

GOWER CHEMICALS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR
31 DECEMBER 2009

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BROOMFIELD & ALEXANDER LIMITED
CHARTERED ACCOUNTANTS AND
REGISTERED AUDITOR
SWANSEA

GOWER CHEMICALS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
PERIOD FROM 1 AUGUST 2008 TO 31 DECEMBER 2009

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GOWER CHEMICALS LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 1 AUGUST 2008 TO 31 DECEMBER 2009

The directors have pleasure in presenting their report and the consolidated financial statements of the group for the period from 1 August 2008 to 31 December 2009

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The group's principal activity continues to be that of the process of acid dilution, water treatment and in the manufacture of chemical products

On the 23 June 2008, the group sold its 80% shareholding in W C S Environmental Limited to W C S Environmental Group Limited. Gower Chemicals Limited own 50% of the shareholding in W C S Environmental Group Limited

The directors undertake detailed analysis of the group's position during the period and at the period end using turnover and profitability as the key performance indicators

Within the period the group turnover increased by 68%, due to an extended 17 month period of account in 2009 compared to a 12 month period in 2008. On a pro rata basis turnover increased by 18%, due to a full period of trading since the acquisition of trade from Clearway Chemicals Limited

The group's profit on ordinary activities before taxation decreased by £680,394 during the period, from a profit of £1,254,021 in 2008 to a profit of £573,627. The decrease is largely due to an amortisation charge in 2009 and a write off of a large USA debt in one of the subsidiary companies

FUTURE DEVELOPMENTS

The group will continue to focus on sustained profitability and growth. The group's primary aim will be to continue to concentrate on delivering a consistently high level of service to all of its customers

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £371,316. The directors have not recommended a dividend

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Interest rate risk

The group operates a number of financial instruments including bank loans, overdrafts, hire purchase contracts and finance lease obligations in order to finance its operations. The primary risk faced by the group as a result of its use of these financial instruments is interest rate risk

The bank overdraft borrowings at variable rates expose the group to cash-flow interest rate risk, however the directors actively manage this risk by maintaining sufficient cash reserves within the group to avoid using its overdraft facility wherever possible

The group's hire purchase and finance lease borrowings, which are issued at fixed rates, expose the group to fair value interest rate risk. These fixed rate borrowings arise on the acquisition of the group's larger plant, machinery and equipment purchases. As before, the directors actively manage this risk through prudent use of the group's cash reserves, considering whether each acquisition should be financed or purchased outright

Credit risk

The group operates a number of policies and controls to minimise credit risk. All customers are subject to a detailed credit review prior to any terms being agreed. Directors must authorise any larger value contracts and the group will only conduct business with customers deemed to be credit-worthy

Liquidity and cash flow risk

The group produces detailed management accounts and forecasts, which enable the directors to monitor the cash position and to ensure that there is sufficient liquidity and cash flow to minimise the risk of the group being unable to pay its debts as they fall due

Price risk

The group actively manages price risk by agreeing terms with suppliers prior to entering into any transactions with customers

GOWER CHEMICALS LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 1 AUGUST 2008 TO 31 DECEMBER 2009

DIRECTORS

The directors who served the company during the period were as follows

Mr A Morris
Mr A Champion
Mr J Dickson
Mr I Butcher
Mr R Cooper
Mr S Hiorns
Mr M Sullivan

Mr J Dickson retired as a director on 14 August 2008

DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law the directors have elected to prepare the consolidated 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 consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those consolidated 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 consolidated 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 adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the consolidated financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the directors are aware

- there is no relevant audit information of which the group's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Registered office
Acid Dilution Terminal
Crymlyn Burrows
Swansea
SA1 8PT

Signed on behalf of the directors



MR I BUTCHER
Director

Approved by the directors on

GOWER CHEMICALS LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
GOWER CHEMICALS LIMITED
PERIOD FROM 1 AUGUST 2008 TO 31 DECEMBER 2009

We have audited the group and parent company consolidated financial statements ("the consolidated financial statements") of Gower Chemicals Limited for the period from 1 August 2008 to 31 December 2009. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Section 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the consolidated 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 (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the consolidated financial statements.

QUALIFIED OPINION ON FINANCIAL STATEMENTS ARISING FROM LIMITATION OF SCOPE

During the year to 31 December 2009 the Company extended its year end from 31 July 2009 to 31 December 2009. As a result the audit evidence available to us in respect of the consolidation alone was limited. Audited and non qualified financial statements are available for the subsidiary companies for the accounting period ended 31 December 2009 and prior periods. Estimated figures for the seventeen month period for the subsidiary companies WCS Environmental Limited and WCS Environmental Group Limited have been estimated utilising statutory audited accounts and management information made available to us. The comparative figures for the twelve month period to 31 July 2008 have also been estimated.

Except for estimated figures used for consolidation purposes only, referred to in the preceding paragraph, in our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs at the 31 December 2009 and of its profit for the period then ended,
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

GOWER CHEMICALS LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
GOWER CHEMICALS LIMITED
PERIOD FROM 1 AUGUST 2008 TO 31 DECEMBER 2009

(continued)

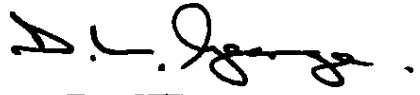
MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In respect solely of the limitation on our work relating to the consolidation described above

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- we were unable to determine the accuracy of the opening and comparative figures

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

- 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 director' remuneration specified by law are not made



D L GEORGE (Senior Statutory
Auditor)
For and on behalf of
BROOMFIELD & ALEXANDER LTD
Chartered Accountants
& Statutory Auditor

Charter Court
Phoenix Way
Swansea
SA7 9FS

27/10/10

GOWER CHEMICALS LIMITED

PROFIT AND LOSS ACCOUNT

PERIOD FROM 1 AUGUST 2008 TO 31 DECEMBER 2009

	Note	Period from 1 Aug 08 to 31 Dec 09 £	Year to 31 Jul 08 £
GROUP TURNOVER	2	15,862,292	9,443,512
Cost of sales		<u>7,679,066</u>	<u>5,135,540</u>
GROSS PROFIT		8,183,226	4,307,972
Administrative expenses		7,634,481	3,813,052
Other operating income	3	<u>(44,683)</u>	<u>(230,840)</u>
OPERATING PROFIT	4	593,428	725,760
Profit/(loss) on investments (fixed assets)		<u>(11,887)</u>	<u>518,481</u>
		581,541	1,244,241
Interest receivable		39,737	55,459
Amounts written off investments	7	<u>(28,035)</u>	<u>-</u>
Interest payable and similar charges	8	<u>(19,616)</u>	<u>(45,679)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		573,627	1,254,021
Tax on profit on ordinary activities	9	<u>171,312</u>	<u>164,938</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		402,315	1,089,083
Minority interests		<u>30,999</u>	<u>-</u>
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	10	371,316	1,089,083
PROFIT FOR THE FINANCIAL PERIOD		<u>371,316</u>	<u>1,089,083</u>

All of the activities of the group are classed as continuing

The group has no recognised gains or losses other than the results for the period as set out above

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss Account

The notes on pages 9 to 20 form part of these consolidated financial statements.

GOWER CHEMICALS LIMITED


GROUP BALANCE SHEET

31 DECEMBER 2009

	Note	31 Dec 09 £	£	31 Jul 08 £
FIXED ASSETS				
Intangible assets	11		1,253,162	1,593,435
Tangible assets	12		1,483,837	1,525,330
Investments	13		62,072	90,111
			<u>2,799,071</u>	<u>3,208,876</u>
CURRENT ASSETS				
Stocks	14	188,604		171,758
Debtors	15	2,243,376		2,813,594
Cash at bank and in hand		988,259		555,973
		<u>3,420,239</u>		<u>3,541,325</u>
CREDITORS: Amounts falling due within one year	16	<u>2,343,514</u>		<u>3,857,643</u>
NET CURRENT ASSETS/(LIABILITIES)			<u>1,076,725</u>	<u>(316,318)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,875,796</u>	<u>2,892,558</u>
CREDITORS: Amounts falling due after more than one year	17		1,049,878	216,923
PROVISIONS FOR LIABILITIES				
Deferred taxation	19		114,500	78,500
			<u>2,711,418</u>	<u>2,597,135</u>
MINORITY INTERESTS			<u>535,403</u>	<u>504,405</u>
			<u>2,176,015</u>	<u>2,092,730</u>
CAPITAL AND RESERVES				
Called-up equity share capital	22		50,000	55,555
Profit and loss account	23		2,126,015	2,037,175
SHAREHOLDERS' FUNDS	23		<u>2,176,015</u>	<u>2,092,730</u>

These consolidated financial statements were approved by the directors and authorised for issue on
signed on their behalf by

, and are



MR I BUTCHER
Director

The notes on pages 9 to 20 form part of these consolidated financial statements.

GOWER CHEMICALS LIMITED

BALANCE SHEET

31 DECEMBER 2009

	Note	31 Dec 09 £	£	31 Jul 08 £
FIXED ASSETS				
Tangible assets	12		913,541	898,548
Investments	13		1,349,866	1,350,866
			<u>2,263,407</u>	<u>2,249,414</u>
CURRENT ASSETS				
Stocks	14	188,604		156,758
Debtors	15	1,111,340		1,329,009
Cash at bank and in hand		954,223		530,751
		<u>2,254,167</u>		<u>2,016,518</u>
CREDITORS: Amounts falling due within one year	16	<u>831,493</u>		<u>738,202</u>
NET CURRENT ASSETS			<u>1,422,674</u>	<u>1,278,316</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,686,081</u>	<u>3,527,730</u>
CREDITORS: Amounts falling due after more than one year	17		21,167	—
PROVISIONS FOR LIABILITIES				
Deferred taxation	19		100,000	75,000
			<u>3,564,914</u>	<u>3,452,730</u>
CAPITAL AND RESERVES				
Called-up equity share capital	22		50,000	55,555
Other reserves	23		5,555	—
Profit and loss account	23		3,509,359	3,397,175
SHAREHOLDERS' FUNDS			<u>3,564,914</u>	<u>3,452,730</u>

These consolidated financial statements were approved by the directors and authorised for issue on signed on their behalf by

, and are



MR I BUTCHER
Director

Company Registration Number 1346796

The notes on pages 9 to 20 form part of these consolidated financial statements

GOWER CHEMICALS LIMITED
GROUP CASH FLOW CASH FLOW STATEMENT
PERIOD FROM 1 AUGUST 2008 TO 31 DECEMBER 2009

	Note	Period from 1 Aug 08 to 31 Dec 09 £	£	Year to 31 Jul 08 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	24		1,431,969	1,232,458
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	24		20,121	9,780
TAXATION	24		(349,346)	83,926
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	24		(204,157)	(1,664,908)
ACQUISITIONS AND DISPOSALS	24		3	1,641,519
CASH INFLOW BEFORE FINANCING			<u>898,590</u>	<u>1,302,775</u>
FINANCING	24		(388,171)	843,598
INCREASE IN CASH	24		<u>510,419</u>	<u>2,146,373</u>

The notes on pages 9 to 20 form part of these consolidated financial statements

GOWER CHEMICALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM 1 AUGUST 2008 TO 31 DECEMBER 2009

1. ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Gower Chemicals Limited and all of its United Kingdom subsidiaries to 31st December 2009. All inter group profits and losses are eliminated on consolidation.

Related parties transactions

The group companies entered into several trading transactions with related parties during the year. The related parties consist of fellow group companies, where such transactions are eliminated in these consolidated accounts.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period, exclusive of Value Added Tax.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Purchased goodwill	-	Over a 4 year period
Goodwill on consolidation	-	Over a 20 year period

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Property	-	2% straight line
Plant & Machinery	-	25% reducing balance
Fixtures & Fittings	-	15% reducing balance
Motor Vehicles	-	25% reducing balance
Equipment	-	15% reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Finance lease agreements

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The group operates a defined contribution pension scheme covering certain of its directors and employees. The assets of the scheme are held separately from those of the group. The annual contributions payable are charged to the profit and loss account. No pension contributions were due but unpaid at the year end.

GOWER CHEMICALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM 1 AUGUST 2008 TO 31 DECEMBER 2009

1 ACCOUNTING POLICIES *(continued)*

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

2 TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the group

An analysis of turnover is given below

	Period from 1 Aug 08 to 31 Dec 09 £	Year to 31 Jul 08 £
United Kingdom	<u>15,862,292</u>	<u>9,443,512</u>

3 OTHER OPERATING INCOME

	Period from 1 Aug 08 to 31 Dec 09 £	Year to 31 Jul 08 £
Rent receivable	975	1,577
Other operating income	<u>43,708</u>	<u>229,263</u>
	<u>44,683</u>	<u>230,840</u>

4 OPERATING PROFIT

Operating profit is stated after charging

	Period from 1 Aug 08 to 31 Dec 09 £	Year to 31 Jul 08 £
Amortisation of intangible assets	280,377	—
Depreciation of owned fixed assets	176,239	89,782
Depreciation of assets held under hire purchase agreements	37,820	—
Loss on disposal of fixed assets	19,704	6,881
Auditor's remuneration		
- as auditor	18,500	16,500
- for other services	28,891	4,167
Operating lease costs		
- Plant and equipment	52,837	33,631
- Other	<u>281,547</u>	<u>164,496</u>

GOWER CHEMICALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM 1 AUGUST 2008 TO 31 DECEMBER 2009

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the group during the financial period amounted to

	Period from 1 Aug 08 to 31 Dec 09 No	Year to 31 Jul 08 No
Number of employees	<u>144</u>	<u>130</u>

The aggregate payroll costs of the above were

	Period from 1 Aug 08 to 31 Dec 09 £	Year to 31 Jul 08 £
Wages and salaries	4,699,831	2,591,042
Social security costs	126,596	131,863
Other pension costs	104,778	57,536
	<u>4,931,205</u>	<u>2,780,441</u>

6. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

	Period from 1 Aug 08 to 31 Dec 09 £	Year to 31 Jul 08 £
Remuneration receivable	532,591	327,135
Value of company pension contributions to money purchase schemes	29,614	14,478
	<u>562,205</u>	<u>341,613</u>

The number of directors who accrued benefits under company pension schemes was as follows

	Period from 1 Aug 08 to 31 Dec 09 No	Year to 31 Jul 08 No
Money purchase schemes	<u>2</u>	<u>2</u>

7. AMOUNTS WRITTEN OFF INVESTMENTS

	Period from 1 Aug 08 to 31 Dec 09 £	Year to 31 Jul 08 £
Amount written off investments	<u>28,035</u>	<u>—</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 1 Aug 08 to 31 Dec 09 £	Year to 31 Jul 08 £
Interest payable on bank borrowing	2,854	1,092
Finance charges	6,854	4,496
Other similar charges payable	9,908	40,091
	<u>19,616</u>	<u>45,679</u>

GOWER CHEMICALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM 1 AUGUST 2008 TO 31 DECEMBER 2009

9. TAXATION ON ORDINARY ACTIVITIES

Analysis of charge in the period

	Period from 1 Aug 08 to 31 Dec 09 £	Year to 31 Jul 08 £
Current tax		
In respect of the period		
UK Corporation tax based on the results for the period at 28% (2008 - 21%)	135,312	157,236
Over/under provision in prior year	-	(4,298)
Total current tax	135,312	152,938
Deferred tax		
Origination and reversal of timing differences (note 19)		
Capital allowances	36,000	12,000
Tax on profit on ordinary activities	171,312	164,938

10. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the consolidated financial statements of the parent company was £340,319 (2008 - £760,169)

11. INTANGIBLE FIXED ASSETS

Group	Goodwill £	Goodwill on consolidation £	Total £
COST			
At 1 August 2008 and 31 December 2009	747,839	845,596	1,593,435
AMORTISATION			
Charge for the period	280,377	-	280,377
Impairment adjustment	-	59,896	59,896
At 31 December 2009	280,377	59,896	340,273
NET BOOK VALUE			
At 31 December 2009	467,462	785,700	1,253,162
At 31 July 2008	747,839	845,596	1,593,435

GOWER CHEMICALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM 1 AUGUST 2008 TO 31 DECEMBER 2009

12. TANGIBLE FIXED ASSETS

Group	Freehold Property £	Leasehold Property £	Plant & Machinery £	Fixtures & Fittings £	Other Assets £	Total £
COST						
At 1 Aug 2008	415,610	1,003,442	1,667,837	53,438	458,919	3,599,246
Additions	-	-	142,623	-	57,495	200,118
Disposals	-	-	-	-	(41,844)	(41,844)
At 31 Dec 2009	415,610	1,003,442	1,810,460	53,438	474,570	3,757,520
DEPRECIATION						
At 1 Aug 2008	-	231,563	1,570,449	34,406	237,498	2,073,916
Charge for the period	-	50,137	84,630	3,976	75,316	214,059
On disposals	-	-	-	-	(14,292)	(14,292)
At 31 Dec 2009	-	281,700	1,655,079	38,382	298,522	2,273,683
NET BOOK VALUE						
At 31 Dec 2009	415,610	721,742	155,381	15,056	176,048	1,483,837
At 31 Jul 2008	415,610	771,879	97,388	19,032	221,421	1,525,330

Hire purchase agreements

Included within the net book value of £1,483,837 is £85,358 (2008 - £83,556) relating to assets held under hire purchase agreements. The depreciation charged to the consolidated financial statements in the period in respect of such assets amounted to £37,820 (2008 - £Nil).

Company	Leasehold Property £	Plant & Machinery £	Motor Vehicles £	Total £
COST				
At 1 August 2008	961,088	1,667,837	192,504	2,821,429
Additions	-	142,623	26,311	168,934
Disposals	-	-	(6,844)	(6,844)
At 31 December 2009	961,088	1,810,460	211,971	2,983,519
DEPRECIATION				
At 1 August 2008	190,554	1,570,449	161,878	1,922,881
Charge for the period	48,990	84,630	20,081	153,701
On disposals	-	-	(6,604)	(6,604)
At 31 December 2009	239,544	1,655,079	175,355	2,069,978
NET BOOK VALUE				
At 31 December 2009	721,544	155,381	36,616	913,541
At 31 July 2008	770,534	97,388	30,626	898,548

Hire purchase agreements

Included within the net book value of £913,541 is £43,557 (2008 - £83,556) relating to assets held under hire purchase agreements. The depreciation charged to the consolidated financial statements in the period in respect of such assets amounted to £23,886 (2008 - £Nil).

GOWER CHEMICALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM 1 AUGUST 2008 TO 31 DECEMBER 2009

13. INVESTMENTS

Group

Shares and interest

	£
COST	
At 1 August 2008	90,111
Disposals	(3)
At 31 December 2009	<u>90,108</u>
AMOUNTS WRITTEN OFF	
Written off in period	28,036
At 31 December 2009	<u>28,036</u>
NET BOOK VALUE	
At 31 December 2009	<u>62,072</u>
At 31 July 2008	<u>90,111</u>

Company

Investments

	£
COST	
At 1 August 2008 and 31 December 2009	<u>11,000</u>
AMOUNTS WRITTEN OFF	
Written off in period	1,000
At 31 December 2009	<u>1,000</u>
LOANS	
At 1 August 2008 and 31 December 2009	<u>1,339,866</u>
NET BOOK VALUE	
At 31 December 2009	<u>1,349,866</u>
At 31 July 2008	<u>1,350,866</u>

The company owns 100% of the issued share capital of Gower Environmental Services Limited & Gower Water Treatment Limited. On the 23 June 2008 the company sold its 80% holding in W C S Environmental Limited and purchased a 50% holding in W C S Environmental Group Limited.

Aggregate capital and reserves

Gower Environmental Services Limited (dormant)	—	—
Gower Water Treatment Limited (dormant)	2,850	2,850
W C S Environmental Limited	1,095,737	1,118,922
W C S Environmental Group Limited	(24,932)	20,000

Profit and (loss) for the year

Gower Environmental Services Limited (dormant)	—	—
Gower Water Treatment Limited (dormant)	—	—
W C S Environmental Limited	(23,185)	312,270
W C S Environmental Group Limited	(44,932)	—

GOWER CHEMICALS LIMITED

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14. STOCKS

	Group		Company	
	31 Dec 09	31 Jul 08	31 Dec 09	31 Jul 08
	£	£	£	£
Raw materials	<u>188,604</u>	<u>171,758</u>	<u>188,604</u>	<u>156,758</u>

15. DEBTORS

	Group		Company	
	31 Dec 09	31 Jul 08	31 Dec 09	31 Jul 08
	£	£	£	£
Trade debtors	1,978,468	2,224,023	916,268	958,374
Other debtors	206,914	477,347	137,078	258,411
Prepayments and accrued income	<u>57,994</u>	<u>112,224</u>	<u>57,994</u>	<u>112,224</u>
	<u>2,243,376</u>	<u>2,813,594</u>	<u>1,111,340</u>	<u>1,329,009</u>

16. CREDITORS: Amounts falling due within one year

	Group		Company	
	31 Dec 09	31 Jul 08	31 Dec 09	31 Jul 08
	£	£	£	£
Bank loans and overdrafts	161,242	1,188,975	104,973	137,293
Trade creditors	535,270	575,534	365,862	377,854
Shareholders' Loan notes payable	1,062,295	1,097,999	—	—
Hire purchase agreements	32,597	75,988	15,250	—
Directors' current account	—	56,225	—	—
Other creditors including taxation and social security				
Corporation tax	91,987	306,021	108,261	25,563
PAYE and social security	87,258	81,147	24,934	20,615
VAT	178,250	240,871	43,928	76,793
Other creditors	30,715	58,145	30,715	23,715
Accruals and deferred income	<u>163,900</u>	<u>176,738</u>	<u>137,570</u>	<u>76,369</u>
	<u>2,343,514</u>	<u>3,857,643</u>	<u>831,493</u>	<u>738,202</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company

	Group		Company	
	31 Dec 09	31 Jul 08	31 Dec 09	31 Jul 08
	£	£	£	£
Bank loans and overdrafts	161,242	1,188,975	104,973	137,293
Hire purchase agreements	<u>32,597</u>	<u>75,988</u>	<u>15,250</u>	<u>—</u>
	<u>193,839</u>	<u>1,264,963</u>	<u>120,223</u>	<u>137,293</u>

The group has bank loan and overdraft facilities which are secured by a fixed and floating charge over the assets of the group. Obligations under hire purchase and leasing agreements are secured by charges on individual assets to which the liabilities relate.

17. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	31 Dec 09	31 Jul 08	31 Dec 09	31 Jul 08
	£	£	£	£
Bank loans and overdrafts	1,027,218	216,923	—	—
Hire purchase agreements	<u>22,660</u>	<u>—</u>	<u>21,167</u>	<u>—</u>
	<u>1,049,878</u>	<u>216,923</u>	<u>21,167</u>	<u>—</u>

GOWER CHEMICALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM 1 AUGUST 2008 TO 31 DECEMBER 2009

17. CREDITORS: Amounts falling due after more than one year (continued)

The following liabilities disclosed under creditors falling due after more than one year are secured by the company

	Group		Company	
	31 Dec 09	31 Jul 08	31 Dec 09	31 Jul 08
	£	£	£	£
Bank loans and overdrafts	1,027,218	216,923	-	-
Hire purchase agreements	22,660	-	21,167	-
	<u>1,049,878</u>	<u>216,923</u>	<u>21,167</u>	<u>-</u>

The group has bank loan and overdraft facilities which are secured by a fixed and floating charge over the assets of the group. Obligations under hire purchase and leasing agreements are secured by charges on individual assets to which the liabilities relate.

18. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows

	31 Dec 09	31 Jul 08
	£	£
Group and Company		
Amounts payable within 1 year	32,597	75,988
Amounts payable between 1 and 2 years	22,660	-
	<u>55,257</u>	<u>75,988</u>

19. DEFERRED TAXATION

The movement in the deferred taxation provision during the period was

	Group		Company	
	1 Aug 08 to 31 Dec 09	Year to 31 Jul 08	1 Aug 08 to 31 Dec 09	Year to 31 Jul 08
	£	£	£	£
Provision brought forward	78,500	66,500	75,000	63,000
Increase in provision	36,000	12,000	25,000	12,000
Provision carried forward	<u>114,500</u>	<u>78,500</u>	<u>100,000</u>	<u>75,000</u>

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of

Group	31 Dec 09		31 Jul 08	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	<u>114,500</u>	-	<u>78,500</u>	-

The company's provision for deferred taxation consists of the tax effect of timing differences in respect of

Company	31 Dec 09		31 Jul 08	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	<u>100,000</u>	-	<u>75,000</u>	-

GOWER CHEMICALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2009 the group had annual commitments under non-cancellable operating leases as set out below

Group	31 Dec 09		31 Jul 08	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire				
Within 1 year	89,500	7,685	95,462	24,816
Within 2 to 5 years	-	15,745	-	-
	<u>89,500</u>	<u>23,430</u>	<u>95,462</u>	<u>24,816</u>

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as set out below

Company	31 Dec 09		31 Jul 08	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire				
Within 1 year	89,500	7,685	95,462	24,816
Within 2 to 5 years	-	15,745	-	-
	<u>89,500</u>	<u>23,430</u>	<u>95,462</u>	<u>24,816</u>

21. RELATED PARTY TRANSACTIONS

Mr A Morris and Mr A Champion were the ultimate controlling parties during the current and previous year by virtue of their shareholdings

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8

22. SHARE CAPITAL

Allotted, called up and fully paid:

	31 Dec 09		31 Jul 08	
	No	£	No	£
50,000 Ordinary "A" shares of £1 each	50,000	50,000	50,000	50,000
- Ordinary "B" shares (2008 - 5,555) of £1 each	-	-	5,555	5,555
	<u>50,000</u>	<u>50,000</u>	<u>55,555</u>	<u>55,555</u>

GOWER CHEMICALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM 1 AUGUST 2008 TO 31 DECEMBER 2009

23. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

Group	Share capital £	Capital redemption reserve £	Capital reserve arising on consolidation £	Profit and loss account £	Total share-holders' funds £
Balance brought forward	55,555	—	(1,360,000)	2,308,092	1,003,647
Profit for the year	—	—	—	1,089,083	1,089,083
Balance brought forward	55,555	—	(1,360,000)	3,397,175	2,092,730
Profit for the period	—	—	—	371,316	371,316
Impairment of consolidated goodwill	—	—	—	(59,896)	(59,896)
Other movements	—	—	—	—	—
Purchase of own shares	(5,555)	5,555	—	(228,135)	(228,135)
Balance carried forward	<u>50,000</u>	<u>5,555</u>	<u>(1,360,000)</u>	<u>3,480,460</u>	<u>2,176,015</u>

Company	Share capital £	Capital redemption reserve £	Profit and loss account £	Total share-holders' funds £
Balance brought forward	55,555	—	2,637,006	2,692,561
Profit for the year	—	—	760,169	760,169
Balance brought forward	55,555	—	3,397,175	3,452,730
Profit for the period	—	—	340,319	340,319
Other movements	—	—	—	—
Purchase of own shares	(5,555)	5,555	(228,135)	(228,135)
Balance carried forward	<u>50,000</u>	<u>5,555</u>	<u>3,509,359</u>	<u>3,564,914</u>

24. NOTES TO THE CASH FLOW STATEMENT

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Period from 1 Aug 08 to 31 Dec 09 £	Year to 31 Jul 08 £
Operating profit	593,428	725,760
Amortisation	280,377	—
Depreciation	214,059	89,782
Loss on disposal of fixed assets	19,704	6,881
Increase in stocks	(16,846)	(4,011)
Decrease/(increase) in debtors	570,218	(814,385)
(Decrease)/increase in creditors	(228,971)	1,228,431
Net cash inflow from operating activities	<u>1,431,969</u>	<u>1,232,458</u>

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	Period from 1 Aug 08 to 31 Dec 09 £	Year to 31 Jul 08 £
Interest received	39,737	55,459
Interest paid	(12,762)	(41,183)
Interest element of hire purchase	(6,854)	(4,496)
Net cash inflow from returns on investments and servicing of finance	<u>20,121</u>	<u>9,780</u>

GOWER CHEMICALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM 1 AUGUST 2008 TO 31 DECEMBER 2009

24 NOTES TO THE CASH FLOW STATEMENT *(continued)*

TAXATION

	Period from 1 Aug 08 to 31 Dec 09 £	Year to 31 Jul 08 £
Taxation	<u>(349,346)</u>	<u>83,926</u>

CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	Period from 1 Aug 08 to 31 Dec 09 £	Year to 31 Jul 08 £
Payments to acquire intangible fixed assets	–	(1,593,435)
Payments to acquire tangible fixed assets	(200,118)	(530,222)
Receipts from sale of fixed assets	7,848	29,376
Acquisition of fixed asset investments	–	(89,108)
Disposal of fixed asset investments	<u>(11,887)</u>	<u>518,481</u>
Net cash outflow for capital expenditure and financial investment	<u>(204,157)</u>	<u>(1,664,908)</u>

ACQUISITIONS AND DISPOSALS

	Period from 1 Aug 08 to 31 Dec 09 £	Year to 31 Jul 08 £
Disposal of investment shares	–	1,641,519
Disposal of investments in participating interests	<u>3</u>	<u>–</u>
Net cash inflow from acquisitions and disposals	<u>3</u>	<u>1,641,519</u>

FINANCING

	Period from 1 Aug 08 to 31 Dec 09 £	Year to 31 Jul 08 £
Purchase of own equity shares	(5,555)	–
Premium on purchase of own equity shares	(222,580)	–
(Repayment of)/increase in bank loans	(139,305)	781,198
Capital element of hire purchase	<u>(20,731)</u>	<u>62,400</u>
Net cash (outflow)/inflow from financing	<u>(388,171)</u>	<u>843,598</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	31 Dec 09 £	31 Jul 08 £
Increase in cash in the period	510,419	2,146,373
Net cash outflow from/(inflow) from bank loans	139,305	(781,198)
Cash outflow in respect of hire purchase	<u>20,731</u>	<u>(62,400)</u>
	670,455	1,302,775
Change in net debt	670,455	1,302,775
Net debt at 1 August 2008	<u>(925,913)</u>	<u>(57,873)</u>
Net debt at 31 December 2009	<u>(255,458)</u>	<u>(925,913)</u>

GOWER CHEMICALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM 1 AUGUST 2008 TO 31 DECEMBER 2009

24. NOTES TO THE CASH FLOW STATEMENT *(continued)*

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Aug 2008 £	Cash flows £	At 31 Dec 2009 £
Net cash			
Cash in hand and at bank	555,973	432,286	988,259
Overdrafts	(176,975)	78,133	(98,842)
	<u>378,998</u>	<u>510,419</u>	<u>889,417</u>
Debt			
Debt due within 1 year	(1,012,000)	949,600	(62,400)
Debt due after 1 year	(216,923)	(810,295)	(1,027,218)
Hire purchase agreements	(75,988)	20,731	(55,257)
	<u>(1,304,911)</u>	<u>160,036</u>	<u>(1,144,875)</u>
Net debt	<u>(925,913)</u>	<u>670,455</u>	<u>(255,458)</u>