Company registration No 04095614 (England & Wales)

MERCURY RECYCLING GROUP PLC

GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

CONTENTS

Directors	1
Advisors	2
Chairman's Statement	3
Directors' Report	4 - 6
Corporate Governance Statement	7 - 8
Directors' Remuneration Report	9 - 10
Statement of Directors' Responsibilities	11
Independent Auditors' Report	12 - 13
Consolidated Income Statement	14
Consolidated Statement Of Comprehensive Income	14
Consolidated Balance Sheet	15
Parent Company Balance Sheet	16
Consolidated Statement of Changes in Equity	17
Company Statement of Changes in Equity	18
Consolidated Cash Flow Statement	19
Company Cash Flow Statement	19
Notes to the Accounts	20- 43

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 LLP. 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 Welcome PLC. During that time he qualified as a Member of the Institute of Purchasing and Supply, and completed his service with Glaxo Welcome 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.

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 Adviser	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU
Broker	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street London W1S 4JU
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 Registrars Limited 34 Beckenham Road Beckenham Kent BR3 4TU

CHAIRMAN'S STATEMENT

At the time of this statement, I hoped that MRG would have concluded the negotiations regarding the acquisition of iron ore assets from Sylvania Platinum Limited. Unfortunately the transaction is taking longer to conclude than we had originally anticipated, but I am hopeful that we will shortly be in a position to move forward with the acquisition.

Sales for the year were £2,537,000 compared to £2,668,000 for the previous year. Operating losses after non-recurring costs were £31,000 compared to a profit of £272,000 in 2010. The volume of lamps recycled has been consistent with the previous period but the price being paid by the sole compliance scheme company purchasing B2B lamp evidence, has been reduced. We have taken advice from Leading Competition Counsel and we have been assured that we have very strong grounds for appeal. We have done so, and are in detailed negotiations.

The results do not therefore give a full picture of our future prospects and I believe that future results will demonstrate a change for the better. On the cost side, there have been substantial non-recurring costs amounting to £160,000 including the cost of preparing the site for the battery recycling business, proposed acquisition costs and a container write down resulting from a review of our container policy in the year. This container review also resulted in a change in accounting policy for our Lampsafe containers, which was accounted for as a prior period adjustment.

The new WEEE Recast consultation process has been moving forward and, as I previously explained, this will be important to the lamp recycling sector, indeed it should further transform our position for the better.

I can also report that our preparations for the move into the battery recycling business are now complete and that interest to date is very encouraging. Unfortunately the granting of battery treatment and export permits has taken much longer than expected but we were eventually granted the permits in February 2012 and have now started processing batteries on our newly installed battery sorting line.

I am hopeful that all this will ensure that Mercury Recycling Limited will have excellent prospects in both lamp and battery recycling.

Once again I would like to thank all our staff for their contribution during these major changes to the Group.

Yours sincerely,

The Rt Hon The Lord Barnett JP PC
Chairman

DIRECTORS' REPORT

The Directors present their annual report, together with the audited financial statements for the year ended 31 December 2011. 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 the 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 served during the year were as follows:-

The Rt Hon The Lord Barnett JP PC
B Neill
G Clarke
N Harrison
J C Dwek (resigned 17 June 2011)
A J Leon (resigned 17 June 2011)

The beneficial and other interests of the Directors at the year end and their families in the shares of the Company and its subsidiary undertakings were as follows:

	31 December 2011 10p ordinary shares Number	**31 December 2010 10p ordinary shares Number**
The Rt Hon The Lord Barnett JP PC	2,376,339	2,376,339
B Neill	1,190,000	1,190,000
G Clarke	5,319,877	5,319,877
N Harrison	5,319,877	5,319,877

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

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

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

Supplier payment policy

The Group's policy is to agree terms of payment with suppliers when agreeing the terms of each transaction. Trade payables of the Group as at 31 December 2011 were equivalent to 48 (2010 - 45) 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 4 April 2012 the Company had been notified of the following holdings of 3% or more of its issued share capital other than the Directors' direct holdings on page 4:

	Number of ordinary shares	Percentage
HSDL Nominees Limited	3,764,715	10.93%
GHC Nominees Limited	3,491,668	10.58%
J C Dwek CBE	3,733,764	10.42%
Ronald Atkins	1,667,500	4.65%
L R Nominees Limited	1,403,189	4.01%
Barclayshare Nominees Limited	1,255,248	3.26%
Giltspur Nominees Limited	1,195,650	3.09%

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement on page 3. In addition, note 18 to the financial statements includes the company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

The Directors have reviewed the financial resources and facilities available to deal with its business risks. The Directors therefore feel well placed to manage the business risks successfully within its present financial arrangements.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

DIRECTORS' REPORT (continued)

Directors' indemnities

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

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 1 June 2012 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 UK Corporate Governance 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 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 Group 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 - was chaired by A J Leon and comprised of A J Leon and J C Dwek until their resignation on 17 June 2011. From this date the committee was chaired by N Harrison and comprises of N Harrison and G Clarke. It meets twice a year, monitoring and reviewing the Group's financial reporting and internal control procedures.

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

The Remuneration Committee, chaired by Rt Hon The Lord Barnett JP PC throughout the period in addition to A J Leon and J C Dwek to 17 June 2011 and subsequently comprising of N Harrison and G Clarke. 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.

Status of Non-executive directors

None of the Non-Executive Directors would be deemed independent under the UK Corporate 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 2011 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	2011 Total £000	2010 Total £000
The Rt Hon The Lord Barnett JP PC **	-	20	1	21	21
J C Dwek CBE *	-	3	-	3	4
A J Leon DL FCA *	-	8	-	8	12
B Neill ***	89	-	7	96	95
G Clarke ****	-	-	-	-	-
N Harrison ****	-	-	-	-	-
	89	31	8	128	132

In addition to the above fees, the Group was charged £13,500 (2010: £2,037) by Westleigh Investments Holdings Limited for the services of G Clarke and N Harrison as Directors.

* Member of the Remuneration Committee up until 17 June 2011
** Chairman of the Remuneration Committee
*** Highest-paid Director during the year
**** Member of the Remuneration Committee from 17 June 2011

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' share options and share warrants

Details of the individual share options held by the Directors as at 1 January 2011 and 31 December 2011, are as follows:

	Option price (p)	1 January 2011	Exercised Number	Cancelled	Re Issued	31 December 2011
B Neill	10p	750,000	-	-	-	750,000

The exercise period for the options held at 31 December 2011 is 21 November 2010 to 21 May 2020.

Throughout the year, share warrants were in issue over 8,399,966 shares held by 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 2011 was 7.25p with a range of 6.00p to 13.00p during the year.

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

This report was approved by the Board on 1 June 2012 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 polices;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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 adequate 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 that 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
1 June 2012

INDEPENDENT AUDITORS' REPORT

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

1 June 2012

To the members of Mercury Recycling Group Plc

We have audited the financial statements of Mercury Recycling Group Plc for the year ended 31 December 2011 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 25. 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 then 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 and express and opinion on 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistences with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

UHY Hacker Young
Chartered Accountants

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 2011 and of the Group's and the parent Company's loss 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.

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.

Michael Wasinski
Senior Statutory Auditor
for and on behalf of

UHY Hacker Young Manchester LLP
Chartered Accountants
Registered Auditor

CONSOLIDATED INCOME STATEMENT

		Note	2011 £000	2010 Restated* £000
Revenue		**3**	2,537	2,668
Cost of sales			(148)	(179)
Gross profit			2,389	2,489
Administrative expenses			(2,420)	(2,217)
Operating (loss)/profit		**4**	(31)	272
Finance costs		**6**	(4)	(7)
(Loss)/profit before tax			(35)	265
Tax		**7**	(6)	(14)
(Loss)/profit for the period (Attributable to owners of the company)			(41)	251
(Loss)/earnings per share	**- Basic**	**8**	(0.11p)	0.73p
	- Diluted	**8**	n/a	0.72p

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.

*Further details of the prior period adjustment are provided in notes 2 and 25.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2011 £000	2010 Restated* £000
Profit for the year	(41)	251
Other comprehensive income for the year	-	-
Total comprehensive income for the year (Attributable to the owners of the Company)	(41)	251

CONSOLIDATED BALANCE SHEET

	Note	2011 £000	2010 Restated* £000	2009 Restated* £000
Non-current assets				
Goodwill	**10**	4,122	4,122	4,122
Property, plant and equipment	**12**	1,265	1,409	1,431
		5,387	5,531	5,553
Current assets				
Trade and other receivables	**14**	465	448	478
Cash and bank balances		343	412	1
Current tax assets		18	-	10
		826	860	489
Total assets		6,213	6,391	6,042
Current liabilities				
Trade and other payables	**15**	(234)	(270)	(249)
Borrowings	**16**	(68)	(86)	(139)
Current tax liabilities		-	(17)	(25)
		(302)	(373)	(413)
Non-current liabilities				
Trade and other payables	**15**	(24)	(33)	(42)
Borrowings	**16**	(88)	(155)	(225)
Deferred tax liabilities	**17**	(167)	(157)	(158)
		(279)	(345)	(425)
Total liabilities		(581)	(718)	(838)
Net assets		5,632	5,673	5,204
Equity				
Share capital	**19**	3,583	3,583	3,403
Share premium	**20**	235	235	242
Other reserves	**20**	386	386	365
Retained earnings	**20**	1,428	1,469	1,194
Total equity (Attributable to owners of the Company)		5,632	5,673	5,204

*Further details of the prior period adjustment are provided in notes 2 and 25.

These financial statements were approved by the Board and authorised for issue on 1 June 2012.

Signed on behalf of the Board

B Neill
Director

Company Registration No: 04095614

PARENT COMPANY BALANCE SHEET

	Note	2011 £000	2010 £000
Non-current assets			
Investments	**13**	3,954	3,954
Current assets			
Trade and other receivables	**14**	1,241	1,188
Total assets		5,195	5,142
Current liabilities			
Trade and other payables	**15**	(17)	(19)
Total liabilities		(17)	(19)
Net assets		5,178	5,123
Equity			
Share capital	**19**	3,583	3,583
Share premium	**20**	235	235
Other reserves	**20**	1,320	1,320
Retained earnings	**20**	40	(15)
Total equity		5,178	5,123
(Attributable to owners of the Company)			

These financial statements were approved by the Board and authorised for issue on 1 June 2012

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 2010 (As previously stated)	3,403	242	365	1,263	5,273
Effect of change in accounting policy	-	-	-	(69)	(69)
As restated	3,403	242	365	1,194	5,204
Profit for the period (restated)	-	-	-	251	251
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 (Restated)	3,583	235	386	1,469	5,673
Loss for the period	-	-	-	(41)	(41)
Balance at 31 December 2011	3,583	235	386	1,428	5,632

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 2010	3,403	242	1,299	14	4,958
Loss 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
Profit for the period	-	-	-	55	55
Balance at 31 December 2011	3,583	235	1,320	40	5,178

CONSOLIDATED CASH FLOW STATEMENT

	Note	2011	2010 Restated
		£000	£000
Net cash from operating activities	**21**	169	525
Investing activities			
Purchases of property, plant and equipment		(153)	(187)
Net cash used in investing activities		(153)	(187)
Financing activities			
Proceeds on issue of equity		-	194
Repayment of borrowings		(69)	(66)
Net cash generated (used in)/from financing activities		(69)	128
Net (decrease)/increase in cash and cash equivalents		(53)	466
Cash and cash equivalents at the beginning of year	**21**	396	(70)
Cash and cash equivalents at end of year	**21**	343	396

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 2006.

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.

IAS 24 - Related party disclosures

IAS 32 - Financial instruments: Presentation

The following standards were amended as part of Annual Improvements to IFRS (May 2010):

IFRS 1	First-time adoption of international financial reporting standards
IFRS 3	Business contributions
IFRS 7	Financial instruments disclosures
IAS 1	Presentation of financial statements
IAS 27	Consolidated and separate financial statements
IAS 34	Interim financial reporting

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 1	First-time adoption of international financial reporting standards
IFRS 7	Financial instruments disclosures
IFRS 9	Financial instruments
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interest on other entities
IFRS 13	Fair value measurement
IAS 1	Presentation of financial statements
IAS 12	Income Taxes
IAS 19	Employee benefits
IAS 27	Consolidated and separate financial statements
IAS 28	Investment and associates

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.

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.

Changes in accounting policy

In the year the Company changed its accounting policy for certain storage containers used in the operations of the Group.

Accordingly the Group has changed its accounting policy in these financial statement, to one which provides more reliable and relevant information in the underlying performance of the Group than the previous policy.

The Directors reviewed their policy on the capitalisation and depreciation of certain storage containers and considered that due to a change in the operational focus of the Group such containers would be better reflected as consumable items and charged to the income statement when issued to clients. Previously such containers were included as assets and depreciated over their estimated useful lives.

In accordance with IAS 8 (Accounting for a change in accounting estimates and errors) the change has been made retrospectively and the comparatives have been restated accordingly.

Full details of the impact of the change in accounting policy are provided in note 25.

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.

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

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 funds. 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.

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 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:	**2011** **£000**	**2010** **£000**
United Kingdom	2,537	2,668

4. Operating (loss)/profit

Loss/(profit) for the year is shown after charging / (crediting):	**2011** **£000**	**2010** **Restated** **£000**
Depreciation on tangible assets	297	207
Government grants	(9)	(9)
Profit on disposal of tangible assets	-	1
Operating leases: -Land and buildings	86	84
-Other	37	40
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	13	4

5. Staff costs

	2011 £000	2010 £000
Wages and salaries	980	928
Social security costs	100	96
Share based payments	-	24
	1,080	1,048
Directors remuneration and fees (included above)	179	134
The aggregate remuneration paid to the highest paid director was	96	95

The average monthly number of employees, including Directors, during the year was as follows:	2011 Number	2010 Number
Administration and management	11	8
Operational and sales	30	31
	41	39

In addition to directors remuneration and fees above, the Group was charged £13,500 (2010: £2,037) by Westleigh Investments Holdings Limited for the services of G Clarke and N Harrison as Directors.

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

6. Finance costs

	2011 £000	2010 £000
On bank loans and overdrafts	4	7

7. Tax

a) Tax charge for the period	2011 £000	2010 Restated £000
Corporation tax:		
Current year	-	30
Adjustments in respect of prior years	(4)	(15)
	(4)	15
Deferred tax (note 17)	10	(1)
	6	14

7. Tax (continued)

b) *Factors affecting the tax charge for the period*	**2011**	**2010 Restated**
	£000	**£000**
Profit on ordinary activities for the year before taxation	(35)	265
Profit on ordinary activities for the year before taxation multiplied by standard rate of UK corporation tax of 20.25% (2010 - 21%)	(7)	56
Effects of :		
Capital allowances for the period in excess of depreciation	(1)	(24)
Losses brought forward	-	(4)
Adjustments in respect of prior years	(4)	(15)
Other tax adjustments	6	2
Tax expense for the year	(6)	15

c) *Factors that may affect future tax charges* - The Group has estimated unutilised tax losses/expenses amounting to £380,000 (2010 - £531,000) the values of which are not recognised in the balance sheet. The losses represent a potential deferred taxation asset of £80,000 (2010 - £149,000) which would be recoverable should the Group make sufficient suitable taxable profits in the future.

8. (Loss)/earnings per share

	2011	**2010 Restated**
	£000	**£000**
(Loss)/profit for the period	(41)	251
(Loss)/earnings per share		
Basic (cents per share)	(0.11p)	0.73p
Diluted (cents per share)	n/a	0.72p

Basic - The calculation of basic earnings per share is based on a loss of £41,000 (2010 - Profit - £251,000 restated) and on 35,827,462 (2010 - 34,509,795) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. (Loss)/earnings per share (continued)

Diluted - The diluted earnings per share is based on the loss for the year of £41,000 (2010 - Profit - £251,000 restated) and on 35,827,462 (2010 - 34,509,795) ordinary shares as adjusted for share options below:

	2011 Number	2010 Number
Basic weighted average number of shares	35,827,462	34,509,795
Dilutive potential ordinary shares:		
Dilution caused by options	n/a	117,793
Diluted weighted average number	n/a	34,627,588

As the Group reports a loss for the current period, then in accordance with IAS 33, the share options are not considered dilutive. Details of such instruments which could potentially dilute basic earnings per share in the future are included in note 19.

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 profit for the financial year amounted to £55,000 (2010 - Loss - £53,000).

10. Goodwill

Group	**Goodwill £000**
Cost:	
At 1 January 2010, 31 December 2010 and at 31 December 2011	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 2010, 31 December 2010 and at 31 December 2011 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
Cost:			
At 1 January 2011	85	2,489	2,574
Additions	-	153	153
Disposals	-	(314)	(314)
At 31 December 2011	85	2,328	2,413
Depreciation:			
At 1 January 2011	49	1,116	1,165
On disposals	-	(314)	(314)
Provided during the year	8	289	297
At 31 December 2011	57	1,091	1,148
Net book value at 31 December 2011	28	1,237	1,265
Net book value at 31 December 2010 (Restated)	36	1,373	1,409

Group	Property alterations £000	Plant and machinery Restated £000	Total Restated £000
Cost:			
At 1 January 2010 (As previously reported)	85	2,434	2,519
Prior period adjustment	-	(128)	(128)
At 1 January 2010	85	2,306	2,391
Additions	-	186	186
Disposals	-	(3)	(3)
At 31 December 2010	85	2,489	2,574
Depreciation:			
At 1 January 2010 (As previously reported)	39	971	1,010
Prior period adjustment	-	(50)	(50)
At 1 January 2010	39	921	960
On disposals	-	(2)	(2)
Provided during the year	10	197	207
At 31 December 2010	49	1,116	1,165
Net book value at 31 December 2010	36	1,373	1,409
Net book value at 31 December 2009	46	1,385	1,431
Net book value at 31 December 2010 (As previously reported)	36	1,459	1,495
Net book value at 31 December 2009 (As previously reported)	46	1,463	1,509

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

13. Investments

Company	Subsidiary undertakings £000
Cost:	
At 1 January 2011 and at 31 December 2011	3,954
Accumulated impairment losses:	
At 1 January 2011 and at 31 December 2011	-
Net book value at 31 December 2011	3,954
Net book value at 31 December 2010	3,954

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%	Dormant Holding company
Mercury Recycling Limited	Ordinary shares	100%	Recycling
Lampsafe Service Limited	Ordinary shares	100%	Dormant
Envirolite Limited	Ordinary shares	100%	Dormant
Envirolite Midlands Limited	Ordinary shares	100%	Dormant
Battnet Limited	Ordinary shares	100%	Dormant

During the year the Group acquired 100% of the share capital of Battnet Limited. The nominal value of the shares acquired was £1. Battnet Limited was incorporated on 1 June 2011 and its year end is 31 December 2011. It has remained dormant throughout the period since incorporation.

14. Trade and other receivables

	Group		Company	
	2011	2010 Restated	2011	2010
	£000	£000	£000	£000
Trade receivables	346	337	-	-
Amounts owed from Group undertakings	-	-	1,241	1,181
Prepayments and accrued income	119	111	-	7
	465	448	1,241	1,188

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 customer representing more than 15% of the trade receivables. At the year end the debt from this customer amounted to £123,939, representing debts due from December 2011 within the credit terms. Other than this balance, exposure is spread over a large number of customers. Income from this customer exceeded 10% of total revenue and amounted to £1,198,000.

15. Trade and other payables

	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
Trade payables	140	155	-	-
Taxation and social security costs	51	65	-	-
Other payables	18	15	5	5
Accruals and deferred income	49	68	12	14
	258	303	17	19
Due within 12 months	(234)	(270)	(17)	(19)
Due after more than 12 months	24	33	-	-

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

	2011	2010
	£000	£000
Brought forward at 1 January	42	51
Released to income statement during the year	(9)	(9)
Carried forward at 31 December	33	42
Due within 12 months	(9)	(9)
Due after more than 12 months	24	33

16. Borrowings

	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
Bank overdrafts	-	16	-	-
Bank loans	156	225	-	-
	156	241	-	-

The borrowings are repayable as follows:	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
On demand or within one year	68	86	-	-
In the second year	68	68	-	-
In the third to fifth years	20	87	-	-
	156	241	-	-
Due for settlement within 12 months	(68)	(86)	-	-
Due for settlement after more than 12 months	88	155	-	-

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

	Group	
	2011	2010
		Restated
	£000	£000
Balance at 1 January	157	158
Income statement	10	(1)
Balance at 31 December	167	157

The deferred tax liability is made up as follows:

	Group	
	2011	2010
	£000	£000
Accelerated tax depreciation	167	157

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 2010.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17, 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.

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 manage liquidity are set out below.

Financial facilities	**2011**	**2010**
Secured bank overdraft facility	**£000**	**£000**
- amount used	38	16
- amount unused	262	284
Agreed facility	300	300
Secured bank loan facilities with various maturity dates through to 2011		
- amount used	156	225
- amount unused	-	-
Agreed facility	156	225

Financial assets

The Group has no financial assets, other than short-term receivables and sterling cash deposits of £343,000 (2010 - £412,000). The cash deposits attract variable rates of interest. At the year end of the effective rate was 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 2011				
Variable interest rate	3.16	156	-	156
31 December 2010				
Variable interest rate	3.16	241	-	241

Currency exposures

At 31 December 2011 the Group had no currency exposures and all assets and liabilities were denominated in Sterling

19. Share capital

Group and Company

	2011 £000	2010 £000
Allotted, called up and fully paid		
35,827,462 (2010 - 35,827,462) ordinary shares of 10p each	3,583	3,583

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

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 2011 No	Exercised in year No	Lapsed/ Cancelled No	Re-Issued No	As at 31 December 2011 No
24 February 2003	10p	58,335	-	-	-	58,335
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 2011 No
24 February 2003	to 23 February 2013	58,335
21 May 2010	to 21 May 2020	1,600,000

No options were issued or exercised in the period.

19. Share capital (continued)

Share warrants
As at 31 December 2011 the warrants in issue were; 8,399,966 issued at a price of 0.25p each with an expiry date of 24 September 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. The warrants are non-transferable.

20. Reserves

Group	Other reserves £000	Share premium account £000	Retained earnings Restated £000
At 1 January 2011 (As previously reported)	386	235	1,547
Prior period adjustment	-	-	(78)
At 1 January 2011 (Restated)	386	235	1,469
Loss for the year	-	-	(41)
At 31 December 2011	386	235	1,428

Breakdown of other reserves is as follows

	Warrant reserve £000	Other reserve account £000	Total other reserves £000
At 1 January 2011 and at 31 December 2011	21	365	386

20. Reserves (continued)

Company	Other reserves £000	Share premium account £000	Retained earnings £000
At 1 January 2011	1,320	235	(15)
Profit for the year	-	-	55
At 31 December 2011	1,320	235	40

Breakdown of other reserves is as follows

Company	Warrant reserve £000	Other reserve account £000	Total other reserves £000
At 1 January 2011 and at 31 December 2011	21	1,299	1,320

The Group and Company have taken advantage of section 612 (2) of the Companies Act 2006 and have 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 estimated fair value of share warrants issued.

21. Cash generated from operations

Group	2011 £000	2010 Restated £000
Operating (loss)/profit	(31)	272
Depreciation on property, plant and equipment	297	207
Decrease in deferred income	(9)	(9)
Share based payment expense	-	24
Loss on disposal of property, plant and equipment	-	1
Operating cash flows before movements in working capital	257	495
Movement in receivables	(19)	40
Movement in payables	(35)	21
Cash generated by operations	203	556
Interest paid	(4)	(7)
Income tax paid	(30)	(24)
Net cash from operations	169	525

Cash and cash equivalents

	2011 £000	2010 £000	2009 £000
Cash and bank balances	343	412	1
Bank overdrafts	-	(16)	(71)
	343	396	(70)

21. Cash generated from operations (continued)

Company	**2011**	**2010**
	£000	**£000**
Operating profit	(55)	(40)
Decrease in payable	55	40
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**	
	2011	**2010**	**2011**	**2010**
	£000	**£000**	**£000**	**£000**
Within one year	86	86	38	87
In the second to fifth years inclusive	171	257	34	41
After five years	-	-	1	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 £1,240,643 (2010 - £1,181,486) due from Mercury Recycling Limited a wholly owned subsidiary of the Company. During the year the Company charged a management charge to Mercury Recycling Limited amounting to £308,390 (2010 - £290,037). The Company also paid £13,500 (2010 - £2,037) 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.

25. Change in accounting policy

The impact of the change in accounting policy, described in note 2, on the previously reported figures is detailed below:

Consolidated income statement

		2010 As previously stated £000	Adjustment £000	2010 Restated £000
Revenue		2,668	-	2,668
Cost of sales		(137)	(42)	(179)
Gross profit		2,531	(42)	2,489
Administrative expenses		(2,251)	34	(2,217)
Operating profit		280	(8)	272
Finance costs		(7)	-	(7)
Profit before tax		273	(8)	265
Tax		(13)	(1)	(14)
Profit for the period (Attributable to owners of the Company)		260	(9)	251
Earnings per share	**- Basic**	0.75p	(0.02p)	0.73p
	- Diluted	0.75p	(0.03p)	0.72p

25. Change in accounting policy (continued)

Consolidated balance sheets

	2010 As previously stated £000	Adjustment £000	2010 Restated £000
Non-current assets			
Goodwill	4,122	-	4,122
Property, plant and equipment	1,495	(86)	1,409
	5,617	(86)	5,531
Current assets			
Trade and other receivables	441	7	448
Cash and bank balances	412	-	412
	853	7	860
Total assets	6,470	(79)	6,391
Current liabilities			
Trade and other payables	(270)	-	(270)
Borrowings	(86)	-	(86)
Current tax liabilities	(35)	18	(17)
	(391)	18	(373)
Non-current liabilities			
Trade and other payables	(33)	-	(33)
Borrowings	(155)		(155)
Deferred tax liabilities	(140)	(17)	(157)
	(328)	(17)	(345)
Total liabilities	(719)	1	(718)
Net assets	5,751	(78)	5,673
Equity			
Share capital	3,583		3,583
Share premium	235		235
Other reserves	386		386
Retained earnings	1,547	(78)	1,469
Total equity (Attributable to owners of the Company)	5,751	(78)	5,673

25. Change in accounting policy (continued)

Consolidated balance sheets

	2009 As previously stated £000	Adjustment £000	2009 Restated £000
Non-current assets			
Goodwill	4,122	-	4,122
Property, plant and equipment	1,509	(78)	1,431
	5,631	(78)	5,553
Current assets			
Trade and other receivables	471	7	478
Cash and bank balances	1	-	1
Current tax assets	10	-	10
	482	7	489
Total assets	6,113	(71)	6,042
Current liabilities			
Trade and other payables	(249)	-	(249)
Borrowings	(139)	-	(139)
Current tax liabilities	(39)	14	(25)
	(427)	14	(413)
Non-current liabilities			
Trade and other payables	(42)	-	(42)
Borrowings	(225)		(225)
Deferred tax liabilities	(146)	(12)	(158)
	(413)	(12)	(425)
Total liabilities	(840)	2	(838)
Net assets	5,273	(69)	5,204
Equity			
Share capital	3,403	-	3,403
Share premium	242	-	242
Other reserves	365	-	365
Retained earnings	1,263	(69)	1,194
Total equity (Attributable to owners of the Company)	5,273	(69)	5,204

25. Change in accounting policy (continued)

Consolidated cash flows - Year to 31 December 2010

	2010 As previously stated £000	Adjustment £000	2010 Restated £000
Net cash from operating activities	567	(42)	525
Purchase of property, plant and equipment	229	(76)	153