

CONTENTS

Directors	2
Advisors	3
Chairman's Statement	4
Directors' Report	5 - 7
Corporate Governance Statement	8 - 9
Directors' Remuneration Report	10 - 11
Statement of Directors' Responsibilities	12
Independent Auditors' Report	13 - 14
Consolidated Income Statement	15
Consolidated Statement of Changes In Equity	16
Consolidated Balance Sheet	17
Holding Company Balance Sheet	18
Consolidated Cash Flow Statement	19
Notes to the Accounts	20 - 39
Notice of Annual General Meeting	40 - 43
Form of Proxy	44

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.

Simon Lebor *Chief Executive Officer*

Simon Lebor was involved in the clothing sector, starting his career in 1960 with the firm now known as Alexon plc where he was appointed Managing Director in 1976. He was appointed Managing Director of the wholesale and retail division of Dereta (London) Limited in 1982 before leading an MBO of Dereta following its takeover by Alexon plc in 1988. Simon and his management team sold Dereta to Berketex Limited in 1989, following which he acted as a consultant to various clothing groups before joining Mercury Recycling Limited, as an investor and as Marketing Director in March 1996. He was appointed Chief Executive Officer in 1997.

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	BlueOre 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 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 considerable progress for the year ended 31 December 2007. Sales increased by just over 10% to £2,657,000 from £2,399,000 in 2006. Operating profits increased by over 40% to £479,000 from £336,000 demonstrating the profit potential as sales continue to grow. As can be seen, the Group Balance Sheet shows a strong liquid position, with net current assets increasing to £752,000 from just £356,000 in 2006.

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

The results are especially pleasing given, as reported previously, the considerable confusion following the late implementation of the WEEE Directive in July 2007. More important, I am now able to report that the position is much clearer, since my Interim Report. Implementation of the WEEE Directive, has resulted in our being allocated additional recycling areas across the country.

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

In addition to the healthy current position, we have been seeking further expansion by a suitable acquisition. I am now pleased to declare that following lengthy negotiations we completed the acquisition of a complementary company in the waste recycling sector on 7 May 2008. This will open up new geographic areas for our operation, and we expect the acquisition will be earnings enhancing from the current financial year.

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

Yours sincerely,

The Rt Hon The Lord Barnett JP PC
Chairman

DIRECTORS' REPORT

The Directors present their annual report, together with the audited financial statements for the year ended 31 December 2007.

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 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 2007 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 14 April 2008 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	%
Pershing Keen Nominees Limited	4,606,169	13.66
HSDL Nominees Limited	3,120,371	9.25
L R Limited Nominees	1,797,062	5.33
Ronald Atkins	1,667,500	4.94
Giltspur Nominees Limited	1,421,964	4.22

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

	31 December 2007	31 December 2006
	10p ordinary shares Number	10p ordinary shares Number
The Rt Hon The Lord Barnett JP PC	2,376,339	2,376,339
S Lebor	4,315,233	4,465,233
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

There have been no changes since the year end to 14 April 2008.

In accordance with the Articles of Association J C Dwek CBE and A J Leon DL FCA, retire by rotation and, being eligible, offer themselves for re-election.

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

	As at 1 January 2007	Granted in year	Exercised in year	Lapsed in year	As at 31 December 2007
S Lebor	1,166,668	-	-	-	1,166,668
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 2007, there were 48 (2006 - 38) 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

On 8 April 2008, UHY Hacker Young became UHY Hacker Young Manchester LLP. In accordance with section 384 of the Companies Act 1985, a resolution is to be proposed at the Annual General Meeting for the re-appointment of UHY Hacker Young Manchester LLP as the auditors of the Company.

- i) so far as the directors are aware, 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 report was approved by the Board on 9 May 2008 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 fulfill specific functions:

The Audit Committee, chaired by A J Leon DL FCA and comprising 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

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, was chaired by Rt Hon The Lord Barnett JP PC and comprising 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 2007 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 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	2007 Total £000	2006 Total £000
The Rt Hon The Lord Barnett JP PC**	-	10	-	8	18	16
S Lebor***	90	-	18	19	127	110
J C Dwek CBE*	-	2	-	-	2	2
A J Leon DL FCA*	-	5	-	-	5	5
B Neill	76	-	-	10	86	81
	<u>166</u>	<u>17</u>	<u>18</u>	<u>37</u>	<u>238</u>	<u>214</u>

* Member of the Remuneration Committee

** Chairman of the Remuneration Committee

*** Highest-paid Director

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 Chief Executive's service contract was for a period of two years from 4 May 2001 and is terminable on 12 months notice.

The service contract of the other 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 2007, which are summarised in the Directors' Report on page 8, are as follows:

Exercise period	Option price (p)	A J Leon Number	S Lebor Number	B Neill Number
6 November 2005 to 5 November 2011	10p	100,000	-	-
24 February 2006 to 23 February 2013	10p	-	666,668	-
1 November 2007 to 31 October 2014	19.85p	-	500,000	500,000

The market price of the Company's shares at 31 December 2007 was 18.43p with a range of 15p to 30.95p during the year.

This report was approved by the Board on 9 May 2008 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

9 May 2008

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 2007 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 advisors, 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 2007 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

			<i>As restated</i>
	Note	2007 £000	2006 £000
Revenue	3	2,657	2,399
Cost of sales		<u>(173)</u>	<u>(193)</u>
Gross profit		2,484	2,206
Administrative expenses		<u>(2,023)</u>	<u>(2,096)</u>
Operating profit before impairment and relocation costs		479	336
Share based payment costs		(18)	(22)
Goodwill impairment		-	(204)
Group operating profit	4	461	110
Investment revenues	6	7	1
Finance costs	7	<u>(23)</u>	<u>(27)</u>
Profit on ordinary activities before taxation		445	84
Taxation	8	<u>(79)</u>	<u>-</u>
Profit on ordinary activities after taxation retained for the year		<u>366</u>	<u>84</u>
Earnings per share			
- Basic	9	<u>1.09p</u>	<u>0.25p</u>
- Diluted	9	<u>1.07p</u>	<u>0.24p</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

CONSOLIDATED BALANCE SHEET

			<i>As restated</i>
	Note	2007 £'000	2006 £'000
Non-current assets			
Goodwill	11	3,021	3,021
Other intangible assets	12	1	2
Property, plant and equipment	13	1,158	1,140
		<u>4,180</u>	<u>4,163</u>
Current assets			
Trade and other receivables	15	673	533
Cash and cash equivalents		379	135
		<u>1,052</u>	<u>668</u>
Total assets		<u><u>5,232</u></u>	<u><u>4,831</u></u>
Current liabilities			
Trade and other payables	16	(265)	(265)
Obligations under finance leases	19	(7)	(21)
Bank overdrafts and loans	17	(28)	(26)
		<u>(300)</u>	<u>(312)</u>
Non-current liabilities			
Trade and other payables	16	(60)	(73)
Bank loans	17	(233)	(259)
Deferred tax liabilities	18	(79)	-
Obligations under finance leases	19	(1)	(12)
		<u>(373)</u>	<u>(344)</u>
Total liabilities		<u><u>(673)</u></u>	<u><u>(656)</u></u>
Net assets		<u><u>4,559</u></u>	<u><u>4,175</u></u>
Capital and reserves			
Share capital	21	3,373	3,373
Share premium	22	242	242
Other reserve	22	365	365
Retained earnings reserve	22	579	195
Equity shareholders' funds		<u><u>4,559</u></u>	<u><u>4,175</u></u>

These financial statements were approved by the Board and authorised for issue on 9 May 2008
Signed on behalf of the Board.

S Lebor
Director

HOLDING COMPANY BALANCE SHEET

		2007	<i>As restated</i> 2006
	Note	£'000	£'000
Non-current assets			
Investments	14	3,997	3,997
Current assets			
Trade and other receivables	15	515	426
Total assets		<u>4,512</u>	<u>4,423</u>
Current liabilities			
Trade and other payables	16	(128)	(128)
Total liabilities		<u>(128)</u>	<u>(128)</u>
Net assets		<u>4,384</u>	<u>4,295</u>
EQUITY			
Share capital	21	3,373	3,373
Share premium	22	242	242
Other reserve	22	1,299	1,299
Retained earnings reserve	22	(530)	(619)
Total equity		<u>4,384</u>	<u>4,295</u>

These financial statements were approved by the Board and authorised for issue on 9 May 2008
Signed on behalf of the Board.

S Lebor
Director

CONSOLIDATED CASH FLOW STATEMENT

		<i>As restated</i>	
	Note	2007 £'000	2006 £'000
Net cash from operating activities	23	<u>471</u>	<u>377</u>
Investing activities			
Interest received		7	1
Purchases of property, plant and equipment		<u>(201)</u>	<u>(96)</u>
Net cash used in investing activities		<u>(194)</u>	<u>(95)</u>
Financing activities			
Proceeds on issue of shares		17	20
Repayment of loans		(26)	(15)
Repayments of finance lease obligations		<u>(24)</u>	<u>(24)</u>
Net cash used in financing activities		<u>(33)</u>	<u>(19)</u>
Net increase in cash and cash equivalents		244	263
Cash and cash equivalents at the beginning of year		<u>135</u>	<u>(128)</u>
Cash and cash equivalents at end of year		<u><u>379</u></u>	<u><u>135</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Mercury Recycling 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) |
| IAS1 | - | Presentation of Financial Statements — Comprehensive revision including requiring a statement of comprehensive income (effective annual periods beginning on or after 1 January 2009) |
| IAS1 | - | 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) |
| IAS23 | - | 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) |
| IAS27 | - | Consolidated and Separate Financial Statements— Consequential amendments arising from amendments to IFRS 3 (effective annual periods beginning on or after 1 July 2009) |
| IAS28 | - | Investments in Associates — Consequential amendments arising from amendments to IFRS 3 (effective Annual periods beginning on or after 1 July 2009) |
| IAS31 | - | Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3 (effective annual periods beginning on or after 1 July 2009) |
| IAS32 | - | Financial Instruments: Presentation— Amendments relating to puttable instruments and obligations arising on liquidation (effective annual periods beginning on or after 1 January 2009) |
| IFRIC | - | Service Concession Arrangements (effective annual periods beginning on or after 1 January 2008) |
| IFRIC | - | Customer Loyalty Programmes (effective annual periods beginning on or after 1 July 2008) |
| IFRIC | - | IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective Annual periods beginning on or after 1 January 2008) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information (continued)

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 except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2008.

2. Significant accounting policies

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

Basis of preparation

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

- a) Business combinations: the Group has elected not to restate business combinations prior to the transition date (1 January 2006).
- b) Share-based payments: the Group has elected to exclude share-based arrangements that were granted prior to 8 November 2002 or that have vested prior to the transition date.

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

The disclosures required by IFRS1 concerning the transition from UK GAAP to IFRS are given in note 28.

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 an other 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.

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

- 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 lease 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

Property, Plant and equipment

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:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Profit for the year

	2007	2006
Profit for the year is shown after charging / (crediting):	£000	£000
Depreciation on tangible assets	183	145
Amortisation	1	-
Impairment of goodwill	-	204
Government grants	9	9
Profit on disposal of tangible assets	-	(1)
	-	(1)

Fees paid to the auditor analysed as follows:

Audit fees (Group excluding holding company)	6	6
Audit fees (Holding company)	4	4
Tax consultancy	4	3
Other review reports	6	5
	6	5

5. Staff costs

	2007	2006
	£000	£000
Wages and salaries	917	850
Social security costs	90	79
Other pension costs	18	18
	1,025	947

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

	2007	2006
	Number	Number
Administration and management	4	6
Operational and sales	32	28
	36	34

Details of the directors' remuneration are given in the directors' remuneration report on pages 10 and 11.

6. Investment revenue

	2007	2006
	£000	£000
Interest on bank deposits	7	1
	7	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Finance costs

	2007 £000	2006 £000
Bank loans and overdrafts	20	25
Hire purchase and finance lease contracts	3	2
	<u>23</u>	<u>27</u>

8. Taxation

	2007 £000	2006 £000
<i>a) Tax charge for the period</i>		
Deferred tax	<u>79</u>	<u>-</u>

b) Factors affecting the tax charge for the period

	2007 £000	2006 £000
Profit/(loss) on ordinary activities for the year before taxation	<u>445</u>	<u>84</u>
Profit/(loss) on ordinary activities for the year before taxation multiplied by standard rate of UK corporation tax of 19.75% (2006 - 30%)	88	25
<i>Effects of :</i>		
Expenses not deductible for tax purposes	9	68
Capital allowances for the period in excess of depreciation	(12)	(26)
Losses brought forward	(109)	(67)
Tax losses carried forward	<u>24</u>	<u>-</u>
Tax expense and effective tax rate for the year	<u>-</u>	<u>-</u>

c) Factors that may affect future tax charges - The group has estimated unutilised tax losses/expenses amounting to £575,000 (2006 - £1,150,000) the values of which are not recognised in the balance sheet. The losses represent a potential deferred taxation asset of £115,000 (2006 - £180,000) which would be recoverable should the company 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 £366,000 (2006 - £84,000) and on 33,726,156 (2006 - 33,543,000) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

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

	2007	2006
	Number	Number
Basic weighted average number of shares	33,726,156	33,543,000
Dilutive potential ordinary shares:		
Dilution caused by options	<u>576,942</u>	<u>797,291</u>
Diluted weighted average number	<u><u>34,303,098</u></u>	<u><u>34,340,291</u></u>

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

	2007	2006
	pence	pence
Basic earnings per share	1.09	0.25
Adjustment	<u>0.05</u>	<u>0.67</u>
Adjusted earnings per share	<u><u>1.14</u></u>	<u><u>0.92</u></u>
Adjusted diluted earnings per share	<u><u>1.12</u></u>	<u><u>0.90</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 £71,000 (2006 - loss £146,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Goodwill

Group	Goodwill £000
Cost:	
At 1 January 2007 as previously stated	4,076
IFRS adjustments	<u>(1,055)</u>
Deemed cost at 1 January 2007 and 31 December 2007 restated	<u>3,021</u>
Accumulated impairment losses:	
At 1 January 2007 and at 31 December 2007	<u>-</u>
Net book value at 31 December 2006 and 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.

12. Other intangible assets

Group	Software £000
Cost:	
At 1 January 2007 as previously stated	-
IFRS adjustments	<u>4</u>
At 1 January 2007 as restated and at 31 December 2007	<u>4</u>
Amortisation:	
At 1 January 2007	-
IFRS adjustments	<u>2</u>
At 1 January 2007 as restated	2
Charge for the year	<u>1</u>
At 31 December 2007	<u>3</u>
Net book value at 31 December 2007	<u><u>1</u></u>
Net book value at 31 December 2006	<u><u>2</u></u>

The amortisation period for the software costs is 4 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Property, plant and equipment

<i>Group</i>	Property Alterations £000	Plant and machinery £000	Total £000
Cost:			
At 1 January 2007	81	1,523	1,604
IFRS adjustment	-	(4)	(4)
At 1 January 2007 - as restated	81	1,519	1,600
Additions	4	197	201
Disposals	-	-	-
At 31 December 2007	85	1,716	1,801
Depreciation:			
At 1 January 2007	12	450	462
IFRS adjustment	-	(2)	(2)
At 1 January 2007 - as restated	12	448	460
Provided during the year	8	175	183
At 31 December 2007	20	623	643
Net book value at 31 December 2007	65	1,093	1,158
Net book value at 31 December 2006	69	1,071	1,140

The group's plant and machinery includes assets held under finance leases and hire purchase contracts with a net book value of £191,000 (2006 - £223,000). Depreciation charge for the year in relation to the Group's plant and machinery under finance and hire purchase contracts amounted to £26,000 (2006 - £32,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Investments

Company	Subsidiary under- takings £000
Cost: At 1 January 2007 and at 31 December 2007	<u>4,029</u>
Accumulated impairment losses: At 1 January 2007 and at 31 December 2007	<u>32</u>
Net book value At 31 December 2007	<u><u>3,997</u></u>
At 31 December 2006	<u><u>3,997</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
Subsidiary undertakings			
WEEE Recycling Limited	Ordinary shares	100%	Non trading holding company
Flasksafe Services Limited (*)	Ordinary shares	100%	Dormant
Mercury Recycling Limited	Ordinary shares	100%	Recycling of fluorescent tubes
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

(*) Held by WEEE Recycling Limited

(**) Held by Mercury Recycling Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Trade and other receivables

	<i>Group</i>		<i>Company</i>	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade receivables	653	488	-	-
Amounts owed by group undertakings	-	-	514	408
Prepayments and accrued income	20	15	1	1
Directors loan account	-	30	-	17
	<u>673</u>	<u>533</u>	<u>515</u>	<u>426</u>

Credit risk

The group's principle financial assets are bank balances and cash and trade 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.

16. Trade and other payables: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade payables	137	131	-	-
Amounts owed to group undertakings	-	-	116	116
Taxation and social security costs	77	93	-	-
Accruals and deferred income	111	114	12	12
	<u>325</u>	<u>338</u>	<u>128</u>	<u>128</u>
Due within 12 months	<u>(60)</u>	<u>(73)</u>	<u>-</u>	<u>-</u>
Due after 12 months	<u>265</u>	<u>265</u>	<u>128</u>	<u>128</u>

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

	2007 £000	2006 £000
Government grants brought forward	78	44
Received during the year	-	43
Released to profit and loss during the year	<u>(9)</u>	<u>(9)</u>
Government grants carried forward	69	78
Due within 12 months	<u>(9)</u>	<u>(5)</u>
Due after 12 months	<u>60</u>	<u>73</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Bank loans and overdrafts

	<i>Group</i>		<i>Company</i>	
	2007 £000	2006 £000	2007 £000	2006 £000
Bank loans	261	285	-	-

The borrowings are repayable as follows:

Repayable as follows:	<i>Group</i>		<i>Company</i>	
	2007 £000	2006 £000	2007 £000	2006 £000
On demand in within one year	28	26	-	-
In the second year	30	28	-	-
In the third to fifth years	102	96	-	-
After five years	101	135	-	-
	261	285	-	-
Amount due for settlement within 12 months	(28)	(26)	-	-
Amount due for settlement after 12 months	233	259	-	-

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.

18. Deferred tax

Deferred taxation :	<i>Group</i>	
	2007 £000	2006 £000
The Group provision for deferred taxation consists of the following amounts:		
Accelerated tax depreciation	79	163
Tax losses	-	(163)
	79	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Obligations under finance lease and hire purchase contracts

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
Amounts payable under finance leases and hire purchases contracts	£000	£000	£000	£000
Within one year	9	24	-	-
In the second to fifth years	1	14	-	-
	10	38	-	-
Less: future finance charges	(2)	(5)	-	-
Present value of minimum payments	8	33	-	-
Less: due for settlement within 12 months	(7)	(21)	-	-
Due for settlement after 12 months	1	12	-	-

All lease obligations are denominated in sterling.

20. 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 debtors and sterling cash deposits of £379,000 (2006 - £135,000). 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
1.8%	23
3.9%	356

Financial liabilities

The Group's long term liabilities consist of bank loans 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	261	N/a	N/a
Fixed rate	8	11	1

Currency exposures

At 31 December 2007 the Group had no currency exposures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Share capital

Group and Company

	2007 £000	2006 £000
Authorised		
50,000,000 ordinary shares of 10p each	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid		
33,726,154 ordinary shares of 10p each	<u>3,373</u>	<u>3,373</u>

The company has one class of ordinary shares 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 2006	Granted in year	Number of options at 31 December 2006	Exercise period
5 November 2001	10p	100,000	-	100,000	6 November 2005 to 5 November 2011
24 February 2003	10p	808,336	-	808,336	24 February 2006 to 23 February 2013
1 November 2004	19.85p	<u>1,250,000</u>	<u>-</u>	<u>1,250,000</u>	1 November 2007 to 31 October 2014

No share options were exercised in the year.

The Group recognised total expenses of £18,000 (2006 - £22,000) related to equity-settled share-based payment transaction in the year.

22. Reserves

<i>Group</i>	Other reserve account £000	Share premium account £000	Retained earnings £000
At 1 January 2007 (as restated)	365	242	195
Retained profit for the year	-	-	366
Share based payments	-	-	18
At 31 December 2007	<u>365</u>	<u>242</u>	<u>579</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Reserves (continued)

<i>Company</i>	Other reserve account £000	Share premium account £000	Retained earnings £000
At 1 January 2007	1,299	242	(619)
Loss for the year		-	71
Share based payment	-	-	18
At 31 December 2007	<u>1,299</u>	<u>242</u>	<u>(530)</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.

23. Cash generated from operations

	2007 £000	2006 £000
Profit for the year	424	110
Depreciation on property, plant and equipment	183	145
Anmortisation of other intangible assets	1	-
Impairment of goodwill	-	204
Decrease in deferred income	(9)	(9)
Share-based payment expense	18	22
Gain on disposal of property, plant and equipment	-	(1)
Operating cash flows before movements in	617	471
(Increase) / decrease in receivables	(140)	15
Increase / (decrease) in payables	18	(82)
Cash generated by operations	495	404
Interest paid	(24)	(27)
Net cash from operations	<u>471</u>	<u>377</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Commitments

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

	Land and buildings		Other	
	2007 £000	2006 £000	2007 £000	2006 £000
Within one year	86	86	31	31
In the second to fifth years inclusive	79	164	36	66
After five years	-	-	-	1

The Company had no annual payment obligations under operating leases.

(b) Capital commitments

	2007 £000	2006 £000
At 31 December 2007 the group had capital commitments as follows:		
Contracted for but not provided in the financial statements	21	-

25. Retirement benefit schemes

The Group operates insured defined contribution pension schemes for the benefit of Directors and 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 £18,000 (2006 - £18,000).

26. Related party transactions

Mr S Lebor had an interest free loan during the year. The maximum amount outstanding during the year was £29,702 (2006 - £29,702). The loan was repaid in full in April 2007.

27. Control

The Directors consider that there is no overall controlling party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Transition to International Financial Reporting Standards

(a) Effect on profits

There is no difference in results between UK GAAP and IFRS for the year ended 31 December 2006. Consequently, no reconciliation between UK GAAP and IFRS is included.

(b) Effect on net assets

There is no difference in net assets between UK GAAP and IFRS as at 31 December 2005 and as at 31 December 2006. There are some differences within the classification of non-current assets, and with the classification of other reserves.

(c) Reconciliation from UK GAAP to IFRS

The reconciliation of equity below, together with the explanations of the changes are provided to facilitate the understanding of changes arising from the adoption of IFRS.

No reconciliation of profit has been provided on the basis that there have been no changes in profit as a result of the adoption of IFRS.

The following adjustments have been required:

Property, plant and equipment - IAS 16

Computer software has been reclassified from tangible fixed assets to intangible fixed assets.

Business combinations - IFRS 3

Under IFRS 3, merger accounting is prohibited and business combinations are required to be accounted for as acquisitions using the purchase method.

As a first time adopter of international accounting standards the company has elected under IFRS 1 not to apply IFRS 3 retrospectively to business combinations that occurred before the date of transition. As a result of this election the company has taken the opportunity to simplify the reserves by combining the 'merger' and 'retained earnings reserve'.

The distributable reserves of the company have not been affected by the reclassification of the 'merger reserve'.

Government grants - IAS 20

IAS 20 dictates that government grants relating to assets are recognised in the balance sheet by setting up the grant as deferred income with income recognised on a systematic and rational basis.

Under UK GAAP the government grant was deferred in the same systematic and rational basis, however was recognised in the balance sheet as a provision under non-current liabilities. The grant's reclassification to deferred income has therefore facilitated the disclosure of the deferment between current and non-current 'other payables'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

d) Re-statement as at 1 January 2006

	UK GAAP in IFRS format £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets			
Goodwill	3,225	-	3,225
Other intangible assets	-	3	3
Property, plant and equipment	1,142	(3)	1,139
	<u>4,367</u>	<u>-</u>	<u>4,367</u>
Current assets			
Trade and other receivables	531	-	531
Cash and cash equivalents	1	-	1
	<u>532</u>	<u>-</u>	<u>532</u>
Total assets	<u>4,899</u>	<u>-</u>	<u>4,899</u>
Current liabilities			
Trade and other payables	(300)	(1)	(301)
Current tax liabilities	(59)	-	(59)
Obligations under finance leases	(24)	-	(24)
Bank overdrafts and loans	(132)	-	(132)
	<u>(515)</u>	<u>(1)</u>	<u>(516)</u>
Non-current liabilities			
Other payables	-	(43)	(43)
Bank loans	(275)	-	(275)
Obligations under finance leases	(33)	-	(33)
Provisions	(44)	44	-
	<u>(352)</u>	<u>1</u>	<u>(351)</u>
Total liabilities	<u>(867)</u>	<u>-</u>	<u>(867)</u>
Net assets	<u>4,032</u>	<u>-</u>	<u>4,032</u>
Capital and reserves			
Share capital	3,336	-	3,336
Share premium	242	-	242
Merger reserve	(111)	111	-
Other reserve	530	-	530
Retained earnings reserve	35	(111)	(76)
	<u>4,032</u>	<u>-</u>	<u>4,032</u>
Equity shareholders' funds	<u>4,032</u>	<u>-</u>	<u>4,032</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

e) Re-statement as at 31 December 2006

	UK GAAP in IFRS format £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets			
Goodwill	3,021	-	3,021
Other intangible assets	-	2	2
Property, plant and equipment	1,142	(2)	1,140
	<u>4,163</u>	<u>-</u>	<u>4,163</u>
Current assets			
Trade and other receivables	533	-	533
Cash and cash equivalents	135	-	135
	<u>668</u>	<u>-</u>	<u>668</u>
Total assets	<u>4,831</u>	<u>-</u>	<u>4,831</u>
Current liabilities			
Trade and other payables	(167)	(5)	(172)
Current tax liabilities	(93)	-	(93)
Obligations under finance leases	(21)	-	(21)
Bank overdrafts and loans	(26)	-	(26)
	<u>(307)</u>	<u>(5)</u>	<u>(312)</u>
Non-current liabilities			
Other payables	-	(73)	(73)
Bank loans	(259)	-	(259)
Obligations under finance leases	(12)	-	(12)
Provisions	(78)	78	-
	<u>(349)</u>	<u>5</u>	<u>(344)</u>
Total liabilities	<u>(656)</u>	<u>-</u>	<u>(656)</u>
Net assets	<u>4,175</u>	<u>-</u>	<u>4,175</u>
Capital and reserves			
Share capital	3,373	-	3,373
Share premium	242	-	242
Merger reserve	(111)	111	-
Other reserve	365	-	365
Retained earnings reserve	306	(111)	195
	<u>4,175</u>	<u>-</u>	<u>4,175</u>
Equity shareholders' funds	<u>4,175</u>	<u>-</u>	<u>4,175</u>

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Mercury Recycling Group Plc will be held at Suite One, Courthill House, 66 Water Lane, Wilmslow, Cheshire SK9 5AS on xxxxxxxx at xxxxxxxx for the following purposes:

Ordinary business

- 1 To receive and adopt the Reports of the Directors and Auditors and the Accounts for the year ended 31 December 2007.
- 2 To re-elect as a Director J C Dwek CBE who retires in accordance with the Company's Articles of Association and offers himself for re-election.
- 3 To re-elect as a Director A J Leon DL FCA 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 1985 ("the Act") to allot relevant securities (as defined in the said section) up to an aggregate nominal amount of £1,190,000 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(2) 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

BY ORDER OF THE BOARD

K Pinnell
Company secretary
2008

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 [xxxxx] on date 2 days before meeting 2008; or, if this Meeting is adjourned, at [xxxxx] 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 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.
- 4** 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. Further details on how to do this are set out in the notes to the proxy form.
- 5** 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.

NOTICE OF ANNUAL GENERAL MEETING (continued)

Appointment of proxy using hard copy proxy form

- 6 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 a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
- 7 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.
- 8 A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name. If you sign and return this 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.
- 9 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
- 10 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.
- 11 To appoint a proxy using the proxy form, the form must be:
- 11.1 completed and signed;
- 11.2 sent or delivered to Capita Registrars at Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
- 11.3 received by Capita Registrars no later than *time of meeting* a.m./p.m. on *date two days before meeting* 2008.
- 12 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.
- 13 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.
- 14 CREST members who wish to appoint a proxy or proxies by using the CREST electronic appointment service may do so by using the procedures described in the CREST Manual. To be valid, the appropriate CREST message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must be transmitted so as to be received by our agent Capita Registrars, CREST participant ID RA10 by [xxxxxxx] a.m./p.m on • [2 days before meeting] 2008.

NOTICE OF ANNUAL GENERAL MEETING (continued)

Appointment of proxies through CREST

- 15 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.
- 16 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 our agent Capita Registrars CREST Participant ID RA10 by *time of meeting* • a.m./p.m on *date 2 days before meeting* • • 2008. 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.
- 17 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.
- 18 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

- 19 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 xxxam on xxx2008 at Suite One, Courthill House, 66 Water Lane, Wilmslow, Cheshire, SK9 5AS

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 8)

..... 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 ● ● 2008 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 _____ 2008

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 J C Dwek CBE;			
3	to re-elect A J Leon DL FCA;			
4	to 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 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**