive) is implemented in the UK (probably 2013). We have been assured that in addition to transposing the new European Directive into UK legislation, it will provide an opportunity for BIS to consider ways in which the current requirements can be improved, and made fairer for all involved. During 2012 we will be able to participate in the full consultation of that process. This should ensure major changes and a substantial increase in lamps recycled.

The second half of 2011 is difficult to predict, but the battery business should be up and running strongly by the last quarter. We already have orders in place, and this should help to offset any reduced revenue for lamp recycling. We are also making major savings to overheads in the second half of the year.

As I have mentioned previously, we have been exploring potential projects in the Natural Resources field. We now hope to be able to make an announcement shortly.

Prospects for 2012 for the moment remain uncertain on the lamp recycling side, I am optimistic that the major expansion into battery recycling, will broaden our business base and revenue streams. Thereafter, the major European change in lamp recycling under the new Re-cast Directive will ensure much higher levels of recycling, and should substantially improve that side of our business.

Once again I would like to thank all our staff for their contribution and diligence during the last year.

The Rt Hon The Lord Barnett JP PC
Chairman

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2011

	6 Months ended 30.6.11 £'000	6 Months ended 30.6.10 £'000	Year ended 31.12.10 £'000
Revenue	1,372	1,330	2,668
Cost of sales	(70)	(109)	(137)
Gross profit	1,302	1,221	2,531
Administrative expenses	(1,225)	(1,063)	(2,251)
Operating profit	77	158	280
Finance costs	(2)	(4)	(7)
Profit before taxation	75	154	273
Tax	13	(40)	(13)
Profit for the period	88	114	260
Earnings per share :			
Basic (pence)	0.25p	0.34p	0.75p
Diluted (pence)	0.24p	0.33p	0.75p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2011

	£'000	£'000	£'000
Profit for the period	88	114	260
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	88	114	260

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2011

	As at 30.6.11 £'000	As at 30.6.10 £'000	As at 31.12.10 £'000
Non-current assets			
Goodwill	4,122	4,122	4,122
Property, plant and equipment	1,445	1,513	1,495
	5,567	5,635	5,617
Current assets			
Trade and other receivables	525	511	441
Cash and cash equivalents	436	82	412
	961	593	853
Total assets	6,528	6,228	6,470
Current liabilities			
Trade and other payables	(298)	(281)	(270)
Bank overdrafts and loans	(77)	(103)	(86)
Current tax liabilities	(37)	(58)	(35)
	(412)	(442)	(391)
Non-current liabilities			
Trade and other payables	(30)	(39)	(33)
Bank loans	(123)	(192)	(155)
Deferred tax liabilities	(124)	(168)	(140)
	(277)	(399)	(328)
Total liabilities	(689)	(841)	(719)
Net assets	5,839	5,387	5,751
Equity			
Share capital	3,583	3,403	3,583
Share premium	235	242	235
Other reserves	386	365	386
Retained earnings reserve	1,635	1,377	1,547
Total equity	5,839	5,387	5,751

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2011

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2010	3,403	242	365	1,263	5,273
Profit for the period	-	-	-	114	114
Balance at 30 June 2010	3,403	242	365	1,377	5,387
Balance at 1 January 2010	3,403	242	365	1,263	5,273
Profit for the year	-	-	-	260	260
Warrants issued	-	-	21	-	21
Issue of share capital	180	(7)	-	-	173
Credit to equity for equity-settled share based payments	-	-	-	24	24
Balance at 31 December 2010	3,583	235	386	1,547	5,751
Balance at 1 January 2011	3,583	235	386	1,547	5,751
Profit for the period	-	-	-	88	88
Balance at 30 June 2011	3,583	235	386	1,635	5,839

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2011

	6 Months ended 30.6.11 £'000	6 Months ended 30.6.10 £'000	Year ended 31.12.10 £'000
Net cash from operating activities	146	271	567
Investing activities			
Purchases of plant and equipment	(88)	(121)	(229)
Net cash used in investing activities	(88)	(121)	(229)
Financing activities			
Proceeds on issue of shares	-	-	194
Repayment of loans	(34)	(34)	(66)
Net cash (used)/generated in financing activities	(34)	(34)	128
Net increase in cash and cash equivalents	24	116	466
Cash and cash equivalents at the beginning of period	396	(70)	(70)
Cash and cash equivalents at end of period	420	46	396
Note to the cash flow statement			
Operating profit	77	158	280
Depreciation on plant and equipment	138	117	241
Decrease in deferred income	(5)	(5)	(9)
Share based payment expense	-	-	24
Loss on disposal of plant and equipment	-	-	1
Operating cash flows before movements in working capital	210	270	537
Movement in receivables	(84)	(30)	40
Movement in payables	22	35	21
Cash generated by operations	148	275	598
Interest paid	(2)	(4)	(7)
Tax paid	-	-	(24)
Net cash from operating activities	146	271	567

NOTES TO CONSOLIDATED ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2011

1. Basis of preparation and accounting policies

The results for the six months to 30 June 2011 have been prepared under International Financial Reporting Standards (IFRS) as adopted by the EU and International Accounting Standards Board.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those financial statements.

The financial information does not constitute statutory accounts as defined by section 435 of the Companies Act 2006. Full accounts of the company for the year ended 31 December 2010 on which the Auditors gave an unqualified report, have been delivered to the Registrar of Companies.

2. Earnings per share

The calculation of basic and diluted earnings per share is based upon the profit for the period and the weighted average number of shares in issue during the period.

	6 months to 30.6.11 '000	6 months to 30.6.10 '000	Year to 31.12.10 '000
Weighted average number of shares	35,827	34,026	34,510
Options - dilution	104	55	117
	35,931	34,081	34,627

	6 months to 30.6.11 pence	6 months to 30.6.10 pence	Year to 31.12.10 pence
Basic earnings per share	0.25	0.34	0.75
Diluted earnings per share	0.24	0.33	0.75

Under IAS 33, the share warrants in issue at the period end were not considered diluting as the market based vesting conditions of the warrants had not been met at the period end.

3. Copies of report

Copies of this interim statement will be despatched to shareholders and will be available to the public at the Registered Office, Mercury House, 17 Commerce Way, Trafford Park, Manchester, M17 1HW.