Regulatory Announcement

Company	Accsys Technologies PLC
TIDM	AXS
Headline	Preliminary Announcement of Results for the year ended 31 March 2012
Released	10 July 2012
Number	

ACCSYS
TECHNOLOGIES
World leaders in wood technology

AIM: AXS
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10 July 2012

ACCSYS TECHNOLOGIES PLC
("Accsys" or the "Company")
Preliminary Announcement of Results for the year ended 31 March 2012

Accsys, the environmental science and wood technology company, has made significant progress during the year towards delivering on its strategy of licensing its technology and seeding new markets with its sustainable and highly durable modified wood products.

Operational Highlights:

- Licence agreement signed in June 2012 with Solvay-Rhodia ('Solvay') for the production and sale of Accoya® wood using Accsys' proprietary acetylation technology. The conditional agreement grants Solvay exclusive rights to produce and sell Accoya® within certain countries in Europe;
- Introduction of Medite® Tricoya® to the market place with first sales to customers from our joint development partner, Medite, opening up a wealth of new potential applications;
- Signed licence option agreement in April 2012 with a leading MDF and Particle Board manufacturer in Latin America which we expect to open up significant new opportunities;
- Strategic collaborative relationship agreed with BP in March 2012 which includes the supply of acetic anhydride and the support of further product and application developments;
- Significantly strengthened intellectual property portfolio. We are pleased to announce this includes the recent grant of a product patent for Accoya® in the UK, securing monopoly rights for Accoya® in the United Kingdom for 20 years;
- Completed first part of sale and leaseback of Arnhem land and buildings, generating proceeds of €2.2m and which will also enable future improvements to wood handling logistics and storage facilities;
- Eight further Accoya® distribution, agency and supply agreements signed, making a total of 35, covering most of Europe, Australia, Canada, Chile, China, India, Korea, Lebanon, Morocco, New Zealand, parts of South-East Asia, U.A.E and the USA; and
- Introduction of Accoya® Alder to our product line; a popular, attractive hardwood species which provides superior performance, similar to that of Accoya® Radiata.

Financial Highlights

- 10% increase in revenue for the financial year to €15.0m (2011: €13.7m). Revenue for the second half of the financial year increased by 41% compared to the first half of the year as a result of increased demand for Accoya®;
- Improvement in gross manufacturing margin from a 4% loss last year to a 0.3% loss and from a 7% loss in the first half of the financial year to a 5% profit in the second half;
- Exceptional impairment charge of €2.3m in respect of licensee receivables consisting of €2.9m non-cash charge relating to Al Rajhi as a result of continuing uncertainty as to whether

the licence will continue, partly offset by €0.6m of technology fees paid by Diamond Wood which had previously been provided for;

- 9% reduction in other operating costs to €12.5m (2011: €13.7m);
- 17% improvement in profit after tax before exceptional items to a loss of €12.1m (2011: €14.6m). (Including exceptional items, profit after tax improved by 1% to a loss of €14.4m (2011: €14.4m);
- Cash balance of €24.6m as at 31 March 2012 (2011: €27.6m); and
- 79% reduction in net cash out-flows from operating activities to €3.7m (2011: €17.7m) as result of improved cost and working capital controls, including a significant reduction in inventory levels.

There will be a presentation relating to these results at 09:30 BST on Tuesday 10th July 2012. The presentation will take the form of a web based conference call, details of which are below:

Webcast link: Click Here or copy and paste ALL of the following text into your browser:

http://www.media-server.com/m/p/9969zs9d

Conference call details for participants:

Participant Telephone Number: +44 (0)20 3364 5381 UK Toll
Confirmation Code: 8496820

Participants will have to quote the above code when dialling into the conference.

Paul Clegg, CEO of Accsys, commented:

"I am pleased with the excellent progress we have made in the last year towards delivering on our long-term strategy of seeding the market and developing licensing and strategic opportunities whilst continuing to maintain our focus on working capital management.

It was a pleasure to be able to recently disclose the identity of our prospective licensee, Solvay, with whom we have been working closely for some time. The Accoya® licence agreement reflects a significant amount of work from Accsys and Solvay and represents a commitment to the next stage in the successful commercialisation of Accoya and its acceptance as the globally recognised leading high technology, high performance, modified wood.

The significant progress made this year in developing Tricoya® also marks an important milestone in the Company's development. We expect that the commercial launch of Medite Tricoya® by our Joint Development Partner Medite, followed by the licence option agreement for the South American market will be the first steps towards making Tricoya® the first new global, truly innovative panel product for many years.

Sales of Accoya® have grown despite the challenging economic climate and I am confident the progress we have made in building the brand, product development and increasing the distribution network has left us in a strong position to continue to increase sales going forwards. I expect that the increasing demand for our Accoya® wood product will result in the plant breaking even and the Company ultimately generating profit, even without taking account of any licence income."

The financial statements for the year ended 31 March 2012 follow:

Chairman's Statement

Introduction

The Group has built on the changes of the previous year and has made steady progress towards achieving its long term objectives.

Demand for Accoya® continues to increase and while the growth in the first half of the year was lower than we previously anticipated, it has improved more recently. We therefore remain confident that the demand for Accoya® will reach our current manufacturing capacity in the next three years. The lower than expected growth in the first half of the year is attributable to the economic climate, in particular experienced by the global wood and building industries.

The introduction of Medite Tricoya® to the market place two years earlier than previously expected, followed by the first commercial sales by our Joint Development Partner, Medite Europe Limited, marks an important step in Accsys' overall development by demonstrating the global applicability of our Tricoya® wood elements technology. This has been further confirmed by the signing of a licence option agreement since the year end, with a leading MDF and Particle Board manufacturer in Latin America which we expect to open up new opportunities to develop the worldwide panel products, a market estimated to be worth €60 billion annually.

We have focussed on our long term objective of licensing our technology and have created and developed opportunities in respect of both Accoya® and Tricoya®. The recent announcement that we have entered into a conditional licence agreement with Rhodia Acetow GmbH, a wholly owned subsidiary of Solvay-Rhodia ("Solvay") for the production and sale of Accoya® wood reflects a significant amount of work from Accsys and Solvay and represents a commitment to the next stage in the successful commercialisation of Accoya®. However at the same time, our existing licensees Diamond Wood and Al Rajhi, have not progressed as we had hoped and we have recorded a non-cash impairment charge in respect of Al Rajhi to reflect the uncertainty that remains with this contract progressing.

Our sales and marketing teams have made significant progress in establishing the market for Accoya®. We have signed eight new distribution or agency agreements making a total of 35 which now covers most of Europe, Australia, Canada, Chile, India, Korea, Lebanon, Morocco, New Zealand, China, parts of South-East Asia, U.A.E and the USA. We have exhibited at trade shows across the globe and carried out many direct and indirect marketing campaigns, typically working with our distributors, mutually benefiting from the close working relationships which have developed.

Our products continue to receive major recognition which will further help their introduction and general acceptance. We have won the North American Architects magazine R&D award, the UK Timber Trade Journal's 2011 Market Development award and Accoya® won "Technology of the Year" at the Sustain Magazine Awards. The Accoya® Moses Bridge project also won the Archdaily.com project of the year award.

We have made further improvements to our plant in Arnhem and to our processes which have increased productivity and efficiency. In addition we have identified further opportunities to improve our capacity, product uniformity as well as production cycle time and energy consumption in the future. We continue to invest in product development and have made progress in launching Accoya® Alder, a new wood species which has been acetylated by modifying the same underlying technology as our existing Accoya® Radiata, adding further value to the commercial proposition. The new product, with similar benefits to the existing Accoya® is expected to open up new market opportunities given its different aesthetic properties. We continue to develop the technology and expect to introduce additional species of acetylated Accoya® to further enhance our product offering.

Summary of financial results

Total revenue increased by 10% to €15.0m (2011: €13.7m) reflecting continued growth in demand and increased prices introduced during the first half of 2011. I am pleased that revenue for the six months to 31 March 2012 increased by 41% compared to the first half of the year. The first six months was disappointing, reflecting a reduction in sales to Diamond Wood and certain other customers, notably in Germany, who reduced their inventory levels in response to economic conditions. The licence income in both the current and preceding year represents fees paid to us to secure licence options.

While the Group continues to be loss making as expected at this point of its corporate life, we have given significant attention to cost control and working capital management. Gross operating margin improved from a 4% loss to a 0.3% loss, resulting from improved operating efficiencies and the price increases referred to above. Other operating costs decreased by 9% compared to the previous year.

We have recorded a €2.3m net impairment of licensee receivables in the year. This consists of €2.9m attributable to Al Rajhi, representing a non-cash impairment of licensee net receivables (consisting of prepaid commission costs and deferred income) which had been recorded in previous years. The impairment has been recorded as uncertainty remains as to whether the licence will proceed. This has been off-set by €0.6m reversal of a previously recorded impairment booked in respect of Diamond Wood. The impairment was reversed as a result of Diamond Wood paying contractually due technology fees subsequent to the year-end.

The cash balance at 31 March 2012 of €24.6m represents a net reduction of €3m in the year. The net cash out-flow from operating activities of €3.7m in the year compared to €17.7m in the previous year. This reduction in out-flow is partly attributable to €5.3m reduction in working capital which was mainly due to active stock management following higher than expected inventory levels built up at the end of the previous financial year.

We completed the first part of the agreed sale and leaseback of the Arnhem land and buildings which resulted in proceeds of €2.2m and the recording of a finance lease creditor. The Group maintains finance facilities secured on our inventory and receivables, however these were not drawn down at the year-end.

Board and management

Paul Clegg and Hans Pauli have been in place as the executive directors for over two years. During this period, they have successfully instigated many changes to the processes and structures in order to ensure the Group is now focused on the key objective of licensing the Group's technology and generating sustainable profits. As a result, there have been no changes to the senior management team in the last year.

As reported last year, Nick Meyer joined the board as an independent non-executive director on 17 May 2011. Having significant experience in the timber industry including as a former President of the Timber Trade Federation of the United Kingdom, Nick has made a valuable contribution to the Board in his first year.

Dividend

No final dividend is proposed in respect of 2012. This reflects the loss we have reported in the last financial year together with the Board's decision to preserve as strong a balance sheet as possible while the Group continues to develop long term business opportunities.

Prospects

I am pleased with the progress made in what has been a challenging year as a result of continuing poor economic conditions. I am confident that with the investment in sales and marketing activities, including the increased number of distributors, that our Accoya® sales revenue will increase at a faster rate than the reported year.

The introduction of Medite Tricoya® has opened up a number of new opportunities in respect of research and development and business development, all of which are particularly exciting and provide great potential for the Group given the size of the global panel products market. The signing of a Tricoya® licence option agreement for Latin America and a licence agreement with Solvay for Accoya® are exciting steps in the global development of both products.

I continue to believe the long term value in the Group will be best achieved by licensing our technology and in this respect I am increasingly confident that the progress made over the last year has put the Group in an excellent position to secure licence income in the future. The increasing Accoya® and now Medite Tricoya® sales will further help seed markets and we will continue to progress the existing and new licence opportunities. However I note that while some of these negotiations are more advanced, these remain significant decisions and there can be no certainty that they will progress. As a result we continue to also focus on increasing Accoya® sales with a view to making the Arnhem plant and ultimately the Group, profitable without requiring licence income.

Gordon Campbell
Non-executive Chairman
9 July 2012

Chief Executive's Report

Accoya® and Tricoya®

The Group markets its acetylated solid wood product under the brand name Accoya®. Accsys' proprietary acetylation technology modifies sustainably grown timber in a non-toxic process to create a modified wood that matches or exceeds the durability, stability and beauty of the very best tropical hardwoods while remaining significantly more sustainable than substitute products.

These attributes make Accoya® wood a highly effective solution for a wide range of external applications including doors, windows, cladding, decking, shutters, louvers, civil works, landscaping, outdoor furniture and more.

During the period, Accsys' joint development partner, Medite Europe, commenced commercial sales of Medite Tricoya Extreme Durable MDF. Based upon Accsys' proprietary technology, many of the properties and benefits which are found in Accoya® are also found in Tricoya®, including enhanced dimensional stability and durability. The Tricoya® technology represents a major innovation in the wood panel industry and is leading to a new generation of wood based panel products.

Steady progress

During the year we have continued to make significant advances towards delivering on our strategy of seeding the market and developing licensing and strategic opportunities as well as maintaining a focus on working capital management.

This has been reflected by the exciting introduction of Medite Tricoya® to the market place, significantly improved market awareness of Accoya® following renewed campaigns by our marketing team and the progress made in the securing of potential licensees. This included the signing of an option agreement for the production of Tricoya® and the more recent agreement of a conditional licence agreement with Solvay for the production and sale of Accoya® in Europe.

Whilst revenue growth of 10% was less than we had hoped due to the challenging market conditions, the situation improved in the second half of the year with increased interest in Accoya® and Tricoya®. Revenue for the second half of the year further increased by 41% compared to the six months to 30 September 2011.

We were also delighted to announce a strategic collaborative relationship with BP under which BP will supply acetyls products for Accoya®, Tricoya® and related technology and under which BP would provide support in relation to Accsys' current operations. It is also proposed that BP will offer guidance to Accsys' potential licensees on acetyls related matters.

We have continued to focus on cost control and working capital management throughout the year resulting in other operating costs down by 9% compared to the previous year. Our cash balance of €24.6m at 31 March 2012 is a result of a net cash out-flow from operating activities of €3.7m in the year compared to €17.7m in the previous year.

The improvement in gross operating margin from a 4% loss to a 0.3% loss resulted from improved operating efficiencies and price increases introduced in the first part of 2011. Furthermore, it improved from a 7% loss in the six months to September 2011 to a profit of 5% in the second six months of the year and we expect profitability to continue to improve as our sales volumes increase given the running of the plant in Arnhem involves an element of fixed costs.

Licensing activity

In June 2012 we entered into a licence agreement with Solvay for the production and sale of Accoya® using Accsys' proprietary acetylation technology. The licence provides for the conditional grant to Solvay of exclusive rights for a 15 year period to produce and sell Accoya® within the Council of Europe save for Belgium, Ireland, Luxemburg, the Netherlands and the United Kingdom in return for Solvay paying Accsys licence and royalty fees. The agreement allows for the construction of multiple Accoya® production plants, with the first plant having an initial capacity of approximately 63,000 m³ of Accoya® output.

Both parties have been working together extensively in many areas. The engineering design of the plant has already commenced and the completion of the basic engineering plan has been commissioned. Solvay has commissioned a detailed market promotion program in countries within its territory. The agreement is conditional on certain limited provisions being satisfied, including the formal approval of both Accsys and Solvay's board of directors. Whilst there can be no certainty that such conditions will be satisfied, both parties currently expect that the agreement will become unconditional and fully effective in the second half of 2013. In the meantime Accsys has been commissioned to produce a comprehensive Process Design Package.

It is expected that many of Accsys' existing distributors and customers in the region will be introduced to Solvay and that the resulting relationship will drive greater market penetration of Accoya® by guaranteeing larger scale production and the resulting availability and competitiveness.

In April 2012 we entered into a licence option agreement with a leading MDF and Particle Board manufacturer in Latin America for the production and sale of Tricoya® based panels. The option is for exclusive production and distribution rights for an initial volume of approximately 60,000 metric tonnes of Tricoya® per annum, equating to around 90,000 m^3 of Tricoya® branded MDF exclusively for the Latin American market (excluding Brazil, for which rights are non-exclusive). During the two-year term of the option agreement, the option holder will carry out an extensive evaluation of Tricoya® material, including market testing, production testing and the development of end-products. If this evaluation is successful, a full licence agreement may be entered into. All substantial terms of the licence agreement, including licence fees, brand rights, and mutual obligations of the parties have been agreed.

Both of these agreements represent very important steps forward in Accsys' main objective in licensing the Company's technology. The recent Tricoya® licence option agreement confirms the significant growth potential that the Tricoya® technology adds to our existing wood modification technology platform and is opening up new opportunities to further penetrate the worldwide panel products market estimated to be worth more than €60 billion annually.

We have also been developing a number of negotiations with other potential licensees of both Accoya® and Tricoya® and while I am pleased with the progress being made, it is important to note that any negotiations take time to complete due to the complexity of the technology and licence terms involved.

Progress with our two existing licensees, Diamond Wood and Al Rajhi, has continued to be disappointingly slow. Diamond Wood has not yet completed its planned fund-raising having previously informed us that they were at an advanced stage in preparing the submission for the listing of Diamond Wood on the junior market of the Malaysian Stock Exchange. Subject to regulatory review and formal due diligence processes, they had hoped to be able to undertake an Initial Public Offering during the first quarter of 2012, however this has not yet been completed. We have worked with Diamond Wood management and re-commenced some sales of Accoya® which are expected to increase as soon as its funding issues have been resolved in order to meet the continuing demand of customers in the China and South-East Asia region. During the year we have recorded a €0.6m reversal of a previously recorded impairment of licensee receivables as a result of contractual licence fees received from Diamond Wood shortly after the year-end.

Progress with Al Rajhi has also been slower than previously anticipated. We remain confident that in the longer term, the licence will progress, however a significant degree of uncertainty remains over the timing of their investment. As a result we believe it is prudent to impair the €2.9m of net assets which Accsys previously recorded in respect of this licence. This resulted in a non-cash charge being recorded in the income statement.

Global sales and distribution of Accoya® wood

Revenue from the sales of Accoya® increased by 8% compared to the previous year. We previously reported that sales in the first half of the year were particularly challenging. Accoya® revenue in the six months to September 2011 was 15% less than the same period in the previous year, largely attributable to lower sales to Diamond Wood and a number of customers, in particular in Germany, having reduced their inventory levels to reflect the slower market conditions.

We are pleased that results in the second half of the year improved, with Accoya® revenue for the six months to March 2012 increasing by 46% compared to the first six months of the year and 33% compared to the same period in the previous year. This significant increase was partly attributable to sales to Medite supporting their manufacture of Medite Tricoya®. Excluding sales to Medite, Accoya® revenue increased by 8% in the second half of the year compared to the first.

The economic conditions, in particular those experienced in the wider wood products and buildings industry have continued to result in lower demand than previously expected. Despite this, we are experiencing an increasing amount of interest in our products and this has been reflected in recent orders received.

We have signed four new distribution or agency agreements since November 2011, with the new agreements covering Czech Republic, Italy, Korea and Lebanon and the U.A.E. The total of 35 distribution or agency agreements now covers most of Europe, Australia, Canada, Chile, India, Morocco, New Zealand, China, parts of South-East Asia and the USA.

We have continued to work closely with many of our distributors and customers and were particularly pleased by the introduction of hybrid Accoya® and softwood joinery components (face laminated) by some of our European customers as a means of opening additional price-levels in the market. We are in the process of arranging our second annual global sales and strategy meeting with our distributors to be held in Windsor in September following the success of the first meeting in the year.

Brand development

We continue to invest in developing the Accoya® and Tricoya® brands across the globe. We have exhibited at many trade shows over the last year including major events such as Timber Expo and Ecobuild in the UK, Dubo Nationale in the Netherlands, Batimat and Carrefour de Bois in France, Maderalia in Spain, Fensterbau in Germany, Bois et Habitat and Project Build in Belguim, By Reiss Degg in Norway, Greenbuild in Canada and the American Institutes of Architects in USA. We work closely with our distributors and have attended many other exhibitions where they have taken the lead and feature their end-products on our stands to help highlight the application benefits of Accoya®.

We have continued to improve our websites; adding new projects, offering more relevant information to users and introducing enhanced sections of our websites in Dutch, French and German, all of which have resulted in increased website traffic. The Medite Tricoya® website was also launched in December. Distributors have access to their own protected "Toolkit" website that provides sales and marketing tools, including in-depth technical information to facilitate their efforts.

Following on from our success earlier in the year in winning the North American Architects magazine R&D award and the UK Timber Trade Journal's 2011 Market Development award, Accoya® won "Technology of the Year" at the Sustain Magazine Awards. The Accoya® Moses Bridge project also won the Archdaily.com project of the year award.

Our sales and marketing teams have carried out many other direct marketing activities ranging from the introduction of Accoya® Performance Brochures and Professional Accoya® samples boxes, through support activities such as on-line architectural training courses and the Accoya® manufacturer's certification training scheme to the continuation of targeted e-mail campaigns, direct mailing, and trade press advertising.

Technology and product development

We have continued to invest in developing our technology in order to increase the productivity and efficiency of our plant and for the potential benefit of our licensees. This has included research, testing and implementation of process changes and the installation of new equipment which has also helped reduce maintenance and increase reliability.

Significant work has been carried out developing analytical methods and mathematical models which have further increased our knowledge of both our processes and products which have created opportunities to improve our capacity, product uniformity as well as production cycle time and energy consumption. In addition we have continued to carry out research which will lead to improved product quality.

We were pleased to introduce Accoya® Alder to our product offering following a period of development and testing. Red Alder is considered an attractive hardwood species which is popular for internal joinery and door applications. We have been able to adapt our proprietary technology to produce Accoya® Alder which provides superior performance, similar to that of Accoya® Radiata, including in respect to its durability class, dimensional stability and hardness. We believe this adaptation of our technology will ultimately add value to our commercial proposition. European hardwood has also been tested and is expected to be introduced.

We have continued the research and development of other wood species which we expect to introduce to the market over the next two years. These will benefit us and our potential licensees by increasing the number of end-product offerings as well as introducing more raw material sourcing options.

We have also carried out an extensive structural characteristic test programme and, in collaboration with a leading architectural and engineering house, we expect to publish an Accoya® Structural Design Guide later this summer.

We significantly strengthened our intellectual property portfolio having successfully been granted additional patents protecting Accoya® wood. As previously announced earlier in the financial year, the grant of a process patent allows the Company to robustly protect the process under which Accoya® can be manufactured in both South Africa and the United Kingdom. In June 2012, we were delighted to have further added to our patent portfolio, receiving confirmation from the Intellectual Property Office in the United Kingdom of the grant of Accoya® product patent claims. With this latest product patent in place, we have successfully managed to secure monopoly rights for Accoya® in the United Kingdom for 20 years from the patent filing date. In so doing, we are optimistic as to our ability to achieve product patents to protect the Accoya® brand in other global territories. In order to continue to secure the intellectual property which we are developing, as is the normal course of business within licensing models, we have continued to make further patent filings to protect not only the process and equipment used in the production of Accoya® and Tricoya®, but the products themselves.

Outlook

The progress in developing Tricoya® during the year has marked an important point in the Company's progress. We expect that the commercial launch of Medite Tricoya® by our Joint Development Partner followed by the licence option agreement for the South American market will be the first steps towards making Tricoya® the first new global, truly innovative panel product for many years.

The agreement with Solvay represents another significant step in the Company's development, reflecting a commitment to the next stage in the successful commercialisation of Accoya® and its acceptance as the globally recognised leading high technology, high performance, modified wood.

Sales of Accoya® were affected by the underlying economic climate however strong sales growth through the second half gives us cause for optimism in the new financial year. Furthermore, I am confident that the progress we have made in building the brand, product development and increasing the distribution network strengthens our position to increase sales going forward.

I continue to expect that the increased sales will result in the plant breaking even and the Company ultimately generating profit, even without taking account of any licence income. The first stage of the sale and leaseback of the Arnhem land and buildings, which was completed in the year, enables us to plan the next stage of the expansion of the Arnhem plant. However we will only progress with the expansion when the timing is right, taking into account our sales growth and success in securing licensed production capacity.

Paul Clegg
Chief Executive Officer
9 July 2012

Financial Review

Income statement

Revenue

Total manufacturing revenue increased by 10% to €14.9m (2011: €13.6m). Within manufacturing revenue, sales from Accoya® wood increased by 8% to €13.6m, reflecting increased sales demand at our Arnhem facility together with price increases introduced earlier in 2011. Total Group revenue of €15.0m (2011: €13.7m) was an increase of 10%. Revenue from licensing activities was in line with last year at €0.1m (2011: €0.1m) and was attributable to fees paid in respect of licence option agreements.

Cost of sales

Cost of sales has increased by 6% to €15.1m (2011: €14.2m). Gross operating margin improved from a 4% loss to a 0.3% loss, resulting from improved operating efficiencies and the price increases referred to above. The gross operating margin improved from a 7% loss in the six months to September 2011 to a profit of 5% in the second six months of the year.

Impairment of licence related assets

€2.3m net impairment of licensee receivables recorded in the year compared to a net €0.4m reversal of licensee receivables recorded in the prior year. This consists of €2.9m attributable to Al Rajhi, representing a non-cash impairment of licensee net receivables (consisting of €5.4m prepaid commission costs net of €2.55m deferred income) recorded in previous years. The impairment has been recorded as uncertainty remains as to whether the licence will proceed.

This has been off-set by €0.6m reversal of a previously recorded impairment booked in respect of Diamond Wood. The impairment was reversed as a result of Diamond Wood paying contractually due technology fees subsequent to the year-end.

The €0.4m reversal of licensee receivables recorded in the prior year was attributable to the Diamond Wood paying contractually due technology fees subsequent to the year-end.

Other operating costs

Other operating costs decreased by 9% to €12.5m (2011: €13.7m). This was attributable to a maintained focus on cost reduction together with reduced headcount. Included within other operating costs are restructuring costs of €nil (2011: €0.2m) relating to the termination payments made to staff. The group has now reduced operating costs by 32% and headcount by 25% over the last three years. Headcount reduced from 98 at the start of the year to 94 at 31 March 2012.

Loss from operations

The increase in loss from operations to €14.8m (2011: loss of €13.8m) is as a result of a charge recorded in the year for the impairment of licence related assets which was not present in the previous year. Before impairment charges the loss from operations was €12.5m (2011: loss of €14.0m) as a result of improved manufacturing gross margin and reduced other operating costs.

Finance income

Finance income of €154,000 (2011: €18,000) represents interest receivable on bank deposits.

Finance expense

The finance expense of €240,000 (2011: €66,000) is due to the equity line of credit (which expired on 31 March 2012) and finance lease charges associated with the sale and leaseback of part of the Groups land and buildings in Arnhem.

Taxation

The net tax credit of €536,000 (2011: €553,000 charge) represents a tax charge arising from the utilisation of tax losses of €573,000 offset by research and development tax credits of €1.1m attributable to activities carried out in the current and preceding two years.

Dividends

No final dividend is proposed in 2012 (2011 final dividend: €Nil). The Board deems it prudent for the Company to maintain as strong a balance sheet as possible during the current phase of the Company's growth strategy.

Earnings per share

Basic and diluted loss per share was €0.04 (2011 basic and diluted loss per share was €0.06).

Balance sheet

Property, plant and equipment

Property, plant and equipment additions of €1.1m (2011: €1.1m) predominantly relate to technology improvements and significant items of maintenance equipment at our Arnhem production facility. During the period the Group entered into a sale and leaseback agreement for part of the Arnhem land and buildings. See note 24.

Available for sale investments

Accsys Technologies PLC has previously purchased a total of 21,666,734 unlisted ordinary shares in Diamond Wood China. The historical cost of the unlisted shares held at 31 March 2012 is €10m (2011: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded, as at 31 March 2012 the conclusion of Diamond Wood finalising its funding arrangements was still pending. In the event Diamond Wood completes the fund-raising, the balance may be re-valued.

Inventory

The Group had total inventory balances of €3.1m (2011: €8.4m). Finished goods consisting of Accoya® represented €2.1m (2011: €4.4m) and raw materials consisting of unprocessed lumber represented €0.8m (2011: €4.0m) with the remainder of the balance being work in progress. The significant decrease is attributable to increased sales in the period being processed from existing stock, built up in the prior period due in large to Diamond Wood postponing orders, for which raw materials, often for their unique market needs, had already been ordered or received.

Cash and cash equivalents

The Group had cash and bank deposits of €24.6m at the end of the period (2011: €27.6m). The decrease in the year is mainly the result of €3.7m of cash out-flows from operating activities (including €5.3m net decrease in inventory largely resulting from processing sales from existing stock as described above), €1.2m outflow from investing activities (including €1.1m of capital expenditure) and a €0.4m outflow from financing activities. This was offset by an inflow of €2.2m relating to the sale and leaseback of part of the Groups land and buildings in Arnhem.

New equity

On 2 August 2011, a total of 783,283 of Ordinary shares were issued to a trust under the terms the Employee Share Participation Plan at €0.11 per share. On 23 January 2012, a total of 130,831 Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan at €0.09 per share. On 31 December 2011, 2,500,000 shares were released from the Employee Benefit Trust to the relevant Executive Directors and Senior Managers following the vesting of such shares and payment of the nominal value of the shares by the individuals.

Trade and other receivables

Trade and other receivables have decreased to €3.6m (2011: €9.6m) primarily as the result of the impairment of €5.4m of prepaid licence commission costs attributable to the Al Rajhi licence contract together with increased focus upon reducing the collection period of trade receivables.

Trade and other payables

Trade and other payables have decreased to €3.3m (2011: €6.3m) primarily as a result of the release of €2.6m of deferred income attributable to the Al Rajhi licence agreement, as described above together with reduced expenditure in respect of other operating expenses.

Finance lease creditor

During the period the Group entered into a sale and leaseback agreement for part of the Arnhem land and buildings. The first phase has been completed resulting in proceeds of €2.2m with a further €1.8m to be received. At 31 March 2012 there are €0.3m of obligations under finance leases due within 1 year, €0.8m due between 2 and 5 years and €1.1m due after 5 years.

Capital structure

Details of the issued share capital, together with the details of the movements in the Company's issued share capital in the year are included in note 22. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in Note 13. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Risks and uncertainties

The net assets as at 31 March 2012 of €61m contain balances in relation to the Group's goodwill and intellectual property rights of €7.6m. The recoverability of these balances is dependent upon the Group's existing licensees progressing with the completion of their manufacturing facilities or the signing of other new licence agreements. While the scope and timing of the production facilities to be built by the Group's existing licensees remains uncertain, in particular as Diamond Wood has not yet completed its planned fund raising, the Directors continue to remain confident that revenue from either existing licensees or new licensees will be generated, demonstrating the recoverability of these balances.

In addition, the carrying value of the €25.6m of property, plant and equipment, which primarily relate to the Arnhem plant, are largely dependent upon the future profitable sales of Accoya® wood made there. The price of the Accoya® wood and the raw materials and other inputs vary according to market conditions outside of our control. Should the price of the raw materials increase by more than the sales price or in a way which no longer makes Accoya® wood as competitive, then the carrying value of the property, plant and equipment may be in doubt and become impaired. The Directors are comfortable that the current market, best estimates of future prices and increasing supply alternatives means that this risk is limited.

Going concern

The financial statements are prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future, which is deemed to be at least 12 months from the date these financial statements are approved.

As part of the Group's going concern review, the Directors have reviewed the Group's trading forecasts and working capital requirements for the foreseeable future. These forecasts indicate that, in order to continue as a going concern, the Group is dependent on the achievement of certain operating performance measures relating to the production and sales of Accoya® wood from the plant in Arnhem and the collection of on-going working capital items in line with internally agreed budgets. No assumptions have been made concerning the collection of licence income from existing or new licensees.

The Directors have considered the internally agreed budgets and performance measures and believe that appropriate controls and procedures are in place or will be in place to make sure that these are met. The Directors believe, while some uncertainty inherently remains in achieving the budget, in particular in relation to market conditions outside of the Group's control, that there are a sufficient number of alternative actions and measures that can be taken in order to achieve the Group's medium and long term objectives.

Therefore, the Directors believe that the going concern basis is the most appropriate on which to prepare the financial statements.

Hans Pauli
Chief Financial Officer
9 July 2012

Directors Report for the year ended 31 March 2012

The Directors present their report together with the audited consolidated financial statements for the year ended 31 March 2012.

Results and dividends

The consolidated statement of comprehensive income for the year is set out on page 16, and shows the loss for the year.

The Directors do not recommend the proposal of a final dividend in respect of the current year, consistent with the prior year.

Principal activities and review of the business

The principal activity of the Group is the production and sale of Accoya® solid wood and licensing of technology for the production and sale of Accoya® wood and Tricoya® wood elements. Manufactured through the Group's proprietary acetylation process, these products exhibit superior dimensional stability and durability compared with alternative natural, treated and modified woods as well as more resource intensive man-made materials. A review of the business is set out in the Chairman's statement and the Chief Executive's report on pages 1 to 5.

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are set out in Note 25 of the financial statements.

Share issues

On 2 August 2011, a total of 783,283 of Ordinary shares were issued to a trust under the terms of a newly established Employee Share Participation Plan. (See note 13).

On 23 January 2012, a total of 130,831 Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan.

Principal risks and uncertainties

The business, financial condition or results of operations of the Group could be adversely affected by any of the risks set out below. The Group's systems of control and protection are designed to help manage and control risks to an appropriate level rather than to eliminate them.

The Directors consider that the principal risks to achieving the Group's objectives are those set out below.

(a) Economic and market conditions

The Group's operations comprise the manufacture of Accoya® wood and licensing the technology to manufacture Accoya® and Tricoya® wood elements to third parties. The cost and availability of key inputs affects the profitability of the Group's own manufacturing whilst also impacting the potential profitability of third parties interested in licensing the Group's technology. The price of key inputs and security of supply are managed by the Group, partly through the development of long term contractual supply agreements.

In the current economic climate, the potential to enter into additional licence agreements may be lower than originally anticipated.

An element of the Group's strategy for growth envisages the Group selling new or existing products and services into other countries or into new markets. However, there can be no assurance that the Group will successfully execute this strategy for growth. The development of a mass market for a new product or process is affected by many factors, many of which are beyond the control of the Group, including the emergence of newer and more competitive products or processes and the future price of raw materials. If a mass market fails to develop or develops more slowly than anticipated, the Group may fail to achieve profitability.

The Group has Intellectual Property Rights and Goodwill amounting to €7.6m. The carrying values of these assets are dependent on new or existing licensees building their production plants and executing their business plans. See the Financial Review for more details.

(b) Regulatory, legislative and reputational risks

The Group's operations are subject to extensive regulatory requirements, particularly in relation to its manufacturing operations and employment policies. Changes in laws and regulations and their enforcement may adversely impact the Group's operations in terms of costs, changes to business practices and restrictions on activities which could damage the Group's reputation and brand.

(c) Employees

The Group's success depends on its ability to continue to attract, motivate and retain highly qualified employees. The highly qualified employees required by the Group in various capacities are sometimes in short supply in the labour market.

(d) Intellectual property

The Group's strategy of licensing technology depends upon maintaining effective protection of its intellectual properties worldwide. Protection is afforded by a combination of trademarks, patents, secrecy, confidentiality agreements and the structuring of legal contracts relating to key engineering and supply arrangements. Unauthorised use of the Group's intellectual property may adversely impact its ability to license the technology and lead to additional expenditure to enforce legal rights. The wide geographical spread of our products increases this risk due to the increasingly varied and complex laws and regulations in which we seek to protect the Group's intellectual property.

Key performance indicators

The Directors consider the following to be key performance indicators by which progress in the development of the business may be assessed:

- Sales values of Accoya® wood and the geographic spread of these sales;
- Annual nameplate capacity of the Accoya® wood production facility in Arnhem - see the Chief Executive's report for more information;
- The volume in m^3 of licensee's production facilities in use. There are currently no licensee production facilities in use;
- Process improvements to reduce progressively the direct cost per m^3 to produce Accoya® wood, optimising the utilisation of direct materials, utilities and capacity utilised in the wood modification process; and
- Break-even of the Arnhem plant.

Future developments

The Directors' priorities for the Group's future development include:

- Creating a worldwide user community – building a global network to sell, support, provide feedback and licence our products;
- Product excellence – perfecting our engineering process to increase efficiencies, maximise product quality and demonstrate the operating platform to future potential licensees;
- Protecting our knowledge – developing and promoting the Accoya® Technology Centre;
- Building the Accoya® and Tricoya® brands – marketing the many superior benefits of Accoya® and Tricoya® internationally; and
- Being first and maintaining leadership – continual development of new species testing and creation of new products.

Directors

The Directors of the Company during the year and up to the date of signing the financial statements were:

Paul Clegg
Hans Pauli
Gordon Campbell
The Rt. Hon. Lord Sanderson of Bowden, Kb, D.L.
Patrick Shanley
Nick Meyer appointed 17 May 2011

Directors' interests in the Ordinary shares of the Company

The Directors' interests in the Ordinary shares at the year-end were as follows:

	Legal holdings		Beneficial interests	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Gordon Campbell	173,333	173,333	-	-
Paul Clegg[1]	690,910	341,110	436,563	750,000
Hans Pauli	400,590	200,000	22,727	500,000
Lord Sanderson	15,761	15,761	-	-
Patrick Shanley	166,666	166,666	-	-
Montague John "Nick" Meyer	75,000	-	-	-

1 Beneficial interests at 31 March 2012 include 333,500 shares held directly or indirectly by other members of Paul Clegg's immediate family.

Directors' indemnities

The Company maintains directors' and officers' liability insurance which gives appropriate cover for legal action brought against its Directors.

Charitable donations

Charitable donations of €nil (2011: €2,000) were made during the year.

Employment policies

The Group operates an equal opportunities policy from recruitment and selection, through training and development, appraisal and promotion to retirement. It is our policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status or sexual orientation. All decisions relating to employment practises will be objective, free from bias and based solely upon work criteria and individual merit.

Health and safety

Group companies have a responsibility to ensure that all reasonable precautions are taken to provide and maintain working conditions for employees and visitors alike, which are safe, healthy and in compliance with statutory requirements and appropriate codes of practice.

The avoidance of occupational accidents and illnesses is given a high priority. Detailed policies and procedures are in place to minimise risks and ensure appropriate action is understood in the event of an incident. A dedicated health and safety officer is retained at the Group's manufacturing facility.

Creditor payment policy

The Group's policy, in relation to all of its suppliers, is to negotiate terms of payment when agreeing the terms of transactions, to ensure that those suppliers are made aware of the terms of payment and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not follow any universal code or standard on payment practice but subsidiary companies are expected to establish and adhere to payment terms consistent with local procedures, custom and practice. For the year ended 31 March 2012, the average payment period for trade creditors for the Group was 26 days (2011: 29 days) and for the Company was 90 days (2011: 90 days).

Significant shareholdings

So far as the Company is aware (further to formal notification), the following shareholders held legal or beneficial interests in ordinary shares of the Company exceeding 3% as at 31 March 2012:

• Royal Bank of Canada	5.73%
• OP-Pohjola Group Central Cooperative	5.55%
• The London & Amsterdam Trust Company Limited	5.13%
• FIL Limited (formerly known as Fidelity International Limited)	4.93%
• Invesco Limited	4.87%
• Legal & General Group Plc (L&G)	4.22%
• Saad Investments Company Limited	3.92%
• Zurab Lysov	3.71%
• Ignis Investment Services Limited	3.15%

There are no restrictions in respect of voting rights.

Going concern

The Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future. Further details are set out in Note 1 to these financial statements.

Disclosure of information to auditors

Each of the persons who is a Director at the date of the approval of the Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the annual general meeting.

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The Group financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.
- The annual report includes a fair review of the development and performance of the business and the financial position of the Group and the parent Company, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Angus Dodwell
Company Secretary
9 July 2012

Corporate Governance

Details of the Company's corporate governance arrangements are set out below. The Board of Directors acknowledges the importance of the Principles set out in The UK Corporate Governance Code issued by the Financial Reporting Council. The 2010 UK Corporate Governance Code is not compulsory for AIM listed or Euronext listed companies. The Board has applied the principles as far as practicable and appropriate for a relatively small public company.

The Board of Directors

Throughout the period, the Board comprised a non-executive Chairman, two executive Directors and a minimum of two non-executive directors.

The Board meets regularly and is responsible for strategy, performance, approval of major capital projects and the framework of internal controls. The Board has a formal schedule of matters specifically reserved to it for decision. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

During the year, all serving Directors attended the quarterly Board meetings that were held. In addition to the scheduled meetings there is frequent contact between all the Directors in connection with the Company's business including Audit and Nomination and Remuneration committee meetings which are held as required, but as a minimum twice per annum. Additional board meetings were held during the year in connection with certain specific matters such as the sale and leaseback of the Arnhem land and buildings.

Directors are subject to re-election by the shareholders at Annual General Meetings. The Articles of Association provide that Directors will be subject to re-election at the first opportunity after their appointment and the Board submit to re-election at intervals of three years.

Day to day operating decisions are made by the Management board of which the Chief Executive Officer and the Chief Financial Officer are members.

Audit Committee

The Audit Committee consists of Patrick Shanley (Chairman), Gordon Campbell, Lord Sanderson and from 17 May 2011, Nick Meyer. The Audit Committee meets at least twice a year and is responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements prior to their submission for approval by the Board. The Committee also discusses the scope of the audit and its findings and considers the appointment and fees of the external auditors. The Audit Committee continues to believe that it is not currently appropriate for the Company to maintain a dedicated internal audit function due to its size.

The Audit Committee considers the independence and objectivity of the external auditors on an annual basis, with particular regard to non-audit services. The non-audit fees are considered by the Board not to affect the independence or objectivity of the auditors. The Audit Committee monitors such costs in the context of the audit fee for the period, ensuring that the value of non-audit service does not increase to a level where it could affect the auditors' objectivity and independence. The Board also receives an annual confirmation of independence from the auditors.

Nominations & Remuneration Committee

The Nominations and Remuneration Committee consists of Lord Sanderson, Gordon Campbell, Patrick Shanley and from 17 May 2011, Nick Meyer. Lord Sanderson acted as Chairman until 24 April 2012 when Nick Meyer assumed the role. The Committee's role is to consider and approve the nomination of directors and the remuneration and benefits of the executive Directors, including the award of share options and bonus share awards. In framing the Company's remuneration policy, the Nominations & Remuneration Committee has given full consideration to Section D of The UK Corporate Governance Code.

Internal Financial Control

The Board is responsible for establishing and maintaining the Company's system of internal financial control and places importance on maintaining a strong control environment. The key procedures which the Directors have established with a view to providing effective internal financial control are as follows:

- The Company's organisational structure has clear lines of responsibility;

- The Company prepares a comprehensive annual budget that is approved by the Board. Monthly results are reported against the budget and variances are closely monitored by the Directors; and

- The Board is responsible for identifying the major business risks faced by the Company and for determining the appropriate courses of action to manage those risks.

The Directors recognise, however, that such a system of internal financial control can only provide reasonable, not absolute, assurance against material misstatement or loss.

Relations with shareholders

Communications with shareholders are given high priority.

There is regular dialogue with shareholders including presentations after the Company's preliminary announcement of the year-end results and six monthly results. The Board uses the Annual General Meeting to communicate with investors and welcomes their participation. The Chairman aims to ensure that the Directors are available at Annual General Meetings to answer questions.

Directors' attendance record

The attendance of individual directors at meetings of the Board and its committees in the year under review was as follows:

	Board		**Audit Committee**		**Nominations & Remuneration Committee**	
Number of meetings	**Attended**	**Serving**	**Attended**	**Serving**	**Attended**	**Serving**
Gordon Campbell	5	12	3	3	3	3
Paul Clegg	12	12	3	-	2	-
Hans Pauli	12	12	3	-	2	-
Lord Sanderson	5	12	3	3	3	3
Patrick Shanley	5	12	3	3	3	3
Montague John "Nick' Meyer (1)	3	10	2	2	2	2

Whilst all Directors are not members of the Board Committees they attend by invitation.

Figures in the left hand column denote the number of meetings attended and figures in the right hand column denote the number of meetings held whilst the individual held office.

Notes

(1) Appointed as a Director on 17 May 2011

Statement of Directors' responsibilities

Directors' responsibilities

The directors are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated statement of comprehensive income for the year ended 31 March 2012

	Note	2012 €'000 Before Al Rahji and Diamond Wood adjustments	2012 €'000 Al Rahji and Diamond Wood adjustments (Note 6)	2012 €'000 Total	2011 €'000 Before Diamond Wood adjustments and restructuring costs	2011 €'000 Diamond Wood adjustments and restructuring costs (Notes 3 and 6)	2011 €'000 Total
Accoya® wood revenue		13,574	-	13,574	12,567	-	12,567
Licence revenue		75	-	75	70	-	70
Other revenue		1,353	-	1,353	1,063	-	1,063
Total revenue	2	15,002	-	15,002	13,700	-	13,700
Total cost of sales		(15,050)	-	(15,050)	(14,209)	-	(14,209)
Gross loss		(48)	-	(48)	(509)	-	(509)
Other operating costs before restructuring costs	3	(12,497)	-	(12,497)	(13,486)	-	(13,486)
Restructuring costs	3	-	-	-	-	(202)	(202)
Total other operating costs		(12,497)	-	(12,497)	(13,486)	(202)	(13,688)
(Impairment)/release of impairment of licensee receivables	6	-	(2,281)	(2,281)	-	394	394
Operating (loss)/profit	7	(12,545)	(2,281)	(14,826)	(13,995)	192	(13,803)
Finance income	8	154	-	154	18	-	18
Finance expense	9	(240)	-	(240)	(66)	-	(66)
				-			
(Loss)/profit before taxation		(12,631)	(2,281)	(14,912)	(14,043)	192	(13,851)
Tax credit/(charge)	10	536	-	536	(553)	-	(553)
(Loss)/profit for the period		(12,095)	(2,281)	(14,376)	(14,596)	192	(14,404)
Gain/(loss) arising on translation of foreign operations		35	-	35	(14)	-	(14)
Total comprehensive loss for the period		(12,060)	(2,281)	(14,341)	(14,610)	192	(14,418)
Basic and diluted loss per ordinary share	12			€(0.04)			€(0.06)

All results are derived from continuing operations.

The notes on pages 20 to 41 form part of these financial statements.

Consolidated statement of financial position at 31 March 2012

Registered Company 05534340

	Note	2012 €'000	2011 €'000
Non-current assets			
Intangible assets	14	7,579	7,576
Property, plant and equipment	15	25,614	26,427
Available for sale investments	16	-	-
Deferred tax	17	1,522	2,095
		34,715	36,098
Current assets			
Inventories	19	3,120	8,420
Trade and other receivables	20	3,576	9,589
Cash and cash equivalents		24,574	27,576
Corporation tax		1,117	8
		32,387	45,593
Current liabilities			
Trade and other payables	21	(3,385)	(6,317)
Obligation under finance lease	24	(264)	-
		(3,649)	(6,317)
Net current assets		28,738	39,276
Non-current liabilities			
Obligation under finance lease	24	(1,960)	-
		(1,960)	-
Net assets		61,493	75,374
Equity and reserves			
Share capital - Ordinary shares	22	4,040	4,031
Share premium account		124,887	124,809
Capital redemption reserve		148	148
Warrants reserve		82	82
Merger reserve		106,707	106,707
Accumulated loss		(174,415)	(160,387)
Own shares		-	(25)
Foreign currency translation reserve		44	9
Total equity		61,493	75,374

The financial statements were approved by the Board and authorised for issue on 9 July 2012

Paul Clegg)
) **Directors**
Hans Pauli)

The notes on pages 20 to 41 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2012

	Share capital Ordinary €000	Share premium €000	Capital redemption reserve €000	Warrant reserve €000	Merger reserve €000	Own Shares €000	Foreign currency translation reserve €000	Retained earnings €000	Total €000
Balance at 31 March 2010	2,006	98,748	148	82	106,707	-	23	(146,157)	61,557
Total comprehensive expenses for the period	-	-	-	-	-	-	(14)	(14,404)	(14,418)
Share based payments	-	-	-	-	-	-	-	174	174
Shares issued	2,025	-	-	-	-	(25)	-	-	2,000
Premium on shares issued	-	28,000	-	-	-	-	-	-	28,000
Share issue costs	-	(1,939)	-	-	-	-	-	-	(1,939)
Balance at 31 March 2011	4,031	124,809	148	82	106,707	(25)	9	(160,387)	75,374
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	35	(14,376)	(14,341)
Share based payments	-	-	-	-	-	-	-	348	348
Shares issued	9	-	-	-	-	25	-	-	34
Premium on shares issued	-	78	-	-	-	-	-	-	78
Balance at 31 March 2012	4,040	124,887	148	82	106,707	-	44	(174,415)	61,493

Share capital is the amount subscribed for shares at nominal value (note 22).

Share premium represents the excess of the amount subscribed for share capital over the nominal value of these shares, net of share issue expenses. Share issue expenses comprise the costs in respect of the issue by the Company of new shares.

Capital redemption reserve represents the amounts transferred from share capital on redemption of deferred shares.

Warrant reserve represents the costs associated with the issue of warrants, calculated using a Black-Scholes model.

Merger reserve arose prior to transition to IFRS when merger accounting was adopted.

Own shares represents 2,500,000 shares issued to an Employee Benefit Trust at nominal value on 22 February 2011. These shares were released to the employees after 31 December 2011. See note 13.

Shares issued in the year together with premium arose from shares issued under the newly formed Employee Share Participation Plan. See note 13.

Foreign currency translation reserve arises on the re-translation of the Group's USA subsidiary's net assets which are denominated in a different functional currency, being US dollars.

Retained earnings represent the cumulative loss of the group attributable to the owners of the parent.

The notes on pages 20 to 41 form part of these financial statements.

Consolidated statement of cash flow for the year ended 31 March 2012

	2012 €'000	2011 €'000
Loss before taxation	(14,912)	(13,851)
Adjustments for:		
Amortisation of intangible assets	280	264
Depreciation of land, property, plant and equipment	1,877	1,630
Loss on disposal of property, plant and equipment	-	8
Net finance expense	86	48
Impairment/(reversal of impairment) of receivables	2,281	(394)
Equity-settled share-based payment expenses	348	174
Cash flows from operating activities before changes in working capital	(10,040)	(12,121)
Decrease/(increase) in trade and other receivables	3,734	(468)
Decrease in deferred income	(2,550)	-
Decrease/(increase) in inventories	5,300	(4,661)
Decrease in trade and other payables	(161)	(480)
Net cash absorbed by operating activities before tax	(3,717)	(17,730)
Tax received	-	24
Net cash flows from operating activities	(3,717)	(17,706)
Cash flows from investing activities		
Interest received	154	18
Expenditure on capitalised internal development	(283)	(252)
Disposal of property, plant and equipment	-	22
Purchase of property, plant and equipment	(1,065)	(1,073)
Net cash absorbed by investing activities	(1,194)	(1,285)
Cash flows from financing activities		
Proceeds from sale and leaseback	2,236	-
Interest paid	(173)	-
Finance expenses	(12)	-
Proceeds from issue of share capital	89	30,000
Share issue costs	(267)	(1,686)
Net cash from financing activities	1,873	28,314
Net (decrease)/increase in cash and cash equivalents	(3,038)	9,323
Effect of exchange rate changes on cash and cash equivalents	36	(5)
Opening cash and cash equivalents	27,576	18,258
Closing cash and cash equivalents	24,574	27,576

The notes on pages 20 to 41 form part of these financial statements.

Notes to the financial statements for the year ending 31 March 2011

1. Accounting Policies

General information

The financial information set out in these preliminary results does not constitute the company's statutory accounts for the periods ended 31 March 2012 or 31 March 2011. Statutory accounts for the period ended 31 March 2011 have been filed with the Registrar of Companies and those for the period ended 31March 2012 will be delivered to the Registrar in due course; both have been reported on by the auditors. The auditors' report on the Annual Report and Financial Statements for the period ended 31 March 2011 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The auditors' report on the Annual Report and Financial Statements for the period ended 31 March 2012 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Basis of accounting

The Group's financial statements have been prepared under the historical cost convention (except for certain financial instruments and equity investments which are measured at fair value), in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as endorsed by the European Union and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements under adopted IFRS. The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

Going Concern

The financial statements are prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future, which is deemed to be at least 12 months from the date these financial statements are approved.

As part of the Group's going concern review, the Directors have reviewed the Group's trading forecasts and working capital requirements for the foreseeable future. These forecasts indicate that, in order to continue as a going concern, the Group is dependent on the achievement of certain operating performance measures relating to the production and sales of Accoya® wood from the plant in Arnhem and the collection of on-going working capital items in line with internally agreed budgets. No assumptions have been made concerning the collection of licence income from existing or new licensees.

The Directors have considered the internally agreed budgets and performance measures and believe that appropriate controls and procedures are in place or will be in place to make sure that these are met. The Directors believe that while some uncertainty inherently remains in achieving the budget, in particular in relation to market conditions outside of the Group's control, that there are a sufficient number of alternative actions and measures that can be taken in order to achieve the Group's medium and long term objectives.

Therefore the Directors believe that the going concern basis is the most appropriate on which to prepare the financial statements.

Risks and uncertainties

The net assets as at 31 March 2012 of €61m contain balances in relation to the Group's goodwill, capitalised internal development costs and intellectual property rights of €7.6m. The recoverability of these balances is dependent upon the Group's existing licensees progressing with the completion of their manufacturing facilities or the signing of other new licence agreements. While the scope and timing of the production facilities to be built by the Group's existing licensees remains uncertain, the Directors remain confident that revenue from either existing licensees or new licensees will be generated, demonstrating the recoverability of these balances.

In addition, the carrying value of the €25.6m of property, plant and equipment, which primarily relate to the Arnhem plant, are dependent upon the future profitable sales of Accoya® wood made there. The price of the Accoya® wood and the raw materials and other inputs vary according to market conditions outside of our control. Should the price of the raw materials increase greater than the sales price or in a way which no longer makes as Accoya® competitive, then the carrying value of the tangible fixed assets may be in doubt and become impaired. The Directors are comfortable that the current market and best estimates of future prices means that this risk is limited.

Changes in accounting policies

The following new accounting standards, amendments and interpretations issued by the IASB and the IFRIC are effective for the year ended 31 March 2012 but have had no material effect on the results or financial position of the Company disclosed within these financial statements:

- Amendments to IFRS 3 – 'Business Combinations'
- Amendments to IFRS 7 – 'Financial Instruments: Disclosures'
- Amendments to IAS 1 – 'Presentation of Financial Statements'
- Amendments to IAS 24 – ' Related Party Disclosures'
- Amendment to IAS 27 (2008) – 'Separate Financial Statements'
- Amendment to IAS 32 – 'Classification of Rights Issues'
- IFRIC 19 – 'Extinguishing financial liabilities with equity instruments'
- Amendment to IFRIC 13 – 'Customer Loyalty Programmes'

- Amendment to IFRIC 14 – 'Prepayments of a Minimum Funding Requirement'

Business combinations

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Group as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated statement of financial position, the acquirer's identifiable assets, liabilities, and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

As allowed under IFRS 1, some business combinations effected prior to transition to IFRS, were accounted for using the merger method of accounting. Under this method, assets and liabilities are included in the consolidation at their book values, not fair values, and any differences between the cost of investment and net assets acquired were taken to the merger reserve. The majority of the merger reserve arose from a corporate restructuring in the year ended 31 March 2006 which introduced Accsys Technologies PLC as the new holding company.

Revenue recognition

Revenue is measured at the fair value of the consideration receivable. Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and that the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Manufacturing revenue
Revenue is recognised in respect of the sale of goods when the significant risks and rewards of ownership of the goods have been passed to the buyer, the timing of which is dependent on the particular shipment terms. When a customer provides untreated wood to be processed by the Group in order to produce Accoya®, revenue is recognised when the Group's obligations under the relevant customer contract have been substantially completed, which is before the finished Accoya® has been collected by the customer. Manufacturing revenue includes the sale of Accoya® wood and other revenue, principally relating to the sale of acetic acid.

Licence fee income
Licence fee income is recognised over the period of the relevant agreements according to the specific terms of each agreement or the quantities and/or values of the licensed product sold. The accounting policy for the recognition of licence fees is based upon an assessment of the work required before the licence is signed and subsequently during the design, construction and commissioning of the licensees' plant, with an appropriate proportion of the fee recognised upon signing and the balance recognised as the project progresses to completion. The amount of any cash or billings received but not recognised as income is included in the financial statements as deferred income and shown as a liability.

Exceptional items

Exceptional items are events or transactions that fall outside the ordinary activities of the Group and which by virtue of their size or incidence, have been separately disclosed in order to improve a reader's understanding of the financial statements. These include items relating to the restructuring of a significant part of the Group, impairment losses (or the reversal of previously recorded exceptional impairments), expenditure relating to the integration and implementation of significant acquisitions and other one-off events or transactions.

Finance income

Interest accrues using the effective interest method, i.e. the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Finance expense

Finance expenses include the fees associated with the Group's credit facilities which are expensed over the period which the Group has access to the facilities.

Finance expenses also include an allocation of finance charges in respect of the sale and leaseback of the Arnhem land and buildings. The total finance charge (calculated as the difference between the total minimum lease payments and the liability at the inception of the lease) is allocated over the life of the lease using the sum-of-digits method.

Share based payments

The Company awards share options to acquire shares of the Company to certain directors and employees. The Company also awards bonuses to certain directors and employees in the form of the award of deferred shares of the Company.

In addition the Company has established an Employee Share Participation Plan under which employees subscribe for new shares which are held by a trust for the benefit of the subscribing employees. The Shares are released to employees after one year, together with an additional, matching share on a 1 for 1 basis.

The fair value of options, deferred shares and matching shares granted are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and is charged to the comprehensive income statement over the vesting period during which the employees become unconditionally entitled to the options or shares.

The fair value of share options granted is measured using a modified Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest only where vesting is dependent upon the satisfaction of service and non-market vesting conditions.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options which eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Pensions

The Group contributes to certain defined contribution pension and employee benefit schemes on behalf of its employees. These costs are charged to the comprehensive income statement on an accruals basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the comprehensive income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date together with any adjustment to tax payable in respect of previous years. Current tax includes the expected impact of claims submitted by the Group to tax authorities in respect of enhanced tax relief for expenditure on Research and Development.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of goodwill,
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (the functional currency). For the purposes of the consolidated financial statements, the results and financial position of each Group company are expressed in Euro, which is the functional currency of the parent Company, and the presentation currency of the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currencies are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average monthly exchange rates prevailing in the month in which the transaction took place. Exchange differences arising, if any, are recognised in other comprehensive income and the foreign currency translation reserve.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be met with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

Goodwill

Goodwill arising on the acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the identifiable assets and liabilities acquired. It is capitalised, and is subject to annual impairment reviews by the Directors. Any impairment arising is charged to the comprehensive income statement. As the Group has taken advantage of the exemption from re-stating all pre-transition acquisitions under IFRS 1 'First-time Adoption of International Financial Reporting Standards', goodwill includes intangible assets arising on those acquisitions that are separately identifiable.

Other intangible assets

Intellectual property rights, including patents, which cover a portfolio of novel processes and products, are shown in the financial statements at cost less amortisation and any amounts by which the carrying value is assessed during an annual review to have been impaired. At present, the useful economic life of the intellectual property is considered to be 20 years.

Internal development costs are incurred as part of the Group's activities including new processes, process improvements, identifying new species and improving the Group's existing products. Research costs are expenses as incurred. Development costs are capitalised when all of the criteria set out in IAS 38 'Intangible Assets' (including criteria concerning technical feasibility, ability and intention to use or sell, ability to generate future economic benefits, ability to complete the development and ability to reliably measure the expenditure) have been met. These internal development costs are amortised on a straight line basis over their useful economic life, between 10 and 20 years.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment charged. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset, except freehold land, over its expected useful life on a straight line basis, as follows:

Plant and machinery	These assets comprise pilot plants and production facilities. These facilities are depreciated from the date they become available for use at rates applicable to the asset lives expected for each class of asset, with rates between 5% and 20%.
Office equipment	Between 20% and 50%.
Leased land	Land held under a finance lease is depreciated over the life of the lease.
Freehold land	Freehold land is not depreciated.

Impairment of non-financial assets

The carrying amount of the non-current non-financial assets of the Group is compared to the recoverable amount of the assets whenever events or changes in circumstances indicate that the net book value may not be recoverable, or in the case of goodwill, annually. The recoverable amount is the higher of value in use and the fair value less cost to sell. In assessing the value in use, the expected future cash flows from the assets are determined by applying a discount rate to the anticipated pre-tax future cash flows. An impairment charge is recognised in the statement of comprehensive income to the extent that the carrying amount exceeds the assets' recoverable amount. The revised carrying amounts are amortised in line with Group accounting policies. A previously recognised impairment loss, other than on goodwill, is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the comprehensive income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years. Assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units) for purposes of assessing impairment.

Leases

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Inventories

Raw materials, which consist of unprocessed timber and chemicals used in manufacturing operations are valued at the lower of cost and net realisable value. The basis on which cost is derived is a first-in, first-out basis.

Finished goods, comprising processed timber, are stated at the lower of weighted average cost of production or net realisable value. Costs include direct materials, direct labour costs and production overheads (including the depreciation/depletion of relevant property and plant and equipment) absorbed at an appropriate level of capacity utilisation. Net realisable value represents the estimated selling price less all expected costs to completion and costs to be incurred in selling and distribution.

Financial assets

Financial assets are classified as cash and cash equivilants, available for sale investments and loans and receivables, depending on the purpose for which the asset was acquired. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Except where a reliable fair value cannot be obtained, unlisted shares held by the group are classified as available for sale investments and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, with the exception of impairment losses which are recognised directly in profit or loss. Where an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the profit or loss in the year. Where it is not possible to obtain a reliable fair value, these investments are held at cost less provision for impairment.

Loans and receivables, which comprise non-derivative financial assets with fixed and determinable payments that are not quoted on an active market are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Trade and other receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise principally from the provision of goods and services to customers. Trade receivables are initially recognised at fair value less an allowance for any uncollectible amounts. A provision for impairment is made when there is objective evidence that the Group will not be able to collect debts. Bad debts are written off when identified.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits, including liquidity funds, with an original maturity of three months or less. For the purpose of the statement of consolidated cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial liabilities

Other financial liabilities
Trade payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's shares are classified as equity instruments.

Accounting estimates and judgements

In preparing the Consolidated Financial Statements, management has to make judgments on how to apply the Group's accounting policies and make estimates about the future. The critical judgments that have been made in arriving at the amounts recognised in the Consolidated Financial Statements and the key sources of estimation and uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year are discussed below:

Revenue recognition
The Group has considered the criteria for the recognition of licence fee income over the period of the agreement and is satisfied that the recognition of such revenue is appropriate. The recognition of licence fees is based upon an assessment of the work required before the licence is signed and subsequently during the construction and commissioning of the licensees' plant, with an appropriate proportion of the fee recognised upon signing and the balance recognised as the project progresses to completion. The Group also considers the recoverability of amounts before recognising them as income.

Goodwill
The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of judgments in relation to discount rates and future forecasts.

Intellectual property rights and property, plant and equipment
The Group tests the carrying amount of the intellectual property rights and property, plant and equipment whenever events or changes in circumstances indicate that the net book value may not be recoverable. These calculations require the use of estimates in respect of future cash-flows from the assets by applying a discount rate to the anticipated pre-tax future cash-flows. The Group also reviews the estimated useful lives at the end of each annual reporting period.

Inventories
The Group reviews the net realisable value of, and demand for, its inventory on a monthly basis to provide assurance that recorded inventory is stated at the lower of cost and net realisable value.

Available for sale investments

The group has an investment in unlisted equity shares carried at nil value. The investment is valued at cost less any impairment as a reliable fair value cannot be obtained since there is no active market for the shares and there is currently uncertainty around the future funding of the business. The Group makes appropriate enquiries and considers all of the information available to it in order to assess whether any impairment has occurred.

New standards and interpretations in issue but not yet effective at the date of authorisation of these financial statements:

- IFRS 9 – 'Financial Instruments: Classification and Measurement'
- IFRS 10 – 'Consolidated Financial Statements'
- IFRS 11 – 'Joint Arrangements'
- IFRS 12 – 'Disclosure of Interests in Other Entities'
- IFRS 13 – 'Fair Value Measurement'
- IAS 27 (May 2011) – 'Separate Financial Statements'
- IAS 28 (May 2011) – 'Investments in Associates and Joint Ventures'
- Amendments to IFRS 7 (October 2010) – Transfer of financial assets
- Amendments to IAS 12 (December 2010) – Deferred tax: recovery of underlying assets
- Amendments to IFRS 1 (December 2010) – Severe Hyperinflation and removal of fixes dates for first time adopters
- Amendments to IAS 1 (June 2011) – Presentation of items of Other Comprehensive Income
- Amendments to IAS 19 (June 2011) – Employee Benefits

Entities in EU Member States can only apply IFRS or IFRIC that have been endorsed by the European Union. Of the standards and interpretations listed above IFRSs 9, 10, 11, 12 and 13 and the Amendments to IASs 12, 27 and 28 and IFRS 1 and had not yet been endorsed by the European Union at the date these financial statements were authorised for issue. The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group. Other standards and interpretations that have been issued but which are not yet effective are not expected to have any impact on the Group.

2. Segmental reporting

The Group's business is the development, commercialisation and licensing of proprietary technology for the manufacture of Accoya® wood, Tricoya® wood elements and related acetylation technologies. Segmental reporting is divided between licensing activities, the manufacturing and sale of Accoya® and research and development activities. Licensing revenue includes revenue attributable to fees received or receivable in relation to the licensing of the Group's technology to third parties. Manufacturing revenue includes the sale of Accoya® wood and other revenue, principally relating to the sale of acetic acid. Revenue is allocated between licence fees and the product manufactured at the Group's Arnhem facility. All costs of sales are allocated against the manufacturing activities in Arnhem unless they can be directly attributable to a licensee. Other operating costs incurred in the Netherlands are attributed to the manufacturing segment unless they can be directly attributable to research and development, with all remaining other operating costs allocated to licensing. Assets and liabilities cannot be readily allocated to the three segments and therefore no additional segmental information has been disclosed.

	Licensing		**Manufacturing**		**Research and Development**		**Total**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Revenue	75	70	14,927	13,630	-	-	15,002	13,700
Cost of sales	-	-	(15,050)	(14,209)	-	-	(15,050)	(14,209)
Gross profit / (loss)	75	70	(123)	(579)	-	-	(48)	(509)
Other operating costs	(5,834)	(6,550)	(5,247)	(5,448)	(1,416)	(1,488)	(12,497)	(13,486)
Restructuring costs	-	(202)	-	-	-	-	-	(202)
Total other operating costs	(5,834)	(6,752)	(5,247)	(5,448)	(1,416)	(1,488)	(12,497)	(13,688)
(Impairment) / release of impairment of licensee receivables	(2,281)	394	-	-	-	-	(2,281)	394
Operating loss	(8,040)	(6,288)	(5,370)	(6,027)	(1,416)	(1,488)	(14,826)	(13,803)
Finance income							154	18
Finance expense							(240)	(66)
Loss before taxation							(14,912)	(13,851)

Analysis of Revenue by geographical area of customers:

	2012	**2011**
	€'000	**€'000**
Netherlands	5,264	4,371
Ireland	2,442	221
United Kingdom	2,123	2,095
Germany	1,011	2,495
North America	1,006	1,262
China	784	1,530
Switzerland	735	486
Belgium	367	103
Norway	307	154
India	231	210
Greece	174	213
Italy	147	301
Other	411	259
	15,002	13,700

Analysis of non-current assets (Other than financial assets and deferred tax):

	2012	**2011**
	€'000	**€'000**
UK	3,455	3,136
Other countries	25,506	26,636
Un-allocated - Goodwill	4,231	4,231
	33,192	34,003

Revenue generated from one customer exceeded 10% of Group revenue in 2012, represented by 92% of the revenue from Ireland and relates to manufacturing revenue. Revenue generated from two customers exceeded 10% of Group revenue in 2011, represented by 100% of the revenue from Germany and China respectively and relates to manufacturing revenue.

The segmental assets in the current year and the previous year were predominantly held in Europe. Additions to property, plant, equipment and intangible assets in the current year and the previous year were predominantly incurred in Europe.

3. Other operating costs

Other operating costs consist of the operating costs, other than the cost of sales, associated with the operation of the plant in Arnhem and the offices in Dallas and London:

	2012	**2011**
	€'000	**€'000**
Sales and marketing	2,264	2,331
Research and development	1,416	1,488
Depreciation and amortisation	2,159	1,894
Other operating costs	2,307	2,287
Administration costs	4,351	5,486
Restructuring costs	-	202
	12,497	13,688

Restructuring costs of €0.2m in the previous year related to the termination payments made to staff. This helped the Group headcount reduce by 22% over two years.

4. Employees

	2012	**2011**
	€'000	**€'000**
Staff costs (including Directors) consist of:		
Wages and salaries	5,792	5,996
Social security costs	744	727
Other pension costs	(22)	309
Share based payments	348	174
	6,862	7,206

The average monthly number of employees, including executive Directors, during the year was as follows:	**Number**	**Number**
Administration, research and engineering	66	70
Operating	30	31
	96	101

Other Pension costs include a reversal of provision for prior period pension costs of €324,000. This provision related to potential changes to the pension scheme which were finalised during the period without costs being incurred.

5. Directors' remuneration

	2012	**2011**
	€'000	**€'000**
Directors' remuneration consists of:		
Directors' emoluments	800	682
Compensation for loss of office	-	109
Company contributions to money purchase pension schemes	40	40
	840	831

Compensation of key management personnel included the following amounts:

	Fees, Salary and short term benefits €'000	Pension €'000	Loss of office €'000	Share based payments charge €'000	2012 Total €'000	2011 Total €'000
Paul Clegg	297	28	-	334	659	456
Hans Pauli	208	12	-	134	354	254
	505	40	-	468	1,013	710

The Group made contributions to 2 (2011: 2) Directors' personal pension plans.

6. Exceptional items - Impairment of Assets

A net impairment of €2.9m attributable to Al Rajhi, representing a non-cash impairment of licensee net receivables (consisting of €5.4m prepaid commission costs net of €2.55m deferred income) recorded in previous years. The impairment has been recorded as uncertainty remains as to whether the licence will proceed.

The reversal of the impairment of €0.4m recorded in the year ended March 2011 represents money received from Diamond Wood under the licence agreement which had previously been impaired.

Summary of impairment/(release of impairment) charges relating to licensee related balances:

	2012 €'000	2011 €'000
Trade Receivables and accrued income	(571)	(394)
Release of deferred income	(2,550)	-
Prepayments - Licensing commission	5,402	-
	2,281	(394)

7. Loss from operations

	2012 €'000	2011 €'000
This has been arrived at after charging:		
Staff costs (including restructuring costs of €nil (2011: €195,000)	6,862	7,206
Other restructuring costs	-	7
Depreciation of property, plant and equipment	1,877	1,630
Amortisation of intangible assets	280	264
Operating lease rentals	600	431
Fees payable to the Company's auditors for the audit of the Company's annual accounts	61	60
Fees payable to the Company's auditors and its associates for other services:		
- audit of the Company's subsidiaries	81	78
- other services persuant to legislation	24	21
- tax services	46	70
Foreign exchange (gains)/losses	105	81
Research & Development (excluding staff costs)	552	714
Loss on sale of property, plant and equipment	-	8

8. Finance income

	2012 €'000	2011 €'000
Interest receivable on bank and other deposits	154	18

9. Finance expense

	2012 €'000	2011 €'000
Arnhem land sale and leaseback finance charge	173	-
Equity line of credit costs	67	66
	240	66

10. Tax expense

	2012 €'000	2011 €'000
(a) Tax recognised in the statement of comprehensive income comprises:		
Current tax expense		
UK Corporation tax on profits for the year	-	-
Under/(over) provision in respect of prior years	-	1
Research and development tax credit in respect of prior years	(791)	-
Research and development tax credit in respect of current year	(321)	-
	(1,112)	1
Overseas tax at rate of 15%	3	3
Overseas tax at rate of 25%	-	-
Deferred Tax		
Under/(over) provision in respect of prior years	(22)	-
Utilisation of deferred tax asset	595	549
Total tax (credit)/charge reported in the statement of comprehensive income	(536)	553

	2012 €'000	2011 €'000
(b) The tax credit for the period is lower than the standard rate of corporation tax in the UK (2012: 26%, 2011: 28%) due to:		
Loss profit before tax	(14,912)	(13,851)
Expected tax credit at 26% (2011 - 28%)	(3,877)	(3,878)
Expenses not deductible in determining taxable profit	168	123
Over provision in respect of prior years	-	1
Losses transferred to deferred tax asset but not recognised	2,200	4,363
Effects of overseas taxation	(25)	(56)
Other temporary differences	(114)	-
Research and development tax credit in respect of prior years	791	-
Research and development tax credit in respect of current year	321	-
Total tax (credit)/charge reported in the statement of comprehensive income	(536)	553

11. Dividends Paid

	2012 €'000	2011 €'000
Final Dividend €Nil (2011: €Nil) per Ordinary share proposed and paid during year relating to the previous year's results	-	-

12. Earnings per share

The calculation of earnings per ordinary share is based on earnings after tax and the weighted average number of ordinary shares in issue during the year.

Basic and diluted earnings per share	2012	2011
Weighted average number of Ordinary shares in issue ('000)	403,657	221,696
Loss for the year (€'000)	(14,376)	(14,404)
Basic and diluted loss per share	€(0.04)	€(0.06)

Basic and diluted losses per share are based upon the same figures. There are no dilutive share options as these would increase the loss per share.

13. Share based payments

Share Options

The exercise prices and number of outstanding share options were adjusted during the prior year at the same time that the Company completed the issue of 200m new shares on 22 February 2011. This adjustment was carried out under the anti-dilutive provisions of both the 2005 and 2008 Unapproved Share Option Scheme rules. The adjustment resulted in the exercise price reducing to 71% of the previous exercise price while the number of share options increased by 42%:

Options granted on 1 March 2005 at an exercise price of €0.46 per Ordinary share fully vested during the prior year. These options may be exercised until 30 March 2015. At 31 March 2012, 269,265 of these options were outstanding with an exercise price of €0.32.

Options granted on 14 June 2006 at an exercise price of €1.20 per Ordinary share vested immediately but are not exercisable before 14 June 2009. These options may be exercised until 14 June 2016. At 31 March 2012, none of these options were outstanding.

Options granted on 28 March 2007 at an exercise price of €2.59 per Ordinary share vest to one third of the options granted upon achievement of each of the following:

- Cumulative €5 million licence income recognised under group accounting policies
- Cumulative €20 million revenue from sales of Accoya® wood
- Announcement of annual Group distributable earnings exceeding €5 million

Once vested, these options may be exercised until 31 March 2017. At 31 March 2012, 2,343,034 of these options were outstanding at an exercise price of €1.83.

Options granted on 15 May 2007 at an exercise price of €3.84 per Ordinary share vest to one third of the options granted upon achievement of each of the following:

- Cumulative €5 million licence income recognised under Group accounting policies
- Cumulative €20 million revenue from sales of Accoya® wood
- Announcement of annual Group distributable earnings exceeding €5 million

Once vested, these options may be exercised until 15 May 2017. At 31 March 2012, none of these options were outstanding.

Options granted on 11 October 2007 at an exercise price of €3.80 per Ordinary share vest to one third of the options granted upon achievement of each of the following:

- Cumulative €15 million revenue from sales of Accoya® wood
- Announcement of annual Group distributable earnings exceeding €15 million
- Cumulative €75 million gross licence revenue recognised under Group accounting policies

Once vested these options may be exercised until 11 October 2017. At 31 March 2012, none of these options were outstanding.

Options granted on 20 November 2007 at an exercise price of €3.65 per Ordinary share vest to one third of the options granted upon achievement of each of the following:

- Annual Accoya® wood production exceeds 23,000m^3 in a financial year
- Annual Accoya® wood sales revenue exceeds €26 million in financial year
- The second pair of reactors in the wood modification plant are processing more than 25 batches per month

Once vested these options may be exercised until 20 November 2017. At 31 March 2012, 298,900 of these options were outstanding at an exercise price of €2.58.

Options granted on 18 June 2008 at an exercise price of €2.80 per Ordinary share vest to one third of the options granted upon achievement of each of the following:

- Announcement of audited Annual Accoya® wood sales revenue exceeds €20 million in financial year
- Announcement of audited annual Group distributable earnings exceeding €15 million
- Announcement of audited cumulative €75 million gross licence revenue recognised under Group accounting policies

Once vested these options may be exercised until 18 June 2018. At 31 March 2012, 99,161 of these options were outstanding at an exercise price of €1.98.

Options granted on 8 December 2008 at an exercise price of €1.38 per Ordinary share vest to one third of the options granted upon achievement of each of the following:

- Announcement of audited Annual Accoya® wood sales revenue exceeds €20 million in financial year
- Announcement of audited annual Group distributable earnings exceeding €15 million
- Announcement of audited Cumulative €75 million gross licence revenue recognised under Group accounting policies

Once vested these options may be exercised until 8 December 2018. At 31 March 2012, 228,070 of these options were outstanding at an exercise price of €0.97.

Options granted on 19 November 2009 at an exercise price of €0.50 per Ordinary share vest to 30% of the options granted upon achievement of median Total Shareholder Return ('TSR'). Full vesting of the options granted occurs upon achievement of upper quartile TSR measured over the three year period. Once vested, these options may be exercised until 19 November 2019. At 31 March 2012, 2,557,424 of these options were outstanding at an exercise price of €0.35.

Options granted on 1 April 2010 at an exercise price of €0.46 per Ordinary share vest to 30% of the options granted upon achievement of median TSR. Full vesting of the options granted occurs upon achievement of upper quartile TSR measured over the three year period. Once vested, these options may be exercised until 1 April 2020. At 31 March 2012, 1,017,354 of these options were outstanding at an exercise price of €0.32.

Options granted on 27 July 2010 at an exercise price of €0.34 per Ordinary share vest to 30% of the options granted on achievement of median TSR. Full vesting of the options granted occurs upon achievement of upper quartile TSR measured over the three year period. Once vested, these options may be exercised until 27 July 2020. At 31 March 2012, 6,188,332 of these options were outstanding at an exercise price of €0.24.

Options granted on 1 April 2011 at an exercise price of €0.17 per Ordinary share vest to 30% of the options granted upon achievement of median TSR. Full vesting of the options granted occurs upon achievement of upper quartile TSR measured over the three year period. Once vested, these options may be exercised until 1 April 2021. At 31 March 2012, 718,173 of these options were outstanding at an exercise price of €0.17.

Options granted on 1 August 2011 at an exercise price of €0.10 per Ordinary share vest to 30% of the options granted on achievement of median TSR. Full vesting of the options granted occurs upon achievement of upper quartile TSR measured over the three year period. Once vested, these options may be exercised until 1 August 2021. At 31 March 2012, 7,537,982 of these options were outstanding at an exercise price of €0.10.

TSR is measured on a relative basis compared to the FTSE Small Cap index over a three year period from grant date. Unless discretion is exercised by the Nomination & Remuneration Committee, all options are forfeit following an option holder's termination of contract.

Outstanding options granted under the share option scheme are as follows:
Movements in the weighted average values are as follows:

	Number of outstanding options at 31 March		**Weighted average remaining contractual life, in years**		**Post Dilution Option**	**Pre Dilution Option**
Date of grant	**2012**	**2011**	**2012**	**2011**	**price**	**price**
1 March 2005	269,265	2,339,067	2.9	3.9	€0.32	€0.46
14 June 2006	-	11,333	4.2	5.2	€0.85	€1.20
28 March 2007	2,343,034	3,444,666	5	6	€1.83	€2.59
15 May 2007	-	944,391	5.1	6.1	€2.71	€3.84
11 October 2007	-	1,416,586	5.5	6.5	€2.68	€3.80
20 November 2007	298,900	477,390	5.6	6.6	€2.58	€3.65
18 June 2008	99,161	417,893	6.3	7.3	€1.98	€2.80
8 December 2008	228,070	1,333,008	6.7	7.7	€0.97	€1.38
19 November 2009	2,557,424	2,557,424	7.6	8.6	€0.35	€0.50
1 April 2010	1,017,354	1,017,354	8	9	€0.32	€0.46
27 July 2010	6,188,332	6,414,985	8.3	9.3	€0.24	€0.34
1 April 2011	718,173	-	9	-	€0.17	-
1 August 2011	7,537,982	-	9.3	-	€0.10	-

	Weighted average exercise price	Number
Outstanding at 31 March 2010	€2.00	11,729,543
Granted during the period from 1 April 2010 to 21 February 2011	€ 0.36	5,246,655
Exercised during the period from 1 April 2010 to 21 February 2011	€ 0.00	-
Forfeited during the period from 1 April 2010 to 21 February 2011	€ 2.21	(2,578,666)
Outstanding at 22 February 2011	€ 1.36	14,397,532
Impact of anti-dilution adjustment on 22 February 2011	(€0.40)	5,997,814
Outstanding at 22 February 2011	€ 0.96	20,395,346
Forfeited in period from 23 February to 31 March 2011	€ 2.59	(21,249)
Outstanding at 31 March 2011	€0.96	20,374,097
Granted during the year	€0.11	8,331,155
Forfeited during the year	€1.52	(7,447,558)
Outstanding at 31 March 2012	€0.43	21,257,694

The exercise price of options outstanding at the end of the year ranged between €0.10 and €2.58 (2011: €0.24 and €2.71) and their weighted average contractual life was 8.1 years (2011: 7.5 years).

Of the total number of options outstanding at the year-end, 1,831,287 (2011: 5,784,634) had vested and were exercisable at the end of the year. No options were exercised in the current or previous year.

The weighted average fair value of each option granted during the year was €0.05 (2011: €0.11).

The fair value of executive share options granted during the current and previous years is calculated based on a modified Black-Scholes model assuming inputs shown below:

Grant date	**August 2011**	**April 2011**	**July 2010**	**April 2010**	**November 2010**
Share price at grant date (€)	0.10	0.17	€ 0.34	€ 0.46	€ 0.50
Exercise price (€)	0.10	0.17	€ 0.34	€ 0.46	€ 0.50
Expected life (years)	3	3	3	3	3
Contractual life (years)	10	10	10	10	10
Risk free rate	1.54%	2.25%	2.30%	2.00%	2.00%
Expected volatility	85%	85%	60%	60%	60%
Expected dividend yield	0%	0%	0.0%	0.0%	0.0%
Fair value of option	**€ 0.040**	**€ 0.070**	**€ 0.106**	**€ 0.143**	**€ 0.156**

Volatility has been estimated by reference to the historic volatility since October 2005 when the Company's shares were listed on AIM. The resulting fair value is expensed over the vesting period of the options on the assumption that a proportion of options will lapse over the service period as employees leave the Group. The anti-dilutive adjustment in the previous year, described above, did not result in any change in the total fair value of the share based payments, with the reduction in the fair value in the individual being offset by the increase in the number of outstanding options.

Employee Benefit Trust – Share bonus award

On 22 February 2011, in connection with employee remuneration and incentivisation arrangements for the period from 31 March 2010 to 31 December 2010, 2,500,000 new Ordinary shares were issued to an Employee Benefit Trust, the beneficiaries of which are the Executive Directors and Senior Managers. Such new Ordinary Shares were to vest if the employees remained in employment with the Company to the vesting date, being 31 December 2011 (subject to certain other provisions including good-leaver, take-over and nomination and remuneration committee discretion provisions).

As at 31 March 2011, the Employment Benefit Trust was consolidated by the Company and the 2,500,000 shares are recorded as Own Shares within equity.

On 31 December 2011, all of the relevant Executive Directors and Senior Managers continued to be employed by the Company and as a result the shares vested and subsequently were released to the individuals following the payment of the nominal value of the shares by the individuals. The fair value of the awards was expensed over the vesting period (from 22 February 2011 to 31 December 2011).

Employee Share Participation Plan

During the year, the Company established a new Employee Share Participation Plan (the "Plan"). The Plan is intended to promote the long term growth and profitability of Accsys by providing employees with an opportunity to acquire an ownership interest in new ordinary shares ('Shares') in the Company as an additional benefit of employment.

Under the terms of the Plan, the Company issues these Shares to a trust for the benefit of the subscribing employees. The Shares are released to employees after one year, together with an additional Share on a 1 for 1 matched basis provided the employee has remained in the employment of Accsys at that point in time (subject to good leaver provisions). The Plan is in line with industry approved employee share plans and is open for subscription by employees twice a year following release of annual and half yearly financial results. The maximum amount available for subscription by any employee is €5,000 per annum.

During the year ended 31 March 2012 the plan was open for subscription twice. In July 2011 various employees subscribed for a total of 783,283 Shares at an acquisition price of €0.11 per Share. In December 2011 various employees subscribed for a total of 130,831 Shares at an acquisition price of €0.09 per Share.

14. Intangible assets

	Internal Development costs €'000	Intellectual property rights €'000	Goodwill €'000	Total €'000
Cost				
At 31 March 2010	-	73,200	4,231	77,431
Additions	252	-	-	252
At 31 March 2011	252	73,200	4,231	77,683
Additions	283	-	-	283
At 31 March 2012	535	73,200	4,231	77,966
Amortisation				
At 31 March 2010	-	69,843	-	69,843
Amortisation	-	264	-	264
At 31 March 2011	-	70,107	-	70,107
Amortisation	16	264	-	280
At 31 March 2012	16	70,371	-	70,387
Net book value				
At 31 March 2012	519	2,829	4,231	7,579
At 31 March 2011	252	3,093	4,231	7,576
At 31 March 2010	-	3,357	4,231	7,588

The carrying value of internal development costs, intellectual property rights and goodwill on consolidation have been allocated for impairment testing purposes to one cash generating unit being the Group's licensing operations. The recoverable amount of internal development costs, intellectual property rights and goodwill relating to this operation is determined based on a value in use calculation which uses cash flow projections based on financial budgets. Cash flows have been projected for a period of 20 years corresponding with the expected minimum life of the intellectual property rights and based on a pre tax discount rate of 20% per annum (2011: 20%). The key assumption used in the value in use calculations is the level of future licence fees estimated by management over the budget period. These have been based on past experience and expected future revenues. A 5% increase in the discount rate or a 15% reduction in expected revenues would not give rise to an impairment.

15. Property, plant and equipment

	Land and buildings €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
Cost or valuation				
At 31 March 2010	6,815	25,104	394	32,313
Additions	-	1,040	72	1,112
Disposals	-	(36)	-	(36)
Foreign currency translation gain/(loss)	-	-	(4)	(4)
At 31 March 2011	6,815	26,108	462	33,385
Additions	65	850	154	1,069
Disposals	-	-	-	-
Foreign currency translation gain/(loss)	-	-	(4)	(4)
At 31 March 2012	6,880	26,958	612	34,450
Depreciation				
At 31 March 2010	-	4,980	361	5,341
Charge for the year	-	1,586	44	1,630
Disposals	-	(6)	-	(6)
Foreign currency translation gain/(loss)	-	-	(7)	(7)
At 31 March 2011	-	6,560	398	6,958
Charge for the year	75	1,733	74	1,882
Disposals	-	-	-	-
Foreign currency translation gain/(loss)	-	-	(4)	(4)
At 31 March 2012	75	8,293	468	8,836
Net book value				
At 31 March 2012	6,805	18,665	144	25,614
At 31 March 2011	6,815	19,548	64	26,427

Included within tangible fixed assets are assets with an initial cost of €6,252,000 and a net book value at 31 March 2012 of €4,976,000 which has been accounted for as a finance lease under the terms of the sale and leaseback agreement entered into in the year. See note 24.

16. Other financial assets

	2012 €'001	2011 €'000
Available for sale investments	-	-

Accsys Technologies PLC has previously purchased a total of 21,666,734 unlisted ordinary shares in Diamond Wood China. The Group does not currently have an intention to dispose of its investment in Diamond Wood in the foreseeable future.

The carrying value of the investment is carried at cost less any provision for impairment, rather than at its fair value, as there is no active market for these shares, and there is significant uncertainty over the potential fundraising efforts of Diamond Wood, and as such a reliable fair value cannot be calculated.

The historical cost of the unlisted shares held at 31 March 2012 is €10m (2011: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded, as at 31 March 2012 the conclusion of Diamond Wood finalising its funding arrangements was still pending. In the event Diamond Wood completes the fund-raising, the balance may be re-valued.

17. Deferred Taxation

The Group has a deferred tax asset of €1,522,000 (2011: €2,095,000) relating to trading losses brought forward. The deferred tax asset has been recognised on the basis that trading profits are expected to be recorded in the related legal entities in the foreseeable future. These expected trading profits are attributable to the production of Accoya® wood and the recharge of research and development activities to other group companies.

The Group also has an unrecognised deferred tax asset of €18,983,000 (2011: €18,306,000) which is largely in respect of trading losses of the UK subsidiary. The deferred tax asset has not been recognised due to the uncertainty of the timing of future expected profits of the related legal entity attributable to licensing activities.

Movements in recognised deferred tax asset:

	2012	**2011**
	€'000	**€'000**
Opening balance	2,095	2,644
Recognition of deferred tax asset	22	-
Derecognition of deferred tax asset	-	-
Utilisation of deferred tax asset	(595)	(549)
Closing balance	1,522	2,095

18. Subsidiaries

A list of subsidiary investments, including the name, country of incorporation and proportion of ownership interest is given in note 4 to the Company's separate financial statements.

19. Inventories

	2012	**2011**
	€'000	**€'000**
Materials and work in progress	1,008	4,014
Finished goods	2,112	4,406
	3,120	8,420

The amount of inventories recognised as an expense during the year was €12,585,942 (2011: €11,716,000). The cost of inventories recognised as an expense includes €843,000 (2011: €nil) in respect of the write down of inventories to net realisable value.

The 2011 balances for materials and work in progress and finished goods have been reclassified to more accurately represent the allocation of the provision for old or impaired inventory balances. The total inventory balance for 2011 has not changed.

20. Trade and other receivables

	2012	**2011**
	€'000	**€'000**
Trade receivables	2,129	3,531
Other receivables	576	159
Prepayments	871	5,899
	3,576	9,589

The 2011 prepayments balance included €5,402,000 in respect of prepaid commission costs relating to the Al Rahji licence agreement. The balance has been fully impaired during the current year resulting in a net statement of comprehensive income charge of €2,852,000 after taking account of the release of the associated deferred income balance. (See note 6).

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

The age of receivables past due but not impaired is as follows:

	2012 €'000	2011 €'000
Up to 30 days overdue	263	287
Over 30 days and up to 60 days overdue	79	243
Over 60 days and up to 90 days overdue	-	-
Over 90 days overdue	1	899
	343	1,429

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Included in the provision for doubtful debts are individually impaired trade receivables and accrued income with a balance of €25,001,000 (2011: €25,572,000) due from Diamond Wood (see Note 6).

Movement in provision for doubtful debts:

	2012 €'000	2011 €'000
Balance at the beginning of the period	25,770	26,188
(Release of impairment)/impairment recognised	(660)	(418)
Balance at the end of the period	25,110	25,770

Summary of Receivable Impairments:

	2012 €'000	2011 €'000
Trade receivables - Accoya® wood *	(89)	(24)
Trade receivables - Diamond Wood Licensing **	(571)	(394)
Prepayments - Al Rajhi ***	5,402	-
	4,742	(418)

* The impairment of Accoya® wood receivables relates to a number of Accoya® customers.

** The previous impairment of Diamond Wood trade receivables in 2010 was partially reversed in 2011 and in 2012.

*** The impairment of prepaid commission costs relates to the Al Rajhi licence agreement – this was partially offset by the release of deferred income - see note 6.

21. Trade and other payables

	2012 €'000	2011 €'000
Trade payables	2,231	2,092
Other taxes and social security payable	216	192
Accruals and deferred income	938	4,033
	3,385	6,317

The 2011 accruals and deferred income balance included €2,550,000 in respect of the Al Rahji licence agreement. The balance has been fully released during the current year resulting in a net statement of comprehensive income charge of €2,852,000 after taking account of the release of the associated impairment of prepaid licence commission costs. (See note 6).

22. Share capital

	2012 €'000	2011 €'000
Allotted - Equity share capital		
404,016,642 (2011: 403,102,528) Ordinary shares of €0.01 each	4,040	4,031
	4,040	4,031

On 22 February 2011, following the publication of a prospectus for the Firm Placing and Placing and Open Offer, the Company issued 200,000,000 new Ordinary shares for €0.15 each. Proceeds of €28,061,000 were received net of expenses of €1,939,000. At the same time, 2,500,000 new Ordinary shares were issued to an Employee Benefit Trust, the beneficiaries of which were to be the Executive Directors and Senior Managers (see note 13).

On 2 August 2011, a total of 783,283 of Ordinary shares were issued to a trust under the terms the Employee Share Participation Plan. (See note 13).

On 23 January 2012, a total of 130,831 Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan. (See note 13).

23. Commitments under operating leases

The Group leases land, buildings and machinery under non-cancellable operating lease agreements. The total future value of the minimum lease payments that are due is as follows:

	2012 €'000	2011 €'000
Operating lease payments due		
Within one year	633	544
In the second to fifth years inclusive	1,251	1,637
In greater than five years	-	-
	1,884	2,181

The majority of commitments under operating leases relate to the Group's offices in the UK, the Netherlands and U.S.A.

24. Commitments under finance leases

Agreements were reached in August 2011 for the sale and leaseback of the land and buildings in Arnhem for a total of €4m. €2.2m was received in the financial year with the remaining amount to be received within the next financial year. Subject to the terms of the agreement, the buyer has committed to build new storage facilities which will also allow for an improvement in wood handling logistics. The transaction has resulted in a finance lease creditor of €2.2m as at 31 March 2012:

	Minimum lease payments	
	2012	**2011**
	€'000	**€'000**
Amounts payable under finance leases:		
Within one year	280	-
In the second to fifth years inclusive	1,120	-
After five years	2,613	-
Less: future finance charges	(1,789)	-
Present value of lease obligations	2,224	-

	Present value of minimum lease payments	
	2012	**2011**
	€'000	**€'000**
Amounts payable under finance leases:		
Within one year	264	-
In the second to fifth years inclusive	842	-
After five years	1,118	-
Present value of lease obligations	2,224	-

25. Financial instruments

Financial instruments

Finance lease

Agreements were reached in August 2011 for the sale and leaseback of the land and buildings in Arnhem under which a total of €4m will be received. €2.2m was received in the period with the remaining amount to be received within the next financial year. Subject to the terms of the agreement, the buyer has committed to build new storage facilities which will also allow for an improvement in wood handling logistics. The transaction has resulted in a finance lease creditor of €2.2m as at 31 March 2012. The total lease term is 15 years. (See note 24).

Equity line of credit and warrants

The Company's equity line of credit with GEM Global Yield Fund Limited for up to €20m expired on 30 March 2012. The three year agreement, which allowed the Company to issue shares at a price per share which represents a 10% discount to the average closing price over a 15 day period prior to the draw down. Each draw down was based on the share price over a 15 day period, with GEM having the option to subscribe for between 50% and 200% of the number of shares requested by the Company.

The Company also issued 3,000,000 warrants to GEM and 120,000 warrants to Montrose Partners LLP on 30 June 2009, and the warrants were exercisable for a period of three years from the issue date at an exercise price of €1.00 each as adjusted following the Firm Placing and Placing and Open Offer in the previous financial year.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent Company, comprising share capital, reserves and retained earnings.

The Board reviews the capital structure on a regular basis. As part of that review, the Board considers the cost of capital and the risks associated with each class of capital. Based on the review, the Group will balance its overall capital structure through new share issues and the raising of debt if required.

No final dividend is proposed in 2012 (2011 final dividend: €Nil). The Board deems it prudent for the Company to protect as strong a statement of financial position as possible during the current phase of the Company's growth strategy.

Categories of financial instruments	**2012 €'000**	**2011 €'000**
Available for Sale investments	-	-
Loans and receivables		
Trade receivables	2,129	3,531
Other receivables	576	159
Money market deposits in Euro	17,065	26,000
Money at call in Euro	2,560	1,126
Money at call in US dollars	396	54
Money at call in Sterling	543	396
Liquidty fund in Euro	4,010	-
Financial liabilities at amortised cost		
Trade payables	(2,231)	(2,092)
Accruals	(938)	(1,482)
Finance lease creditor	(2,224)	-
	21,886	27,692

Money market deposits have interest rates fixed for less than nine months at a weighted average rate of 1.09% (2011: 0.40%). Money market deposits are held at financial institutions with high credit ratings (Standard & Poor's rating of AA).

Trade payables are payable on various terms, typically not longer than 30 days.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There is also a risk associated with the available for sale investment.

Financial risk management objectives

The Group's treasury policy is structured to ensure that adequate financial resources are available for the development of its business whilst managing its currency, interest rate and counterparty credit risks. The Group's treasury strategy and policy are developed centrally and approved by the Board.

Foreign currency risk management

Currency exposures are limited as the Group's functional currency is the Euro with the majority of operating costs and balances denominated in Euros. A smaller proportion of expenditure is incurred in US dollars and pounds sterling. In addition some raw materials, while priced in Euros, are sourced from countries which are not within the Eurozone. The Group monitors any potential underlying exposure to other exchange rates.

Interest rate risk management

The Group's borrowings are limited to the sale and leaseback of the Arnhem land and buildings and therefore it is not exposed to interest rate risk in relation to financial liabilities. Surplus funds are invested in short term interest rate deposits to reduce exposure to changes in interest rates. The Group does not enter into any hedging arrangements.

Credit risk management

The Group is exposed to credit risk due to its trade receivables due from customers and cash deposits with financial institutions. The Group's exposure to credit risk is limited to their carrying amount recognised at the balance sheet date.

The Group ensures that sales are made to customers with an appropriate credit history to reduce the risk where this is considered necessary. The Directors consider the trade receivables at year end to be of good credit quality including those that are past due (note 20). The Group is not exposed to any significant credit risk exposure in respect of any single counterparty or any group of counterparties with similar characteristics other than the balances which are provided for as described in notes 6 and 20.

The Group has credit risk from financial institutions. Cash deposits are placed with a group of financial institutions with suitable credit ratings in order to manage credit risk with any one financial institution.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

In addition to the sale and leaseback of the Arnhem land and buildings described above, the Group entered new finance facilities secured on trade receivables and inventories:

Trade receivables facility
On 28 February 2011 the Group entered a trade receivable financing and credit management agreement with Fortis Commercial Banking for a period of at least two years from the closing date and with a facility limit of €1.5m. After two years the agreement will be tacitly renewed for a rolling one year period. The facility is secured upon the Group's trade receivable. At 31 March 2012, €nil had been drawn down under the agreement.

Inventories facility
On 18 February 2011 the Group entered a credit facility agreement with ABN AMRO Bank N.V. with a facility limit of €3.0m for the financing of the Group's operating activities. The facility is secured against the inventories of the Group.

Both facilities are subject to interest at 2% above the ABN AMRO base rate (4.45% as at 31 March 2012). At 31 March 2012, the Group had €nil (2011: €nil) borrowed under either of the facilities.

Fair value of financial instruments

In the opinion of the Directors, there is no material difference between the book value and the fair value of all financial assets and financial liabilities.

26. Related party transactions

There were no related party transactions in the year ended 31 March 2012.

Mr William Paterson-Brown is a director of Khalidiya Investments SA. During the year ended 31 March 2011 the Group recorded total expenses of €288,381 from Khalidiya Investments SA consisting of €213,534 in respect of directors services, €5,346 in respect of expenses for a number of employees, and €69,501 in respect of office staff and related costs in Geneva. During the prior year the Group recorded revenue of €7,426.88 in respect of sales of Accoya® to Mr William Paterson-Brown.

27. Capital Commitments

	2012 €'000	2011 €'000
Contracted but not provided for	17	190

END

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Notes to editors:

Accsys Technologies PLC (www.accsysplc.com) is an environmental science and technology company whose primary focus is on the production of Accoya® wood and technology licensing via its subsidiary, Titan Wood Limited, which has manufacturing operations in Arnhem, the Netherlands (through its subsidiary Titan Wood B.V.), a European office in Windsor, United Kingdom, and an American office in Dallas, Texas (via its subsidiary Titan Wood, Inc). All group subsidiaries are ultimately 100% owned by Accsys and trade as Accsys Technologies. Any references in this announcement to agreements with Accsys shall mean agreements with either Accsys or its subsidiary entities unless otherwise specified. Accsys Technologies PLC is listed on the London Stock Exchange AIM market and on Euronext Amsterdam by NYSE Euronext, under the symbols 'AXS'. Accsys' operations comprise three principal business units: (i) Accoya® wood production; (ii) technology development, focused on a programme of continuous development of and improvements to the process engineering and operating protocols for the acetylation of solid wood and the development of technology for the acetylation of wood elements; and (iii) the licensing of technology for the production of Accoya® wood and Tricoya® wood elements across the globe.

Accoya® wood (www.accoya.com) is produced using Accsys' proprietary patented acetylation technology, that effectively converts sustainably grown softwoods and non-durable hardwoods into what is best described as a "high technology wood". Distinguished by its durability, dimensional stability and, perhaps most importantly of all, its reliability (in terms of consistency of both supply and quality), Accoya® wood is particularly suited to exterior applications where performance and appearance are valued. Unlike most tropical and European hardwoods, its colour does not degrade when exposed to ultraviolet light. Moreover, the Accoya® wood production process does not compromise the wood's strength or machinability. The combination of UV resistance, dimensional stability, durability and retained strength means that Accoya® wood offers a wealth of new opportunities to architects, designers and specifiers. For marine uses where weight is also important, Accoya® wood for the first time provides boat builders with a wood that is strong, lightweight, durable and retains its natural beauty for far longer. For a full archive of Accoya® news, visit www.accoya.com/news.asp.

Wood Acetylation is a process which increases the amount of 'acetyl' molecules in wood, thereby changing its physical properties. The process protects wood from rot by making it "inedible" to most micro-organisms and fungi, without - unlike conventional treatments - making it toxic. It also greatly reduces the wood's tendency to swell and shrink, making it less prone to cracking and ensuring that, when painted, it requires dramatically reduced maintenance.