

Company [Mercury Recycling Group PLC](#)
TIDM MRG
Headline Interim Results
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MERCURY RECYCLING GROUP PLC

INTERIM REPORT FOR THE PERIOD ENDING 30 JUNE 2006

Chairman's Statement

I am pleased to report the Group's unaudited results for the six months ended 30 June 2006, show a further increase in sales of nearly 20% compared to the same period last year to £1,219,000 from £1,031,000. Operating profits at the interim stage, excluding goodwill amortisation and exceptional items, increased by 60% to £212,000 from £133,000, whereas the profit for the last financial year was £268,000. It will also be noted that, for the first time, we have a positive earnings.

The results were achieved despite yet another Government delay in the introduction of the WEEE Directive which, as I have indicated previously, will legally enforce the recycling of all Gas Discharge Lamps. The Directive was originally expected to be implemented in 2006 or early 2007. The Government have now finally announced a firm commitment to implement this Directive in the Summer of 2007.

As reported in the 2005 Report and Accounts, Share Options were granted to both Executive Directors and Senior Executives. Under new, and complex financial reporting requirements, the value of the share options has to be reported in the Profit and Loss Account and reflected as a reserve in the Balance Sheet. A prior year adjustment has been required in respect of the effect on previous years.

Our enclosed Interim results show continuing sales growth and your Board is confident of this trend continuing in the second half of the year. Future prospects should be enhanced when the Directive is implemented in 2007. This is especially important, as our new plant and premises have the capacity to substantially increase recycling output without any further capital expenditure.

The Rt Hon The Lord Barnett JP PC

Chairman

8 September 2006

Group Profit and Loss Account

For the Six months ended 30 June 2006

	6 Months ended 30.6.06 £'000	As restated 6 Months ended 30.6.05 £'000	Year ended 31.12.05 £'000
Turnover	1,219	1,031	2,147
Cost of sales	(104)	(120)	(218)
Gross profit	1,115	911	1,929
Administrative expenses	(1,034)	(951)	(2,110)
Operating profit before amortisation, relocation costs and share based payment costs	212	133	268
Relocation costs	(17)	(57)	(216)
Share based payment costs	(12)	(14)	(29)
Goodwill amortisation	(102)	(102)	(204)
Group operating profit/(loss)	81	(40)	(181)
Interest receivable	1	7	2
Interest payable	(14)	(1)	(14)
Profit/(loss) on ordinary activities before taxation	68	(34)	(193)
Taxation	-	-	-
Profit/(loss) on ordinary activities after taxation retained for the period	68	(34)	(193)
Earnings/(loss) per share: Basic (pence)	0.20p	(0.10p)	(0.57p)
Diluted	0.19p	N/A	N/A

Group Balance Sheet

As at 30 June 2006

	As restated		
	As at 30.6.06 £'000	As at 30.6.05 £'000	As at 31.12.05 £'000
Fixed assets			
Tangible assets	1,142	994	1,142
Intangible assets	3,124	3,327	3,225
	<u>4,266</u>	<u>4,321</u>	<u>4,367</u>
Current assets			
Debtors	493	445	531
Cash at hand and in bank	29	181	1
	<u>522</u>	<u>626</u>	<u>532</u>
Creditors: amounts due within one year	<u>(302)</u>	<u>(727)</u>	<u>(515)</u>
Net current assets/(liabilities)	<u>220</u>	<u>(101)</u>	<u>17</u>
Creditors: amounts due after more than one year	<u>(290)</u>	<u>(44)</u>	<u>(308)</u>
Provisions for liabilities	<u>(84)</u>	<u>-</u>	<u>(44)</u>
Total assets less current liabilities	<u>4,112</u>	<u>4,176</u>	<u>4,032</u>
Capital and reserves			
Called up share capital	3,336	3,336	3,336
Share premium account	242	242	242
Other reserve	448	612	530
Merger reserve	(111)	(111)	(111)
Share based payment reserve	59	32	47
Profit and loss account	138	65	(12)
Equity shareholders' funds	<u>4,112</u>	<u>4,176</u>	<u>4,032</u>

Group Cash Flow Statement

For the six months ended 30 June 2006

	6 Months ended 30.6.06 £'000	As restated	
		6 Months ended 30.6.05 £'000	6 Months ended 31.12.05 £'000
Net cash inflow from operating activities	127	148	145
Returns on investment and servicing of finance			
Interest paid	(14)	(1)	(14)
Interest received	1	7	2
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(77)	(431)	(706)
	37	(277)	(573)
Financing			
New loan	-	300	300
Repayment of loans	(4)	(7)	-
Capital element of hire purchase	(5)	(5)	(25)
Increase/(decrease) in cash in period	28	11	(298)
Reconciliation of operating profit/(loss) to net cash inflow from operating activities			
Operating profit/(loss)	81	(40)	(181)
Depreciation	81	43	93
Amortisation of goodwill	102	102	204
Share based payment costs	12	14	29
Profit on disposal of assets	(4)	(5)	(5)
Relocation costs – Loss on disposal	-	-	122
Decrease / (increase) in debtors	38	(98)	(241)
(Decrease) / increase in creditors	(183)	132	124
Net cash inflow from operating activities	127	148	145

Notes

1. Earnings per share

The calculation of basic earnings per share is based upon the profit for the period of £68,000 (2005 – first half – loss £34,000) and the weighted-average number of 33,359,000 (2005 – first half – 33,359,000) shares in issue during the period.

Adjusted earnings per share is calculated using earnings before amortisation of goodwill and exceptional items. Adjusted earnings is one of the primary performance measures used by the directors and is provided, in addition to the statutory results prepared under UK GAAP, to assist the shareholders to gain a clearer understanding of the underlying performance of the business.

	6 Months to 30.6.06 pence	6 Months to 30.6.05 pence	6 Months to 31.12.05 pence
Basic earnings/(loss) per share	0.20	(0.10)	(0.57)
Goodwill, relocation costs and share based payment costs	0.47	0.52	1.33
Adjusted earnings per share	0.67	0.42	0.76

2. Basis of preparation

The interim financial information has been prepared on the basis of the accounting policies set out in the accounts for the year ended 31 December 2005 with the exception of share based payments set out in note 4.

The interim financial information is unaudited. The financial information does not constitute statutory accounts as defined by section 240 of the Companies Act 1985. Full accounts of the company for the year ended 31 December 2005 on which the Auditors gave an unqualified report, have been delivered to the Registrar of Companies. These accounts consolidate the accounts of Mercury Recycling Group Plc and all of its wholly owned subsidiaries. The goodwill arising on the acquisition of Mercury Recycling Limited and Simister Engineering Limited has been capitalised and amortised over the Directors' estimate of its useful life.

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.

4. Share based payments

During the period the group has adopted FRS20 and restated comparative figures accordingly.

The fair value of shares/options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the employee becomes unconditionally entitled to the share/option.

In accordance with the transitional provisions of FRS20, no expense is recorded in respect of grants made prior to 27 November 2002 or which have vested by 1 January 2006.

Operating profits have been reduced as follows:-	6	6 Months	6 Months
	Months		
	to	to	to
	30.6.06	30.6.05	31.12.05
	£'000	£'000	£'000
Share based payment charge	12	14	29

END

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