

Company Registration No. 4251061 (England and Wales)

ADVANCED OXIDATION LIMITED
DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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ADVANCED OXIDATION LIMITED

COMPANY INFORMATION

Directors

P Cullen
C Ogilvie Thompson
A Everett (Appointed 1 June 2010)
S Wheeler (Appointed 12 July 2010)

Secretary

Michelmores Secretaries Limited

Company number

4251061

Registered office

Unit 1 Homelands Business Centre
Burrington
Umberleigh
Devon
EX37 9JB

Auditors

Albert Goodman LLP
Mary Street House
Mary Street
Taunton
Somerset
TA1 3NW

ADVANCED OXIDATION LIMITED

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ADVANCED OXIDATION LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report and financial statements for the year ended 31 December 2009

Principal activities

The principal activity of the company continued to be that of manufacture and distribution of equipment for the treatment of industrial waste water

Directors

The following directors have held office since 1 January 2009

P Cullen

C Ogilvie Thompson

A Everett

(Appointed 1 June 2010)

S Wheeler

(Appointed 12 July 2010)

Auditors

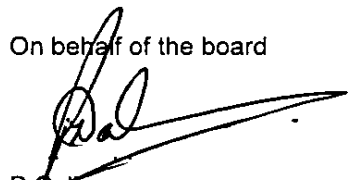
Albert Goodman LLP were appointed auditors to the company

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

On behalf of the board



P Cullen

Director

28.9.2010

ADVANCED OXIDATION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2009

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements 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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

ADVANCED OXIDATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADVANCED OXIDATION LIMITED

We have audited the financial statements of Advanced Oxidation Limited for the year ended 31 December 2009 set out on pages 5 to 11. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities). The financial statements for the year ended 31 December 2008 were not audited although an audit should have been completed.

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 work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements 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, or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime.

ADVANCED OXIDATION LIMITED

**INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF ADVANCED OXIDATION LIMITED**

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements



David Griffin FCA (Senior Statutory Auditor)

for and on behalf of Albert Goodman LLP

Chartered Accountants

Statutory Auditor

29.9.2010

Mary Street House
Mary Street
Taunton
Somerset
TA1 3NW

ADVANCED OXIDATION LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	2009 £	2008 £
Turnover		189,628	116,883
Cost of sales		(235,850)	(134,218)
Gross loss		(46,222)	(17,335)
Administrative expenses		(116,997)	(182,316)
Other operating income		338	68,256
Operating loss	2	(162,881)	(131,395)
Other interest receivable and similar income	3	65	2,441
Interest payable and similar charges		(61,514)	(34,282)
Loss on ordinary activities before taxation		(224,330)	(163,236)
Tax on loss on ordinary activities	4	(7,500)	47,232
Loss for the year	10	(231,830)	(116,004)

ADVANCED OXIDATION LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2009

	Notes	2009 £	£	2008 £	£
Fixed assets					
Tangible assets	5		4,737		16,176
Current assets					
Stocks		69,248		142,668	
Debtors	6	21,183		148,033	
Cash at bank and in hand		104,039		84,934	
		<u>194,470</u>		<u>375,635</u>	
Creditors' amounts falling due within one year	7	<u>(312,457)</u>		<u>(230,178)</u>	
Net current (liabilities)/assets			<u>(117,987)</u>		<u>145,457</u>
Total assets less current liabilities			<u>(113,250)</u>		<u>161,633</u>
Creditors. amounts falling due after more than one year	8		<u>(335,751)</u>		<u>(378,804)</u>
			<u>(449,001)</u>		<u>(217,171)</u>
Capital and reserves					
Called up share capital	9	435,576		435,576	
Share premium account	10	613,793		613,793	
Profit and loss account	10	<u>(1,498,370)</u>		<u>(1,266,540)</u>	
Shareholders' funds			<u>(449,001)</u>		<u>(217,171)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

Approved by the Board for issue on 28.9.2010


P Cullen
Director

Company Registration No. 4251061

ADVANCED OXIDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

1.2 Going concern

The company has incurred substantial costs to date to develop its products and these costs have been charged to the profit and loss account as incurred. The company has now achieved some sales of its products and is confident that the products are commercially viable. On 31 March 2010, the shareholders completed a further investment with £1,500,000 being raised from the issue of new shares together with 310,295 ordinary shares being issued in place of debt of £310,295. After the completion of this investment, the Directors have prepared projections including cash flow forecasts and on this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. Further details of the investment are provided in note 13.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT. For a supply of goods, turnover is recognised when the goods are despatched.

For a supply of good and services under contract over a period of time turnover is recognised as activity progresses. Turnover is calculated as that proportion of the total contract value which costs to date bear to total expected costs for that contract.

1.4 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

1.5 Tangible fixed assets and depreciation

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:

Plant and machinery	between 50% straight line and 25% reducing balance
Computer equipment	33% straight line basis
Fixtures, fittings & equipment	10% straight line

1.6 Stock

Stock is valued at the lower of cost and net realisable value.

2 Operating loss

	2009 £	2008 £
Operating loss is stated after charging		
Depreciation of tangible assets	11,439	27,226
Auditors' remuneration	6,000	-
Directors' emoluments	60,000	60,000

ADVANCED OXIDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

3	Investment income	2009	2008
		£	£
	Bank interest	65	2,441
		<u>65</u>	<u>2,441</u>
4	Taxation	2009	2008
		£	£
	Domestic current year tax		
	U K corporation tax	-	(47,232)
	Adjustment for prior years	7,500	-
	Current tax charge	<u>7,500</u>	<u>(47,232)</u>
5	Tangible fixed assets		
			Plant and machinery etc
			£
	Cost		
	At 1 January 2009 & at 31 December 2009		<u>168,130</u>
	Depreciation		
	At 1 January 2009		151,954
	Charge for the year		11,439
	At 31 December 2009		<u>163,393</u>
	Net book value		
	At 31 December 2009		<u>4,737</u>
	At 31 December 2008		<u>16,176</u>
6	Debtors	2009	2008
		£	£
	Trade debtors	4,058	88,064
	Other debtors	17,125	59,969
		<u>21,183</u>	<u>148,033</u>

ADVANCED OXIDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

7 Creditors: amounts falling due within one year	2009	2008
	£	£
Bank loans and overdrafts	80,000	80,000
Trade creditors	63,058	27,429
Taxation and social security	874	2,885
Other creditors	168,525	119,864
	<u>312,457</u>	<u>230,178</u>

The bank loan and other creditors are secured

8 Creditors: amounts falling due after more than one year	2009	2008
	£	£
Other creditors	<u>335,751</u>	<u>378,804</u>
Analysis of loans		
Wholly repayable within five years	496,202	543,904
Included in current liabilities	<u>(160,451)</u>	<u>(165,100)</u>
	<u>335,751</u>	<u>378,804</u>

The other creditors are secured

9 Share capital	2009	2008
	£	£
Authorised		
440,000 Ordinary Shares of £1 each	440,000	440,000
200,000 "A" Preferred shares of £1 each	200,000	200,000
	<u>640,000</u>	<u>640,000</u>
Allotted, called up and fully paid		
242,718 Ordinary Shares of £1 each	242,718	242,718
192,858 "A" Preferred shares of £1 each	192,858	192,858
	<u>435,576</u>	<u>435,576</u>

The ordinary shares and the 'A' preferred shares rank par passu except that where the company has profits available for distribution the 'A' preferred shares are entitled to a non-cumulative dividend of 10% of the subscription price per annum, on a winding-up or return of capital of the company the 'A' preferred shareholders will received a return up to their subscription price in advance of any return to the ordinary shareholders. During the year under review the 'A' preferred shares and ordinary shares had one vote per share.

ADVANCED OXIDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

10 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 January 2009	613,793	(1,266,540)
Loss for the year	-	(231,830)
Balance at 31 December 2009	<u>613,793</u>	<u>(1,498,370)</u>

11 Control

The company's immediate parent company is Element Six Ventures SARL, a company incorporated in Luxembourg. The parent company of the smallest group of undertakings of which the company is a member and in whose group accounts it is included is Element Six SA (100%), a company incorporated in Luxembourg.

The company's ultimate parent and controlling company is De Beers SA, a company incorporated in Luxembourg, which is the parent undertaking of the largest and smallest group for which group accounts are prepared and publically available.

12 Related party transactions

Included within creditors are loans from Element Six Technologies Sarl and its subsidiary Element Six Ventures Sarl totalling £212,752 (2008 £243,804). Both of these companies are shareholders in Advanced Oxidation Ltd and together holding a controlling interest at the balance sheet date.

Purchases amounting to £48,363 (2008 £5,109) were made from the Element Six shareholders during the year and £33,831 is included in trade creditors at the year end.

Included within creditors are loans from Finance Cornwall Equity Fund Partnership Ltd totalling £203,450 (2008 £220,099), a further shareholder in the company.

ADVANCED OXIDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

13 Post balance sheet events

On 31 March 2010, the shareholders completed a further investment with £1,500,000 being raised from the issue of 1,000,000 ordinary £1 shares together with 310,295 ordinary shares being issued in place of debt of £310,295. The 'A' preferred shares were re-designated as ordinary shares and a bonus issue of 192,858 £1 ordinary shares to the holders of the 'A' preferred shares was completed from share premium. As a result of this investment Element 6 Ventures SARL and Element Six Technologies SARL together now hold 85% of the share capital of the company.

The pro-forma summary balance sheet below shows the 31 December 2009 balance sheet as if the replacement of debt by equity, the issue of ordinary shares and the bonus issue from share premium as detailed above had taken place on 31 December 2009.

	At 31 December 2009			
	Pro-forma		Actual	
	£	£	£	£
Fixed assets				
Tangible assets		4,737		4,737
Current assets	1,694,470		194,470	
Creditors: amounts falling due within one year	(243,603)		(304,957)	
Net current assets/(liabilities)		1,450,867		(110,487)
Total assets less current liabilities		1,455,604		(105,750)
Creditors: amounts falling due after one year		(86,810)		(335,751)
		1,368,794		(441,501)
Capital and reserves				
Called up share capital		1,932,729		435,576
Share premium account		920,935		613,793
Profit and loss account		(1,490,870)		(1,490,870)
		1,368,794		(441,501)