

Company registration No 04095614 (England & Wales)

MERCURY RECYCLING GROUP PLC
GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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DIRECTORS

The Rt Hon The Lord Barnett JP PC *Non-Executive Chairman*

Lord Barnett is a Certified Accountant and was former Senior Partner in UHY Hacker Young, Manchester. He was a Member of Parliament for nearly 20 years before being elevated to a peerage in 1983. During his political career, he was a member of the Cabinet between 1977 and 1979, Chief Secretary to the Treasury, a Privy Counsellor, Chairman of the Public Accounts Committee from 1979 to 1983, Chairman of the House of Lords Select Committee on EU Monetary Policy from 1995 to 1998 and a Member of the Select Committee on Bank of England Monetary Policy, which has now become the Select Committee on Economic Affairs, from 1998 to 2004. He was Vice-Chairman of the BBC from 1986 to 1993 and Chairman of the Educational Broadcasting Trust.

Bryan Neill *Executive Director*

Bryan Neill joined Simister Engineering Services Limited in 1996, as a Sales and Marketing Director, after spending 12 years with Glaxo Wellcome. During that time he qualified as a Member of the Institute of Purchasing and Supply, and completed his service with Glaxo Wellcome as the UK Purchasing Manager. He was appointed Managing Director of Simister in 1999, and was responsible for the design, development and installation of the company's recycling plant in the South of England. This was the first of its type in the UK, and is capable of processing all types of fluorescent tubes and street lighting, in anticipation of the EU Directive on Waste Electric and Electronic Equipment. Under his management, Simister enjoyed year on year growth, and he joined Mercury Recycling Group Plc as Operations Director following the acquisition of Simister in December 2003.

Joseph Claude Dwek CBE *Non-Executive Director*

Joseph Dwek is a Board member of the North West Development Agency and chairs the Environment Subgroups. He was formerly Executive Chairman and Chief Executive of Bodycote International Plc from 1972 until 1998, when he retired. He is currently a Director of Jerome Group Plc, Penmarric Plc and Opal Property Group Limited. He is also Chief Executive and Chairman of Worthington Group Plc and formerly Chairman of the CBI North West Region.

Anthony Jack Leon DL FCA *Non-Executive Finance Director*

Anthony Leon is a Chartered Accountant and was Managing Partner of Binder Hamlyn's Manchester Office for 15 years. He is currently a non-executive director of two other AIM companies and also a non-executive director of Central Manchester and Manchester Children's University Hospitals NHS Trust having been the Chairman of another NHS Trust from 1995 - 2000. He is a Deputy Lieutenant in the County of Greater Manchester.

ADVISORS

Company secretary	Kirsti Jane Pinnell
Company number	04095614 (England and Wales)
Registered office	Mercury House 17 Commerce Way Trafford Park Manchester M17 1HW
Nominated Advisor and Broker	Blue Oar Securities Plc 30 Old Broad Street London EC2N 1HT
Auditors	UHY Hacker Young Manchester LLP St James Building 79 Oxford Street Manchester M1 6HT
Bankers	The Co-operative Bank Plc PO Box 101 1 Balloon Street Manchester M60 4EP
Solicitors	Kuit Steinart Levy LLP 3 St Mary's Parsonage Manchester M3 2RD
Registrars	Capita IRG Plc Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA

CHAIRMAN'S STATEMENT

I am pleased to report continuing progress for the year ended 31 December 2008. Sales increased by 15 % to £3,074,000 from £2,657,000 and operating profits by 21% to £558,000 from £461,000. In the current economic climate your Directors consider these results to be highly satisfactory.

As I have said, our customers can't escape the credit crunch, so in the current difficult economic situation, we are expecting price pressures and increased competition, which may have some impact on our trading performance. However, sales in the first three months of 2009 are in line with management's budget. Our Balance Sheet shows a strong position, which will ensure that we are able to keep the Group moving forward. We estimate that there are still a large number of lamps that are not being recycled, as yet, and the figure might be as much as 80 million lamps out of a total possible market of 130 million lamps, so that there is potential for us to use up further capacity under the existing cost structure.

In the years to come, the opportunity for growth in this recycling industry is self evident. The opportunity is also enhanced by new legislation which means that the non hazardous, tungsten bulb will be phased out to be replaced by the more energy efficient, but hazardous and mercury containing Compact Fluorescent Lamps (CFL). This change will open up a vast new market with exciting opportunities for us as the CFL lamps will fall under both the WEEE and Hazardous Waste Directives.

The Company, in conjunction with partners, has been awarded a tender by the Waste & Resources Programme (WRAP) with regard to the demonstration of Flat Panel Display (FPD) recycling technologies. The project will investigate the feasibility of automated processing of FPD's i.e. Plasma Flat TVs & computer screens etc., which will account for approximately 200,000 tonnes per annum of hazardous waste. These flat screens contain mercury bearing lamps which are embedded inside units and are extremely difficult and time consuming to remove. Because of the mercury content these units are deemed hazardous waste and the mercury content must be removed.

The research work, when completed, should help position Mercury Recycling as a leading player in this emerging major market. Meanwhile, we are considering offering related recycling services to our existing customers on other WEEE products.

Last year's acquisition of Envirolite has been integrated and we are now seeing the benefits. The cost price, as I forecast last year, has been met comfortably from our own resources. We are also looking at other suitable acquisitions in the waste sector.

As I have indicated, results continue to be satisfactory, but the Board have decided to defer any decision on dividends until economic conditions are clearer.

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

Yours sincerely,

The Rt Hon The Lord Barnett JP PC
Chairman

DIRECTORS' REPORT

The Directors present their annual report, together with the audited financial statements for the year ended 31 December 2008.

Principal activity and business review

The principal activity of the Group for the year continued to be the recycling of fluorescent tubes, together with the supply of elemental mercury, and the recycling of mercury contaminated waste. The principal activity of the Company for the year was that of a holding company.

A review of activity, business developments and future prospects is included in the Chairman's Statement on page 4.

Results and dividends

The Group's results for the year ended 31 December 2008 are shown in the income statement on page 15.

The Directors do not propose the payment of a dividend for the year.

Substantial shareholdings

As at 18 March 2009 the Company had been notified of the following holdings of 3% or more of its issued share capital other than the Directors' holdings:

	Number of ordinary shares	%
Redmayne (Nominees) Limited	4,606,169	13.65
GHC Nominees Limited	4,015,233	11.90
HSDL Nominees Limited	3,842,922	11.39
Ronald Atkins	1,667,500	4.94
Giltspur Nominees Limited	1,409,525	4.18
L R Limited Nominees	1,245,662	3.69
Barclayshare Nominees Limited	1,073,224	3.18

Going concern

After making due enquiries in accordance with the Code of Best Practice the Directors consider that the Group has adequate resources to continue its operations for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

DIRECTORS' REPORT (continued)

Directors and their interests

The interests of the Directors who served throughout the year (all of which are beneficial) in the ordinary shares of the Company are shown below:

	31 December 2008 10p ordinary shares Number	31 December 2007 10p ordinary shares Number
The Rt Hon The Lord Barnett JP PC	2,376,339	2,376,339
J C Dwek CBE	3,238,019	3,238,019
A J Leon DL FCA	150,625	150,625
B Neill	1,190,000	1,190,000

In addition to the above S Lebor served as a director until his resignation on 30 April 2008.

There have been no changes in interests since the year end.

In accordance with the Articles of Association The Rt Hon The Lord Barnett JP PC and B Neill retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting.

The interests of the Directors in options to acquire ordinary shares are shown below:

	As at 1 January 2008 No	Granted in year No	Exercised in year No	Lapsed in year No	As at 31 December 2008 No
A J Leon	100,000	-	-	-	100,000
B Neill	500,000	-	-	-	500,000

Supplier payment policy

It is the policy of the Group to ensure that all of its suppliers of goods and services are paid promptly and in accordance with contractual and legal obligations. At 31 December 2008, there were 63 (2007 - 48) days purchases remaining unpaid.

Political contributions and charitable donations

The Group made no political contributions or charitable donations during the year.

DIRECTORS' REPORT (continued)

Auditors

UHY Hacker Young Manchester LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the Annual General Meeting.

So far as the Directors are aware:

- i) there is no relevant audit information of which the Company's auditors are unaware of; and
- ii) they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

This report was approved by the Board on 15 May 2009 and signed on its behalf by

K J Pinnell
Company secretary

CORPORATE GOVERNANCE STATEMENT

Code of best practice

The Board acknowledges the importance of the Combined Code ("the Code") and has reviewed the Group's consistency with the provisions of the Code as appended to the Listing Rules of the Financial Services Authority. This statement explains how the Company has voluntarily applied the principles of the Code and confirms that it has consistently complied with these requirements throughout the year.

The Board of Directors

The Company is controlled and led by the Board of Directors with an established schedule of matters reserved for their specific approval. The Board meets regularly throughout the year and is responsible for the overall Group strategy, acquisition and divestment policy, approval of major capital expenditure and consideration of significant financial matters. It reviews the strategic direction of the Company and its individual subsidiaries, their annual budgets, their progress towards achievement of these budgets and their capital expenditure programmes.

The function of the Chairman is to supervise the Board and to ensure its effective control of the business, and that of the Chief Executive is to manage the Company on the Board's behalf.

All Board members have access, at all times, to sufficient information about the business, to enable them to fully discharge their duties. Also, procedures exist covering the circumstances under which the Directors may need to obtain independent professional advice.

The Board has established the following committees to fulfil specific functions:

The Audit Committee, chaired by A J Leon DL FCA and comprising of A J Leon DL FCA and J C Dwek CBE. It meets twice a year, monitoring and reviewing the Group's financial reporting and internal control procedures.

Due to the nature and size of the Group at present it would not be appropriate for the Group to have its own internal audit department reporting directly to the Audit Committee.

The Remuneration Committee, chaired by Rt Hon The Lord Barnett JP PC and comprising of A J Leon DL FCA and J C Dwek CBE. Meetings are convened during the year to monitor, assess and report to the full Board on all aspects and policy relating to nomination, appointment and remuneration of executive Directors.

The Board, as a whole, determines the remuneration of the Non-Executive Directors.

CORPORATE GOVERNANCE STATEMENT (continued)

Internal control

The Board is responsible for ensuring that the Group maintains adequate internal control over the business and its assets.

The effectiveness of the Group's system of internal financial controls, for the year to 31 December 2008 and for the period to the date of approval of the financial statements, has been reviewed by the Directors. They are aware that although no system can provide for absolute assurance against material misstatement or loss, they are satisfied that effective controls are in place.

On the wider aspects of internal control, relating to operational and compliance controls and risk management, included in provision D.2.1 of the Code, the Board, in setting the control environment, now identifies, reviews, and regularly reports on the key areas of business risk facing the Group.

The Executive Directors maintain close day to day involvement in all of the Group's activities which enables control to be achieved and maintained. This includes the comprehensive review of both management and technical reports, the monitoring of foreign exchange and interest rate fluctuations, environmental considerations, government and fiscal policy issues, employment and information technology requirements and cash control procedures. In this way, the key risk areas can be monitored effectively and specialist expertise applied in a timely and productive manner.

Relations with shareholders

The Company maintains effective contact with its principal shareholders and welcomes communications from its private investors.

DIRECTORS' REMUNERATION REPORT

Compliance

This report by the Remuneration Committee, on behalf of the Board, contains full details of the remuneration of each Director during the year under review.

Directors' remuneration policy

The Remuneration Committee aims to ensure that the remuneration packages offered are competitive and are designed to attract, retain and motivate executives of the right calibre.

Emoluments of the Directors

	Salaries £000	Fees £000	Pension £000	Benefits in kind £000	2008 Total £000	2007 Total £000
The Rt Hon The Lord Barnett JP PC **	-	10	-	1	11	18
S Lebor	30	-	6	16	52	127
J C Dwek CBE *	-	3	-	-	3	2
A J Leon DL FCA *	-	12	-	-	12	5
B Neill ***	82	-	-	10	92	86
	<u>112</u>	<u>25</u>	<u>6</u>	<u>27</u>	<u>170</u>	<u>238</u>

* Member of the Remuneration Committee

** Chairman of the Remuneration Committee

*** Highest-paid Director during the year

Pensions

A defined contribution pension scheme exists to provide benefits for executives and is managed on behalf of the Trustees by Clerical Medical Investment Group Limited.

The Non-Executive Directors' appointments are not pensionable.

Directors' service contracts

The service contract of S Lebor was for a period of two years from 4 May 2001 and was terminable on 12 months notice. This contract terminated on 30 April 2008 when S Lebor resigned as a Director.

The service contract of B Neill, the remaining executive director, is terminable on 12 months notice.

The Non-Executive Directors' appointments took effect on 4 May 2001 for an initial term of 12 months and thereafter are subject to three months notice, subject always to earlier termination in specified circumstances.

DIRECTORS' REMUNERATION REPORT (continued)

Directors' share options

Details of the individual share options held by the Directors as at 31 December 2008, which are summarised in the Directors' Report on page 6, are as follows:

Exercise period	Option price (p)	A J Leon Number	B Neill Number
6 November 2005 to 5 November 2011	10p	100,000	-
1 November 2007 to 31 October 2014	19.85p	<u>-</u>	<u>500,000</u>

The market price of the Company's shares at 31 December 2008 was 12.5p with a range of 10p to 28.7p during the year.

This report was approved by the Board on 15 May 2009 and signed on its behalf by

Chairman of the Remuneration Committee

The Rt Hon The Lord Barnett JP PC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) and have also elected to prepare financial statements for the Company in accordance with IFRS. Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is sufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

The Directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

On behalf of the Board

K J Pinnell
Company secretary

INDEPENDENT AUDITORS' REPORT



Registered Auditor
UHY Hacker Young Manchester LLP
St. James Building
79 Oxford Street
Manchester M1 6HT

15 May 2009

To the members of Mercury Recycling Group Plc

We have audited the Group and parent company financial statements (“the financial statements”) of Mercury Recycling Group Plc for the year ended 31 December 2008 which comprise the income statement, the balance sheet, the cash flow statement, the directors' emoluments disclosure contained within the Report of the Remuneration Committee and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the group financial statements in accordance with applicable law and International Financial Reporting Standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the advisors section, Chairman's Statement, Corporate Governance Statement and Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

INDEPENDENT AUDITORS' REPORT (continued)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the Group's and parent Company's affairs as at 31 December 2008 and the Group's and the parent Company's profit for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

UHY Hacker Young Manchester LLP

Registered Auditor

Chartered Accountants

CONSOLIDATED INCOME STATEMENT

	Note	2008 £000	2007 £000
Revenue	3	3,074	2,657
Cost of sales		<u>(170)</u>	<u>(173)</u>
Gross profit		2,904	2,484
Administrative expenses		<u>(2,346)</u>	<u>(2,023)</u>
Group operating profit	4	558	461
Investment revenues	6	11	7
Finance costs	7	<u>(35)</u>	<u>(23)</u>
Profit on ordinary activities before taxation		534	445
Taxation	8	<u>(130)</u>	<u>(79)</u>
Profit on ordinary activities after taxation retained for the year		<u>404</u>	<u>366</u>
Earnings per share			
- Basic	9	<u>1.20p</u>	<u>1.09p</u>
- Diluted	9	<u>1.19p</u>	<u>1.07p</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	2008 £000	2007 £000
New shares issued	2	-
Share based payment costs	-	18
Net income recognised directly in equity	2	18
Profit for the period	404	366
Total income and expense for the period	406	384
Opening balance at 1 January 2008	4,559	4,175
Closing balance at 31 December 2008	<u>4,965</u>	<u>4,559</u>

CONSOLIDATED BALANCE SHEET

	Note	2008 £000	2007 £000
Non-current assets			
Goodwill	11	4,122	3,021
Other intangible assets	12	-	1
Property, plant and equipment	13	1,358	1,158
		<u>5,480</u>	<u>4,180</u>
Current assets			
Trade and other receivables	16	536	673
Cash and cash equivalents		38	379
Assets held for sale		5	-
		<u>579</u>	<u>1,052</u>
Total assets		<u><u>6,059</u></u>	<u><u>5,232</u></u>
Current liabilities			
Trade and other payables	17	(338)	(265)
Bank overdrafts and loans	18	(153)	(28)
Obligations under finance leases	20	(17)	(7)
Current tax liabilities		(140)	-
		<u>(648)</u>	<u>(300)</u>
Non-current liabilities			
Trade and other payables	17	(51)	(60)
Bank loans	18	(274)	(233)
Deferred tax liabilities	19	(121)	(79)
Obligations under finance leases	20	-	(1)
		<u>(446)</u>	<u>(373)</u>
Total liabilities		<u><u>(1,094)</u></u>	<u><u>(673)</u></u>
Net assets		<u><u>4,965</u></u>	<u><u>4,559</u></u>
Equity			
Share capital	22	3,375	3,373
Share premium	23	242	242
Other reserve	23	365	365
Retained earnings reserve	23	983	579
Total equity		<u><u>4,965</u></u>	<u><u>4,559</u></u>

These financial statements were approved by the Board and authorised for issue on 15 May 2009

Signed on behalf of the Board

B Neill
Director

MERCURY
RECYCLING GROUP
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HOLDING COMPANY BALANCE SHEET

	Note	2008 £000	2007 £000
Non-current assets			
Investments	15	5,175	3,997
Current assets			
Trade and other receivables	16	1	515
Total assets		<u>5,176</u>	<u>4,512</u>
Current liabilities			
Trade and other payables	17	<u>(699)</u>	<u>(128)</u>
Total liabilities		<u>(699)</u>	<u>(128)</u>
Net assets		<u>4,477</u>	<u>4,384</u>
Equity			
Share capital	22	3,375	3,373
Share premium	23	242	242
Other reserve	23	1,299	1,299
Retained earnings reserve	23	<u>(439)</u>	<u>(530)</u>
Total equity		<u>4,477</u>	<u>4,384</u>

These financial statements were approved by the Board and authorised for issue on 15 May 2009

Signed on behalf of the Board

B Neill
Director

CONSOLIDATED CASH FLOW STATEMENT

	Note	2008 £000	2007 £000
Net cash from operating activities	24	<u>965</u>	<u>471</u>
Investing activities			
Interest received		11	7
Proceeds on disposal of property, plant and equipment		18	-
Purchases of property, plant and equipment		(400)	(201)
Acquisition of businesses	14	(1,206)	-
Cash acquired with businesses	14	<u>229</u>	<u>-</u>
		-	-
Net cash used in investing activities		<u>(1,348)</u>	<u>(194)</u>
Financing activities			
Proceeds on issue of shares		2	17
Repayment of borrowings		(42)	(26)
Repayments of finance lease obligations		<u>(7)</u>	<u>(24)</u>
Net cash used in financing activities		<u>(47)</u>	<u>(33)</u>
Net (decrease)/increase in cash and cash equivalents		(430)	244
Cash and cash equivalents at the beginning of year		<u>379</u>	<u>135</u>
Cash and cash equivalents at end of year		<u>(51)</u>	<u>379</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Mercury Recycling Group plc is a company incorporated in the United Kingdom under the Companies Act 1985.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 2 - Share Based Payment - amendment relating to vesting conditions and cancellations (effective annual periods beginning on or after 1 January 2009).
- IFRS 3 - Business Combinations - comprehensive revision on applying acquisition method (effective annual periods beginning on or after 1 July 2009).
- IFRS 8 - Operating Segments (effective annual periods beginning on or after 1 January 2009).
- IAS 1 - Presentation of Financial Statements - Comprehensive revision including requiring a statement of comprehensive income (effective annual periods beginning on or after 1 January 2009).
- IAS 1 - Presentation of Financial Statements - Amendments relating to disclosure of puttable instruments and obligations arising on liquidation (effective annual periods beginning on or after 1 January 2009).
- IAS 23 - Borrowing Costs - Comprehensive revision to prohibit immediate expensing (effective on borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009).
- IAS 27 - Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3 (effective annual periods beginning on or after 1 July 2009).
- IAS 28 - Investments in Associates - Consequential amendments arising from amendments to IFRS 3 (effective Annual periods beginning on or after 1 July 2009).
- IAS 31 - Interests in Joint Ventures - Consequential amendments arising from amendments to IFRS 3 (effective annual periods beginning on or after 1 July 2009).
- IAS 32 - Financial Instruments: Presentation - Amendments relating to puttable instruments and obligations arising on liquidation (effective annual periods beginning on or after 1 January 2009).
- IAS 36 - Impairment of Assets - Amendments resulting from the annual improvements to IFRS (effective annual periods beginning on or after 1 January 2009).
- IAS 38 - Intangible Assets - Amendments resulting from the annual improvements to IFRS (effective annual periods beginning on or after 1 January 2009).
- IAS 39 - Financial Instruments: Recognition and Measurement - Amendments from annual improvements to IFRS and amendment for eligible hedged items (effective annual periods beginning on or after 1 January 2009 and 1 July 2009 respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information (continued)

- IFRIC 13 - Customer Loyalty Programmes (effective annual periods beginning on or after 1 July 2008).
- IFRIC 17 - Distributions of non-cash assets to owners (effective annual periods beginning on or after 1 July 2009).

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

2. Significant accounting policies

The financial statements are based on the following policies which have been consistently applied:

Basis of preparation

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.

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control.

The acquisition of WEEE Recycling Limited was accounted for as a group reconstruction using merger accounting. Under IFRS 1, the Group has elected not to restate business combinations prior to the transition date of 1 January 2006.

The Group has taken advantage of s131 of the Companies Act 1985 and has credited the premium arising on the acquisition of Mercury Recycling Limited to another reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

Business combinations

On the acquisition of a business, fair values are attributable to the Group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition in accordance with *IFRS 3 Business Combinations*.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment annually. Any impairment is immediately recognised in the income statement.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value net of costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. This condition is met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. All exchange rate differences are taken to the income statement.

Government grants

Grants towards property, plant and equipment are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned. Grants towards expenditure are recognised as income over the periods necessary to match with the related costs and are deducted in reporting the related expense.

Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

An internally-generated intangible asset arising from any research is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and value added tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

Taxation

The tax expense represents the sum of the tax payable and deferred tax.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value, or if lower, at the present value of future minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using a sum of digits method.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease period.

Property, Plant and equipment

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Property alterations	10% straight line basis
Plant and machinery	10% - 25% straight line basis or reducing balance basis
Fixtures, fittings & equipment	10% - 25% straight line basis
Motor vehicles	25% reducing balance basis

Other intangible assets

Other intangible assets are stated at cost less amortisation. Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Software	25% straight line basis
----------	-------------------------

Retirement benefit costs

The Group contributes to defined contribution pension schemes. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions payable for the period are charged in the income statement.

Investments

Investments are stated at cost less any provision for the permanent diminution in value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method except for short-term receivables when recognition of interest would be immaterial. Appropriate allowances for the estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables and other financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

The Group's activities expose it primarily to the financial risks of changes in interest rates on long term borrowings.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

3. 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:

	2008	2007
	£000	£000
United Kingdom	3,064	2,641
Republic of Ireland	10	16
	<u>3,074</u>	<u>2,657</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Profit for the year

	2008 £000	2007 £000
Profit for the year is shown after charging / (crediting):		
Depreciation on tangible assets	186	183
Amortisation	1	1
Government grants	(9)	(9)
Profit on disposal of tangible assets	8	-
	<u>8</u>	<u>-</u>

Fees paid to the auditor are analysed as follows:

Audit fees (Group excluding holding company)	15	15
Audit fees (Parent company)	4	4
Tax consultancy	4	4
Other review reports	10	4
	<u>10</u>	<u>4</u>

5. Staff costs

	2008 £000	2007 £000
Wages and salaries	1,014	917
Social security costs	89	90
Other pension costs	6	18
	<u>1,109</u>	<u>1,025</u>

The average monthly number of employees, including Directors, during the year was as follows:

	2008 Number	2007 Number
Administration and management	4	4
Operational and sales	37	32
	<u>41</u>	<u>36</u>

Details of the Directors' remuneration are given in the Directors' Remuneration Report on pages 10 and 11.

6. Investment revenue

	2008 £000	2007 £000
Interest on bank deposits	11	7
	<u>11</u>	<u>7</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Finance costs

	2008 £000	2007 £000
Bank loans and overdrafts	18	20
Hire purchase and finance lease contracts	17	3
	<u>35</u>	<u>23</u>

8. Taxation

	2008 £000	2007 £000
<i>a) Tax charge for the period</i>		
Current tax	88	-
Deferred tax	42	79
	<u>130</u>	<u>79</u>

b) Factors affecting the tax charge for the period

	2008 £000	2007 £000
Profit on ordinary activities for the year before taxation	<u>534</u>	<u>445</u>
Profit/(loss) on ordinary activities for the year before taxation multiplied by standard rate of UK corporation tax of 28.50% (2007 - 30%)	152	88
<i>Effects of :</i>		
Expenses not deductible for tax purposes	1	9
Capital allowances for the period in excess of depreciation	(12)	(12)
Losses brought forward	(8)	(109)
Marginal relief	(8)	-
Tax losses carried forward	-	24
Other tax adjustments	(37)	-
Deferred tax	42	79
Tax expense and effective tax rate for the year	<u>130</u>	<u>79</u>

c) Factors that may affect future tax charges - The Group has estimated unutilised tax losses/expenses amounting to £510,000 (2007 - £575,000) the values of which are not recognised in the balance sheet. The losses represent a potential deferred taxation asset of £145,000 (2007 - £115,000) which would be recoverable should the Group make sufficient suitable taxable profits in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Earnings per share

Basic - The calculation of basic earnings/(loss) per share is based on a profit of £404,000 (2007 - £366,000) and on 33,731,179 (2007 - 33,726,154) 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 £404,000 and on 33,944,364 (2007 - 34,303,096) ordinary shares as adjusted for share options below:

	2008	2007
	Number	Number
Basic weighted average number of shares	33,731,179	33,726,154
Dilutive potential ordinary shares:		
Dilution caused by options	<u>213,185</u>	<u>576,942</u>
Diluted weighted average number	<u><u>33,944,364</u></u>	<u><u>34,303,096</u></u>

10. Profit attributable to members of the parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent Company is not presented as part of these accounts. The parent Company's profit for the financial year amounted to £91,000 (2007 - £325,000).

11. Goodwill

Group	Goodwill
	£000
<i>Cost:</i>	
At 1 January 2008	3,021
Additions	<u>1,101</u>
At 31 December 2008	<u>4,122</u>
<i>Accumulated impairment losses:</i>	
At 1 January 2008 and at 31 December 2008	<u>-</u>
Net book value at 31 December 2008	<u><u>4,122</u></u>
Net book value at 31 December 2007	<u><u>3,021</u></u>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from the business combination. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates cash flows based on estimated growth rates.

The Directors consider that no impairment occurred in the goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Other intangible assets

Group	Software £000
<i>Cost:</i>	
At 1 January 2008 and at 31 December 2008	<u>4</u>
<i>Amortisation:</i>	
At 1 January 2008	3
Charge for the year	<u>1</u>
At 31 December 2008	<u>4</u>
Net book value at 31 December 2008	<u><u>-</u></u>
Net book value at 31 December 2007	<u><u>1</u></u>

The amortisation period for the software costs is 4 years.

13. Property, plant and equipment

Group	Property alterations £000	Plant and machinery £000	Total £000
<i>Cost:</i>			
At 1 January 2008	85	1,716	1,801
Additions	-	418	418
Disposals	-	(48)	(48)
Reclassified as held for sale	-	(6)	(6)
At 31 December 2008	<u>85</u>	<u>2,080</u>	<u>2,165</u>
<i>Depreciation:</i>			
At 1 January 2008	20	623	643
On disposals	-	(21)	(21)
Provided during the year	11	175	186
Reclassified as held for sale	-	(1)	(1)
At 31 December 2008	<u>31</u>	<u>776</u>	<u>807</u>
Net book value at 31 December 2008	<u><u>54</u></u>	<u><u>1,304</u></u>	<u><u>1,358</u></u>
Net book value at 31 December 2007	<u><u>65</u></u>	<u><u>1,093</u></u>	<u><u>1,158</u></u>

The Group's plant and machinery includes assets held under finance leases and hire purchase contracts with a net book value of £162,000 (2007 - £191,000). Depreciation charge for the year in relation to the Group's plant and machinery under finance and hire purchase contracts amounted to £22,000 (2007 - £26,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Acquisition of subsidiaries and businesses

On 7 May 2008 Mercury Recycling Group Plc acquired the entire share capital of Envirolite Limited (EL), Envirolite Midlands Limited (EML) and Bakersfield Environmental Services Limited (BESL).

On 7 May 2008 Mercury Recycling Limited acquired certain assets from Holden Environmental Limited (HEL).

The following table sets out the fair value of the identifiable assets and liabilities acquired by the Group:

	-----Subsidiary-----				Total £000
	EL £000	EML £000	BESL £000	HEL £000	
Property, plant and equipment	6	-	9	-	15
Receivables	214	48	32	-	294
Bank	205	8	16	-	229
Payables	(324)	(53)	(56)	-	(433)
Net assets acquired	101	3	1	-	105
Goodwill on acquisition	686	258	129	28	1,101
Satisfied by cash	787	261	130	28	1,206

In the year to 31 March 2007 Envirolite Limited made a profit after tax of £122,755 . In the year to 30 June 2007 Envirolite Midlands Limited made a profit after tax of £9,352 and Bakersfield Environmental Services Limited made a profit after tax of £18,608. As the group only acquired certain assets from Holden Environmental Limited it has not been possible to disclose pre-acquisition activity. The summarised results for the acquired companies for the period the to 7 May 2008 was as follows:

	EL £000	EML £000	BESL £000	Total £000
Revenue	1,177	218	152	1,547
Cost of sales	(580)	(12)	(96)	(688)
Gross profit	597	206	56	859
Administration expenses	(439)	(236)	(31)	(706)
Operating profit	158	(30)	25	153
Net investment revenues	(18)	1	1	(16)
Profit on ordinary activities before taxation	140	(29)	26	137
Taxation	(46)		(8)	(54)
Profit for the financial period	94	(29)	18	83

As the acquired activities have been fully integrated into the accounting records of Mercury Recycling Limited on the date of acquisition it is not possible to provide the results of the acquired activities since acquisition

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Investments

Company	Subsidiary undertakings £000
<i>Cost:</i>	
At 1 January 2008	4,029
Additions	<u>1,178</u>
At 31 December 2008	<u>5,207</u>
<i>Accumulated impairment losses:</i>	
At 1 January 2008 and at 31 December 2008	<u>32</u>
Net book value at 31 December 2008	<u>5,175</u>
Net book value at 31 December 2007	<u>3,997</u>

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital, all of which are included in the consolidated accounts and are registered in England and Wales, are as follows:

Name of company	Holding	Proportion of voting rights and shares held	Nature of business
<i>Subsidiary undertakings</i>			
WEEE Recycling Limited	Ordinary shares	100%	Holding company
Flasksafe Services Limited (*)	Ordinary shares	100%	Dormant
Mercury Recycling Limited	Ordinary shares	100%	Recycling
Bulbsafe Recycling Limited	Ordinary shares	100%	Dormant
Lampsafe Service Limited	Ordinary shares	100%	Dormant
Simister Engineering Limited	Ordinary shares	100%	Dormant
Disposa-Lamp Limited (**)	Ordinary shares	100%	Dormant
Envirolite Limited	Ordinary shares	100%	Dormant
Envirolite Midlands Limited	Ordinary shares	100%	Dormant
Bakersfield Environmental Services Limited	Ordinary shares	100%	Dormant

(*) Held by WEEE Recycling Limited

(**) Held by Simister Engineering Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Trade and other receivables

	<i>Group</i>		<i>Company</i>	
	2008 £000	2007 £000	2008 £000	2007 £000
Trade receivables	508	653	-	-
Amounts owed by Group undertakings	-	-	-	514
Prepayments and accrued income	23	20	1	1
Other receivables	5	-	-	-
	<u>536</u>	<u>673</u>	<u>1</u>	<u>515</u>

Credit risk

The Group's principle financial assets are bank balances, cash balances, trade receivables and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers and no material receivables in excess of credit terms.

17. Trade and other payables

	<i>Group</i>		<i>Company</i>	
	2008 £000	2007 £000	2008 £000	2007 £000
Trade payables	210	137	-	-
Amounts owed to Group undertakings	-	-	669	116
Taxation and social security costs	70	77	17	-
Accruals and deferred income	109	111	13	12
	<u>389</u>	<u>325</u>	<u>699</u>	<u>128</u>
Due within 12 months	<u>(338)</u>	<u>(265)</u>	<u>(699)</u>	<u>(128)</u>
Due after more than 12 months	<u>51</u>	<u>60</u>	<u>-</u>	<u>-</u>

Included in deferred income for the group are deferred government grants as follows:-

	2008 £000	2007 £000
Brought forward at 1 January	69	78
Released to profit and loss during the year	<u>(9)</u>	<u>(9)</u>
Carried forward at 31 December	60	69
Due within 12 months	<u>(9)</u>	<u>(9)</u>
Due after more than 12 months	<u>51</u>	<u>60</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Bank loans and overdrafts

	<i>Group</i>		<i>Company</i>	
	2008 £000	2007 £000	2008 £000	2007 £000
Bank overdrafts	89	-	-	-
Bank loans	338	261	-	-
	<u>427</u>	<u>261</u>	<u>-</u>	<u>-</u>

The borrowings are repayable as follows:

	<i>Group</i>		<i>Company</i>	
	2008 £000	2007 £000	2008 £000	2007 £000
On demand in within one year	153	28	-	-
In the second year	66	30	-	-
In the third to fifth years	208	102	-	-
After five years	-	101	-	-
	<u>427</u>	<u>261</u>	<u>-</u>	<u>-</u>
Due for settlement within 12 months	<u>(153)</u>	<u>(28)</u>	<u>-</u>	<u>-</u>
Due for settlement after more than 12 months	<u>274</u>	<u>233</u>	<u>-</u>	<u>-</u>

The bank borrowings are secured by a Group mortgage debenture incorporating a fixed and floating charge over the assets of the Group. Additional security is provided by assignment over life policy on a Director of the Company. All bank borrowings were denominated in sterling.

19. Deferred tax

	<i>Group</i>	
	2008 £000	2007 £000
The provision for deferred taxation consists of the following amounts:		
Accelerated tax depreciation	<u>121</u>	<u>79</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Obligations under finance lease and hire purchase contracts

	<i>Group</i>		<i>Company</i>	
	2008 £000	2007 £000	2008 £000	2007 £000
Amounts payable under finance leases and hire purchases contracts				
Within one year	17	9	-	-
In the second to fifth years	-	1	-	-
	17	10	-	-
Less: future finance charges	-	(2)	-	-
Present value of minimum payments	17	8	-	-
Due for settlement within 12 months	(17)	(7)	-	-
Due for settlement after more than 12 months	-	1	-	-

All lease obligations are denominated in sterling and are secured over the assets to which they relate.

21. Financial instruments

The Group's policies as regards derivatives and financial instruments are set out in the accounting policies in note 2. The Group does not trade in financial instruments.

Interest rate risk profile

Financial assets

The Group has no financial assets, other than short-term receivables and sterling cash deposits of £38,000 (2007 - £379,000). The cash deposits attract variable rates of interest and an analysis of the rates at the year end is as follows:

Interest rate	Amount £000
0.12%	38

Financial liabilities

The Group's long term liabilities consist of bank loans, bank overdrafts and hire and lease purchase creditors. Interest rates charged on these are as follows:

	£000	Weighted average rate %	Weighted average period fixed rate Years	Weighted average period to maturity Years
Floating rate	427	N/a	N/a	N/a
Fixed rate	17	11	1	1

Currency exposures

At 31 December 2008 the Group had no currency exposures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Share capital

Group and Company

	2008 £000	2007 £000
<i>Authorised</i>		
50,000,000 ordinary shares of 10p each	<u>5,000</u>	<u>5,000</u>
<i>Allotted, called up and fully paid</i>		
33,742,820 (2007 - 33,726,154) ordinary shares of 10p each	<u>3,375</u>	<u>3,373</u>

The Company has one class of ordinary share which carry no right to fixed income.

Share-based payments

The Company has a share option scheme for certain employees of the Group. The share options in issue during the year were as follows:

Date granted	Exercise price	As at 1 January 2008 No	Exercised in year No	As at 31 December 2008 No	Exercise period
5 November 2001	10p	100,000	-	100,000	6 November 2005 to 5 November 2011
24 February 2003	10p	808,336	(16,666)	791,670	24 February 2006 to 23 February 2013
1 November 2004	19.85p	<u>1,250,000</u>	-	<u>1,250,000</u>	1 November 2007 to 31 October 2014

On 12 September 2008 16,666 share options with an exercise price on 10p were exercised.

The Group recognised total expenses of nil (2007 - £18,000) related to equity-settled share-based payment transaction in the year.

23. Reserves

<i>Group</i>	Other reserve account £000	Share premium account £000	Retained earnings £000
At 1 January 2008	365	242	579
Retained profit for the year	<u>-</u>	<u>-</u>	<u>404</u>
At 31 December 2008	<u>365</u>	<u>242</u>	<u>983</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Reserves (continued)

<i>Company</i>	Other reserve account £000	Share premium account £000	Retained earnings £000
At 1 January 2008	1,299	242	(530)
Profit for the year	-	-	91
At 31 December 2008	<u>1,299</u>	<u>242</u>	<u>(439)</u>

The Group and Company have taken advantage of s131 of the Companies Act 1985 and has credited the premium arising on the acquisition of Mercury Recycling Limited to the other reserve account.

The balance classified as share premium is the premium on the issue of the Group's equity share capital, comprising 10p ordinary shares less any costs of issuing the shares.

24. Cash generated from operations

	2008 £000	2007 £000
Operating profit	558	461
Depreciation on property, plant and equipment	185	183
Amortisation of other intangible assets	1	1
Decrease in deferred income	(9)	(9)
Share-based payment expense	-	18
Gain on disposal of property, plant and equipment	8	-
Operating cash flows before movements in working capital	<u>743</u>	<u>654</u>
Movement in receivables	429	(157)
Movement in payables	<u>(188)</u>	<u>(2)</u>
Cash generated by operations	984	495
Interest paid	<u>(19)</u>	<u>(24)</u>
Net cash from operations	<u><u>965</u></u>	<u><u>471</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Commitments

(a) At the balance sheet date, the Group had outstanding operating lease arrangements for future minimum lease payments under-non cancellable operating leases, which fall due as follows:

	Land and buildings		Other	
	2008 £000	2007 £000	2008 £000	2007 £000
Within one year	86	86	191	31
In the second to fifth years inclusive	78	164	224	36
After five years	-	-	-	-

The Company had no annual payment obligations under operating leases.

(b) Capital commitments

	2008 £000	2007 £000
At 31 December 2008 the Group had capital commitments as follows:		
Contracted for but not provided in the financial statements	-	21

26. Retirement benefit schemes

The Group contributes to insured defined contribution pension schemes for the benefit of Directors and certain employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable to the funds and amounted to £6,000 (2007 - £18,000).

27. Related party transactions

Company

Included in creditors is £552,888 and £115,757 due to Mercury Recycling Limited and Flasksafe Services Limited, wholly owned subsidiaries of the company. During the year the Company made a management charge to Mercury Recycling Limited amounting to £305,206 (2007 - £127,002).

28. Control

The Directors consider that there is no overall controlling party.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Mercury Recycling Group Plc will be held at Mercury House, 17 Commerce Way, Trafford Park, Manchester, M17 1HW on Friday 19 June 2009 at 11:00 am to consider and, if thought fit, pass the following resolutions of which Resolutions 1 to 5 will be proposed as Ordinary Resolutions and Resolution 6 as a Special Resolution:

Ordinary business

- 1 To receive and adopt the Reports of the Directors and Auditors and the Accounts for the year ended 31 December 2008.
- 2 To re-elect as a Director The Rt Hon The Lord Barnett JP PC who retires in accordance with the Company's Articles of Association and offers himself for re-election.
- 3 To re-elect as a Director B Neill who retires in accordance with the Company's Articles of Association and offers himself for re-election.
- 4 To re-appoint UHY Hacker Young Manchester LLP as Auditors of the Company and to authorise the Audit Committee to determine their remuneration.
- 5 **THAT**, in substitution for any existing and unexercised authorities, the Directors be generally and unconditionally authorised for the purpose of Section 80 of the Companies Act 2006 ("the Act") to allot relevant securities (as defined in the said section) up to an aggregate nominal amount of £1,125,000 provided that this authority shall, unless previously revoked or varied by the Company in general meeting, expire at the conclusion of the next annual general meeting of the Company or (if earlier) fifteen months after the passing of this Resolution unless renewed or extended prior to such time, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired.

Special business

- 6 **THAT**, in substitution for any existing and unexercised authorities and subject to the passing of Resolution 5 set out above, the Directors be empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority conferred by Resolution 5 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - 6.1 the allotment (otherwise than pursuant to paragraph 6.2 of this Resolution) of equity securities up to an aggregate nominal amount of £170,000 to directors, employees and/or consultants of the Company or any of its subsidiary companies (representing approximately 5 per cent of the current issued share capital of the Company);
 - 6.2 the allotment (otherwise than pursuant to paragraph 6.1 of this Resolution) of equity securities up to an aggregate nominal amount of £340,000 at the Directors' discretion (representing approximately 10 per cent. of the current issued share capital of the Company); and

NOTICE OF ANNUAL GENERAL MEETING (continued)

- 6.3** the allotment of equity securities in connection with a rights issue or open offer in favour of holders of ordinary shares of 10p each in the capital of the Company and other persons entitled to participate by way of rights where the equity securities attributable to the interests of all holders of ordinary shares and such other persons' holdings (or as appropriate to the number of such ordinary shares of 10p each in the capital of the Company which such other persons are for these purposes deemed to hold) are proportionate (as nearly as may be) to the respective numbers of ordinary shares of 10p each in the capital of the Company held or deemed to be held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient for the purposes of dealing with fractional entitlements or legal or practical problems under the laws of or the requirements of any regulatory body or any Stock Exchange in any territory;

and shall expire at the conclusion of the next annual general meeting of the Company or (if earlier) fifteen months from the passing of this Resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry, and the Directors may allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired

BY ORDER OF THE BOARD

K Pinnell
Company secretary

Registered Office:
Mercury House
Commerce Way
Trafford Park
Manchester
M17 1HW

Notes:

Entitlement to attend and vote

- 1** Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 11:00am on 19 June 2009; or, if this Meeting is adjourned, at 11:00am on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the Meeting.

Appointment of proxies

- 2** If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form. You can only appoint a proxy using the procedures set out in these notes.
- 3** A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
- 4** To appoint as your proxy a person other than the Chairman of the meeting, insert their full name. If you sign and return the proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions.
- 5** You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the registrar or you may photocopy the Form of Proxy. Please indicate next to the proxy's name the number of shares in relation to which they are authorised to act as your proxy.

NOTICE OF ANNUAL GENERAL MEETING (continued)

Appointment of proxies (continued)

- 6 To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
- 7 A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

- 8 To appoint a proxy using the proxy form, the form must be:
- 8.1 completed and signed;
- 8.2 sent or delivered to Capita Registrars at Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
- 8.3 received by Capita Registrars no later than 11:00 am on 19 June 2009.
- 9 In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
- 10 Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxies through CREST

- 11 CREST members who wish to appoint a proxy or proxies by using the CREST electronic proxy appointment service may do so for the Meeting by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- 12 In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the our agent Capita Registrars CREST Participant ID RA10 by 11:00 am on 19 June 2009. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
- 13 CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 14 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointment of proxy by joint members

- 15 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

MERCURY RECYCLING GROUP PLC

FORM OF PROXY

For use at the Annual General Meeting to be held at 11:00 am on 19 June 2009 at Mercury House, 17 Commerce Way, Trafford Park, Manchester, M17 1HW.

I/We of
(BLOCK CAPITALS PLEASE)

being a member(s) of Mercury Recycling Group plc, hereby appoint the Chairman of the Meeting or (see note 4)

..... of
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Friday 19 June 2009 at 11:00am and at any adjournment thereof and to vote on a poll for me/us on my/our behalf on any resolution proposed at such meeting concerning the business of the meeting and on the resolutions set out in the notice convening the said meeting as set out below.

Dated this _____ day of _____ 2009

Signed _____

Please indicate with an 'X' in the space below how you wish your proxy to vote on each resolution. If no such indication is given the proxy will vote or abstain from voting as he thinks fit.

Resolutions		For	Against	Vote withheld
1	to receive and adopt the Accounts;			
2	to re-elect The Rt Hon The Lord Barnett JP PC;			
3	to re-elect B Neill;			
4	to re-appoint UHY Hacker Young Manchester LLP and authorise the Audit Committee to determine their remuneration;			
5	to grant authority to allot Ordinary Shares pursuant to section 80 of the Act;			
6	to disapply statutory pre-emption rights;			

Note : to complete this proxy form please read the notes to the Notice of the Annual General Meeting.

**Note to printer :- Prepaid envelope address should be
Business Reply Licence Service No MBI 22
Capita Registrars Proxies Department
PO Box 25
Beckenham Road
Beckenham
Kent BR3 4BR**