

Company [Mercury Recycling Group PLC](#)
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MERCURY RECYCLING GROUP PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

Mercury Recycling Group PLC, the recycler of fluorescent light tubes and sodium street lights, quoted on AIM, announces final results for the year ended 31 December 2006.

- Group sales up 11% to £2,399,000 (2005: £2,147,000)
- Operating profit up 25% to £336,000 (2005: £268,000)
- Profit before tax of £84,000 (2005: £193,000 loss) after charging goodwill of £204,000 (2005: £204,000) and relocation costs of nil (2005: £216,000)

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Mercury Recycling Group PLC

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Blue Oar Securities Plc

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CHAIRMAN'S STATEMENT

I am pleased to report further improvement for the year ended 31 December 2006. Sales increased by 11% to £2,399,000 from £2,147,000 in 2005. Operating profit increased by some 25% to £336,000 as against £268,000 in 2005. As will be seen from the Balance Sheet, our liquid position is healthy, with current assets of £668,000 despite the substantial capital expenditure setting up our new recycling facilities.

I would have been reporting an even better outcome had it not been for the further delay in implementing the WEEE Directive by the Government. This Directive, will legally enforce the recycling of all separately collected end of life Gas Discharge Lamps which should give a significant boost to the numbers of lamps to be recycled.

The official start date is now 1 July 2007. However, there is still confusion in Government Departments, The Environment Agency, Lamp Manufacturers, Distributors, Purchasers, and Lamp Recyclers, as to how the implementation will work in practice, and thus the determination of our position in this matter, is giving us some concern.

Uncertainty has been created by the four major Lamp Manufacturers, who control some 85% of the market. They have set up a single Compliance Scheme which dominates the arrangements, and thus causes us major problems. The DTI, share our concerns and are keen to help. Despite all these difficulties, Government and Lamp Manufacturers advise that some 120 million lamps are sold per year, and the current estimate is that only 25% of these are being recycled. As a leading lamp recycler, we stand to benefit substantially, if the WEEE Directive is sensibly implemented, and discussions are now taking place to sort out some of the problems of the suggested Compliance Scheme.

Current trading continues to show new customers still coming to us every month. However, the uncertainty in the market will affect volumes in the short term as some of our customers are as yet unsure as to how the implementation will affect them. The WEEE Directive was aimed at household waste and we had always understood that our existing relations with customers would not be affected, but the Compliance Scheme plans to cover business transactions, to which we are opposed.

I have to report that Simon Lebor, our Chief Executive, wishes to retire at the end of this year, and your Board have respected his wishes, but in doing so want to pay a tribute to his tremendous service to the Group, from the very beginning, as a small private company, to it's current status as a successful quoted company. The Board hopes that Simon enjoys his retirement in good health.

Mr Bryan Neill will continue in his present position as Managing Director. Fortunately, Simon will remain in his customary active capacity as C.E.O. during the difficult implementation of the WEEE Directive. In addition Mr A J Leon has been appointed Non-Executive Financial Director.

On your behalf, I would again like to thank my colleagues and all our staff for their hard work and continued commitment to the Group.

Yours sincerely,

The Rt Hon The Lord Barnett JP PC **Chairman**

GROUP PROFIT AND LOSS ACCOUNT

| | 2006 £000 | As restated 2005 £000 |
|---|----------------|--------------------------------|
| Turnover | 2,399 | 2,147 |
| Cost of sales | <u>(193)</u> | <u>(218)</u> |
| Gross profit | 2,206 | 1,929 |
| Administrative expenses | <u>(2,096)</u> | <u>(2,110)</u> |
| Operating profit before amortisation and relocation costs | 336 | 268 |
| Relocation costs | - | (216) |
| Share based payment costs | (22) | (29) |
| Goodwill amortisation | (204) | (204) |
| Group operating profit/(loss) | 110 | (181) |
| Interest receivable | 1 | 2 |
| Interest payable and similar charges | <u>(27)</u> | <u>(14)</u> |
| Profit/(loss) on ordinary activities before taxation | 84 | (193) |
| Taxation | <u>-</u> | <u>-</u> |
| Profit/(loss) on ordinary activities after taxation retained for the year | <u>84</u> | <u>(193)</u> |
| Earnings/(loss) per share | | |
| - Basic | 0.25p | (0.58p) |
| - Diluted | <u>0.24p</u> | <u>n/a</u> |

The group's operation in the year continued unchanged; no operations were disposed of or acquired.

There are no recognised gains or losses other than those passing through the profit and loss account.

GROUP BALANCE SHEET

| | 2006 | As restated |
|--|--------------|----------------|
| | £'000 | 2005 |
| | | £'000 |
| Fixed assets | | |
| Intangible assets | 3,021 | 3,225 |
| Tangible assets | <u>1,142</u> | <u>1,142</u> |
| | <u>4,163</u> | <u>4,367</u> |
| Current assets | | |
| Debtors | 533 | 531 |
| Cash at bank and in hand | <u>135</u> | <u>1</u> |
| | 668 | 532 |
| Creditors: amounts falling due within one year | <u>(307)</u> | <u>(515)</u> |
| Net current assets | <u>361</u> | <u>17</u> |
| | 4,524 | 4,384 |
| Total assets less current liabilities | | |
| Creditors: amounts falling due after more than one year | (271) | (308) |
| Provisions for liabilities | (78) | (44) |
| | <u>4,175</u> | <u>4,032</u> |
| Capital and reserves | | |
| Called up share capital | 3,373 | 3,336 |
| Share premium account | 242 | 242 |
| Other reserve | 365 | 530 |
| Merger reserve | (111) | (111) |
| Profit and loss account | <u>306</u> | <u>35</u> |
| Equity shareholders' funds | <u>4,175</u> | <u>4,032</u> |

GROUP CASH FLOW STATEMENT

| | 2006 £'000 | 2005 £'000 |
|--|-------------------|-------------------|
| Net cash inflow from operating activities | 404 | 145 |
| Returns on investments and servicing of finance | | |
| Interest received | 1 | 2 |
| Interest paid | (27) | (14) |
| | <u>(26)</u> | <u>(12)</u> |
| Capital expenditure and financial investment | | |
| Payments to acquire tangible assets | <u>(96)</u> | <u>(706)</u> |
| Net cash inflow/(outflow) before financing | 282 | (573) |
| Financing | | |
| Receipts from issue of equity shares | 20 | - |
| Bank loan received | - | 300 |
| Repayment of bank loan | (15) | - |
| Repayment of finance lease and hire purchase contract | (24) | (25) |
| | <u> </u> | <u> </u> |

Increase/(decrease) in cash

263

(298)

NOTE:

The financial information set out above does not constitute the Company's financial statements for the year ended 31 December 2006. The financial statements for 2006 have been audited and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors have reported on the 2005 statements; their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Copies of the 2006 Report and Accounts will be mailed to shareholders shortly. Further copies will be available for collection from the Company's offices at Mercury House, 17 Commerce Way, Trafford Park, Manchester, M17 1HW.

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