

Company Registration No 5024723 (England and Wales)

PERACHEM LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

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PERACHEM LIMITED

COMPANY INFORMATION

Directors	Dr A M Fielding Professor D M Lewis S M Winston
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 YEAR ENDED 31 MARCH 2008

The directors present their report and financial statements for the year ended 31 March 2008

Principal activities and review of the business

The principal activity of the company 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

Perachem as part of the Green Chemicals Group has continued to make strong progress in the development of 'cleaner, greener, safer' products for global industrial use

Flame retardant products are being developed which contain no formaldehyde (IARC class1 carcinogen) with initial commercial targets in the textile sector, notably for curtains and drape fabrics. The prototype products have already achieved BS5867 Part2 Type B / 12 washes external certification and are being tested against other specifications. The early developments have been carried out with the assistance of Naylor Jennings Ltd who expect the technology to be the basis for a whole new range of products that reduce the environmental impact whilst improving the effectiveness and scope of use for flame retardants

Products for the pre-treatment of wool fibres, as a prelude to subsequent aqueous processing (e.g. shrink proofing and dyeing) are under development. A key target for these developments is to reduce temperatures in the processing lifecycle which should result in reduced energy costs and reduced fibre damage and loss, as the fibre is spun and then woven. Currently dyeing is often carried out at or slightly above the boil whereas the company can demonstrate dye uptake and fixation at around 70°C. Industrial trials are being undertaken with a major UK based vertically integrated wool processor, with a view to determining an accurate cost-benefit picture of the process prior to sales activity

Perachem's hair colouration technology is targeting a complete package for the lightening and colouration of hair using permanent dye systems. The prototype products offer superior performance to current market products whilst avoiding the use of specific components which have attracted significant concerns from a health and safety perspective. There are no monomeric aromatic amine components (such as para-phenylene diamine), no ammonia odours and no use of persulphate in the products. In the laboratory, bleaching systems have been developed which use patented percarbamic acid chemistry to effect high levels of lightening with acceptable levels of hair damage. Subsequent colouration is effected using reactive dyes and coupling agents which enable bonding at low temperature in just a few minutes to achieve industry beating levels of permanence across a broad colour range. The prototype systems are currently being formulated into formulations which, following toxicology clearance, will be field tested on human subjects. There are numerous regulatory barriers in these markets around the world which will be addressed as the programme moves forward

The company has made considerable ongoing investment in its intellectual property throughout the current period, filing 2 further patent applications in the flame retardant area (GB 0717401 4 and GB 0806334 9) and one patent relating to hair colourants (GB 0804301 0). Other patents filed earlier have been maintained. PCT/GB2006/002955 relating to wool pre-treatment technology has been taken to national phase filings in a number of territories

Results and dividends

The results for the year are set out on page 5

The directors do not recommend payment of an ordinary dividend

Future developments

The outlook is very promising on the three major products referred to above

PERACHEM LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

Directors

The following directors have held office since 1 April 2007

Dr R H Adams	(Resigned 1 August 2008)
Dr A E Bayliff	(Resigned 3 July 2008)
Dr A M Fielding	
Professor D M Lewis	
S M Winston	

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Harris & Trotter LLP be reappointed as auditors of the company will be put to the Annual General Meeting

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

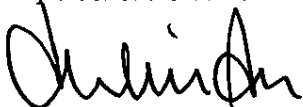
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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 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.

By order of the board



S M Winston

Secretary

7 August 2008

PERACHEM LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF PERACHEM LIMITED

We have audited the financial statements of Perachem Limited for the year ended 31 March 2008 set out on pages 5 to 12. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work 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 2008 and of its loss for the year 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

7 August 2008

Chartered Accountants

Registered Auditor

65 New Cavendish Street
London
W1G 7LS

PERACHEM LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2008

		Year ended 31 March 2008 £	Eight Months ended 31 March 2007 £
	Notes		
Turnover	2	600	55,163
Administrative expenses		(353,892)	(209,842)
Other operating income		3,000	17,000
Operating loss	3	(350,292)	(137,679)
Other interest receivable and similar income	4	1,573	2,159
Interest payable and similar charges	5	-	(5)
Loss on ordinary activities before taxation		(348,719)	(135,525)
Tax on loss on ordinary activities	6	34,263	-
Loss for the year	11	(314,456)	(135,525)

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

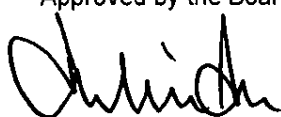
PERACHEM LIMITED

BALANCE SHEET

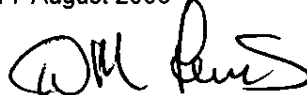
AS AT 31 MARCH 2008

	Notes	2008 £	£	2007 £	£
Fixed assets					
Tangible assets	7		1,185		765
Current assets					
Debtors	8	33,216		1,836	
Cash at bank and in hand		25,474		25,544	
		<u>58,690</u>		<u>27,380</u>	
Creditors amounts falling due within one year	9	<u>(434,105)</u>		<u>(87,919)</u>	
Net current liabilities			<u>(375,415)</u>		<u>(60,539)</u>
Total assets less current liabilities			<u>(374,230)</u>		<u>(59,774)</u>
Capital and reserves					
Called up share capital	10		111		111
Share premium account	11		281,932		281,932
Profit and loss account	11		<u>(656,273)</u>		<u>(341,817)</u>
Shareholders' funds	12		<u>(374,230)</u>		<u>(59,774)</u>

Approved by the Board and authorised for issue on 7 August 2008



S M Winston
Director



Professor D M Lewis
Director

PERACHEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

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, Green Chemicals plc (formerly 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 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
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1.5 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.

1.6 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.

1.7 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.

PERACHEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

2 Turnover

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

3 Operating loss	2008 £	2007 £
Operating loss is stated after charging		
Depreciation of tangible assets	730	274
Loss on foreign exchange transactions	-	1,128
Operating lease rentals	12,359	13,943
Auditors' remuneration	1,750	1,750
and after crediting		
Grants received	3,000	17,000

4 Investment income	2008 £	2007 £
Bank interest	1,573	2,159

5 Interest payable	2008 £	2007 £
On bank loans and overdrafts	-	5

PERACHEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

6	Taxation	2008 £	2007 £
	Domestic current year tax		
	Adjustment for prior years	(34,263)	-
	Current tax charge	(34,263)	-
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	(348,719)	(135,525)
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2007 - 19.00%)	(69,744)	(25,750)
	Effects of		
	Non deductible expenses	23	47
	Depreciation add back	146	52
	Capital allowances	(115)	-
	Tax losses utilised	69,690	25,651
	Adjustments to previous periods	(34,263)	-
		35,481	25,750
	Current tax charge	(34,263)	-

At 31 March 2008 a deferred tax asset has not been recognised amounting to £112,651 (2007 £31,226) in line with FRS 19 guidelines

PERACHEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

7 Tangible fixed assets

	Computer equipment £
Cost	
At 1 April 2007	1,231
Additions	1,150
	<hr/>
At 31 March 2008	2,381
	<hr/>
Depreciation	
At 1 April 2007	466
Charge for the year	730
	<hr/>
At 31 March 2008	1,196
	<hr/>
Net book value	
At 31 March 2008	1,185
	<hr/>
At 31 March 2007	765
	<hr/>

8 Debtors	2008 £	2007 £
Other debtors	7,950	1,836
Prepayments and accrued income	25,266	-
	<hr/>	<hr/>
	33,216	1,836
	<hr/>	<hr/>

9 Creditors: amounts falling due within one year	2008 £	2007 £
Trade creditors	37,381	-
Amounts owed to parent undertaking	365,000	20,000
Taxes and social security costs	6,388	-
Accruals and deferred income	25,336	67,919
	<hr/>	<hr/>
	434,105	87,919
	<hr/>	<hr/>

PERACHEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

10 Share capital	2008	2007
	£	£
Authorised		
1,000,000 Ordinary of 0 1p each	1,000	1,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
110,990 Ordinary of 0 1p each	111	111
	<u> </u>	<u> </u>
11 Statement of movements on reserves		
	Share premium account	Profit and loss account
	£	£
Balance at 1 April 2007	281,932	(341,817)
Loss for the period	-	(314,456)
	<u> </u>	<u> </u>
Balance at 31 March 2008	281,932	(656,273)
	<u> </u>	<u> </u>
12 Reconciliation of movements in shareholders' funds	2008	2007
	£	£
Loss for the financial year	(314,456)	(135,525)
Proceeds from issue of shares	-	1,991
	<u> </u>	<u> </u>
Net depletion in shareholders' funds	(314,456)	(133,534)
Opening shareholders' funds	(59,774)	73,760
	<u> </u>	<u> </u>
Closing shareholders' funds	(374,230)	(59,774)
	<u> </u>	<u> </u>
13 Directors' emoluments	2008	2007
	£	£
Emoluments for qualifying services	105,000	68,900
	<u> </u>	<u> </u>

PERACHEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

14 Employees

Number of employees

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

	2008 Number	2007 Number
Research and administration	8	5

Employment costs

	2008 £	2007 £
Wages and salaries	196,719	106,983
Social security costs	19,865	11,418
	216,584	118,401

15 Control

The ultimate parent company is Green Chemicals plc (formerly Eco Chemical Enterprises plc). Copies of the consolidated accounts for the group can be obtained from 65 New Cavendish Street, London W1G 7LS. There is no overall controlling party.

16 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 incurred costs amounting to £39,144 (2007: £18,395) from The University of Leeds, a shareholder of the parent company, in respect of laboratory research facilities, staff costs and other consumables. The company 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. At the year end, £30,170 (2007: £Nil) was due to The University.

During the year, payments amounting to £3,300 (2007: £3,613) were made to Techtran Group Limited, a shareholder of the parent company, in respect of staff secondment costs recharged to the company. These transactions took place on an arm's length market value basis.

17 Comparatives

The comparative figures are in respect of the 8 month period ended 31 March 2007.