

Company Registration No. 5425236 (England and Wales)

ECO CHEMICAL ENTERPRISES PLC
FORMERLY KNOWN AS PRIMAVERA CAPITAL PLC

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2007

ECO CHEMICAL ENTERPRISES PLC

DIRECTORS AND ADVISERS

Directors

| | |
|---------------------|---|
| R B Farleigh | (Non-Executive Chairman) |
| Dr A E Bayliff | (Managing Director) - appointed 6 March 2007 |
| S M Winston | (Finance Director) |
| M R Underwood | (Non-Executive Director) |
| Professor D M Lewis | (Non-Executive Director) - appointed 6 March 2007 |
| Dr R H Adams | (Non-Executive Director) - appointed 6 March 2007 |
| Dr A M Fielding | (Non-Executive Director) - appointed 6 March 2007 |

Secretary S M Winston

Company number 5425236

Registered office 65 New Cavendish Street
London
W1G 7LS

Business address 104 Wigmore Street
London
W1U 3RN

Corporate adviser Hichens, Harrison & Co. plc
Bell Court House
11 Blomfield Street
London
EC2M 1LB

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

Solicitors Clintons Solicitors
55 Drury Lane
Covent Garden
London
WC2B 5RZ

Registrar SLC Registrars Limited
42-46 High Street
Esher
Surrey
KY10 9QY

Principal bankers HSBC
90 Baker Street
London
W1U 6AX

ECO CHEMICAL ENTERPRISES PLC

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ECO CHEMICAL ENTERPRISES PLC

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Eco Chemical Enterprises plc will be held at IP Group PLC, Warwick Court, 5 Paternoster Square, London EC4M 7BP on 26 July 2007 at 1.30pm to conduct the following business:

1. To receive and adopt the report of the directors of the Company and the audited accounts for the Company for the year ended 31 March 2007.
2. To approve the recommendation of the Board not to pay a final dividend for the year ended 31 March 2007.
3. To re-appoint the following as Directors of the Company, who retire in accordance with the Company's Articles of Association:
 - 3.1. Dr A E Bayliff
 - 3.2. S M Winston
 - 3.3. M R Underwood
 - 3.4. Professor D M Lewis
 - 3.5. Dr R H Adams
 - 3.6. Dr A M Fielding
4. To re-appoint Harris & Trotter LLP as auditors of the Company and to authorise the Directors to fix their remuneration.
5. To approve a change of name of the Company from Eco Chemical Enterprises plc to Green Chemicals plc.

65 New Cavendish Street
London
W1G 7LS

By Order of the Board

21 June 2007

S Winston
Secretary

Notes

- (i) A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and (on a poll) to vote in his or her place. A proxy need not be a member of the Company.
- (ii) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the office of the Registrars, SLC Registrars Limited, 42-46 High Street, Esher, Surrey KY10 9QY, no later than 48 hours before the time appointed for the meeting. A form of proxy is enclosed.
- (iii) Copies of Directors' service agreements will be available for inspection at the Registered Office of the Company during normal business hours from the date of this notice to the day of the Annual General Meeting and on that day at the place of the meeting for 15 minutes prior to and during the continuance of the meeting.
- (iv) The register of Directors' shareholdings and transactions will be available at the commencement of and during the continuance of the meeting.
- (v) The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only holders of issued ordinary shares in the register of members of the Company as at 6.00 pm on 24 July 2007 shall be entitled to attend and vote at the annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 6.00 pm on 24 July 2007 shall be disregarded in determining the right of any person to attend and vote at the meeting.

ECO CHEMICAL ENTERPRISES PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

Overview

Although the company has not had any sales during the year, the company has successfully listed on PLUS and has acquired Perachem Limited, a speciality chemical development company which is a "spin out" from Leeds University.

Chairman's statement

Since our successful listing on PLUS, the company has been looking to acquire an emergent technology company which has patented (or patentable), commercially exploitable intellectual property. In January, we completed the acquisition of Perachem Limited a private company which has developed and continues to develop unique and environmentally advantageous chemical treatments for textiles, personal care industries and paper manufacturing. At the same time as the acquisition, the company raised £250,000, through a private placing on the same terms.

Financial review

During the year, the cost of seeking admission to PLUS has been written off through the Profit and Loss account. In addition, there is continued research expenditure which has resulted in a loss on ordinary activities before taxation of £233,403. The group has a healthy cash position with cash at bank of £423,146 at 31st March 2007.

Post balance sheet events

We are pleased to confirm the encouraging trial results and anticipated subsequent launch of the Perachem FR product. Perachem FR is a novel wash durable flame retardant treatment for cellulose and wool based substrates. The overall worldwide annual market for all flame retardants is estimated at \$3.3 billion. The product uses chemical formulations with significant health and safety advantages over existing treatments. There are zero formaldehyde emissions in manufacture or use of the product, which also contains no antimony or bromine derivatives. Formaldehyde is classed by the International Agency for Research on Cancer as a Class 1 (proven human) carcinogen. In the UK, the legal workplace exposure limit (WEL) is 2 parts per million and a reduction has been mooted.

International patent protection has been sought via application PCT/GB2007/000738 filed on 2 March 2007.

It is expected that Perachem FR can be produced at a price which will be highly competitive in the market place; can be applied to a number of garments, such as night clothes for children, without fear of carcinogenic formaldehyde residues; will give fabrics a good handle and minimal loss of strength; and will be tolerant of reactive dyes, giving access to a full range of vibrant colours.

Results of the industrial trials were presented at the CRIET 2007 congress held in Istanbul on 24-26 May 2007. CRIET is the EU branch association for the textile finishing industry.

Prospects

Perachem Limited is a chemicals company which is committed to developing speciality products that have a more benign environmental profile than, but maintain the same performance and cost competitiveness as, traditional products. Perachem Limited owns exclusive rights over intellectual property in the areas of bleach activator compounds and textile treatments and has close links to the Department of Colour and Polymer Chemistry at the University of Leeds.

We have a team with the ability to grow the business organically and I am confident that Eco Chemical Enterprises is now positioned to increase the value of the business and enhance shareholder value.

R Farleigh
Chairman
21 June 2007

ECO CHEMICAL ENTERPRISES PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2007

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

Directors

The following directors have held office since 1 April 2006:

| | |
|---------------------|--------------------------|
| R B Farleigh | |
| Dr A E Bayliff | (Appointed 6 March 2007) |
| S M Winston | |
| M R Underwood | |
| Professor D M Lewis | (Appointed 6 March 2007) |
| Dr R H Adams | (Appointed 6 March 2007) |
| Dr A M Fielding | (Appointed 6 March 2007) |

Principal activities and review of the business

The principal activity of the group was that of the commercialisation of IP belonging to emergent technology companies which the group has either acquired or invested in.

The principal activity of the company was to act as a holding company and to provide business consultancy.

On 16 January 2007, the company passed a special resolution to change its name to Eco Chemical Enterprises plc.

On 17 January 2007 Eco Chemical Enterprises plc completed the acquisition of Perachem Limited. Details of the acquisition are given in note 17 to the financial statements.

| Group results | 2007 | 2006 |
|--|-----------|---------|
| | £ | £ |
| Turnover | - | 319,263 |
| Gross profit | - | 319,263 |
| (Loss)/profit on ordinary activities before taxation | (233,403) | 268,443 |
| Shareholders' funds | 3,404,668 | 337,623 |

The results for the year and the financial position at the year end are considered to be satisfactory by the directors.

Results and dividends

The consolidated profit and loss account for the year is set out on page 10.

The directors do not recommend payment of an ordinary dividend.

It is proposed that the retained loss of £206,955 is transferred to the group's reserves.

ECO CHEMICAL ENTERPRISES PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

Directors' policies for managing principal risks

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the business. Risk reviews are undertaken regularly by the respective business areas throughout the year to identify and assess the key risks associated with the achievement of our business objective.

Specific business risks and steps taken to mitigate them are summarised below.

Research and development risk

The group is engaged in the development of new chemical based technologies for use in the textiles, personal care and paper manufacturing industries. The group intends to continue to develop chemical based technologies which reduce or eliminate the use of substances which are subject to international legislation and regulations. Projects of any nature can experience delays and/or increased costs due to many internal and external factors but it is in the nature of research that, in addition to these factors, the fundamental achievability of the target may not be established until the project is complete.

To mitigate this risk the directors maintain a policy of ensuring that all research projects are constantly reviewed to ensure that those projects no longer deemed to be commercially viable are terminated immediately.

Intellectual property protection and regulatory approval

The commercial success of the group depends in part on its ability to protect its intellectual property and to preserve the confidentiality of its own and its collaborators' know-how. The group may not be able to protect and preserve all of its intellectual property rights or to exclude competitors with similar products.

To mitigate this risk the directors maintain a policy of ensuring that patent and trademark applications and regulatory approval are sought on a timely basis for all projects once they are deemed to have become commercially viable.

Financial instruments

Details of financial instruments are given in note 13 to the accounts.

ECO CHEMICAL ENTERPRISES PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

Directors' interests

The directors' interests in the shares of the company and other group companies were as stated below:

| | Ordinary Shares of 5p each (1 April 2006 - Ordinary 'A' shares of £1 each) | |
|---------------------|---|--------------|
| | 31 March 2007 | 1 April 2006 |
| R B Farleigh | 1,045,000 | - |
| Dr A E Bayliff | 341,030 | - |
| S M Winston | 522,500 | 25 |
| M R Underwood | - | - |
| Professor D M Lewis | 985,138 | - |
| Dr R H Adams | 96,950 | - |
| Dr A M Fielding | 126,181 | - |

| | Ordinary 'B' Shares of 5p each (1 April 2006 - Ordinary 'B' shares of £1 each) | |
|---------------------|---|--------------|
| | 31 March 2007 | 1 April 2006 |
| R B Farleigh | - | 50 |
| Dr A E Bayliff | - | - |
| S M Winston | - | - |
| M R Underwood | - | - |
| Professor D M Lewis | - | - |
| Dr R H Adams | - | - |
| Dr A M Fielding | - | - |

Significant changes in share capital during the year are explained in note 14 to the financial statements.

Employees

Our priority is to attract and retain talented employees and to harness their creativity to drive growth through development and delivery of services that bring value to our customers' business operations.

We continue to focus on ensuring that the performance of staff is measured against clear, business focused objectives and behavioural criteria through continuous appraisals.

Reward

The Group benchmarks employee salaries against the market and reviews salaries annually to ensure that we are paying at a level to attract and retain high-quality employees.

Equal opportunities

We are committed to ensuring equal opportunities for our staff. We have introduced training which covers equal opportunities legislation and best practice. Our policy in respect of employment of disabled persons is the same as that relating to all other employees in matters of training, career development and promotion. Where employees become disabled during the course of their employment, we make every effort to make reasonable adjustments to their working environment to enable their continued employment.

ECO CHEMICAL ENTERPRISES PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

Health, safety and environment

The commitment and participation of all employees is vital to efficient and effective occupational risk control. In order to meet our responsibility to protect the environment, staff and the business, the group continues to focus on maintaining a risk aware culture.

We believe the group maintains a low environmental impact. We therefore continue to work on the potential environmental impacts of energy consumption, waste and travel.

Shareholdings

At 7 June 2007, the directors were aware that the following were beneficial owners of 3% or more of the company's share capital:

| | Number of shares | Percentages held |
|--------------------------|---------------------|---------------------|
| Techtran Group Limited | 1,950,545 | 24.50% |
| The University of Leeds | 1,074,683 | 13.50% |
| R B Farleigh | 1,015,000 | 12.75% |
| Professor D M Lewis | 985,138 | 12.37% |
| Willbro Nominees Limited | 507,500 | 6.37% |
| S M Winston | 507,500 | 6.37% |
| IP Venture Fund | 454,545 | 5.71% |
| Dr A E Bayliff | 341,030 | 4.28% |

Corporate governance

Although not required to do so, the company seeks within the practical confines of being a small company to act in compliance with the principles of good governance and the code of best practice (the "Combined Code") appended to the Listing Rules of the Financial Services Authority.

The Board

The aim of the Board is to function at the head of the company's management structures, leading and controlling its activities and setting a strategy for enhancing shareholder value.

The Board currently consists of the Chairman, two executive directors and four non-executive directors. The company does not have a Nomination Committee as such; the Board collectively undertakes the functions of such a committee.

Internal control

The Board has overall responsibility for ensuring that the group maintains systems and internal financial controls that provide them with reasonable assurance regarding the financial information both for use within the business and for external publication and that the assets are safeguarded.

Audit committee

There is an Audit Committee consisting of S M Winston and Dr A M Fielding. The terms of reference of the Audit Committee are to assist the Board in the discharge of its responsibilities for corporate governance, financial reporting and internal control. Its duties include maintaining an appropriate relationship with the company's auditors, keeping under review the scope and the results of the audit and its effectiveness.

ECO CHEMICAL ENTERPRISES PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

Remuneration committee

There is a Remuneration Committee consisting of R B Farleigh and Dr A M Fielding. The terms of reference of the Remuneration Committee are to determine and review terms and conditions of service, including the remuneration of and grant of options to executive Director(s) and grant of options or awards of shares to employees of the company under any employees' share scheme.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Harris & Trotter LLP be reappointed as auditors of the group 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 group and of the profit or loss of the group 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 group 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 the group 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 the group 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 group'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 group's auditors are aware of that information.

By order of the board

S M Winston

Secretary

21 June 2007

ECO CHEMICAL ENTERPRISES PLC

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ECO CHEMICAL ENTERPRISES PLC

We have audited the financial statements of Eco Chemical Enterprises plc for the year ended 31 March 2007 set out on pages 10 to 25. 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 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 and the group'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.

ECO CHEMICAL ENTERPRISES PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF ECO CHEMICAL ENTERPRISES PLC

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 and the group's affairs as at 31 March 2007 and of the group's 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

21 June 2007

Chartered Accountants

Registered Auditor

65 New Cavendish Street
London
W1G 7LS

ECO CHEMICAL ENTERPRISES PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2007

| | Notes | 2007 £ | £ | 2006 £ | £ |
|---|----------|-------------------|-------------------|-------------------|-------------------|
| Turnover | 2 | | | | |
| Continuing operations | | - | | 319,263 | |
| | | <u> </u> | | <u> </u> | |
| | | | - | | 319,263 |
| Administrative expenses | | (272,055) | | | (53,066) |
| Other operating income | | 17,250 | | | - |
| | | <u> </u> | | | <u> </u> |
| Operating (loss)/profit | 3 | | | | |
| Continuing operations | | (211,868) | | 266,197 | |
| Acquisitions | | (42,937) | | - | |
| | | <u> </u> | | <u> </u> | |
| | | | (254,805) | | 266,197 |
| Other interest receivable and similar income | 4 | | 21,402 | | 2,246 |
| | | | <u> </u> | | <u> </u> |
| (Loss)/profit on ordinary activities before taxation | | | (233,403) | | 268,443 |
| Tax on (loss)/profit on ordinary activities | 6 | | 26,448 | | (55,820) |
| | | | <u> </u> | | <u> </u> |
| (Loss)/profit on ordinary activities after taxation | | | <u>(206,955)</u> | | <u>212,623</u> |
| | | | <u> </u> | | <u> </u> |
| Earnings per ordinary share: | | | | | |
| Basic | 5 | | (7.9385)p | | 10.6313p |
| | | | <u> </u> | | <u> </u> |
| Diluted | 5 | | (7.9385)p | | 10.6313p |
| | | | <u> </u> | | <u> </u> |

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.

ECO CHEMICAL ENTERPRISES PLC

BALANCE SHEETS

AS AT 31 MARCH 2007

| | Notes | Group 2007 £ | 2006 £ | Company 2007 £ | 2006 £ |
|---|-------|--------------------|-----------------|----------------------|-----------------|
| Fixed assets | | | | | |
| Intangible assets | 8 | 3,005,353 | - | - | - |
| Tangible assets | 9 | 765 | - | - | - |
| Investments | 10 | - | - | 3,065,125 | - |
| | | <u>3,006,118</u> | <u>-</u> | <u>3,065,125</u> | <u>-</u> |
| Current assets | | | | | |
| Debtors | 11 | 50,914 | 746 | 69,078 | 746 |
| Cash at bank and in hand | | 423,146 | 400,859 | 397,602 | 400,859 |
| | | <u>474,060</u> | <u>401,605</u> | <u>466,680</u> | <u>401,605</u> |
| Creditors: amounts falling due within one year | 12 | <u>(75,510)</u> | <u>(63,982)</u> | <u>(7,591)</u> | <u>(63,982)</u> |
| Net current assets | | <u>398,550</u> | <u>337,623</u> | <u>459,089</u> | <u>337,623</u> |
| Total assets less current liabilities | | <u>3,404,668</u> | <u>337,623</u> | <u>3,524,214</u> | <u>337,623</u> |
| Capital and reserves | | | | | |
| Called up share capital | 14 | 398,091 | 100 | 398,091 | 100 |
| Share premium account | 15 | 3,000,909 | 124,900 | 3,000,909 | 124,900 |
| Profit and loss account | 15 | 5,668 | 212,623 | 125,214 | 212,623 |
| Shareholders' funds | 16 | <u>3,404,668</u> | <u>337,623</u> | <u>3,524,214</u> | <u>337,623</u> |

Approved by the Board and authorised for issue on 21 June 2007

S M Winston
Director

R B Farleigh
Director

ECO CHEMICAL ENTERPRISES PLC

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

| | £ | 2007 £ | £ | 2006 £ |
|--|-----------|-------------|---------|-------------|
| Net cash (outflow)/inflow from operating activities | | (134,031) | | 273,613 |
| Returns on investments and servicing of finance | | | | |
| Interest received | 21,402 | | 2,246 | |
| | <hr/> | | <hr/> | |
| Net cash inflow for returns on investments and servicing of finance | | 21,402 | | 2,246 |
| Taxation | | (55,820) | | - |
| Acquisitions and disposals | | | | |
| Purchase of subsidiary undertakings | (141,335) | | - | |
| Net cash acquired with subsidiaries | 50,210 | | | |
| | <hr/> | | <hr/> | |
| Net cash outflow for acquisitions and disposals | | (91,125) | | - |
| | | <hr/> | | <hr/> |
| Net cash (outflow)/inflow before management of liquid resources and financing | | (259,574) | | 275,859 |
| Financing | | | | |
| Issue of ordinary share capital | 300,000 | | 125,000 | |
| | <hr/> | | <hr/> | |
| Net cash inflow from financing | | 300,000 | | 125,000 |
| | | <hr/> | | <hr/> |
| (Decrease)/increase in cash in the year | | 40,426 | | 400,859 |
| | | <hr/> <hr/> | | <hr/> <hr/> |

ECO CHEMICAL ENTERPRISES PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

| | | | | |
|----------|---|---------------------|------------------|--|
| 1 | Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities | | 2007 | 2006 |
| | | | £ | £ |
| | Operating (loss)/profit | | (254,805) | 266,197 |
| | Depreciation of tangible assets | | 86 | - |
| | Amortisation of intangible assets | | 77,060 | - |
| | Increase in debtors | | (23,720) | (746) |
| | Increase in creditors within one year | | 67,348 | 8,162 |
| | Net cash (outflow)/inflow from operating activities | | (134,031) | 273,613 |
| 2 | Analysis of net funds | 1 April 2006 | Cash flow | Other non- 31 March 2007 cash changes |
| | | £ | £ | £ |
| | Net cash: | | | |
| | Cash at bank and in hand | 400,859 | 40,426 | (18,139) |
| | | <u>400,859</u> | <u>40,426</u> | <u>(18,139)</u> |
| | | | | |
| | Net funds | <u>400,859</u> | <u>40,426</u> | <u>(18,139)</u> |
| 3 | Reconciliation of net cash flow to movement in net debt | | 2007 | 2006 |
| | | | £ | £ |
| | Increase in cash in the year | | 40,426 | 400,859 |
| | Other non-cash changes | | (18,139) | - |
| | Movement in net funds in the year | | 22,287 | 400,859 |
| | Opening net funds | | 400,859 | - |
| | Closing net funds | | 423,146 | 400,859 |

ECO CHEMICAL ENTERPRISES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

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 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertaking made up to 31 March 2007. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Turnover

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

1.5 Goodwill

In accordance with FRS 10 (Goodwill and Intangible Assets) goodwill arising on the purchase of subsidiaries is classified within fixed assets on the face of the balance sheet. Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of ten years.

1.6 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.

1.7 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 |
|--------------------|-------------|

1.8 Leasing

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

1.9 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.10 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.

ECO CHEMICAL ENTERPRISES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

1 Accounting policies (continued)

1.11 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.

1.12 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 group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

| 3 Operating (loss)/profit | 2007 | 2006 |
|---|-------------------|-------------------|
| | £ | £ |
| Operating (loss)/profit is stated after charging: | | |
| Amortisation of intangible assets | 77,060 | - |
| Depreciation of tangible assets | 86 | - |
| Research and development - operating lease rentals | 4,780 | |
| Research and development - other costs | 21,559 | - |
| Auditors' remuneration (company £1,750; 2006: £1,000) | 3,500 | 1,000 |
| Remuneration of auditors for non-audit work | 19,190 | 2,035 |
| and after crediting: | | |
| Government grants | 17,000 | - |
| | <u> </u> | <u> </u> |

| 4 Investment income | 2007 | 2006 |
|---------------------|-------------------|-------------------|
| | £ | £ |
| Bank interest | 21,358 | 2,246 |
| Other interest | 44 | - |
| | <u> </u> | <u> </u> |

5 Earnings per ordinary share

Basic and diluted earnings per share are calculated by dividing the loss attributable to ordinary shareholders of £206,955 (2006: Profit £212,623) using a weighted average of 2,606,990 (2006: 1,999,965) ordinary shares in issue during the year.

ECO CHEMICAL ENTERPRISES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

| 6 | Taxation | 2007 £ | 2006 £ |
|---|--|------------------|----------------|
| | Domestic current year tax | | |
| | U.K. corporation tax | (26,448) | 55,820 |
| | | <u>(26,448)</u> | <u>55,820</u> |
| | Current tax charge | <u>(26,448)</u> | <u>55,820</u> |
| | Factors affecting the tax charge for the year | | |
| | (Loss)/profit on ordinary activities before taxation | (233,403) | 268,443 |
| | | <u>(233,403)</u> | <u>268,443</u> |
| | (Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006 - 20.79%) | (70,021) | 55,809 |
| | | <u>(70,021)</u> | <u>55,809</u> |
| | Effects of: | | |
| | Non deductible expenses | 61 | - |
| | Amortisation / depreciation add back | 23,144 | - |
| | Tax losses utilised | 20,368 | - |
| | Other tax adjustments | - | 11 |
| | | <u>43,573</u> | <u>11</u> |
| | Current tax charge | <u>(26,448)</u> | <u>55,820</u> |

7 (Loss)/profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The (loss)/profit for the financial year is made up as follows:

| | 2007 £ | 2006 £ |
|--|-----------------|----------------|
| Holding company's (loss)/profit for the financial year | (87,409) | 212,623 |
| | <u>(87,409)</u> | <u>212,623</u> |

ECO CHEMICAL ENTERPRISES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

8 Intangible fixed assets

Group

| | Goodwill |
|-----------------------|-----------------|
| | £ |
| Cost | |
| At 1 April 2006 | - |
| Additions | 3,082,413 |
| | <hr/> |
| At 31 March 2007 | 3,082,413 |
| | <hr/> |
| Amortisation | |
| At 1 April 2006 | - |
| Charge for the year | 77,060 |
| | <hr/> |
| At 31 March 2007 | 77,060 |
| | <hr/> |
| Net book value | |
| At 31 March 2007 | 3,005,353 |
| | <hr/> <hr/> |
| At 31 March 2006 | - |
| | <hr/> <hr/> |

On 17 January 2007 a new business combination was formed following the purchase of the entire issued share capital of Perachem Limited, a company registered in England and Wales specialising in the development of speciality chemicals. The combination was accounted for as an acquisition.

Details of the acquisition are given in note 17 to the financial statements.

ECO CHEMICAL ENTERPRISES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

9 Tangible fixed assets

Group

| | Computer equipment £ |
|-----------------------|-------------------------------------|
| Cost | |
| At 1 April 2006 | - |
| On acquisition | 1,231 |
| | <hr/> |
| At 31 March 2007 | 1,231 |
| | <hr/> |
| Depreciation | |
| At 1 April 2006 | - |
| On acquisition | 380 |
| Charge for the period | 86 |
| | <hr/> |
| At 31 March 2007 | 466 |
| | <hr/> |
| Net book value | |
| At 31 March 2007 | 765 |
| | <hr/> <hr/> |

ECO CHEMICAL ENTERPRISES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

10 Fixed asset investments

Company

| | Shares in group undertakings £ |
|------------------|---|
| Cost | |
| At 1 April 2006 | - |
| Additions | 3,065,125 |
| | <hr/> |
| At 31 March 2007 | 3,065,125 |
| | <hr/> |

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

| Company | Country of registration or incorporation | Shares held | |
|--------------------------------|---|-------------|-----|
| | | Class | % |
| Subsidiary undertakings | | | |
| Perachem Limited | England and Wales | Ordinary | 100 |

The principal activity of these undertakings for the last relevant financial year was as follows:

| | Principal activity |
|------------------|-------------------------------------|
| Perachem Limited | Development of speciality chemicals |

The subsidiary undertaking mentioned above is included in the consolidated accounts.

11 Debtors

| | Group | | Company | |
|------------------------------------|-------------|-------------|-------------|-------------|
| | 2007 | 2006 | 2007 | 2006 |
| | £ | £ | £ | £ |
| Amounts owed by group undertakings | - | - | 20,000 | - |
| Corporation tax | 26,448 | - | 26,448 | - |
| Other debtors | 18,268 | 746 | 16,432 | 746 |
| Prepayments and accrued income | 6,198 | - | 6,198 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 50,914 | 746 | 69,078 | 746 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

ECO CHEMICAL ENTERPRISES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

12 Creditors : amounts falling due within one year

| | Group | | Company | |
|---------------------------------|---------------|---------------|--------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | £ | £ | £ | £ |
| Corporation tax | - | 55,820 | - | 55,820 |
| Taxes and social security costs | 2,241 | 1,595 | 2,241 | 1,595 |
| Accruals and deferred income | 73,269 | 6,567 | 5,350 | 6,567 |
| | <u>75,510</u> | <u>63,982</u> | <u>7,591</u> | <u>63,982</u> |

13 Financial instruments

The Company's financial instruments comprise cash arising from its development activities. During the current period, the main risk arising from the Company's financial instruments was interest rate risk. The Board reviews and agrees policies for managing risk and they are summarised below.

Interest rate risk

The Company is financed through retained profit, share capital and share premium. In order to optimise the income received on money market deposits, the Company reviews the terms of these deposits to take advantage of the best market rates.

Interest rate profile

Floating rate financial assets comprise sterling cash deposits in high interest rate bank accounts at short term or immediate maturity. Interest accrues at market rates.

Fair values

The fair values of the financial assets and liabilities at 31 March 2007 and 31 March 2006 are not materially different from their book values.

ECO CHEMICAL ENTERPRISES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

| 14 Share capital | 2007 | 2006 |
|---|-------------|-------------|
| | £ | £ |
| Authorised | | |
| 100,000,000 Ordinary Shares of 5p each <i>(1 April 2006 25 Ordinary 'A' shares of £1 each)</i> | 5,000,000 | 25 |
| Nil - Ordinary 'B' Shares of £1 each <i>(1 April 2006 99,975 Ordinary 'B' shares of £1 each)</i> | - | 99,975 |
| | <hr/> | <hr/> |
| | 5,000,000 | 100,000 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Allotted, called up and fully paid | | |
| 7,961,817 Ordinary Shares of 5p each <i>(1 April 2006 25 Ordinary 'A' shares of £1 each)</i> | 398,091 | 25 |
| Nil - Ordinary 'B' Shares of £1 each <i>(1 April 2006 75 Ordinary 'B' shares of £1 each)</i> | - | 75 |
| | <hr/> | <hr/> |
| | 398,091 | 100 |
| | <hr/> <hr/> | <hr/> <hr/> |

On 26 July 2006 the company passed a special resolution to sub-divide its existing 100,000 authorised ordinary 'A' and 'B' shares of £1 each into 2,000,000 ordinary shares of 5p each. On the same date, by way of a special resolution, the company's authorised share capital was increased by the creation of an additional 98,000,000 ordinary shares of 5p each.

On 26 July 2006, by way of a special resolution, the company allotted 1,998,000 ordinary shares of 5p each by way of a bonus issue. The cost of the bonus issue was appropriated from the share premium account. On the same date the company allotted a further 100,000 ordinary shares of 5p each for a total consideration of £50,000.

On 17 January 2007 the company allotted a further 5,861,817 ordinary shares of 5p each for a total consideration of £3,224,000 to fund the purchase of Perachem Limited.

All shares allotted rank pari passu with the existing shares in the company.

ECO CHEMICAL ENTERPRISES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

15 Statement of movements on reserves

Group

| | Share premium account £ | Profit and loss account £ |
|--|----------------------------------|---------------------------------|
| Balance at 1 April 2006 | 124,900 | 212,623 |
| Loss for the year | - | (206,955) |
| Premium on shares issued during the year | 2,975,909 | - |
| Bonus issue of shares | (99,900) | - |
| | <hr/> | <hr/> |
| Balance at 31 March 2007 | 3,000,909 | 5,668 |
| | <hr/> <hr/> | <hr/> <hr/> |

Company

| | Share premium account £ | Profit and loss account £ |
|--|----------------------------------|---------------------------------|
| Balance at 1 April 2006 | 124,900 | 212,623 |
| Loss for the period | - | (87,409) |
| Premium on shares issued during the year | 2,975,909 | - |
| Bonus issue of shares | (99,900) | - |
| | <hr/> | <hr/> |
| Balance at 31 March 2007 | 3,000,909 | 125,214 |
| | <hr/> <hr/> | <hr/> <hr/> |

ECO CHEMICAL ENTERPRISES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

| 16 Reconciliation of movements in shareholders' funds | 2007 | 2006 |
|--|-------------|-------------|
| Group | £ | £ |
| (Loss)/Profit for the financial year | (206,955) | 212,623 |
| Proceeds from issue of shares | 3,274,000 | 125,000 |
| Cost of share issue written off to share premium account | (99,900) | - |
| | <hr/> | <hr/> |
| Net addition to shareholders' funds | 2,967,145 | 337,623 |
| Opening shareholders' funds | 337,623 | - |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 3,404,668 | 337,623 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | 2007 | 2006 |
| Company | £ | £ |
| (Loss)/Profit for the financial year | (87,409) | 212,623 |
| Proceeds from issue of shares | 3,274,000 | 125,000 |
| Cost of share issue written off to share premium account | (99,900) | - |
| | <hr/> | <hr/> |
| Net addition to shareholders' funds | 3,086,691 | 337,623 |
| Opening shareholders' funds | 337,623 | - |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 3,524,214 | 337,623 |
| | <hr/> <hr/> | <hr/> <hr/> |

ECO CHEMICAL ENTERPRISES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

17 Acquisitions

On 17 January 2007 Eco Chemical Enterprises plc completed the acquisition of Perachem Limited. The consideration was £3,065,125 (including costs of acquisition of £65,125) satisfied by the issue of 5,407,272 ordinary shares of 5p each at a premium of 50p per share. The balance of the consideration was settled in cash.

The impact of the acquisition on the consolidated balance sheet was as follows:

| | Net book values £ | Fair value adjustment £ | Fair value to group £ |
|---|-------------------------|-------------------------------|-----------------------------|
| Fixed assets | 851 | - | 851 |
| Current assets | 5,339 | - | 5,339 |
| Current liabilities | (73,688) | - | (73,688) |
| Cash and overdrafts | 50,210 | - | 50,210 |
| | <hr/> | <hr/> | <hr/> |
| Fair value of (liabilities)/assets acquired | (17,288) | - | (17,288) |
| Goodwill | | | 3,082,413 |
| | | | <hr/> |
| Fair value of consideration | | | 3,065,125 |
| | | | <hr/> <hr/> |
| Comprised of: | | | |
| Issue of shares | | | 2,974,000 |
| Cash paid | | | 26,000 |
| Related costs of acquisition | | | 65,125 |
| | | | <hr/> |
| | | | 3,065,125 |
| | | | <hr/> <hr/> |

The profit and loss account for Perachem Limited for the period 1 August 2006 to 17 January 2007 is summarised below.

| | £ |
|---|-------------|
| Turnover | 55,163 |
| | <hr/> |
| Operating loss | (94,742) |
| | <hr/> |
| Loss on ordinary activities before taxation | (93,039) |
| Tax on loss on ordinary activities | - |
| | <hr/> |
| Loss on ordinary activities after taxation | (93,039) |
| | <hr/> <hr/> |

For the year ended 31 July 2006 the loss on ordinary activities after taxation for Perachem Limited was £189,310.

ECO CHEMICAL ENTERPRISES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

18 Financial commitments

At 31 March 2007 the group had annual commitments under non-cancellable operating leases as follows:

| | Land and buildings | |
|-----------------|--------------------|------|
| | 2007 | 2006 |
| | £ | £ |
| Expiry date: | | |
| Within one year | 20,000 | - |

19 Directors' emoluments

| | 2007 | 2006 |
|------------------------------------|--------|--------|
| | £ | £ |
| Emoluments for qualifying services | 38,333 | 30,000 |

20 Employees

Number of employees

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

| | 2007 | 2006 |
|-------------------------------|--------|--------|
| | Number | Number |
| Management and administration | 6 | 1 |

Employment costs

| | 2007 | 2006 |
|-----------------------|--------|--------|
| | £ | £ |
| Wages and salaries | 72,886 | 30,000 |
| Social security costs | 8,079 | 3,213 |
| | 80,965 | 33,213 |