

## Regulatory Announcement

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**Company** [Mercury Recycling Group PLC](#)  
**TIDM** MRG  
**Headline** Final Results  
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### **MERCURY RECYCLING GROUP PLC PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007**

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 2007.

- Group sales up 10% to £2,657,000 (2006: £2,399,000)
- Operating profit (before exceptional items) up 43% to £479,000 (2006: £336,000)
- Profit before tax of £445,000 (2006: £84,000 profit)
- Earnings per share (basic) up 319% to £1.09p (2006: £0.26p)
- Growth achieved following implementation of WEEE Directive in July 2007
- Announcement of completion of acquisition of Envirolite Limited in May 2008

#### **Enquiries:**

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## CHAIRMAN'S STATEMENT

I am pleased to report considerable progress for the year ended 31 December 2007. Sales increased by just over 10% to £2,657,000 from £2,399,000 in 2006. Operating profits increased by over 40% to £479,000 from £336,000 demonstrating the profit potential as sales continue to grow. As can be seen, the Group Balance Sheet shows a strong liquid position, with current assets increasing to £1,052,000 from just £668,000 in 2006.

In the light of the Group's strong financial position, the Directors had hoped to pay a dividend this year. However, because there is an historical adverse balance in our distributable reserves, this is not technically possible for this year. Subject of course to results being satisfactory, we would be proposing to recommend a dividend next year. Thereafter, it would be the intention that we pursue a progressive dividend policy in line with growth in earnings per share.

The results are especially pleasing given, as stated previously, the considerable confusion following the late implementation of the WEEE Directive in July 2007. However the position is now much clearer, and has resulted in our being allocated additional recycling areas across the country.

I am confident of the Group's future prospects, since we estimate that still only some 30% of the approximately 130 million lamps a year are being recycled. As it is now illegal to landfill lamps and other WEEE products, we can expect a larger throughput for which we have the capacity. We are also seeing growth in our recycling of other products such as batteries and electrical items, although we expect the main increase will still come from our growing share of the lamp recycling sector. I am therefore pleased to report that Management figures for the first 3 months of 2008 are in line with expectations, although of course there will be competition and price pressures.

We have been seeking further expansion by a suitable acquisition. I am pleased that following lengthy negotiations we completed the acquisition of Envirolite Limited and its associated companies, a complementary grouping in the waste recycling sector, on 7 May 2008. The consideration of £1.1 million was funded entirely from our own resources. This will open up new geographic areas for our operation, and we expect the acquisition will be earnings enhancing from the current financial year.

Finally, I would again like to thank my colleagues and all our staff for their hard work and dedication that has made our present position possible.

Yours sincerely,

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

**CONSOLIDATED INCOME STATEMENT**

		<b>2007</b>	<b>As restated</b>
	<b>Note</b>	<b>£'000</b>	<b>2006</b>
			<b>£000</b>
<b>Revenue</b>	2	2,657	2,399
Cost of sales		<u>(173)</u>	<u>(193)</u>
<b>Gross profit</b>		2,484	2,206
Administrative expenses		<u>(2,023)</u>	<u>(2,096)</u>
<hr/>			
Operating profit before share based payment costs and impairment		479	336
Share based payment costs		(18)	(22)
Goodwill impairment		-	(204)
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<b>Group operating profit</b>	3	461	110
Investment revenues		7	1
Finance costs		<u>(23)</u>	<u>(27)</u>
<b>Profit on ordinary activities before taxation</b>		445	84
Taxation		<u>(79)</u>	<u>-</u>
<b>Profit on ordinary activities after taxation retained for the year</b>		<u>366</u>	<u>84</u>
<hr/>			
<b>Earnings per share</b>			
- Basic	4	<u>1.09p</u>	<u>0.25p</u>
- Diluted	4	<u>1.07p</u>	<u>0.24p</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£000</b>
New share issued	-	37
Share based payment costs	18	22
<b>Net income recognised directly in equity</b>	<b>18</b>	<b>59</b>
Profit for the period	366	84
<b>Total income and expense for the period</b>	<b>384</b>	<b>143</b>
Opening balance	4,175	4,032
Closing balance	4,559	4,175

**CONSOLIDATED BALANCE SHEET**

	<b>2007</b>	<b>As restated 2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>Non-current assets</b>		
Goodwill	3,021	3,021
Other intangible assets	1	2
Property, plant and equipment	1,158	1,140
	<u>4,180</u>	<u>4,163</u>
<b>Current assets</b>		
Trade and other receivables	673	533
Cash and cash equivalents	379	135
	<u>1,052</u>	<u>668</u>
<b>Total assets</b>	<u><u>5,232</u></u>	<u><u>4,831</u></u>
<b>Current liabilities</b>		
Trade and other payables	(265)	(265)
Obligations under finance leases	(7)	(21)
Bank overdrafts and loans	(28)	(26)
	<u>(300)</u>	<u>(312)</u>
<b>Non-current liabilities</b>		
Trade and other payables	(60)	(73)
Bank loans	(233)	(259)
Deferred tax liabilities	(79)	-
Obligations under finance leases	(1)	(12)
	<u>(373)</u>	<u>(344)</u>
<b>Total liabilities</b>	<u><u>(673)</u></u>	<u><u>(656)</u></u>
<b>Net assets</b>	<u><u>4,559</u></u>	<u><u>4,175</u></u>
<b>Capital and reserves</b>		
Share capital	3,373	3,373
Share premium	242	242
Other reserve	365	365
Retained earnings reserve	579	195
<b>Equity shareholders' funds</b>	<u><u>4,559</u></u>	<u><u>4,175</u></u>

**CONSOLIDATED CASH FLOW STATEMENT**

	<b>2007</b> <b>£'000</b>	<b>As</b> <b>restated</b> <b>2006</b> <b>£'000</b>
<b>Net cash from operating activities</b>	<u>471</u>	<u>377</u>
<b>Investing activities</b>		
Interest received	7	1
Purchases of property, plant and equipment	<u>(201)</u>	<u>(96)</u>
<b>Net cash used in investing activities</b>	(194)	(95)
<b>Financing activities</b>		
Proceeds on issue of shares	17	20
Repayment of loans	(26)	(15)
Repayments of finance lease obligations	<u>(24)</u>	<u>(24)</u>
<b>Net cash used in financing activities</b>	<u>(33)</u>	<u>(19)</u>
<b>Net increase in cash and cash equivalents</b>	244	263
<b>Cash and cash equivalents at the beginning of year</b>	<u>135</u>	<u>(128)</u>
<b>Cash and cash equivalents at end of year</b>	<u>379</u>	<u>135</u>

## NOTES

### 1. Basis of preparation

IFRS 1 'First Time Adoption of International Financial Reporting Standards' (IFRS 1) sets out the rules for an entity preparing its first IFRS financial statements. The entity is required to determine the IFRS accounting policies in accordance with the IFRS that are in place at the date of transition (1 January 2006) and, in general, apply them retrospectively. There are a number of possible exemptions from the retrospective application to assist the entity in making the transition. The Group has taken the following exemptions:

a) Business combinations: the Group has elected not to restate business combinations prior to the transition date (1 January 2006).

b) Share-based payments: the Group has elected to exclude share-based arrangements that were granted prior to 8 November 2002 or that have vested prior to the transition date.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The Financial Statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group Financial Statements comply with Article 4 of the EU IAS Regulation.

### 2. Revenue

The revenue and profit on ordinary activities before taxation arise from the Group's principal activity.

The Group's revenue has been analysed by geographic area as follows:

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	2,641	2,373
Republic of Ireland	16	26
	<u>2,657</u>	<u>2,399</u>

### 3. Profit for the year

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the year is shown after charging / (crediting):		
Depreciation on tangible assets	183	145
Amortisation	1	-
Impairment of goodwill	-	204
Government grants	9	9
Profit on disposal of tangible assets	-	(1)
	<u>          </u>	<u>          </u>
<i>Fees paid to the auditor analysed as follows:</i>		
Audit fees (Group excluding holding company)	6	6
Audit fees (Holding company)	4	4
Tax consultancy	4	3
Other review reports	6	5
	<u>          </u>	<u>          </u>

### 4. Earnings per share

**Basic** - The calculation of basic earnings/(loss) per share is based on a profit of £366,000 (2006 - £84,000) and on 33,726,154 (2006 - 33,543,000) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

**Diluted** - The diluted earnings per share is based on the profit for the year of £366,000 and on 34,303,098 ordinary shares as adjusted for share options below:

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Basic weighted average number of shares	33,726,154	33,543,000
Dilutive potential ordinary shares:		
Dilution caused by options	<u>576,942</u>	<u>797,291</u>
Diluted weighted average number	<u>34,303,096</u>	<u>34,340,291</u>

### 5. Post balance sheet events

On 7 May 2008 the group acquired Envirolite Limited and its associated companies a complementary grouping in the waste recycling sector. The consideration of £1.1 million was funded from own resources.

### 6. Annual General Meeting

The Annual General Meeting of Mercury Recycling Group Plc will be held at Suite One, Courthill House, 66 Water Lane, Wilmslow, Cheshire SK9 5AS on Friday 13 June 2008 at 10:00 am.

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