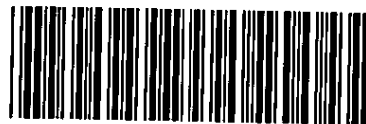


Company Registration No 5024723 (England and Wales)

PERACHEM LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE EIGHT MONTH PERIOD ENDED 31 MARCH 2007

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PERACHEM LIMITED

COMPANY INFORMATION

Directors

Dr R H Adams
Dr A E Bayliff
Dr A M Fielding (Appointed 2 November 2006)
Professor D M Lewis
S M Winston (Appointed 17 January 2007)

Secretary

S M Winston

Company number

5024723

Registered office

65 New Cavendish Street
London
W1G 7LS

Auditors

Harris & Trotter LLP
65 New Cavendish Street
London
W1G 7LS

Business address

Leeds Innovation Centre
103 Clarendon Road
Leeds
West Yorkshire
LS2 9DF

PERACHEM LIMITED

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PERACHEM LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2007

The directors present their report and financial statements for the period ended 31 March 2007

Principal activities and review of the business

The principal activity of the company during the period was the development of chemical based technologies for use in speciality products that, whilst having more environmental, health and safety based advantages, maintain a similar performance to traditional treatment agents

Since its incorporation, Perachem has concentrated on developing the following products

- Shrink resist treatments for wool not based on halogens with low absorbable organic halide content,
- Flame retardant treatments for textiles which do not release formaldehyde during their manufacture or use,
- Elemental chlorine free bleaching agents for textiles, paper/pulp and natural fibres including human hair, and
- Textile treatments targeting anti-microbial protection against bacteria

During the trading period, the primary activity of the company focused on flame retardant treatment areas. Perachem had derived income from research projects awarded by Australian Wool Innovations, however these project contracts terminated during the year. The flame retardant project is supported by an award (maximum value £20,000) from Yorkshire Forward.

Results and dividends

The results for the period are set out on page 6

The directors do not recommend payment of an ordinary dividend

Future developments

The flame retardant activity moved into large scale industrial trials towards the end of the financial year and progress has been very encouraging

The Board anticipate this focus to remain in the immediate future until the Perachem flame retardant product is in full commercial production. Perachem will strive to engage suitable industry partners to maximise the value of its programmes. Perachem will also continue to invest resources to develop and maintain its intellectual property, through its patent portfolio and in investing in brands for new products.

Directors

The following directors have held office since 1 August 2006

Dr R H Adams	
Dr A E Bayliff	
Dr A M Fielding	(Appointed 2 November 2006)
Professor D M Lewis	
S M Winston	(Appointed 17 January 2007)
Techtran Limited	(Resigned 2 November 2006)
Professor S K Scott	(Resigned 16 January 2007)

PERACHEM LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2007

Directors' interests

The directors' interests in the shares of the company were as stated below

		Ordinary of 0 1p each
	31 March 2007	1 August 2006
Dr R H Adams	-	980
Dr A E Bayliff	-	-
Dr A M Fielding	-	-
Professor D M Lewis	-	20,221
S M Winston	-	-

The directors' interests in the ultimate parent company are shown in that company's financial statements

Auditors

Harris & Trotter LLP were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting

PERACHEM LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2007

Directors' responsibilities

The directors are responsible for preparing 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). The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 proper accounting records that 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 1985. 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.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the 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.

On behalf of the board



Dr A E Bayliff

Director

11 June 2007

PERACHEM LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF PERACHEM LIMITED

We have audited the financial statements of Perachem Limited for the period ended 31 March 2007 set out on pages 6 to 14. These financial statements have been prepared under the accounting policies set out therein. The financial statements of the Company for the year ended 31 July 2006 were unaudited.

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 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 the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 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.

PERACHEM LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF PERACHEM LIMITED

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Harris & Trotter LLP

Harris & Trotter LLP

11 June 2007

Chartered Accountants
Registered Auditor

65 New Cavendish Street
London
W1G 7LS

PERACHEM LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31 MARCH 2007

		Eight Months ended 31 March 2007 £	Year ended 31 July 2006 £
	Notes		
Turnover	2	55,163	66,985
Overhead costs		(209,842)	(266,566)
Other operating income		17,000	-
		<hr/>	<hr/>
Operating loss	3	(137,679)	(199,581)
Other interest receivable and similar income	4	2,159	5,854
Interest payable and similar charges	5	(5)	(26)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(135,525)	(193,753)
Tax on loss on ordinary activities	6	-	4,443
		<hr/>	<hr/>
Loss for the period	11	(135,525)	(189,310)
		<hr/>	<hr/>

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

PERACHEM LIMITED

BALANCE SHEET

AS AT 31 MARCH 2007

	Notes	31 March 2007		31 July 2006	
		£	£	£	£
Fixed assets					
Tangible assets	7		765		1,039
Current assets					
Debtors	8	1,836		10,999	
Cash at bank and in hand		25,544		112,136	
		<u>27,380</u>		<u>123,135</u>	
Creditors amounts falling due within one year	9	<u>(87,919)</u>		<u>(50,414)</u>	
Net current (liabilities)/assets			<u>(60,539)</u>		<u>72,721</u>
Total assets less current liabilities			<u>(59,774)</u>		<u>73,760</u>
Capital and reserves					
Called up share capital	10		111		101
Share premium account	11		281,932		279,951
Profit and loss account	11		<u>(341,817)</u>		<u>(206,292)</u>
Shareholders' funds	12		<u>(59,774)</u>		<u>73,760</u>

Approved by the Board and authorised for issue on 11 June 2007



Dr A E Bayliff
Director

PERACHEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2007

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The financial statements have been drawn up on the going concern basis. The company is dependent upon the continuing support of the ultimate parent company, Eco Chemical Enterprises plc, and the directors are confident that this support will continue for at least one year from the date of approval of the financial statements. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. If the going concern basis were not appropriate, adjustments would have to be made to reduce the value of the company's assets to their recoverable amounts, to provide for any further liabilities which may arise and to reclassify fixed assets as current assets.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents net invoiced value of services provided, excluding value added tax.

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:

Computer equipment	33% on cost
--------------------	-------------

1.6 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.7 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.8 Foreign currency translation

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 recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

PERACHEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2007

1 Accounting policies (continued)

1.9 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss	2007 £	2006 £
Operating loss is stated after charging		
Depreciation of tangible assets	274	192
Loss on foreign exchange transactions	1,128	1,671
Operating lease rentals	13,943	16,660
Auditors' remuneration	1,750	-
Remuneration of auditors for non-audit work	1,850	-
and after crediting		
Government grants	17,000	-

4 Investment income	2007 £	2006 £
Bank interest	2,159	5,854

5 Interest payable	2007 £	2006 £
On bank loans and overdrafts	5	26

PERACHEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2007

6	Taxation	2007 £	2006 £
	Domestic current year tax		
	U K corporation tax	-	(4,443)
	Current tax charge	-	(4,443)
	Factors affecting the tax charge for the period		
	Loss on ordinary activities before taxation	(135,525)	(193,753)
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2006 - 19.00%)	(25,750)	(36,813)
	Effects of		
	Non deductible expenses	47	221
	Depreciation add back	52	36
	Capital allowances	-	(233)
	Tax losses utilised	25,651	44,713
	Other tax adjustments	-	(12,367)
		25,750	32,370
	Current tax charge	-	(4,443)

At 31 March 2007 a deferred tax asset has not been recognised amounting to £31,226, in line with FRS 19 guidelines

PERACHEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2007

7 Tangible fixed assets

	Computer equipment £
Cost	
At 1 August 2006 & at 31 March 2007	1,231
Depreciation	
At 1 August 2006	192
Charge for the period	274
At 31 March 2007	466
Net book value	
At 31 March 2007	765
At 31 July 2006	1,039

8 Debtors

	2007 £	2006 £
Other debtors	1,836	-
Prepayments and accrued income	-	10,999
	1,836	10,999

9 Creditors amounts falling due within one year

	2007 £	2006 £
Trade creditors	-	3,615
Amounts owed to parent undertaking	20,000	-
Taxes and social security costs	-	3,936
Accruals and deferred income	67,919	42,863
	87,919	50,414

PERACHEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2007

10 Share capital	2007 £	2006 £
Authorised		
1,000,000 Ordinary of 0 1p each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
110,990 (2006 100,980) Ordinary of 0 1p each	<u>111</u>	<u>101</u>

During the period the company issued 10,010 ordinary shares of 0 1p each for a total consideration of £1,991. The shares rank pari passu with existing shares.

During the year the entire issued share capital of the company was purchased by Eco Chemical Enterprises plc.

11 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 August 2006	279,951	(206,292)
Loss for the period	-	(135,525)
Premium on shares issued during the period	<u>1,981</u>	<u>-</u>
Balance at 31 March 2007	<u>281,932</u>	<u>(341,817)</u>

12 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Loss for the financial period	(135,525)	(189,310)
Proceeds from issue of shares	<u>1,991</u>	<u>10,000</u>
Net depletion in shareholders' funds	(133,534)	(179,310)
Opening shareholders' funds	<u>73,760</u>	<u>253,070</u>
Closing shareholders' funds	<u>(59,774)</u>	<u>73,760</u>

PERACHEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2007

13 Financial commitments

At 31 March 2007 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2008

	Land and buildings 2007 £	2006 £
Operating leases which expire Within one year	20,000	20,000

14 Directors' emoluments

	2007 £	2006 £
Emoluments for qualifying services	68,900	80,822

The number of directors who exercised share options during the period was 2 (2006 - Nil)

15 Employees

Number of employees

The average monthly number of employees (including directors) during the period was

	2007 Number	2006 Number
Research and administration	5	4

Employment costs

	2007 £	2006 £
Wages and salaries	106,983	120,212
Social security costs	11,418	11,034
	118,401	131,246

16 Control

The ultimate parent company is Eco Chemical Enterprises plc, a company registered in England and Wales. Copies of the consolidated accounts for the group can be obtained from 65 New Cavendish Street, London W1G 7LS

PERACHEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2007

17 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company

During the year the company made purchases amounting to £18,395 (2006 - £23,121) from the University of Leeds, one of the company's former shareholders. These costs were in respect of laboratory research facilities and staff costs. No amounts were outstanding at 31 March 2007 (31 July 2006 £Nil). Perachem Limited benefits from its relationship with the University of Leeds and the above transactions took place at a reduced rate equating to approximately 50% of normal market value.

Payments totalling £2,258 (2006 - £13,975) were made to University of Leeds IP Limited, a company owned by University of Leeds, in respect of patent and intellectual property protection costs. No amounts were outstanding at 31 March 2007 (31 July 2006 £Nil).

In addition, payments amounting to £3,613 (2006 - £5,064) were made to Techtran Group Limited, another former shareholder. These payments were in respect of staff secondment costs and office running expenses recharged to the company. No amounts were outstanding at 31 March 2007 (31 July 2006 £Nil). These transactions took place on an arm's length market value basis.

18 Comparatives

The comparative figures are in respect of the year ended 31 July 2006