

DIRECTORS

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

Lord Barnett is a Certified Accountant and was a former Senior Partner in what is now 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 *Managing Director*

Bryan Neill joined Simister Engineering Services Limited in 1996, as a Sales and Marketing Director, after spending 12 years with Glaxo Wellcome PLC. During that time he qualified as a Member of the Institute of Purchasing and Supply, and completed his service with Glaxo Wellcome PLC 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. 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. He was subsequently appointed as Managing Director in 2008.

Joseph Claude Dwek CBE *Non-Executive Director*

Joseph Dwek is a Board member of the North West Regional 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 was formerly 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.

Giles Clarke *Non-Executive Director*

Giles Clarke is Chairman of the England and Wales Cricket Board, Westleigh Investments Holdings Limited, Amerisur Resources plc, and of several private organisations. He founded Majestic Wine in 1981 and built it into a national chain of wine warehouses. He also co-founded Pet City in 1990, which he expanded nationwide before it was listed and subsequently sold in 1996 for £150 million and co-founded Safestore which was sold in 2003 for £40 million.

Nicholas Harrison *Non-Executive Director*

Nicholas Harrison qualified as an accountant with Arthur Andersen and subsequently held a number of senior positions with other professional services organisations. He was Finance Director of Pet City and has held finance director and chief executive positions in a number of private businesses. He is currently Chief Executive of Westleigh Investments Holdings Limited, a director of Amerisur Resources plc and of a number of private organisations.

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	Smith & Williamson Corporate Finance Limited 25 Moorgate London EC2R 6AY
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
Registrar	Capita IRG Plc Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA

CHAIRMAN'S STATEMENT

I am pleased to report sales for the year ended 31 December 2010 were £2,668,000, just marginally down from £2,789,000. This is despite the loss of a number of days in December due to the freeze. We also had to cope with the continuing squeeze on our profit margins. The recession too, was also far from over. Despite all this we managed through efficiency savings, to prevent a major fall in our operating profits. Non recurring share based payment costs on the share option reissue also reduced pre-tax profits, which finished at £273,000 compared to £333,000 in 2009.

Mercury has been engaged in ongoing discussions with Recolight, the operator of the UK's major producer compliance scheme within the lamp recycling sector, regarding the unacceptable downward pressure on the price paid for recycling services and the implementation of a more equitable operational model. In consequence the future remains uncertain, and I will notify shareholders as soon as I have definite news.

I have to report that although the Recast WEEE Directive should eventually result in much higher volumes of recycling of lamps, this has not yet happened, and industry recycling tonnages remain low. The authorities have done little to improve public awareness of mercurial damage.

However the European Union under the Recast WEEE Directive, are proposing much higher recycling levels of 85% from 2016. The proposals now have to be agreed by the Council of Ministers and draft Regulations drawn up, but if they go through they should have a huge impact on the lamp recycling industry and be positive for Mercury.

In the mean time we are continuing to look at other areas for diversification, to broaden our sales base. We are also considering further action to try to improve general recycling levels. The recycling sector still offers excellent opportunities for growth, and we are actively exploring where we can best expand. As an example, the battery recycling market is growing very strongly, as the Battery Directive is working much more effectively. We are therefore establishing a new subsidiary called "Battnet" (Battery Network), and investing in it, with a view to expanding our current battery recycling levels substantially, by the end of 2011.

Cash flow remains good, and as will be seen from the Balance Sheet, our net asset position is strong. Net cash balances were £396,000 but at present the Directors do not think it appropriate to pay a dividend.

As I announced earlier this year, two new Directors join the Board, with Giles Clarke and Nick Harrison representing Westleigh, both bring great experience and success, which will be invaluable. As I said at the time, I am confident that the Westleigh arrangement with Giles Clarke and Nick Harrison joining the Board, will ensure, as their record shows, that we will be moving steadily forward. Joe Dwek and Anthony Leon will be leaving at the AGM. I would like to express my very great thanks to them both for their great service to the Group for many years. I also want to again thank all our staff for their commitment and diligence during the last year.

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 2010. The Corporate Governance Statement set out on pages 7 to 8 forms part of this report.

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.

The Company is required by Companies Act to include a business review in this report. The information that fulfils the requirements of the business review can be found in the Chairman's Statement on page 3.

Dividends

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

Directors and their interests

The directors who held office throughout the year had the following interests in the ordinary shares of the company.

	31 December 2010 10p ordinary No of shares	31 December 2009 10p ordinary No of shares
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	240,000	140,000
B Neill	1,190,000	1,190,000

** Included in J C Dwek CBE shareholding is 495,745 shares held by Penmarric PLC

The directors who were appointed on 24 September 2010 had the following interests in the ordinary shares of the company.

	31 December 2010 10p ordinary No of shares	24 September 2010 10p ordinary No of shares
G Clarke	5,319,877	3,618,659
N Harrison	5,319,877	3,618,659

Mr G Clarke and Mr N Harrison's interests in 5,319,877 (at 24 September 2010 - 3,618,659) shares are through their shareholding in Westleigh Investments Holdings Limited.

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 retires by rotation and, being eligible, offers himself for re-election at the Annual General Meeting.

In accordance with the Articles of Association, G Clarke and N Harrison will retire at the Annual General Meeting, having been appointed during the year, and offer themselves for re-appointment.

DIRECTORS' REPORT (continued)

Directors and their interest

J C Dwek CBE and A J Leon DL FCA will retire at the Annual General Meeting and will not seek re-appointment.

Details of Directors' interest in share options and share warrants are provided in the Directors' remuneration report on page 9 to 10.

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Supplier payment policy

The Group's policy is to agree terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group as at 31 December 2010 were equivalent to 45 (2009 - 39) day's purchases.

Political contributions and charitable donations

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

Substantial shareholdings

As at 20 April 2011 the Company had been notified of the following holdings of 3% or more of its issued share capital other than the direct Directors' holdings on page 4:

	Number of ordinary shares	%
Westleigh Investments Holdings Limited	5,319,877	14.85%
HSDL Nominees Limited	3,955,683	11.04%
GHC Nominees Limited	3,491,668	9.75%
Ronald Atkins	1,667,500	4.65%
L R Limited Nominees	1,508,733	4.21%
Giltspur Nominees Limited	1,386,752	3.87%
Barclayshare Nominees Limited	1,198,049	3.34%

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)

Special business - Annual General Meeting Resolutions

The notice convening the Company's forthcoming Annual General Meeting on 17 June 2011 at 11am is set out at the end of the annual report.

Resolutions 1 to 6 constitute ordinary business and are to be proposed as ordinary resolutions, with resolution 6 granting the Directors authority to allot ordinary shares. Resolutions 7 and 8 constitute special business and are being proposed as special resolutions as follows:

- resolution 7 will enable the Directors to allot equity securities for cash or by way of a sale of treasury shares pursuant to a rights issue and otherwise up to a maximum nominal amount of £178,650 as if section 561(1) of the Companies Act 2006 did not apply to such allotment;
- resolution 8 authorises the Company to make market purchases of ordinary shares up to a maximum nominal amount of £510,000, representing approximately 15% of the Company's current issued share capital, subject to a minimum price of £0.10 and a maximum price of the higher of 105% of the average market value for the previous 5 business days and the last independent trade.

There are no restrictions on the Directors' authority to exercise the Company's borrowing powers.

Statement of disclosure to auditors

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of the 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 23 May 2011 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 Group has voluntarily applied the principles of the Code and confirms that it has consistently complied with these throughout the year.

The Board of Directors

The Group 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 Managing Director 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. Following the Annual General Meeting, A J Leon DL FCA and J C Dwek CBE will be replaced by G Clarke and N Harrison.

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, this situation is reviewed annually.

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. Following the Annual General Meeting, A J Leon DL FCA and J C Dwek CBE will be replaced by G Clarke and N Harrison.

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

Status of Non-executive directors

None of the Non-Executive Directors would be deemed independent under the Combined Code. However, the Non-Executive Directors have considerable experience which the Company draws upon on a regular basis. In addition, the Non-Executive Directors are sufficiently independent of management so as to be able to exercise independent judgement and bring an objective viewpoint and, thereby, protect and promote the interest of shareholders.

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 2010 and for the period to the date of approval of the financial statements, has been reviewed by the Directors. Whilst 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, the Board, in setting the control environment, identifies, reviews, and regularly reports on the key areas of business risk facing the Group.

The Managing Director maintains 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 interest rates, 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	Benefits in kind £000	2010 Total £000	2009 Total £000
The Rt Hon The Lord Barnett JP PC **	-	20	1	21	22
J C Dwek CBE *	-	4	-	4	4
A J Leon DL FCA *	-	12	-	12	12
B Neill ***	89	-	6	95	97
G Clarke	-	-	-	-	-
N Harrison	-	-	-	-	-
	<u>89</u>	<u>36</u>	<u>7</u>	<u>132</u>	<u>135</u>

In addition to the above fees, the Group was charged £2,037 by Westleigh Investments Holdings Limited for the services of G Clarke and N Harrison as directors.

* Member of the Remuneration Committee

** Chairman of the Remuneration Committee

*** Highest-paid Director during the year

Pensions

No pension contributions were made during the year.

The Non-Executive Directors' appointments are not pensionable.

Directors' service contracts

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

The Non-Executive Directors' appointments are subject to three months notice, subject always to earlier termination in specified circumstances.

DIRECTORS' REMUNERATION REPORT (continued)

Directors' share options

During the year ended 31 December 2010, following approval, the Company granted 750,000 share options to Bryan Neill. The Company regards share options as an important tool to retain and motivate senior management. The share options granted replaced those previously held which the board felt did fulfil this function.

Details of the individual share options held by the Directors as at 1 January 2010 and 31 December 2010, are as follows:

	Option price (p)	1 January 2010	Exercised Number	Cancelled	Re Issued	31 December 2010
A Leon	10p	100,000	(100,000)	-	-	-
B Neill	19.85p	500,000	-	(500,000)	-	-
B Neill	10p	-	-	-	750,000	750,000

The exercise period for the options held at 31 December 2010 is 21 November 2010 to 21 May 2020.

On 24 September 2010 A J Leon exercised his options. The weighted average market price when the share options were exercised was 12.5p resulting in an aggregate gain of £2,500.

On 25 October 2010, the Company issued share warrants over 8,399,966 share to Westleigh Investments Holdings Limited, a company in which G Clarke and N Harrison are interested as directors and shareholders. The warrants are exercisable at 10 pence per share and are exercisable up to 25 October 2016 providing the average closing market price of the Company's shares exceeds 15 pence over a period of 30 consecutive days.

The market price of the Company's shares at 31 December 2010 was 12.5p with a range of 7.5p to 14.2p during the year.

There have been no movements in the Directors' share options or share warrants since the year end.

This report was approved by the Board on 23 May 2011 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 in accordance with applicable laws and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the European Union. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are 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 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
2. the business review, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

B Neill
Director
23 May 2011

INDEPENDENT AUDITORS' REPORT



Registered Auditor

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

23 May 2011

To the members of Mercury Recycling Group Plc

We have audited the financial statements of Mercury Recycling Group for the year ended 31 December 2010 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and the Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements of Changes in Equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit worked has been 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 and 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

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the Group and the parent Company's affairs as at 31 December 2010 and of the Group's and the parent Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT (continued)



Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements to be audited are not in agreement, with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

M D Wasinski
Senior Statutory Auditor
for and on behalf of

UHY Hacker Young Manchester LLP
Chartered Accountants
Registered Auditor

CONSOLIDATED INCOME STATEMENT

	Note	2010 £000	2009 £000
Revenue	3	2,668	2,789
Cost of sales		<u>(137)</u>	<u>(163)</u>
Gross profit		2,531	2,626
Administrative expenses		<u>(2,251)</u>	<u>(2,283)</u>
Operating profit	4	280	343
Finance costs	6	<u>(7)</u>	<u>(10)</u>
Profit before tax		273	333
Tax	7	<u>(13)</u>	<u>(53)</u>
Profit for the period (Attributable to owners of the company)		<u>260</u>	<u>280</u>
Earnings per share			
- Basic	8	<u>0.75p</u>	<u>0.83p</u>
- Diluted	8	<u>0.75p</u>	<u>0.82p</u>

The income statement has been prepared on the basis that all operations are continuing operations.

There is no difference between the results as disclosed above and the results on an historical cost basis.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2010 £000	2009 £000
Profit for the year	260	280
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year (Attributable to the owners of the company)	<u>260</u>	<u>280</u>

CONSOLIDATED BALANCE SHEET

	Note	2010 £000	2009 £000
Non-current assets			
Goodwill	10	4,122	4,122
Property, plant and equipment	12	1,495	1,509
		<u>5,617</u>	<u>5,631</u>
Current assets			
Trade and other receivables	14	441	471
Cash and bank balances		412	1
Current tax assets		-	10
		<u>853</u>	<u>482</u>
Total assets		<u><u>6,470</u></u>	<u><u>6,113</u></u>
Current liabilities			
Trade and other payables	15	(270)	(249)
Borrowings	16	(86)	(139)
Current tax liabilities		(35)	(39)
		<u>(391)</u>	<u>(427)</u>
Non-current liabilities			
Trade and other payables	15	(33)	(42)
Borrowings	16	(155)	(225)
Deferred tax liabilities	17	(140)	(146)
		<u>(328)</u>	<u>(413)</u>
Total liabilities		<u><u>(719)</u></u>	<u><u>(840)</u></u>
Net assets		<u><u>5,751</u></u>	<u><u>5,273</u></u>
Equity			
Share capital	19	3,583	3,403
Share premium	20	235	242
Other reserves	20	386	365
Retained earnings	20	1,547	1,263
		<u>5,751</u>	<u>5,273</u>
Total equity (attributable to owners of the company)		<u><u>5,751</u></u>	<u><u>5,273</u></u>

These financial statements were approved by the Board and authorised for issue on 23 May 2011

Signed on behalf of the Board

B Neill
Director

Company Registration No: 04095614

MERCURY
RECYCLING GROUP
-PLC-

HOLDING COMPANY BALANCE SHEET

	Note	2010 £000	2009 £000
Non-current assets			
Investments	13	3,954	5,175
Current assets			
Trade and other receivables	14	<u>1,188</u>	<u>1</u>
Total assets		<u><u>5,142</u></u>	<u><u>5,176</u></u>
Current liabilities			
Trade and other payables	15	<u>(19)</u>	<u>(218)</u>
Total liabilities		<u><u>(19)</u></u>	<u><u>(218)</u></u>
Net assets		<u><u>5,123</u></u>	<u><u>4,958</u></u>
Equity			
Share capital	19	3,583	3,403
Share premium	20	235	242
Other reserves	20	1,320	1,299
Retained earnings	20	<u>(15)</u>	<u>14</u>
Total equity		<u><u>5,123</u></u>	<u><u>4,958</u></u>
(attributable to owners of the company)			

These financial statements were approved by the Board and authorised for issue on 23 May 2011

Signed on behalf of the Board

B Neill
Director

Company Registration No: 04095614

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £000	Share Premium £000	Other Reserve £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2009	3,375	242	365	983	4,965
Profit for the period	-	-	-	280	280
Issue of share capital	28	-	-	-	28
Balance at 31 December 2009	3,403	242	365	1,263	5,273
Profit for the period	-	-	-	260	260
Warrants issued	-	-	21	-	21
Issue of share capital	180	(7)	-	-	173
Credit to equity for equity-settled share based payments	-	-	-	24	24
Balance at 31 December 2010	3,583	235	386	1,547	5,751

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share Capital £000	Share Premium £000	Other Reserve £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2009	3,375	242	1,299	(439)	4,477
Profit for the period	-	-	-	453	453
Issue of share capital	28	-	-	-	28
Balance at 31 December 2009	3,403	242	1,299	14	4,958
Profit for the period	-	-	-	(53)	(53)
Warrants issued	-	-	21	-	21
Issue of share capital	180	(7)	-	-	173
Credit to equity for equity-settled share based payments	-	-	-	24	24
Balance at 31 December 2010	3,583	235	1,320	(15)	5,123

CONSOLIDATED CASH FLOW STATEMENT

	Note	2010 £000	2009 £000
Net cash from operating activities	21	<u>567</u>	<u>395</u>
Investing activities			
Proceeds on disposal of property, plant and equipment		-	13
Purchases of property, plant and equipment		<u>(229)</u>	<u>(393)</u>
Net cash used in investing activities		<u>(229)</u>	<u>(380)</u>
Financing activities			
Proceeds on issue of equity		194	28
New bank loans raised		-	100
Repayment of borrowings		(66)	(145)
Repayments of finance lease obligations		<u>-</u>	<u>(17)</u>
Net cash generated from / (used in) financing activities		<u>128</u>	<u>(34)</u>
Net increase / (decrease) in cash and cash equivalents		466	(19)
Cash and cash equivalents at the beginning of year	21	<u>(70)</u>	<u>(51)</u>
Cash and cash equivalents at end of year	21	<u><u>396</u></u>	<u><u>(70)</u></u>

COMPANY CASH FLOW STATEMENT

The parent company had no cash transactions during the year.

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.

Adoption of new and revised Standards

In the current year, the following significant new and revised Standards and Interpretations have been adopted none of which have affected the amounts reported in these financial statements.

IFRS 2 - Share based payments The amendment relates to accounting for Group cash settled share based payments

IFRS 3 - Business combinations

IAS 27 - Consolidated and separate financial statements -

IAS 28 - Investments in associates -

IAS 31 - Interest in joint ventures -

} Introduced a number of changes in accounting for business combinations when acquiring a subsidiary or an associate. It also included additional disclosure requirements.

The following standards were amended as part of Improvements to IFRS (2009).

IFRS 2 Share based payments

IFRS 7 Financial instruments disclosures

IAS 1 Presentation of financial statements

IAS 17 Leases

IAS 27 Consolidated and separate financial statements

IAS 34 Interim financial reporting

IAS 39 Financial instruments: recognition and

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

IFRS 9	Financial instruments
IAS 24 (amended)	Related party disclosures
IAS 32 (amended)	Classification of rights issues
IFRIC 19	Extinguishing financial liabilities with equity instruments
Improvements to IFRS (May 2010)	

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

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) as adopted by the European Union.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all 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 to IFRS of 1 January 2006.

The Group has taken advantage of s612 (2) of the Companies Act 2006 and has credited the premium arising on the acquisition of Mercury Recycling Limited to other reserves.

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

Research and development

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

An internally-generated asset arising from any development 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 for goods and services provided in the normal course of business, net of discounts and value added tax.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

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 schemes 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.

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

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

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.

Financial liability and equity

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 and other payables

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

Share-based payments

The Group issues equity-settled share-based payments to certain employees and other parties. Equity settled share-based payments are measured at fair value at the date of grant. In respect of employee related share based payments, 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. In respect of other share based payments, the fair value is determined at the date of grant and recognised when the associated goods or services are received.

Operating segments

The Group considers itself to have a single purpose and therefore concludes that it has only one business segment and only one geographic segment.

Critical accounting estimates and judgements

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group is required to review, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows - actual outcomes may vary. If the carrying amount exceeds the recoverable amount then impairment is made. No impairment was recognised in the period.

Useful lives of property, plant and equipment

Property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are based on judgement and experience and periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

Critical accounting estimates and judgements (continued)

Share based payments

The Group utilised an equity-settled share-based remuneration scheme for employees and other persons. Services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options are estimated by using Black-Scholes valuation method as at the date of grant. The assumptions used in the valuation are described in note 19 and include, among others, the expected volatility, expected life of the options and number of options expected to 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:	2010	2009
	£000	£000
United Kingdom	2,668	2,789

4. Operating profit

Profit for the year is shown after charging / (crediting):	2010	2009
	£000	£000
Depreciation on tangible assets	243	229
Research and development	-	34
Government grants	(9)	(9)
Profit on disposal of tangible assets	1	4

Fees paid to the auditor are analysed as follows:

Audit fees (Group excluding parent company)	13	13
Audit fees (parent company)	4	4
Tax consultancy	4	4
Other review reports	4	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Staff costs

	2010 £000	2009 £000
Wages and salaries	928	977
Social security costs	96	86
Share based payments	24	-
	<u>1,048</u>	<u>1,063</u>
Directors remuneration and fees (included above)	134	135
Share based payments (included above)	11	-
	<u>145</u>	<u>135</u>

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

	2010 Number	2009 Number
Administration and management	8	9
Operational and sales	31	33
	<u>39</u>	<u>42</u>

Further details of the Directors' remuneration are given in the Directors' Remuneration Report on pages 9 and 10.

6. Finance costs

	2010 £000	2009 £000
Bank loans and overdrafts	7	10

7. Taxation

	2010 £000	2009 £000
<i>a) Tax charge for the period</i>		
Corporation tax:		
Current year	34	40
Adjustments in respect of prior years	(15)	(12)
	<u>19</u>	<u>28</u>
Deferred tax (note 17)	(6)	25
	<u>13</u>	<u>53</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Taxation (continued)

b) *Factors affecting the tax charge for the period*

	2010	2009
	£000	£000
Profit on ordinary activities for the year before taxation	<u>273</u>	<u>333</u>
Profit on ordinary activities for the year before taxation multiplied by standard rate of UK corporation tax of 21% (2009 - 28%)	57	93
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	1
Capital allowances for the period in excess of depreciation	(21)	(39)
Losses brought forward	(4)	(6)
Marginal relief	-	(9)
Adjustments in respect of prior years	(15)	(12)
Other tax adjustments	<u>2</u>	<u>-</u>
Tax expense for the year	<u>19</u>	<u>28</u>

c) *Factors that may affect future tax charges* - The Group has estimated unutilised tax losses/expenses amounting to £531,000 (2009 - £473,000) the values of which are not recognised in the balance sheet. The losses represent a potential deferred taxation asset of £149,000 (2009 - £132,000) which would be recoverable should the Group make sufficient suitable taxable profits in the future.

8. Earnings per share

Basic - The calculation of basic earnings per share is based on a profit of £260,000 (2009 - £280,000) and on 34,509,795 (2009 - 33,891,087) 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 £260,000 (2009 - £280,000) and on 34,627,588 (2009 - 34,098,675) ordinary shares as adjusted for share options below:

	2010	2009
	Number	Number
Basic weighted average number of shares	34,509,795	33,891,087
Dilutive potential ordinary shares:		
Dilution caused by options	<u>117,793</u>	<u>207,588</u>
Diluted weighted average number	<u>34,627,588</u>	<u>34,098,675</u>

Under IAS 33, the share warrants in issued during the year were not considered to be diluting as the market based vesting conditions of the warrants had not been met at the year end. Further details are provided in note 19.

9. Profit attributable to owners of the parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these accounts. The parent Company's loss for the financial year amounted to £53,000 (2009 - Profit - £453,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Goodwill

Goodwill
£000

Group

Cost:

At 1 January 2009, 31 December 2009 and at 31 December 2010

4,122

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 reviews 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 to the goodwill.

11. Other intangible assets

At 1 January 2009, 31 December 2009 and at 31 December 2010 the Group had software costing £4,000 which was fully amortised.

12. Property, plant and equipment

Group

	Property alterations £000	Plant and machinery £000	Total £000
<i>Cost:</i>			
At 1 January 2009	85	2,080	2,165
Additions	-	393	393
Disposals	-	(39)	(39)
At 1 January 2010	85	2,434	2,519
Additions	-	230	230
Disposals	-	(3)	(3)
At 31 December 2010	85	2,661	2,746
<i>Depreciation:</i>			
At 1 January 2009	31	776	807
On disposals	-	(26)	(26)
Provided during the year	8	221	229
At 1 January 2010	39	971	1,010
On disposals	-	(2)	(2)
Provided during the year	10	233	243
At 31 December 2010	49	1,202	1,251
Net book value at 31 December 2010	36	1,459	1,495
Net book value at 31 December 2009	46	1,463	1,509
Net book value at 1 January 2009	54	1,304	1,358

All non-current assets are located in the United Kingdom.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Investments

<i>Company</i>	Subsidiary undertakings £000
<i>Cost:</i>	
At 1 January 2009 and 1 January 2010	5,207
Disposals	<u>(1,253)</u>
At 31 December 2010	<u>3,954</u>
<i>Accumulated impairment losses:</i>	
At 1 January 2009 and 1 January 2010	32
On disposal	<u>(32)</u>
At 31 December 2010	<u>-</u>
Net book value at 31 December 2010	<u><u>3,954</u></u>
Net book value at 1 January 2009 and 31 December 2009	<u><u>5,175</u></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
Mercury Recycling Limited	Ordinary shares	100%	Recycling
Lampsafe Service Limited	Ordinary shares	100%	Dormant
Enviro-lite Limited	Ordinary shares	100%	Dormant
Enviro-lite Midlands Limited	Ordinary shares	100%	Dormant

During the year the following wholly owned dormant companies were dissolved: Flasksafe Services Limited, Bulbsafe Recycling Limited, Simister Engineering Services Limited and Disposal-Lamp Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Trade and other receivables

	<i>Group</i>		<i>Company</i>	
	2010 £000	2009 £000	2010 £000	2009 £000
Trade receivables	337	388	-	-
Amounts owed from Group undertakings	-	-	1,181	-
Prepayments and accrued income	104	82	7	1
Other receivables	-	1	-	-
	<u>441</u>	<u>471</u>	<u>1,188</u>	<u>1</u>

Credit risk

The Group's principal 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 Company has one lighting compliance scheme customer representing more than 15% of the trade receivables. At the year end the debt from this customer amounted to £95,000, representing debts due from December 2010 within the credit terms. Other than this balance, exposure is spread over a large number of customers.

15. Trade and other payables

	<i>Group</i>		<i>Company</i>	
	2010 £000	2009 £000	2010 £000	2009 £000
Trade payables	155	109	-	-
Amounts owed to group undertakings	-	-	-	187
Taxation and social security costs	65	80	-	17
Other payables	15	-	5	-
Accruals and deferred income	<u>68</u>	<u>102</u>	<u>14</u>	<u>14</u>
	303	291	19	218
Due within 12 months	<u>(270)</u>	<u>(249)</u>	<u>(19)</u>	<u>(218)</u>
Due after more than 12 months	<u>33</u>	<u>42</u>	<u>-</u>	<u>-</u>

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

	2010 £000	2009 £000
Brought forward at 1 January	51	60
Released to income statement during the year	<u>(9)</u>	<u>(9)</u>
Carried forward at 31 December	42	51
Due within 12 months	<u>(9)</u>	<u>(9)</u>
Due after more than 12 months	<u>33</u>	<u>42</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Borrowings

	<i>Group</i>		<i>Company</i>	
	2010 £000	2009 £000	2010 £000	2009 £000
Bank overdrafts	16	71	-	-
Bank loans	225	293	-	-
	<u>241</u>	<u>364</u>	<u>-</u>	<u>-</u>

The borrowings are repayable as follows:

	<i>Group</i>		<i>Company</i>	
	2010 £000	2009 £000	2010 £000	2009 £000
On demand or within one year	86	139	-	-
In the second year	68	69	-	-
In the third to fifth years	87	144	-	-
After five years	-	12	-	-
	<u>241</u>	<u>364</u>	<u>-</u>	<u>-</u>
Due for settlement within 12 months	<u>(86)</u>	<u>(139)</u>	<u>-</u>	<u>-</u>
Due for settlement after more than 12 months	<u>155</u>	<u>225</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.

17. Deferred tax

	<i>Group</i>	
	2010 £000	2009 £000
Balance at 1 January	146	121
Income statement	<u>(6)</u>	<u>25</u>
Balance at 31 December	<u>140</u>	<u>146</u>

The deferred tax liability is made up as follows:

	<i>Group</i>	
	2010 £000	2009 £000
Accelerated tax depreciation	<u>140</u>	<u>146</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. 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.

Capital risk management

The Group manages its capital to ensure that they will be able to continue as going concern whilst maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents and equity attributable to equity holders of the parent company.

The Group is not subject to any externally imposed capital requirements.

Interest rate risk profile

The Group is exposed to interest rate risk because the Group borrows funds at both fixed and floating interest rates.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of the transactions concluded is spread.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial condition of the accounts receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Financial instruments (continued)

Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities' by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the group has at its disposal to further reduce liquidity are set out below.

Financial facilities	2010	2009
	£000	£000
Secured bank overdraft facility		
- amount used	16	71
- amount unused	284	229
	<u>300</u>	<u>300</u>
Agreed facility		
Secured bank loan facilities with various maturity dates through to 2011		
- amount used	225	293
- amount unused	-	-
	<u>225</u>	<u>293</u>
Agreed facility		

Financial assets

The Group has no financial assets, other than short-term receivables and sterling cash deposits of £412,000 (2009 - £1,000). The cash deposits attract variable rates of interest at the year end of 0.125%.

Financial liabilities

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

	Weighted average effective interest %	1-5 years £000	5+ years £000	Total £000
31 December 2010				
Variable interest rate	3.16	241	-	241
		<u>241</u>	<u>-</u>	<u>241</u>
31 December 2009				
Variable interest rate	2.37	352	12	364
		<u>352</u>	<u>12</u>	<u>364</u>

Currency exposures

At 31 December 2010 the Group had no currency exposures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Share capital

Group and Company

	2010 £000	2009 £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>		
35,827,462 (2009 - 34,026,154) ordinary shares of 10p each	<u>3,583</u>	<u>3,403</u>

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

On 25 October 2010, the company issued 1,701,308 under a placing at 10 pence per share.

On 24 September 2010, the Company issued a further 100,000 shares following the exercise of share options at 10 pence per share.

Share options

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

Date granted	Exercise price	As at 1 January 2010 No	Exercised in year No	Lapsed/ Cancelled No	Re-Issued No	As at 31 December 2010 No
5 November 2001	10p	100,000	(100,000)	-	-	-
24 February 2003	10p	508,336	-	(450,001)	-	58,335
1 November 2004	19.85p	1,250,000	-	(1,250,000)	-	-
21 May 2010	10p	-	-	-	1,600,000	1,600,000

The exercise period of the above options are as follows:

Date granted	Exercise period	As at 31 December 2010 No
24 February 2003	to 23 February 2013	58,335
21 May 2010	to 21 May 2020	<u>1,600,000</u>

The share price at the date of exercise for share options exercised during the year was 12.5p.

On 21 May 2010, the Company granted share options over 1,600,000 shares. The estimated fair value of the grant is £24,000. The inputs to the option pricing model are as follows:-

Expected volatility	15.7% - calculated from historical share price over 12 month period prior to grant.
Expected life	5 years
Risk free rate	0.55%

No share options have been awarded since the year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Share capital (continued)

Share warrants

On 24 September 2010, 8,399,966 share warrants were created, all of which were issued on 25 October 2010.

As at 31 December 2010 the warrants in issue were: 8,399,966 at 0.25 pence with an expiry date of 25 October 2016.

The share warrants were issued as part of the Placing pursuant to the terms of a warrant instrument executed by the Company and dated 24 September 2010. Under the warrant Instrument, 8,399,966 warrants were created, with each Warrant granting the holder the right to subscribe for one Ordinary Share at a price of 10p per share (subject to adjustment in limited circumstances such as a subdivision or consolidation of the Company's share capital) payable in cash on exercise.

The warrants are exercisable within six years of being issued subject to the average closing market price of the Company's shares having been at least 15p per Ordinary Share over a period of at least 30 consecutive days (unless the Board waives this condition). The Company shall procure that the Ordinary Shares issued pursuant to the exercise of warrants are admitted to trading on AIM. The warrants themselves will not be dealt with or admitted to trading on any market and are only transferable in limited circumstances by their holders.

Warrants represent subscription rights for ordinary shares in Mercury Recycling PLC. The warrant reserve represents the fair value of these warrants.

Warrants may be exercised in whole or in part (and from time to time) prior to the final exercise date.

20. Reserves

<i>Group</i>	Other reserves £000	Share premium account £000	Retained earnings £000
At 1 January 2010	365	242	1,263
Expenses on the issues of equity shares	-	(7)	-
Warrants issue	21	-	-
Credit to equity for equity-settled share based payments	-	-	24
Retained profit for the year	-	-	260
	<u>386</u>	<u>235</u>	<u>1,547</u>
At 31 December 2010	<u>386</u>	<u>235</u>	<u>1,547</u>

Breakdown of other reserves is as follows

	Warrant reserve £000	Other reserve account £000	Total other reserves £000
At 1 January 2010	-	365	365
Warrants issue	21	-	21
	<u>21</u>	<u>365</u>	<u>386</u>
At 31 December 2010	<u>21</u>	<u>365</u>	<u>386</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Reserves (continued)

Company

	Other reserves £000	Share premium account £000	Retained earnings £000
At 1 January 2010	1,299	242	14
Expenses on the issue of shares	-	(7)	-
Warrants issue	21	-	-
Credit to equity for equity-settled share based payments	-	-	24
Profit for the year	-	-	(53)
	<u>1,320</u>	<u>235</u>	<u>(15)</u>
At 31 December 2010	<u>1,320</u>	<u>235</u>	<u>(15)</u>

Breakdown of other reserves is as follows

Company

	Warrant reserve £000	Other reserve account £000	Total other reserves £000
At 1 January 2010	-	1,299	1,299
Warrants issue	21	-	21
	<u>21</u>	<u>1,299</u>	<u>1,320</u>
At 31 December 2010	<u>21</u>	<u>1,299</u>	<u>1,320</u>

The Group and Company have taken advantage of 612 (2) of the Companies Act 2006 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.

The warrant reserve represents the fair value of share warrants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Cash generated from operations

Group	2010 £000	2009 £000
Operating profit	280	343
Depreciation on property, plant and equipment	241	229
Decrease in deferred income	(9)	(9)
Share based payment expense	24	-
Loss on disposal of property, plant and equipment	1	4
Operating cash flows before movements in working capital	537	567
Movement in receivables	40	64
Movement in payables	21	(89)
Cash generated by operations	598	542
Interest paid	(24)	(10)
Income tax paid	(7)	(137)
Net cash from operations	567	395

Cash and cash equivalents

	2010 £000	2009 £000	2008 £000
Cash and bank balances	412	1	38
Bank overdrafts	(16)	(71)	(89)
	<u>396</u>	<u>(70)</u>	<u>(51)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Cash generated from operations (continued)

Company	2010	2009
	£000	£000
Operating profit	(40)	453
Decrease/(Increase) in creditors	40	(453)
Net cash from operations	-	-

All payments and receipts are dealt with through the subsidiary and the Company has no cash and cash equivalents.

22. Financial 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	
	2010	2009	2010	2009
	£000	£000	£000	£000
Within one year	86	79	87	134
In the second to fifth years inclusive	257	-	41	123
After five years	422	-	11	-

(b) The Group had no capital commitments contracted for but not provided for in the financial statements.

23. Related party transactions

Company

Included in debtors is £1,181,486 (2009 - £71,064 - creditor) due from Mercury Recycling Limited and £nil (2009 - £115,757) due to Flasksafe Services Limited, wholly owned subsidiaries of the Company. During the year the Company made a management charge to Mercury Recycling Limited amounting to £290,037 (2009 - £258,140) and paid £2,037 (2009 - nil) to Westleigh Investments Holdings Limited (in which G Clarke and N Harrison are materially interested) for the provision of services as non-executive directors. All transactions are considered to be on terms equivalent to those that prevail in arm's length transactions.

24. Control

The Directors consider that there is no overall controlling party.

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Mercury Recycling Group plc ("the Company") will be held at Mercury House, 17 Commerce Way, Trafford Park, Manchester M17 1HW on 17 June 2011, at 11am. for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolutions 1 to 6 will be proposed as ordinary resolutions and Resolutions 7 and 8 will be proposed as special resolutions:

Ordinary Business

- 1 **TO** receive and adopt the Reports of the Directors and Auditors and the Accounts for the year ended 31 December 2010.
- 2 **TO** re-elect as a Director The Rt Hon The Lord Barnett JPPC who retires in accordance with the Company's Articles of Association and offers himself for re-election.
- 3 **TO** re-appoint as a Director Charles Giles Clarke in accordance with the Company's Articles of Association who offers himself for re-appointment.
- 4 **TO** re-appoint as a Director John Nicholas Harrison in accordance with the Company's Articles of Association who offers himself for re-appointment.
- 5 **TO** re-appoint UHY Hacker Young Manchester LLP as Auditors of the Company and to authorise the Audit Committee to determine their remuneration.
- 6 **THAT** the Directors be generally and unconditionally authorised to allot equity securities (as defined in section 560(1) of the Companies Act 2006 ("the Act")):
 - 6.1 up to an aggregate nominal amount of £2,381,830 (such amount to be reduced by the nominal amount of any equity securities allotted under resolution 6.2 below) in connection with an offer by way of a rights issue:
 - (a) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
 - (b) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
 - 6.2 in any other case, up to an aggregate nominal amount of £1,190,915 (such amount to be reduced by the nominal amount of any equity securities allotted under resolution 6.1 above in excess of £1,190,915), provided that this authority shall, unless renewed, varied or revoked by the Company, expire on 17 September 2012 or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot equity securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

NOTICE OF THE ANNUAL GENERAL MEETING (continued)

Special Business

7 **THAT**, subject to the passing of resolution 6, the Directors be given the general power to allot equity securities (as defined by section 560 of the Act) for cash, either pursuant to the authority conferred by resolution 5 or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

7.1 the allotment of equity securities in connection with an offer by way of a rights issue:

- (a) to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
- (b) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

7.2 the allotment (otherwise than pursuant to resolution 7.1 above) of equity securities up to an aggregate nominal amount of £178,650.

The power granted by this resolution will expire on 17 September 2012 or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if either section 89(1) of the Companies Act 1985 or section 561(1) of the 2006 Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

8 **TO** authorise the Company generally and unconditionally to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of £0.10 each provided that:

8.1 the maximum aggregate number of ordinary shares that may be purchased is £510,000;

8.2 the minimum price (excluding expenses) which may be paid for each ordinary share is £0.10;

8.3 the maximum price (excluding expenses) which may be paid for each ordinary share is the higher of:

- (a) 105 per cent of the average market value of an ordinary share in the Company for the five business days prior to the day the purchase is made; and
- (b) the value of an ordinary share calculated on the basis of the higher of the price quoted for:

- (i) the last independent trade of; and
- (ii) the highest current independent bid for,

any number of the Company's ordinary shares on the trading venue where the purchase is carried out.

The authority conferred by this resolution shall expire on 17 September 2012 or, if earlier, at the conclusion of the Company's next annual general meeting save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase ordinary shares which will or may be executed wholly or partly after the expiry of such authority.

NOTICE OF THE ANNUAL GENERAL MEETING (continued)

Special Business (continued)

By order of the Board

Kirsti Pinnell
Company secretary

23 May 2011

Registered office
Mercury House
17 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 6pm on 15 June 2011 before meeting 2011; or, if this Meeting is adjourned, at 6pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the Meeting.

Appointment of proxies

- 2 As a member of the Company, 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 with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
- 3 A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- 4 A vote withheld is not a vote in law, which means the vote will not be counted in the calculation of votes for or against the Resolution. If you do not give your proxy an indication of how to vote on any resolution, 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

- 5 The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.
- 6 To appoint a proxy using the proxy form, the form must be:
 - 6.1 completed and signed;
 - 6.2 sent or delivered to Capita Registrars at Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
 - 6.3 received by Capita Registrars no later than 11am on 15 June 2011.
- 7 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.
- 8 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.

Notes

Appointment of proxy by joint members

- 9 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).

Changing proxy instructions

- 10 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars on 0871 664 0300. Calls cost 10p per minute plus network extras, lines are open 8.30 a.m. – 5.30 p.m. Monday to Friday. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

- 11 In order to revoke a proxy instruction you will need to inform Capita Registrars by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
- 12 The revocation notice must be received by Capita Registrars no later than 11 am on 15 June 2011. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid although 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.

Notes to the form of proxy

- 1 To appoint as a proxy a person other than the Chairman of the meeting insert the full name in the space provided. To appoint more than one proxy you may photocopy the form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. A proxy need not be a member of the Company.
- 2 Unless otherwise indicated the proxy will vote as he thinks fit or, at his discretion, abstain from voting.
- 3 The form of the proxy attached must arrive not later than 48 hours before the time set for the meeting at Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Kent BR3 4TU.
- 4 A corporation must execute the Form of Proxy under either its common seal or the hand of a duly authorised officer or attorney.
- 5 The Form of Proxy is for use in respect of the shareholder account specified above only and should not be amended or submitted in respect of a different account.
- 6 The 'Vote Withheld' option is to enable you to abstain on any particular resolution. Such a vote is not a vote in law and will not be counted in the votes "For" and "Against" a resolution.
- 7 Corporate Representatives must make themselves known to the Company prior to the start of the meeting.

MERCURY RECYCLING GROUP PLC

Form of Proxy

For use at the Annual General Meeting to be held at 11am on 17 June 2011 at Mercury House, 17 Commerce Way, Trafford Park, Manchester M17 1HW.

I/We.....
(block capitals please)

of

being a member(s) of Mercury Recycling Group plc, hereby appoint the Chairman of the Meeting or (see note 1)

.....

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 17 June 2011 at 11am and at any adjournment of that meeting. I/we direct the proxy to vote on the resolution as set out below:

Resolution		For	Against	Vote Withheld
1	To receive and adopt the Accounts			
2	To re-elect The Rt Hon The Lord Barnett JPPC as a Director			
3	To re-elect Charles Giles Clarke as a Director			
4	To re-elect John Nicholas Harrison as a Director			
5	To reappoint UHY Hacker Young Manchester LLP as Auditors and authorised the Audit Committee to determine their remuneration			
6	To grant authority to allot Ordinary Shares			
7	To disapply pre-emption rights			
8	To grant authority to purchase Ordinary Shares on market			

Please indicate how you wish your proxy to vote with a tick in the appropriate box. If no such indication is given, your proxy will be deemed to have the authority to vote or abstain from voting as he thinks fit.

Signed Dated

Please tick here if this proxy is one of multiple appointments being made

Enter the number of shares in relation to which your proxy is authorised or leave blank to authorise your proxy to act in relation to your full voting entitlement

[Prepaid envelope to the back of the proxy form above]
Capita Registrars
Proxy Department
PO Box 25
The Registry
Beckenham
Kent
BR3 4BR