Regulatory Story

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ACCSYS TECHNOLOGIES PLC

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR

THE 12 MONTHS ENDED 31 MARCH 2010

Accsys Technologies PLC (www.accsysplc.com) is an environmental science and technology company focused on 'sustainability' via the development and commercialisation of a range of transformational technologies based upon the acetylation of solid wood and wood elements.

Financial Highlights

- Revenue of €16.7 million (2009: €31.2 million).
- 71% reduction in licence revenue to €6.7m.
- Pre tax loss, before impairment charges relating to Diamond Wood, of € 16.7 million.
- Pre tax loss, after impairment charges relating to Diamond Wood of €52.2m (2009: profit of €1.8m)
- One-off non-cash impairment charges relating to Diamond Wood totalling €35.5 million.
- Net loss of €52.1 million (2009: profit of €5.4m).
- Cash of €18.3m (2009: €17.5 million).

Operational Highlights

- Substantially amended licence agreement with Diamond Wood agreed with plant expected to be operational from 2012 (subject to the completion of their fund-raising).
- Revenue from the sale of Accoya® wood has increased by 33% to €9.1 million.
- Unveiling of world's first Medite Tricoya® panel, the first acetylated medium density fibreboard (MDF), resulting from our Joint Development Agreement with Medite (Europe) Limited.
- One of the first companies in the European Union to achieve prestigious Cradle to Cradle Gold certification for Accoya® wood.

- 15 new Accoya® wood distribution agency and supply agreements signed since the last financial year resulting in a total of 19.
- The Board has been restructured to match the current market environment.

There will be a presentation relating to these results at 11am BST on Monday 21 June 2010.

The presentation will take the form of a web based conference call, details of which are below.

Webcast link: Click Here

Or cut and paste the following into your browser:

http://www.thomson-webcast.net/uk/dispatching/?event_id=692ad9bc277a060db637939abcfb65c5&portal_id=d2fa018e8edd8114d9ca59f7577b6433

Conference call details for participants:

Participant Telephone Number: +44 (0)20 7806 1955 UK Toll
Confirmation Code: 4409854

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

Chairman, Willy Paterson-Brown, said, "It has been a particularly difficult year and while the change in the plans of our licensee, Diamond Wood, has resulted in a significant impairment charge and loss being recorded in the year, I am confident that the new plans we are now expecting to be carried out, together with a number of changes which we have made within Accsys, have left us in a stronger position. Our Accoya® wood has continued to grow in terms of sales, global distribution and brand recognition and the unveiling of the first Tricoya® panel has marked an important stage in expanding our technologies. We have made a number of operational and management changes, providing greater focus at our production plant in Arnhem. While we remain cautious of the current economic environment, we are well placed to take advantage of the new opportunities which we are now seeing."

The preliminary financial statements for the year ended 31 March 2010 follow.

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Chairman's Statement

Introduction

I am pleased to report that while the Group has had a particularly challenging year, we are now well positioned to achieve our long term goals.

While the construction industry has continued to suffer the effects of the global economic slow-down, we have increased the sales volume of Accoya® wood to 8,800m^3. In addition we have signed 15 new distribution agency or supply agreements around the world since the last financial year which, together with two agreements signed since the year end, results in a total of 19 distribution agency or supply agreements world-wide.

We have continued to develop our technology which is being increasingly recognised for its superiority. I am particularly pleased by the announcement of the successful development of the Medite Tricoya® at the Ecobuild exhibition in London in March, following the Joint Development Agreement reached with Medite (Europe) Limited last June. The unveiled panel is the world's first medium density fibreboard (MDF), which uses our acetylation technology to make superior, high performance panels. The global MDF market is currently estimated to be 50 million m^3 annually.

We have focussed our efforts on increasing the effectiveness and efficiency of our plant in Arnhem. Through a combination of process modifications and the continuing increase in demand we anticipate that the proof of concept and research and development plant will be in a break even position during the 2011 calendar year. The plant improvements achieved over the last year helped us to increase revenue from the sales of Accoya® wood by 33% despite the plant being effectively shut down for more than two months while these improvements took place.

Our long-term business plan uses the increasing global sales for Accoya® wood generated from our distribution partners to create demand for licensing our technologies around the world. While the increase in distribution agreements is encouraging, the last year has also been disappointing with no new Accoya® wood licence agreements signed and delays experienced with both of our existing licensee's ability to progress with the construction of their plants. As a result, revenue generated from fees attributable to the licensing of our technology decreased by 71% to €6.7m.

However, we have started the new financial year much more positively, having recently announced that Diamond Wood China Limited ('Diamond Wood') is close to securing the funding it requires to complete the first phase of its plant with two reactors. In advance of the fund raising, Accsys entered into a deed of amendment on 18 June 2010, revising the terms of the existing Licence Agreement. The Licence Agreement was amended to reflect Diamond Wood's new business plan, which has been re-modelled to reflect its proposed funding arrangements. The new business plan is now based on a first phase of two reactors resulting in a significantly lower volume than that previously expected, with a view to then scaling upwards. Consequential adjustments to the Licence Agreement therefore include, inter alia, revised licence fee and royalty terms, with benefits for both parties.

In addition we are now in discussions with a number of potential new licensees who have expressed interest in helping to further grow the global Accoya® wood brand.

Summary of financial results

Revenue of €16.7m (2009: €31.2m) was significantly less than the previous year as a result of the reduction in the recognition of licence income. However, revenue from sales of Accoya® wood increased by 33% to €9.1m (2009: €6.9m) reflecting the growth in demand and production at our Arnhem plant together with price increases we have implemented. We have recorded a non-cash charge of €25.5m (2009: €nil) as a result of the delays Diamond Wood experienced in securing the funding for its plant. This provision reflects the expected change to Diamond Wood's business plan in respect of both the timing and the total capacity of the plant that Diamond Wood may now build compared to previously expected. The impairment included €17.2m of net receivables (trade receivables, accrued income and deferred income), which was attributable to 48% of the total revenue we have recognised in respect of our previous contract with Diamond Wood to date. The remaining 52% has been received in cash.

In addition, pending conclusion of Diamond Wood finalising its funding arrangements, a provision for the impairment of the entire balance of €10m has been recorded. In the event Diamond Wood completes the fund raising, the balance may be revalued.

Administrative expenses have been reduced by 3% to €17.7m (2009: €18.3m) before taking account of restructuring costs and impairments in the year. The reduction in licence revenue and one-off impairment charges have resulted in a loss after tax of €52.1m (2009: profit of €5.4m). Our cash balance at 31 March 2010 was €18.3m (2009: €17.5m) which is the result of continuing capital expenditure and the loss recorded in the year, largely offset by new equity issued which generated €21.0m net of expenses (see Financial Review). The Group has no debt and an available equity line of credit for up to €19.5m for the next two years.

Share price and market listings

Our share price has continued to fluctuate over the last year. In particular the gradual reduction in the share price compared to this time last year is disappointing having decreased from €0.8 to approximately €0.5 in November with a further reduction in May and June to €0.30.

Board and management

Finlay Morrison stepped down as Chief Executive in July 2009. I am extremely grateful to Finlay for his service since joining the Board in 2007, including his contribution to a number of manufacturing improvements.

Paul Clegg assumed the role of Chief Executive on 1 August 2009, having been a non-executive director for the previous three months. During the subsequent period, Paul has driven some key changes in the Group including the operating improvements in Arnhem, team and management changes as well as driving interest with prospective investors and new licensees.

Kevin Wood stepped down as Chief Financial Officer at the end of March 2010 but we are grateful to retain his experience and advice as he remains on the board as a non-executive Director.

Hans Pauli joined the board as Chief Financial Officer on 1 April 2010 following a transition period with Kevin Wood. Hans is splitting his time between our production and development plant in Arnhem and the London head office. Hans has brought with him a wealth of financial, investment, distribution and licensing experience, obtained in both public and private companies in various sectors including banking and biotechnology.

On the 1 April Tim Paterson-Brown and Tom Priday resigned as non-executive directors. I would like to thank them for their contribution and support over the previous years.

I have also announced that I will step down as Chairman of the Board of Directors and resign as a Director of the Company upon the planned completion of the Diamond Wood fund raising process. The Board looks forward to announcing its new Chairman in the near future.

We have reduced the number of staff in the Group to 107 from 126 at 31 March 2009 as a result of the operating improvements and other changes made over the last year. Despite being a difficult period, their commitment and dedication has remained, for which I would like to thank them. I believe we now have the right team to achieve the success we are seeking.

Dividend

No final dividend is proposed in 2010, which follows no final dividend proposed in 2009. 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. A dividend of €1,553,000 was paid in 2009 relating to the final dividend proposed in 2008.

Prospects

The last year has proved challenging. However, I believe we are now in a strong position to take advantage of the technology and production facilities by using the strong team we have established.

We have made significant progress in improving our production processes and sales and distribution channels such that we are now developing a global brand with an increasing number of applications and projects specifying Accoya® wood.

Following the agreement of an amended licence agreement with Diamond Wood, we look forward to the successful completion of the first phase of the plant in early 2012 (subject to the completion of their funding) and look forward to continuing to work with them. This comes at the same time as the interest from prospective new licensees is increasing.

The successful development of Medite Tricoya®, together with substantial advances in our progress towards identifying other species which our technology enhances, leaves us with a solid platform to continue to lead the market in wood technology.

The current global economy does however, remain uncertain with growth unpredictable. The Board will continue to review the Group's position and strategy and focus on improving processes, increasing efficiencies and maintaining the controls over expenditure to ensure that we are well placed to take advantage of our current position and new opportunities as they arise.

It is a pleasure to serve as your Chairman and I would like to thank you for your continuing support.

Willy Paterson-Brown
Non-executive Chairman
18 June 2010

Chief Executive's Report

Accoya® wood

The Group markets its acetylated solid wood product under the brand name Accoya®. Accsys' proprietary acetylation technology modifies fast growing, sustainable wood (radiata pine) to create a highly durable timber with the following key features:

- Outstanding durability – class 1, surpassing even teak;
- Dimensionally stable – swelling and shrinkage reduced by 75% or more;
- A 50 year life used above ground, 25 years when used in the ground or freshwater;
- Excellent machinability;
- Retained strength, hardness and natural beauty;
- UV resistance;
- Improved thermal insulation in comparison with commonly used wood species;
- Indigestible to a wide range of insects, including termites;
- Accepts wide range of industry standard coatings and coatings last 3 to 4 times longer; and
- Sustainably sourced, non-toxic and recyclable.

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, canal sidings, boat decks products and more.

Technology development and projects

We have continued to make significant progress over the last year in improving and optimising the performance of our proof of concept plant in Arnhem. While this has proved challenging, we have learnt many lessons based upon the more experimental approach taken in previous years. These are now enabling us to define more clearly the specifications when completing new projects which we also expect to pass on to our licence partners. This has resulted in significant improvements in efficiency and, together with increasing sales volumes and prices, our objective is for the plant to break even in the 2011 calendar year. Our engineering, research and development, and operations teams continue to drive further process and technology improvements.

Improvements have resulted in the average amount of time taken to process each batch decreasing by approximately 25% over the course of the second half of the year alone. In addition numerous logistical changes have been made to optimise the space and capacity of the plant. These have included the installation of a wood stacking machine which has helped optimise the way the untreated wood is prepared ahead of production. Our new head of plant operations joined the Group in February and is currently undertaking a complete review to identify further process improvements.

Our process improvements have also enabled us to improve the control and quality of acetic acid, a key by-product of the Accoya® wood production process, a result of which we expect to improve the profitability of the overall production process further. We have recently signed an agreement with a chemical company which provides both parties the opportunity to generate extra value from our respective operations.

In March 2010, we unveiled the world's first Medite Tricoya® panel at the annual Ecobuild exhibition in London. The launch is the result of a Joint Development Agreement with Medite (Europe) Limited to build the first acetylated medium density fibreboard (MDF). This innovative product is based on the same acetylation expertise that creates Accoya® wood, but the technology is applied to treat the chips and fibres, which make up the MDF panels. This next generation panel has very strong environmental credentials and combines the traditional machinability and smoothness of Medite MDF with the enhanced performance delivered by our own technology, particularly with regard to durability and dimensional stability in wet environments.

Our research and development team continues to make significant progress. Through the use of a methodical selection process, over 300 wood species have been considered to determine which are amenable to the acetylation process and have commercial potential. The team refined the acetylation process for a number of technically feasible species and we are particularly pleased with the progress made in the possibility of producing Accoya® wood from Southern Yellow Pine. Additionally, coupled with selected commercial development partners, several new species will become available in the near future, including a hardwood based Accoya® wood product.

Global sales and distribution of Accoya® wood

We sold 19% more Accoya® wood by volume in the year ended 31 March 2010 compared to the previous year. While this increase is encouraging, it is less than we had previously expected. However, we were able to achieve this volume increase during a period when the global economy and in particular the building industry was experiencing a severe downturn and with a strong Euro throughout the period. In addition the increase was achieved despite our Arnhem plant being effectively shut down for over two months while we were carrying out several of the process modifications described above.

We have continued to make significant progress in establishing Accoya® wood as a global brand. Global demand for Accoya® wood continues to grow and our rapidly expanding network of distributors is testament to this. Today, Accsys has now entered into a total of 19 distribution, agency and supply agreements across the globe, with 15 agreements having been signed since the last financial year, including Saint Gobain's subsidiary, International Timber, in the United Kingdom. In addition, the Company has working relationships with a further 14 distributors and agents in key markets. The Company's global network now stretches from the United States of America and Canada, through the United Kingdom, the Republic of Ireland, the Netherlands, Germany, France, Belgium, Switzerland, Austria, Italy, Greece, Norway and Denmark, to India and East Asia.

Part of the establishment of the global brand requires independent recognition of the superior benefits of Accoya® wood. In February we were one of the first companies in the European Union to achieve the prestigious Cradle to Cradle Gold certification for Accoya® wood. This independent certification scheme is carried out by external consultancy MBDC to determine if products, services and buildings comply with the Cradle to Cradle principles towards sustainability.

I was particularly pleased that in April we secured approval for the use of the Accoya® wood brand under Germany's prestigious RAL system. RAL, the German Institute for Quality Assurance and Specifications, includes Accoya® wood in its Association of Window and Facade Manufacturer' approved materials list which provides users with assurance over the reliable quality and high performance and in turn opens up additional opportunities for Accsys and its European distribution partners.

Accoya® wood has now been put to use in a large number of different ways and places including for windows and doors, shutters, cladding, decking, walkways, canals and marinas as well as bridges with us recently having produced the Accoya® wood ahead of the second Sneek Bridge project in the Netherlands.

Licensing activity

We have started the current financial year confident about the long term prospects for our Accoya® wood technology. Diamond Wood is expected to soon complete the fundraising it requires to construct the plant based on two reactors.

Discussions with a number of additional potential licensees are continuing, and we have noted a significant increase in the interest and enthusiasm of prospective licensees as we continue to emerge from the global economic recession and grow the Accoya® wood brand.

However, the continuing tough economic climate has resulted in delays to the plans of both of our existing licensees. As a result we have recorded a one-off non-cash charge of €25.5m relating to our Diamond Wood net receivables. The previous licence agreement we signed with Diamond Wood for the China market was for an annual production capacity of up to 750,000m^3, with Diamond Wood having planned and obtained approval for the first phase with an annual capacity of 300,000m^3. However, following the economic recession and the delays that Diamond Wood experienced in being able to raise the finance that they required, the currently on-going fundraising is expected to be for a significantly smaller, two reactor plant, with the option to expand at a later date. While Diamond Wood remains confident that they will be able to ramp up to volumes nearer those originally envisaged, and raise further funds to be able to do so, we have felt it is appropriate to reflect the level of uncertainty which exists over these plans and impair the balances which were due to us under the original contract.

Our second licence agreement with the Saudi financial group, Al Rajhi, for an annual capacity 150,000m^3, has also been delayed due to continuing economic climate in the Middle East which has had particular impact on the building industry. We continue to work with Al Rajhi and their operating partners and are pleased by recent increases in hardwood prices in the region.

Management and people

Since I took over as Chief Executive in August 2009, we have made substantial changes to increase effectiveness and reduce costs. The changes resulting in improving and optimising the performance of our plant in Arnhem, together with team changes made at our Dallas office, resulted in us reducing headcount from 126 at the start of the year to 107 at the end of the year.

I would like to thank all of our staff for their continuing dedication throughout what has been a difficult year. I believe that we are now well positioned to deliver the targets we have set and develop the opportunities which are now arising.

Outlook

In the next year we expect to deliver further process improvements and efficiencies, enabling the Arnhem plant to achieve improved performance levels. We will continue to develop new technology and explore how our existing technology can be optimised. We expect to increase our sales of Accoya® wood and to sign new distribution agreements, further enabling the creation of a truly global brand. I believe the opportunities presented by a weaker Euro and the potential for increasing hard wood prices will allow us to increase the profitability of the Arnhem plant as well as increasing the attractiveness to potential licensees.

While we continue to remain cautious of the global economic outlook, I am confident that the new opportunities which we are now seeing will present us with the right pathway to achieve our long term business plan.

Paul Clegg
Chief Executive Officer

18 June 2010

Financial Review

Income statement

Revenue

The Group recorded revenue of €16.7m (2009: €31.2m), a decrease of 46%. Total manufacturing revenue increased by 18% to €10.0m (2009: €8.5m). Included within manufacturing revenue, revenue from Accoya® increased by 33% to €9.2m, reflecting increased demand and production volumes at our Arnhem facility. Revenue from licensing activities was substantially less than last year at €6.9m (2009: €22.7m) as a result in delays experienced by our licensees in completing their production facilities.

Cost of sales

Cost of sales has decreased to €14.6m (2009: €20.2m). The cost of producing Accoya® wood decreased by 10% to €12.7m. The resulting gross margin improved to 27% loss (2009: 66% loss) as a result of increased production levels and due to significant improvements in technology development. Cost of sales attributable to licence revenue decreased in line with the reduction in licence revenue.

Impairment of licence related assets

The Company has agreed an amended licence agreement with Diamond Wood. Under Diamond Wood's revised business plan (which is subject to the completion of their fundraising) the capacity of the plant to be built in the first phase is significantly smaller than that previously expected (300,000m^3).

As a result net receivables (consisting of trade receivables, accrued income, prepayments and deferred income) of €25.5m relating to Diamond Wood may no longer be recoverable and they have therefore been provided for. This provision reflects the expected change to Diamond Wood's business plan in respect of both the timing and the total capacity of the plant that Diamond Wood may now build compared to previously expected. The impairment included €17.2m of net receivables (trade receivables, accrued income and deferred income), which was attributable to 48% of the total revenue we have recognised in respect of our previous contract with Diamond Wood to date. The remaining 52% has been received in cash.

In addition, pending conclusion of Diamond Wood finalising its funding arrangements, a provision for the impairment of the entire balance of €10m has been recorded. In the event Diamond Wood completes the fund raising, the balance may be revalued.

Administrative expenses

Administrative costs of €18.6m were comparable to last year (2009: €18.3m). However, the underlying cost base has been reduced in the year with €0.9m of severance costs incurred to help reduce staff numbers from 126 at the start of the year to 107 at 31 March 2010. A further €1m has been incurred in disposing of and writing down certain items of property, plant and equipment. The restructuring has enabled us to focus on improving production and sales at the Arnhem facility while continuing to develop the licensing activities. We expect the full year impact of the restructuring to be recognised in the year ending March 2011.

Other income

Other income was €Nil in 2010 (2009: €8.3m). Last year, the income represented the profit generated from the early settlement of a licensing agency agreement.

Loss/(Profit) from operations

Loss from operations of €51.9m (2009: profit of €1.0m) is as a result of the impairment of licence related assets, restructuring costs resulting in an increase in administrative costs and the significant reduction in licence revenue resulting from delays faced by our licensees due to the general economic environment.

Finance income

Finance income of €18,000 (2009: €0.9m) represents interest receivable on bank deposits. The reduction compared to 2009 is due to lower average bank deposits and the low interest rates prevailing throughout the period.

Finance expense

The finance expense of €0.3m (2009: €0.1m) is primarily due to fees for facility agreements including a loan which was converted to new equity part way through the year and for the equity line of credit with GEM Global Yield Fund Limited. The 2009 costs arose from the issue of 3,120,000 warrants under the agreement with GEM Global Yield Fund Limited.

Taxation

There is no UK corporation tax liability for the year (2009: €Nil) due to the availability of losses within the Group. The small tax credit for the year as a result of the recognition of a deferred tax asset relating to our Titan Wood B.V subsidiary which has been offset by the de-recognition of a deferred tax asset relating to our Titan Wood Limited subsidiary.

Dividends

No final dividend is proposed in 2010 (2009 final dividend: €Nil). The Board deems it prudent for the Company to protect as strong a balance sheet as possible during the current phase of the Company's growth strategy. A dividend of €1,553,000 was paid in 2009 relating to the final dividend proposed in 2008.

Earnings per share

Basic and diluted loss per share was €0.32 (2009 basic and diluted earnings per share was €0.03).

Balance sheet

Property, plant and equipment

Property, plant and equipment additions of €1.6m (2009: €2.6m) predominantly relate to technology improvement at our Arnhem production facility. These include a new drying chamber, vacuum pumps, piping and other plant equipment.

Available for sale investments

The Company holds 21,666,734 Ordinary shares (2009: 13,333,400 Ordinary shares) in Diamond Wood, at a cost of €10m (2009: €6m). A full provision for impairment for this amount has been made in the period for the reasons described above.

Cash and bank

The Group had cash and bank deposits of €18.3m at the end of the period (2009: €17.5m). The increase in the year is the result of €0.5m of new equity issued in June 2009, €16.6m from new equity issued in February 2010 together with €4m of loans issued in the first half of the year which were subsequently converted to equity in February. This was off-set by €13.3m of cash out-flows from operating activities, €4m additional investment in Diamond Wood in April 2009 and €2.0m of capital expenditure in the period (inclusive of €400,000 of 2009 plant and equipment additions which were paid for during 2010). The remaining €1m is attributable to an increase in working capital and other small movements.

New equity

On 30 June 2009, the Company completed the first drawdown under the equity line of credit secured with GEM Global Yield Fund Limited in the previous financial year, with the issue of 700,000 Ordinary shares at €0.753 per share, raising €527,100.

In April 2009, the Company secured a €4m loan from an institutional investor which was received in tranches in the first half of the financial year. On 10 February 2010, the loan was converted to 8,221,994 new Ordinary shares equivalent to €0.4865 each. At the same time on 10 February 2010, the Company successfully completed a fundraising resulting in the issue of 36,010,232 new Ordinary shares at €0.4865 each to various new and existing institutional and private investors and members of management. This generated cash of €16.5m after expenses of €139,000.

Trade and other receivables

Trade and other receivables have decreased to €8.7m (2009: €48.6m) primarily as the result of the impairment of €34.3m of trade and other receivables relating to our licensing agreement as described above. (This has been partially off-set by the release of deferred income (see Note 7 of the financial statements)).

Trade receivables relating to the sales of Accoya® decreased by €0.9m reflecting an increased focus on cash collection. The remaining reduction in the balance was largely attributable to €5.8m paid by licensees.

Trade and other payables

Trade and other payables have decreased to €6.4m (2009: €23.0m). The decrease of €16.6m includes €8.8m of deferred income relating to the licensee receivables which has been released and partially off-set the impairment. Other payables decreased by €5m resulting from the final payments of licence commission payable under a contract which was terminated in March 2009. The deferred income balance was reduced by a further €4m as a result of licence income recognised in the period, offset by €1.4m of cash received from licensees but not recognised as revenue.

Capital structure

Details of the authorised and issued share capital, together with the details of the movements in the Company's issued share capital in the year are included in Note 23. 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 14. 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 2010 of €62m 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 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 €26.9m 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 and best estimates of future prices 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 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 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
18 June 2010

Directors Report for the year ended 31 March 2010

The Directors present their report together with the audited financial statements for the year ended 31 March 2010.

Results and dividends

The consolidated statement of comprehensive income for the year is set out on page 18, 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 licensing of Accoya® solid wood and Tricoya® wood elements technology. Manufactured through the Group's proprietary acetylation process, these products exhibit superior dimensional stability and durability compared with other natural and treated timber and wood elements (wood chips, fibres and particles). The Group is also engaged in the development of other related process technologies with potential applications in the wood and chemicals industries. A review of the business is set out in the Chairman's statement and the Chief Executive's report on pages 1 to 4.

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 30 June 2009, the Company completed a drawdown under the equity line of credit with GEM Global Equity Yield Fund Limited, resulting in the issue of 700,000 Ordinary Shares at €0.753 per share, raising €527,100.

On 10 February 2010, following the publication of a prospectus, the Company issued 44,232,226 new Ordinary shares for €0.4865 each. Proceeds of €16,603,073 were received net of expenses of €1,076,000 (€139,000 of which were paid in cash with the remainder paid by way of issue of new Ordinary shares). In addition, at the same time, €4,000,000 relating to an existing loan was converted to the new Ordinary shares.

An aggregate of 80,000 additional new ordinary shares were issued during the year at a price of €0.46 each as a consequence of option-holders exercising share options.

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 do so 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 relating of €7.6m. The carrying values of these assets are dependent on the raising of funds by Diamond Wood or other licensees to build their production plant and execute their business plan. 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;
- 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
- The volume in m^3 of licensee's production facilities in use. There are currently no licensee production facilities in use.

Future developments

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

- 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;
- Creating a worldwide user community – building a global network to sell, support, provide feedback and licence our products;
- Building the Accoya® brand – 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 were:

Willy Paterson-Brown	
Paul Clegg	appointed 29 April 2009
Finlay Morrison	resigned 16 July 2009
Kevin Wood	
Gordon Campbell	
Tim Paterson-Brown	resigned 1 April 2010
The Rt. Hon. Lord Sanderson of Bowden, Kb, D.L.	
Thomas Priday	resigned 1 April 2010

On 1 April 2010, Hans Pauli was appointed as a Director of the Company.

Directors' interests in the Ordinary shares of the Company

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

	Direct holdings		Beneficial interests	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Willy Paterson-Brown	2,000,000	2,000,000	3,000,000	3,000,000
Gordon Campbell	100,000	100,000	-	-
Paul Clegg	41,110	-	-	-
Tim Paterson-Brown	-	-	2,500,000	2,500,000
Lord Sanderson	1,095	11,095	-	-
Kevin Wood	10,000	-	-	-
Thomas Priday	-	-	-	-

Directors' indemnities

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

Charitable donations

Charitable donations of €nil (2009: €1,480) 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 2010, the average payment period for trade creditors for the Group was 33 days (2009: 42 days) and for the Company was 80 days (2009: 18 days).

Significant shareholdings

The following shareholders held legal or beneficial interests in ordinary shares of the Company exceeding 3% as at 31 March 2010:

• Saad Investments Company Limited	7.89%
• Rajhi Holdings	7.75%
• OP-Fund Management Company Limited	6.56%
• Nederlands Centraal Instituut Voor Giraal Effectenverkeer BV	6.11%
• Oak Foundation USA Inc./Oak Holdings Limited	5.99%
• FIL Limited (formerly known as Fidelity International Limited)	5.77%

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.

Auditors

BDO 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

A Wyn-Griffiths
Company Secretary
18 June 2010

Corporate and Social Responsibility

Our Corporate Vision

"Advancing technologies for a better world"

Accsys is an environmental science and technology company, focused on the licensing and production of environmentally friendly and sustainable acetylated wood products. Corporate and social responsibility lies at the very core of our business.

Our technologies not only enable us to manufacture wood products that offer 'best in class' durability, dimensional stability and a wide spectrum of environmental advantages over alternative products, but also provide attractive opportunities for licensees and our other stakeholders.

We want to ensure that our business is not only a commercial success, but that we continue to advance technologies for a better world.

Our Product and the Environment

The main environmental benefit of our Accoya® and Tricoya® acetylated wood products, is their use as a substitute for other environmentally damaging products including chemically treated woods that use toxic preservatives, unsustainably sourced tropical timber and materials produced from non-renewable resources such as metals (for example steel and aluminium) and plastics (such as PVC).

Carbon footprint

During their growth, trees convert carbon dioxide (CO_2) through photosynthesis into cellulose and lignin, and emit oxygen in the process. As a result, during their lifespan trees act as carbon sinks, since CO_2 is captured from the atmosphere and makes up approximately half of the dry weight stored in the wood of the tree. The carbon is stored in the living tree, but will also remain stored once the tree is felled and the wood of the tree is used for products such as Accoya® and Tricoya®. As a consequence CO_2 is locked out of the natural carbon cycle during the lifespan of the wood or wood product.

Through decay or incineration, the carbon will eventually be released again into the atmosphere in the form of CO_2. This means that the use of renewable materials such as wood can be perceived as CO_2 neutral (if CO_2 emitted during production and transport of wood products is not taken into account).

In producing Accoya® wood, we improve this carbon capture mechanism in two ways. Firstly, by using fast growing softwood species such as Radiata Pine as input for our acetylation process. Per hectare, more cubic metres of Radiata Pine can be grown (20-28 m^3/ha/yr) compared to slower growing wood species such as Teak (6 m^3/ha/yr). Consequently, a larger amount of carbon is sequestered compared to slow growing wood species.

Secondly, through the acetylation process, the dimensional stability and durability (durability class 1 according to EN standard 350-1) of a wood species are improved considerably, lengthening the product lifespan. Thus Accoya® wood is able to act as a longer term carbon sink that needs less additional care, such as coatings maintenance, as compared to other woods. These unique properties allow us to warrant Accoya® wood for 50 years above ground and 25 years below ground (please see our Certificates of Warranty for full details).

In 2009 we commissioned Camco, a leading environmental consultancy group, to report on the carbon footprint of Accoya® wood so that we can better understand our product, its impact on the environment and identify where further efficiencies are possible. Camco's report resoundingly supports Accoya® wood's carbon sequestration credentials and contrasts Accoya® wood with other man made construction materials that Accoya® can replace, such as aluminium, PVC and steel. These materials do not sequester carbon and during production emit a considerably higher amount of carbon dioxide. Camco reported that, for example, in the production of aluminium over 140 times more CO_2 is released into the atmosphere per cubic metre than in the production of Accoya® wood. Copies of Camco's report are available on request from our offices.

The Camco report figures show the annual greenhouse gas emissions per cubic metre of Accoya® wood, published in kg CO_2 equivalent, and translated into real life applications in order to account for the use-phase aspects.

In this application-based cradle to grave assessment, aspects such as material use, durability, carbon sequestration and maintenance were taken into account for a fair comparison with other building materials. The figures exclude the end-of-life phase, which could provide additional carbon advantages to wood products, including Accoya® in the case of incineration for energy production (substitute for fossil fuels).

It can be concluded that Accoya® wood is one of the very few man-made construction materials verified by an independent environmental consultancy group to have such an advantageous carbon footprint.

By understanding this, one can begin to appreciate the impact that Accoya® wood and Tricoya® can have in slowing the accumulation of CO_2 in the atmosphere that contributes to climate change.

Life cycle assessment

Besides having a low carbon footprint, Accoya® wood provides additional environmental advantages in the use phase, such as lower maintenance requirements due to the higher dimensional stability, a longer lifespan and a high value for thermal insulation which means energy efficiency. This has been shown in Life Cycle Analysis (LCA) work carried out by various research institutes, including EMPA, the Swiss institute in 2007. EMPA confirmed that the application of Accoya® wood in window frames over a life span of 60 years has an environmental performance which is 19 to 26% better compared to window frame material alternatives such as wood, PVC and aluminium.

Non toxic

In contrast to many of our competitors, who produce wood products that derive durability from using chemical treatment processes (such as chromate copper arsenate (CCA) or alkaline copper quat (ACQ) treatments), our product is 100% non-toxic and does not leach harmful substances. Due to Accoya® wood's outstanding durability, there is no need to apply chemicals such as CCA or ACQ as is necessary with unmodified or envelope treated woods. We offer a real alternative to these types of products.

Sustainable forestry

Wood sourced from sustainably managed forests and plantations is an environmentally responsible resource, which in theory is inexhaustible. Nevertheless, the demand for durable wood from certified forests is higher than the supply, as Greenpeace International (2007) confirms: "Support for the FSC label is high among major purchasers and retailers of forest products, but the tens of billions of dollars in market demand for FSC products still far exceeds supply".

Our products therefore offer an "in demand" sustainable alternative to tropical hardwoods. The fast growing, high yield renewable softwoods used in producing Accoya® wood can be grown and harvested in twenty five years, unlike tropical hardwoods that take over a hundred years to mature.

This means that in Accoya® wood we have developed a solution to the global problem of deforestation and destruction of our ancient rainforests, often carried out illegally to the detriment of the local communities, wildlife, flora and fauna.

The wood we use is harvested from FSC, PEFC and other certified sources giving ourselves, our customers and our investors comfort that our supply forests are managed in a sustainable way and sensitive to the needs of the local environment. We oblige all our licensees to adhere to our requirements in this regard.

Our procedures and practices are assessed annually by the independent certification body Control Union (www.controlunion.com) to ensure that we meet FSC and PEFC Chain of Custody guidelines. Directives and procedures regarding FSC and PEFC regulations are documented as an integral part of Accsys Technologies' quality management system.

We are proud to support Rainforest Concern, a UK registered charity established to protect threatened natural habitats, the biodiversity they contain, together with the people who depend on the rainforests for survival.

Continuing research

Through our research and development group we are continually looking for ways to develop our technologies and products to make them more energy efficient and to reduce as far as possible any adverse impact on the environment.

One such area is that of timber sourcing. Radiata Pine, sourced from a variety of locations, is the species currently used to produce Accoya® Wood. Research shows that, although the intercontinental transport distance may be high, in many instances the annual transport emissions of acetylated Radiata Pine are competitive when compared with various continentally-sourced timber species, as the graph below shows. This is due to the efficient low emissions transport used (sea transport), low weight, and lifespan improvement through acetylation. For more detailed background information please refer to the Timber Transport Emissions Calculator available on our web-site (http://www.accoya.com/sustainability_the_future.html).

Nevertheless, we are currently engaged in comprehensive species testing with the end goal of being able to commercially acetylate the softwood species that are most local to any of our current and potential licensees, wherever they may be in the world. That means reducing the need for transporting raw wood and therefore reducing our carbon footprint still further.

Improving efficiency within our plant in Arnhem in order to achieve higher batch volumes, shorter batch times, lower energy consumption and improved renewable energy content are an ongoing goal. We are also investigating ways to directly recycle by-product acetic acid and upgrade it to acetic anhydride on site, for a closed loop system.

Engaging with local communities

We actively engage with local community projects as far as possible on a pro-bono basis. By so doing we hope to:

- showcase the high performance of our products;
- draw attention to the viability of "green" products; and
- assist local communities in reaching their goals.

Examples of these efforts include the construction of Sneek Bridge in The Netherlands and the Green Life Smart Life Project, a green home building project in the US.

In support of the London Capital Clean Up campaign, Accsys Technologies have also donated Accoya® wood to The Rosemary Works Community Association. Accoya® has been used to make raised planters which have now been installed on the edge of Regent's Canal, London as part of its regeneration.

We are also proud to have recently been supporting the London homelessness charity St Mungo's. Accoya® wood products, including decking, compost bins and a bench have been crafted in St Mungo's wood workshop in London, where homeless people develop new skills that will enable them to move on to further training and qualifications to help turn their lives around long-term. The items that St Mungo's have built were showcased at The Eden Project's 'Places of Change' Garden at the 2010 RHS Chelsea Flower Show in London. The '**Places of Change'** garden was an ambitious collaboration between a national housing and regeneration delivery agency, The **Eden Project** and frontline homelessness agencies supporting charities such as St Mungo's. Its aim was to use a sustainably constructed, high profile garden to challenge stereotypes around homelessness.

In the United States, Accsys Technologies is sponsoring Solar Decathlon, an award winning program that helps educate current and future building industry practitioners in the use of sustainable materials and energy efficient designs.

Our Employees and Office

Our employees are vital to achieving our corporate vision. We strive to build real collaborative team spirit, where each employee feels valued and their individual needs are listened to.

We are committed to upholding the basic principles of equality and fairness by treating all of our employees with respect and doing our best to ensure that all of our business partners adhere to the same code. We do not tolerate the harassment or intimidation of any of our employees, and all employees are encouraged to bring any such issues to the attention of either senior management or an independent Human Resources contact.

We will seek out and employ the best qualified personnel regardless of race, religion, belief, ethnic background, nationality, age, marital status, sex, sexual orientation or disability. We believe that diversity should be encouraged and inclusion should be the norm.

Each of our group's offices in the United Kingdom, the Netherlands and the United States promote an environmentally friendly policy. We believe even small actions contribute to our overall goals. For example, we use either 100% recycled paper or paper produced from wood pulp harvested from sustainable forests and encourage a policy of recycling by providing recycling bins in the office. Our employees are expected to switch off computers, lights and other electrical goods when not in use to conserve energy. Our offices are also being fitted with energy efficient light bulbs.

Our Health and Safety

Accsys Technologies is committed to maintaining a healthy and safe environment for all its Group employees, licensees, business partners, customers and the communities where we operate.

Our demonstration plant in Arnhem, the Netherlands uses acetic anhydride in the production of Accoya® wood and generates acetic acid as a bi-product of acetylation.

We mitigate any marginal health and safety risk associated with these low impact chemicals and the production process as a whole by regular inspections to ensure our plant is fully compliant with legal and regulatory health and safety requirements. Our wholly owned subsidiary company, Titan Wood BV employs a manager responsible for ensuring that the facility operates to the highest health and safety standards and in accordance with our bespoke Health and Safety Policy. The Health and Safety Policy provides for:

- regular monthly staff meetings to discuss health and safety matters;
- the promotion of knowledge of our employees and their input in the field of health and safety;
- the promotion of a safety conscious attitude amongst employees;
- reducing as far as possible the use and exposure of employees to harmful substances;
- encouraging the development of better, safer and healthier working methods and equipment to prevent distress and/or material damage arising from work and work related accidents;
- addressing the root causes of potential dangers;
- preventing situations that may otherwise lead to accidents;
- the proper design of our production facility;
- regular maintenance and inspection of our facility; and
- selecting suppliers according to our requirements for health and safety in addition to quality and environmental concerns.

The health and safety measures taken by Titan Wood B.V. have helped ensure there have been no material health and safety issues in any part of the business.

Our Business Partners

We want our own activities and also those of our licensees, suppliers and other business partners to be socially and environmentally responsible. We are committed to a policy of minimising any negative social and environmental impact that may flow from our activities and expect the same high standards from our business partners.

In particular, we expect our business partners:

- to provide a healthy and safe environment for their staff, customers and visitors, and to comply with all applicable local environmental, safety and health regulations;
- not to engage in or support the use of child labour;
- not to use forced labour (for example prison, indentured, bonded) and subject to local legislation, allow all employees the right to free assembly and collective bargaining;
- to provide an equality of opportunity and not discriminate against any worker on any grounds of age, sex, marital status, disability, colour, race, religion, nationality or ethnic origin;
- not to engage in harassment or intimidation of employees or support the use of corporal punishment, mental, physical, sexual or verbal abuse; and
- to comply with all applicable wage and hour laws and regulations in their relevant jurisdiction, including minimum wage, overtime and maximum hours.

Our Awards and Achievements

Sustainable Business Index

Many of the above factors resulted in Accsys Technologies PLC being ranked sixth in the Sustainable Business Index, SB20 2008. The SB20 showcases the most innovative, model companies that have the potential to most positively impact the goal of reaching a sustainable society.

Green Label - Singapore

For the South East Asian market we have attained the highly regarded Green Label of the Singapore Environment Council. The Singapore Environment Council (SEC) is an NGO set up to promote environmental awareness in South East Asia. The 'Green Label' was set up to reward environmentally friendly products sold within the region with eco-labels that can only be obtained by compliance with the strict eco standards specified by the SEC's scheme.

Cradle to Cradle

Accoya® wood is one of the very few building products to have acquired Cradle to Cradle℠ Gold Certification by MBDC. Cradle to Cradle Certification provides a means to tangibly, credibly measure achievement in environmentally-intelligent design and helps customers purchase and specify products that are pursuing a broader definition of quality. This includes using environmentally safe and healthy materials and instituting strategies for social responsibility.

Columbus Egg

Accsys Technologies was also delighted to have received the overall Dutch National Award for Sustainability Innovation, "The Columbus Egg", and the Award for Sustainable Production Technology for Accoya® wood in 2008. These awards are granted by the Dutch Government and are designed to reward sustainability innovation within businesses operating in the Netherlands.

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 Combined Code issued by the Committee on Corporate Governance. The Combined 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 Chairman, two executive Directors and a minimum of four 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.

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.

During the period, Willy Patterson-Brown's role as executive Chairman was changed to non-executive Chairman.

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 Gordon Campbell (Chairman), and Lord Sanderson. 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 an 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 (Chairman), Gordon Campbell and Kevin Wood. 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. In framing the Company's remuneration policy, the Nominations & Remuneration Committee has given full consideration to Section B of The Combined 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. A review initiated by the Directors to assess the effectiveness of the system of internal financial control operating across the Group is due to be completed later in 2010.

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. 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
Willy Paterson-Brown	9	9	2	-	1	-
Paul Clegg (1)	11	11	2	-	-	-
Finlay Morrison (2)	3	3	1	-	-	-
Kevin Wood	12	12	2	-	1	-
Gordon Campbell	8	8	2	2	3	3
Tim Paterson-Brown (3)	8	8	1	1	2	2
Lord Sanderson	4	4	1	1	2	2
Thomas Priday (3)	7	7	2	-	1	-

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 to the Board on 29 April 2009
2 resigned from the Board on 16 July 2009
3 resigned from the Board on 1 April 2010

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and having chosen to prepare 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 accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

In preparing the parent company 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; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are also responsible for preparing a Directors' Report and Directors' Remuneration Report which complies with the requirements of the Companies Act 2006.

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on 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 2010

	Note	2010 €'000 Before Diamond Wood write-offs and restructuring costs	2010 €'000 Diamond Wood write-offs and restructuring costs (Notes 3 and 7)	2010 €'000 Total	2009 €'000 Total
Accoya® wood revenue		9,136	-	9,136	6,890
Licence revenue		6,688	-	6,688	22,705
Other revenue		899	-	899	1,596
Total revenue		16,723	-	16,723	31,191
Total cost of sales		(14,572)	-	(14,572)	(20,209)
Gross profit		2,151	-	2,151	10,982
Administrative expenses before restructuring costs		(17,772)	-	(17,772)	(18,292)
Restructuring costs	3	-	(862)	(862)	-
Total administrative expenses		(17,772)	(862)	(18,634)	(18,292)
Other income	6	-	-	-	8,290
Impairment of licensee receivables	7	-	(25,458)	(25,458)	-
Impairment of equity investment	7	-	(10,000)	(10,000)	-
(Loss) / profit from operations	8	(15,621)	(36,320)	(51,941)	980
Finance income	9	18	-	18	923
Finance expense	10	(291)	-	(291)	(82)
(Loss) / profit before taxation		(15,894)	(36,320)	(52,214)	1,821
Tax credit	11	75	-	75	3,608
(Loss) / profit for the period		(15,819)	(36,320)	(52,139)	5,429
Gain arising on translation of foreign operations		23	-	23	-
Total comprehensive (loss) / income		(15,796)	(36,320)	(52,116)	5,429
Basic (loss) / earnings per ordinary share	12			€(0.32)	€0.03
Diluted (loss) / earnings per ordinary share	12			€(0.32)	€0.03

The notes on pages 22 to 40 form part of these financial statements.

Consolidated statement of financial position at 31 March 2010

	Note	2010 €'000	2009 €'000
Non-current assets			
Intangible assets	15	7,588	7,852
Property, plant and equipment	16	26,972	28,013
Available for sale investments	17	-	6,000
Deferred tax	18	2,644	2,630
Trade receivables	21	-	6,400
		37,204	50,895
Current assets			
Inventories	20	3,755	4,888
Trade and other receivables	21	8,741	42,185
Cash and cash equivalents		18,258	17,503
Corporation tax		36	-
		30,790	64,576
Current liabilities			
Trade and other payables	22	6,437	23,004
Corporation tax		-	128
		6,437	23,132
Net current assets		24,353	41,444
Total net assets		61,557	92,339
Equity and reserves			
Share capital - Ordinary shares	23	2,006	1,556
Share premium account		98,748	78,191
Capital redemption reserve		148	148
Warrants reserve		82	82
Merger reserve		106,707	106,707
Retained earnings		(146,157)	(94,345)
Foreign currency translation reserve		23	-
Equity attributable to owners of the parent / total equity		61,557	92,339

The financial statements were approved by the Board and authorised for issue on 18 June 2010

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

The notes on pages 22 to 40 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2010

	Share capital Ordinary €000	Share capital Deferred €000	Share premium €000	Capital redemption reserve €000	Warrant reserve €000	Merger reserve €000	Foreign currency translation reserve €000	Retained earnings €000	Total €000
Balance at 1 April 2008	1,553	148	78,076	-	-	106,707	-	(99,023)	87,461
Total comprehensive income for the period	-	-	-	-	-	-	-	5,429	5,429
Share based payments	-	-	-	-	-	-	-	804	804
Share Warrants issued	-	-	-	-	82	-	-	-	82
Share options exercised	3	-	-	-	-	-	-	-	3
Premium on shares issued	-	-	115	-	-	-	-	-	115
Buyback of deferred shares	-	(148)	-	148	-	-	-	(2)	(2)
Dividends Paid	-	-	-	-	-	-	-	(1,553)	(1,553)
Balance at 31 March 2009	1,556	-	78,191	148	82	106,707	-	(94,345)	92,339
Total comprehensive income for the period	-	-	-	-	-	-	23	(52,139)	(52,116)
Share based payments	-	-	-	-	-	-	-	327	327
Shares issued	450	-	-	-	-	-	-	-	450
Premium on shares issued	-	-	21,633	-	-	-	-	-	21,633
Share issue costs	-	-	(1,076)	-	-	-	-	-	(1,076)
Balance at 31 March 2010	2,006	-	98,748	148	82	106,707	23	146,157)	61,557

Share capital is the amount subscribed for shares at nominal value (note 23).

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.

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 22 to 40 form part of these financial statements.

Consolidated statement of cash flow for the year ended 31 March 2010

	2010 €'000	2009 €'000
(Loss) / profit before taxation	(52,214)	1,821
Adjustments for:		
Amortisation of intangible assets	264	264
Depreciation of property, plant and equipment	1,609	1,572
Loss on disposal of property, plant and equipment	999	-
Finance expense/(income)	229	(923)
Impairment of receivables and investment	35,458	-
Equity-settled share-based payment expenses	327	804
Equity-settled warrant expenses	-	82
Cash flows from operating activities before changes in working capital	(13,328)	3,620
Decrease/(increase) in trade and other receivables	5,592	(43,485)
Decrease in inventories	1,144	44
(Decrease)/increase in trade and other payables	(7,307)	19,533
Cash absorbed by operating activities	(13,899)	(20,288)
Tax paid	(103)	(258)
Net cashflows from operating activities	(14,002)	(20,546)
Cash flows from investing activities		
Interest received	18	923
Purchase of available for sale investments	(4,000)	-
Disposal of property, plant and equipment	2	-
Purchase of property, plant and equipment (see note below)	(2,029)	(7,676)
Net cash absorbed by investing activities	(6,009)	(6,753)
Cashflows from financing activities		
Proceeds from loans	4,000	-
Finance expenses	(246)	-
Dividends paid	-	(1,553)
Proceeds from issue of share capital	17,167	118
Share issue costs	(160)	-
Buyback cost for deferred shares	-	(2)
Net cash from financing activities	20,761	(1,437)
Effect of exchange differences on restatement of non EUR functional currency	5	-
Net increase / (decrease) in cash and cash equivalents	750	(28,736)
Opening cash and cash equivalents	17,503	46,239
Closing cash and cash equivalents	18,258	17,503

Note: Purchase of property, plant and equipment in the prior year included land in Arnhem that was purchased in March 2008, but paid for in April 2008. The amount payable of €5,260,000 was included in other creditors at 31 March 2008.

The notes on pages 22 to 40 form part of these financial statements.

Notes to the financial statements for the year ending 31 March 2010

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 2010 or 31 March 2009.

Statutory accounts for the period ended 31 March 2009 have been filed with the Registrar of Companies and those for the period ended 31 March 2010 will be delivered to the Registrar in due course; both have been reported on by the Independent Auditors. The independent auditors' report on the Annual Report and Financial Statements for the period ended 31 March 2009 was unqualified, and did not contain a statement under 237(2) or 237(3) of the Companies Act 1985, but did include a matter by way of emphasis in relation to going concern of the company.

The independent auditors' report on the Annual Report and Financial Statements for the period ended 31 March 2010 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 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 accounts under adopted IFRS. The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). These are presented on page 41.

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 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 2010 of €62m 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 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 €26.9m of tangible fixed assets, which primarily relate to the Arnhem plant, are dependent upon the future profitable sales of Accoya® wood made there. The price of the Accoya® 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

In the current financial year, the Group has adopted IAS 1 "Presentation of Financial Statements" (Revised).

IAS 1 Presentation of Financial Statements (Revised) includes the requirement to present a Statement of Changes in Equity as a primary statement and introduces the possibility of either a single Statement of Comprehensive Income (combining the Income Statement and a Statement of Comprehensive Income) or retain the Income Statement with a supplementary Statement of Comprehensive Income. The first option has been adopted by Accsys Technologies PLC. As this standard is concerned with presentation only it does not have any impact on the results or net assets of the group.

IFRS 8 Operating Segments is also mandatory for periods beginning on or after 1 January 2009 however the Group elected to apply the standard early in its financial statements for the year ended 31 March 2009.

None of the other new standards, amendments or interpretations applicable to this accounting period had an effect on these financial statements.

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 balance sheet, 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.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

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.

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 expense includes the costs associated with the issue of warrants, calculated using a Black-Scholes model. Costs are charged to the comprehensive income statement in the period that the obligation to issue the warrants becomes binding. In addition 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.

Share based payments

The Company awards share options to acquire shares of the Company to certain directors and employees. The fair value of options granted is 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.

The fair value of the 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.
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 Company, and the presentational 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 exchange rates prevailing at the date of the transaction. 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 complied 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 income statement 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 3 'Business Combinations', goodwill includes intangible assets arising on those acquisitions that are not separately identifiable.

Other intangible assets

Intellectual property rights, including patents, which cover a portfolio of novel chemical processes and products, are shown in the financial statements at cost less 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.

Property, plant and equipment

Property, plant and equipment are stated at cost less 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%.
Freehold land	Freehold land is not depreciated.

Impairment of non-financial assets

The carrying amount of the non-current 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 is recognised in the comprehensive income statement 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 comprehensive income statement on a straight-line basis over the lease term.

Inventories

Raw materials, which consist of unprocessed timber, chemicals and various materials 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 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 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 with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, 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 in the current year 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. 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 3 (Revised) Business combinations (effective for periods beginning on or after 1 July 2009).
- IFRS 9 Financial Instruments (annual periods beginning on or after 1 January 2013).
- IAS 24 Amendment to Related Party Disclosures (effective for periods commencing on or after 1 January 2011).
- IAS 27 (Revised) Consolidated and Separate Financial Statements (effective for periods beginning on or after 1 July 2009).
- IAS 32 Amendment to Financial Instruments: Presentation - Classification of Rights Issues (effective for periods commencing on or after 1 February 2010).
- IAS 39 Amendment to Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for periods beginning on or after 1 July 2009).
- Annual improvements to IFRS 2009 (effective for varied periods, mainly beginning on or after 1 July 2009 or 1 January 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for periods commencing on or after 1 July 2010)

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 Amendments to IFRS 9, Amendments to IAS 24 and Amendments IFRIC 19 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 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. Administrative expenses incurred in the Netherlands are attributed to the manufacturing segment unless they can be directly attributable to research and development, with all other administrative costs allocated to licensing. Assets and liabilities cannot be readily allocated to the three segments and therefore no additional segmental information has been disclosed. Other income relates to licence fees.

	Licensing		Manufacturing		Research and Development		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue	6,688	22,705	10,035	8,486	-	-	16,723	31,191
Cost of sales	(1,857)	(6,092)	(12,715)	(14,117)	-	-	(14,572)	(20,209)
Gross profit / (loss)	4,831	16,613	(2,680)	(5,631)	-	-	2,151	10,982
Administrative expenses	(8,992)	(11,220)	(7,447)	(6,079)	(1,333)	(993)	(17,772)	(18,292)
Restructuring costs	(818)	-	(44)	-	-	-	(862)	-
Total administrative expenses	(9,810)	(11,220)	(7,491)	(6,079)	(1,333)	(993)	(18,634)	(18,292)
Other income	-	8,290	-	-	-	-	-	8,290
Impairment of licensee receivables	(25,458)	-	-	-	-	-	(25,458)	-
Impairment of equity investment	(10,000)	-	-	-	-	-	(10,000)	-
(Loss) / profit from operations	(40,437)	13,683	(10,171)	(11,710)	(1,333)	(993)	(51,941)	980
Finance income							18	923
Finance expense							(291)	(82)
(Loss) / profit before taxation							(52,214)	1,821

Analysis of Revenue by geographical area:

	2010	2009
	€'000	€'000
China	9,129	21,018
Netherlands	3,112	3,858
United Kingdom	1,767	1,827
Germany	1,375	1,038
North America	776	114
Italy	187	115
Norway	133	69
Switzerland	98	96
Greece	82	-
Belgium	31	56
Japan	14	-
Austria	8	-
Sweden	7	-
France	4	-
Bahrain	-	3,000
	16,723	31,191

Revenue generated from one customer exceeded 10% of Group revenue in 2010 and 2009. All of this revenue is included within the China region above, and relates to licensing and 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. Restructuring costs

Restructuring costs of €0.9m were recorded in the year (2009: €nil) relating to the termination payments made to staff. This helped the Group headcount reduce from 126 at the start of the year to 107 at 31 March 2010. The restructuring has enabled the Group to focus on improving production and sales at the Arnhem facility while continuing to develop the licensing activities.

4. Employees

	2010 €'000	2009 €'000
Staff costs (including Directors) consist of:		
Wages and salaries	7,571	6,793
Social security costs	930	627
Other pension costs	652	354
Share based payments	327	804
	9,480	8,578

The average number of employees, including executive Directors, during the year was as follows:	Number	Number
Administration, research and engineering	75	75
Operating	37	37
	112	112

5. Directors' remuneration

	2010 €'000	2009 €'000
Directors' remuneration consists of:		
Directors' emoluments	1,045	928
Compensation for Loss of office	384	-
Gains on exercise of share options	-	-
Company contributions to money purchase pension schemes	20	35
	1,449	963

Emoluments disclosed above include the following amounts paid to each Director:

	Fees, Salary & short term benefits	Pension	Loss of office	Gains on Exercise of Options	2010 Total	2009 Total
Finlay Morrison (part year 2010)	77	4	384	-	465	288
Paul Clegg	335	6	-	-	341	-
Willy Paterson-Brown	337	-	-	-	337	345
Kevin Wood (part year 2009)	172	10	-	-	182	132
Lord Sanderson	33	-	-	-	33	29
Gordon Campbell	33	-	-	-	33	29
Thomas Priday	30	-	-	-	30	24
Tim Paterson Brown	28	-	-	-	28	24
Stefan Allesch Taylor (part year 2009)	-	-	-	-	-	3
Glyn Thomas (part year 2009)	-	-	-	-	-	89
	1,045	20	384	-	1,449	963

The Group made contributions to 3 (2009: 3) Directors' personal pension plans.
Out of the share based payments charge (Note 14) €174,000 (2009: €476,000) relates to the Directors.

6. Other income

Other income in the prior year of €8,290,000 represented the profit generated from the early settlement of a licensing agency agreement during the year ended 31 March 2009.

7. Impairment of Assets

The Company has agreed an amended licence agreement with Diamond Wood. Under Diamond Wood's revised business plan (which is subject to the completion of their fundraising) the capacity of the plant to be built in the first phase is significantly smaller than that previously expected (300,000m^3).

As a result net receivables (consisting of trade receivables, accrued income, prepayments and deferred income) of €25.5m relating to Diamond Wood may no longer be recoverable and they have therefore been provided for. This provision reflects the expected change to Diamond Wood's business plan in respect of both the timing and the total capacity of the plant that Diamond Wood may now build compared to previously expected. The impairment included €17.2m of net receivables (trade receivables, accrued income and deferred income), which was attributable to 48% of the total revenue we have recognised in respect of our previous contract with Diamond Wood to date. The remaining 52% has been received in cash.

In addition, pending conclusion of Diamond Wood finalising its funding arrangements, a provision for the impairment of the entire balance of €10m has been recorded. In the event Diamond Wood completes the fund raising, the balance may be revalued.

The impairment charges have been recorded in a separate column in the consolidated statement of comprehensive income due to the size and one-off nature of the charges and in order to present the underlying results of the Group which exclude these charges. The underlying results include licence revenue and costs attributable to Diamond Wood from the period prior to the changes in Diamond Wood's business plan.

Summary of Diamond Wood balances impaired

	2010 €'000	2009 €'000
Trade receivables and accrued income	25,966	-
Deferred income	(8,800)	-
Prepayments - Licensing commission	7,467	-
Prepayments - Basic engineering plan	825	-
	25,458	-
Equity Investment	10,000	-
Total impairment	35,458	-

8. (Loss)/Profit from operations

This has been arrived at after charging:	€'000	€'000
Staff costs (including restructuring costs of €799,000 (2009: €Nil))	9,480	8,578
Other restructuring costs	63	-
Depreciation of property, plant and equipment	1,609	1,572
Amortisation of intangible assets	264	264
Operating lease rentals	359	382
Fees payable to the Company's auditors for the audit of the Company's annual accounts	65	54
Fees payable to the Company's auditors and its associates for other services:		
- audit of the Company's subsidiaries	71	84
- other services persuant to legislation	55	148
- tax services	34	105
Foreign exchange (gains)/losses	(74)	99
Research & Development (excluding staff costs)	800	584
Loss on sale of assets	(999)	-

€106,000 of fees payable to the Company's auditors in respect of corporate finance services were credited to the share premium account.

9. Finance income

	2010 €'000	2009 €'000
Interest receivable on bank and other deposits	18	923

10. Finance expense

	€'000	€'000
Loan issue costs	246	-
Warrants issue costs	-	82
Equity line of credit costs	45	-
	291	82

11. Tax expense

	2010 €'000	2009 €'000
(a) Tax recognised in the income statement comprises:		
Current tax expense		
UK Corporation tax on profits for the year	-	-
Over provision in respect of prior years	(101)	(1,045)
	(101)	(1,045)
Overseas tax at rate of 34%	40	67
Overseas tax at rate of 25.5%	-	-
Deferred Tax Credit		
Recognition of deferred tax asset on trading losses - prior year	(14)	(2,630)
Total tax credit reported in the income statement	(75)	(3,608)

	2010 €'000	2009 €'000
(b) The tax credit for the period is lower than the standard rate of corporation tax in the UK (2010: 28%, 2009: 28%) due to:		
(Loss)/profit before tax	(52,214)	1,821
Expected tax (credit)/charge at 28% (2009 - 28%)	(14,620)	510
Expenses not deductible in determining taxable profit	2,935	336
Over provision in respect of prior years	(101)	(1,045)
Losses transferred to deferred tax asset but not recognised	12,303	-
Recognition of deferred tax asset on trading losses	(14)	(2,630)
Utilisation of previously unrecognised losses at local tax rate	(563)	(846)
Effects of overseas taxation	(15)	67
Total tax credit reported in the income statement	(75)	(3,608)

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.

To calculate the diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all potentially dilutive ordinary shares. Potential dilutive ordinary shares comprise share options granted to employees and warrants.

Basic earnings per share	**2010**	**2009**
Weighted average number of Ordinary shares in issue ('000)	162,237	155,463
(Loss)/earnings for the year (€'000)	(52,139)	5,429
Basic (loss)/earnings per share	€(0.32)	€0.03

Diluted earnings per share	**2010**	**2009**
Weighted average number of Ordinary shares in issue ('000)	163,027	157,505
(Loss)/earnings for the year (€'000)	(52,139)	5,429
Diluted (loss)/earnings per share	€(0.32)	€0.03

The earnings used in the calculation of diluted earnings per share are the same as those for the equivalent basic earnings per share calculation.

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2010	**2009**
Weighted average number of ordinary shares used in the calculation of basic earnings per share ('000)	162,237	155,463
Share options and warrants ('000)	790	2,042
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	163,027	157,505

13. Dividends Paid

	2010 **€'000**	**2009** **€'000**
Final Dividend €nil (2009: €1,553,000) per Ordinary share proposed and paid during year relating to the previous year's results	-	1,553

14. Share based payments

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 2010, 2,051,200 of these options were outstanding.

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 2010, 23,000 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 2010, 3,825,000 of these options were outstanding.

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 2010, 1,000,000 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 2010, 1,000,000 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 reactor 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 2010, 337,000 of these options were outstanding.

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 2010, 305,000 of these options were outstanding.

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 2010, 1,383,000 of these options were outstanding.

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'). TSR is measured on a relative basis compared to a comparator group over a three year period from grant date. 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 2010, 1,805,343 of these options were outstanding.

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:

Date of grant	Number of outstanding options at 31 March 2010	2009	Weighted average remaining contractual life, in years 2010	2009	Option price
1 March 2005	2,051,200	2,184,000	4.9	5.9	€0.46
14 June 2006	23,000	431,000	6.2	7.2	€1.20
28 March 2007	3,825,000	5,057,000	7.0	8.0	€2.59
15 May 2007	1,000,000	1,000,000	7.1	8.1	€3.84
11 October 2007	1,000,000	1,000,000	7.5	8.5	€3.80
20 November 2007	337,000	376,000	7.6	8.6	€3.65
18 June 2008	305,000	305,000	8.3	9.3	€2.80
8 December 2008	1,383,000	1,383,000	8.7	9.7	€1.38
19 November 2009	1,805,343	-	9.6	-	€0.50

Movements in the weighted average values are as follows:

	2010 Weighted average exercise price	2010 Number	2009 Weighted average exercise price	2009 Number
Outstanding at 1 April	€2.27	11,736,000	€2.34	10,575,140
Granted during the year	€0.50	1,805,343	€1.64	1,688,000
Exercised during the year	€0.46	(80,000)	€0.46	(254,640)
Expired during the year	€2.22	(1,731,800)	€2.55	(272,500)
Outstanding at 31 March	€2.02	11,729,543	€2.27	11,736,000

The exercise price of options outstanding at the end of the year ranged between €0.46 and €3.84 (2009: €0.46 and €3.84) and their weighted average contractual life was 7.3 years (2009: 7.9 years).

Of the total number of options outstanding at the year end, 5,624,200 (2009: 4,203,000) had vested and were exercisable at the end of the year.

The weighted average share price (at the date of exercise) of options exercised during the year was €1.01 (2009: €2.20).

The weighted average fair value of each option granted during the year was €0.50 (2009: €0.42).

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	**19-Nov-09**	**08-Dec-08**	**18-Jun-08**
Share price at grant date	€ 0.50	€ 1.38	€ 2.80
Exercise price	€ 0.50	€ 1.38	€ 2.80
Expected life	3	3	3
Contractual life	10	10	10
Risk free rate	2.00%	2.50%	5.00%
Expected volatility	60%	38%	30%
Expected dividend yield	0.0%	1.3%	1.3%
Fair value of option	**€ 0.156**	**€ 0.361**	**€ 0.679**

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.

15. Intangible assets

	Intellectual property rights €'000	Goodwill €'000	Total €'000
Cost			
At 1 April 2008	73,200	4,231	77,431
Additions	-	-	-
At 31 March 2009	73,200	4,231	77,431
Additions	-	-	-
At 31 March 2010	73,200	4,231	77,431
Amortisation			
At 1 April 2008	69,315	-	69,315
Amortisation	264	-	264
At 31 March 2009	69,579	-	69,579
Amortisation	264	-	264
At 31 March 2010	69,843	-	69,843
Net book value			
At 31 March 2010	3,357	4,231	7,588
At 31 March 2009	3,621	4,231	7,852

The carrying value of 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 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. 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.

16. Property, plant and equipment

	Freehold land €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
Cost or valuation				
At 1 April 2008	6,765	29,541	261	36,567
Additions	50	2,441	115	2,606
Disposals	-	(7,274)	(3)	(7,277)
At 31 March 2009	6,815	24,708	373	31,896
Additions	-	1,547	22	1,569
Disposals	-	(1,151)	(1)	(1,152)
At 31 March 2010	6,815	25,104	394	32,313
Depreciation				
At 1 April 2008	-	9,245	153	9,398
Charge for the year	-	1,455	117	1,572
Disposals	-	(7,086)	(1)	(7,087)
At 31 March 2009	-	3,614	269	3,883
Charge for the year	-	1,516	93	1,609
Disposals	-	(150)	(1)	(151)
At 31 March 2010	-	4,980	361	5,341
Net book value				
At 31 March 2010	6,815	20,124	33	26,972
At 31 March 2009	6,815	21,094	104	28,013

17. Other financial assets

	2010 €'000	2009 €'000
Available for sale investments	-	6,000

During the period Accsys Technologies PLC purchased an additional 8,333,334 unlisted ordinary shares in Diamond Wood China Limited for €0.48 each. This investment brings Accsys Technologies PLC's holdings in Diamond Wood to 21,666,734 shares, which represents a holding of 15.4%.

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 Group does not currently have an intention to dispose of its investment in Diamond Wood in the foreseeable future.

The historical cost of the unlisted shares at 31 March 2010 is €10m (2009: €6m). However, pending conclusion of Diamond Wood finalising its funding arrangements, a provision for the impairment of the entire balance of €10m has been recorded. In the event Diamond Wood completes the fund raising, the balance may be revalued.

18. Deferred Taxation

The Group has a deferred tax asset of €2,644,000 (2009: €2,630,000) 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 €13,664,000 (2008: €3,199,000) 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:

	2010 €'000	2009 €'000
Opening balance	2,630	-
Recognition of deferred tax asset	1,404	2,630
Derecognition of deferred tax asset	(1,390)	-
Closing balance	2,644	2,630

19. 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.

20. Inventories

	2010 €'000	2009 €'000
Materials and work in progress	1,281	1,341
Finished goods	2,474	3,547
	3,755	4,888

The amount of inventories recognised as an expense during the year was €8,617,000 (2009: €6,242,000). The cost of inventories recognised as an expense includes €199,000 (2009: €976,000) in respect of the write down of inventories to net realisable value.

21. Trade and other receivables

	2010 €'000	2009 €'000
Trade receivables - due in less that one year	1,882	15,283
Trade receivables - due in more than one year	-	6,400
Other receivables	240	344
Prepayments	6,619	16,108
Accrued income	-	10,450
	8,741	48,585

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

In 2009 there were €6.4m of trade receivables due in more than one year. These related to the licence for the plant being developed in China for Diamond Wood for which some payments were not scheduled to be paid until 2011.

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

	2010 €'000	2009 €'000
Up to 30 days overdue	250	1,419
Over 30 days and up to 60 days overdue	185	1,131
Over 60 days and up to 90 days overdue	-	369
Over 90 days overdue	59	766
	494	3,685

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 €25,966,000 (2009 : €nil) due from Diamond Wood (see Note 7).

Movement in provision for doubtful debts:

	2010 €'000	2009 €'000
Balance at the beginning of the period	-	-
Impairment losses recognised	26,188	-
Balance at the end of the period	26,188	-

Summary of Receivable Impairments:

	2010 €'000	2009 €'000
Trade receivables - Accoya® wood **	222	-
Trade receivables - Diamond Wood *	12,860	-
Accrued income - Diamond Wood	13,106	-
Prepayments - Diamond Wood	8,291	-
	34,479	-

* The impairment of Diamond Wood trade receivables is partially offset by the release of €8.8m of Deferred income (see note 7) and has been included seperately on the face of the Consolidated Statement of Comprehensive Income.

**The impairment of Accoya® wood receivables has been included in Administrative expenses.

22. Trade and other payables

	2010 €'000	2009 €'000
Trade payables	2,409	3,060
Other taxes and social security payable	159	206
Other creditors	-	5,000
Accruals and deferred income	3,869	14,738
	6,437	23,004

The 2009 accruals and deferred income balance included €8,800,000 relating to Diamond Wood deferred income which has been released in 2010 as a result of the impairment of the related licensing receivables (see Note 7).

23. Share capital

	2010 €'000	2009 €'000
Authorised		
Equity share capital		
250,000,000 (2009: 250,000,000) Ordinary shares of €0.01 each	2,500	2,500
	2,500	2,500
Allotted		
Equity share capital		
200,602,528 (2009: 155,590,302) Ordinary shares of €0.01 each	2,006	1,556
	2,006	1,556

Options over 80,000 ordinary shares were exercised during the year at a price of €0.46 each. Details of outstanding options granted over ordinary shares in the Company are set out in Note 14.

On 31 March 2009, as a condition of the equity line of credit agreement with GEM Global Equity Yield Fund Limited, the company issued 3,120,000 warrants. The warrants are exercisable for a period of three years from the issue date at an exercise price of €1.00 each.

On 30 June 2009, the Company completed the first drawdown under the equity line of credit with Gem Global Yield Fund Limited, with the issue of 700,000 Ordinary shares at €0.753 per share, raising €527,100.

On 10 February 2010, following the publication of a prospectus, the Company issued 44,232,226 new Ordinary shares for €0.4865 each. Proceeds of €16,603,073 were received net of expenses of €1,076,000 (€139,000 of which were paid in cash with the remainder paid by way of issue of new Ordinary shares). In addition, at the same time, €4,000,000 relating to an existing loan was converted to the new Ordinary shares.

24. Commitments under operating leases

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

	2010 €'000	2009 €'000
Operating lease payments		
Within one year	150	358
In the second to fifth years inclusive	109	-
In greater than one year	-	-
	259	358

25. Financial instruments

Financial instruments

Equity line of credit and warrants

The Company secured an equity line of credit for up to €20m, with GEM Global Equity Yield Fund Limited, on 31 March 2009. This is a three year agreement, which allows 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 is 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 controls the timing of any draw down under this credit line and is not obliged to draw on the equity line.

The Company also issued 3,120,000 warrants to GEM on 30 June 2009, and the warrants will be exercisable for a period of three years from the issue date at an exercise price of €1.00 each.

On 30 June 2009, the Company completed the first drawdown under the equity line of credit, with the issue of 700,000 Ordinary shares at €0.753 per share, raising €527,100.

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.

Categories of financial instruments	**2010 €'000**	**2009 €'000**
Available for Sale investments	-	6,000
Loans and receivables		
Trade receivables	1,882	21,683
Money market deposits in Euro	14,003	9,887
Money market deposits in Sterling	-	3,240
Money at call in Euro	3,367	3,484
Money at call in US dollars	170	450
Money at call in Sterling	718	442
Financial liabilities		
Trade payables	(2,409)	(3,060)
	17,731	42,126

Money market deposits have interest rates fixed for less than nine months at a weighted average rate of 0.24% (2009: 0.90%).

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.

Interest rate risk management

The Group has no borrowings 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 21). 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 7 and 21.

The Group has no significant concentrations of 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.

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 other financial assets and financial liabilities.

26. Related party transactions

Mr William Paterson-Brown is a director of Khalidiya Investments SA. During the year the Group recorded total expenses of €946,320 (2009: €1,452,536) from Khalidiya Investments SA consisting of €326,969 (2009: €340,800) in respect of directors services, €230,313 (2009: €941,516) in respect of travel expenses for a number of employees, and €389,038 (2009: €170,220) in respect of office staff and related costs in Geneva.

Mr William Paterson-Brown is a director of Zica SA. During the prior year the Group recorded expenses of €377,072 in respect of office and related costs in Geneva and Dallas. The 2010 expenses were nil.

As at 31 March 2010 the Group had outstanding payables due to Khalidiya Investments SA of €151,169 (2009: €155,094).

Mr Paul Clegg is a director of Clegg Enterprises Ltd. During the year the Group recorded expenses from Clegg Enterprises Ltd consisting of €39,000 (2009: €Nil) in respect of directors services and €7,120 (2009: €Nil) in respect of travel expenses.

As at 31 March 2010 the Group had outstanding payables due to Clegg Enterprises Ltd of €Nil (2009: €Nil).

27. Post balance sheet events

On 18 June 2010, the licence agreement with Diamond Wood was amended to reflect Diamond Wood's expected new business plan. The business plan is subject to Diamond Wood completing its fundraising. A provision for the impairment of net receivables and the equity investment in Diamond Wood have been recorded in the Consolidated Statement of Financial Position which takes into account the latest expected business plans. See note 7.

Company Balance Sheet at 31 March 2010

Registered Company 05534340

	Note	2010 €'000	2009 €'000
Fixed asset investments			
Investments in subsidiaries	4	8,768	8,941
Other investments	5	-	6,000
		8,768	14,941
Current assets			
Debtors	6	83,453	68,875
Cash at bank and in hand		15,194	13,635
		98,647	82,510
Creditors: amounts falling due within one year	7	3,656	3,676
Net current assets		94,991	78,834
Net assets		103,759	93,775
Capital and reserves			
Share capital - Ordinary shares	8	2,006	1,556
Share premium account	9	98,748	78,191
Capital redemption reserve	9	148	148
Warrant reserve	9	82	82
Retained earnings	9	2,775	13,798
Shareholders' funds		103,759	93,775

The financial statements were approved by the Board and authorised for issue on 18 June 2010

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

The notes on pages 42 to 46 form part of these financial statements.

Notes to the Company financial statements for the year ended 31 March 2010

1. Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom applicable accounting standards. The following principal accounting policies have been applied:

Investments

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 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.

Share based payments

When the parent entity grants options over equity instruments directly to the employees of a subsidiary undertaking, then in the parent company financial statements the effect of the share based payment, as calculated in accordance with FRS 20, is capitalised as part of the investment in the subsidiary as a capital contribution, with a corresponding increase in equity.

The fair value of the 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.

Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes except for deferred tax assets which are only recognised to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

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.

Related party transactions

The Company has taken advantage of the exemption available under FRS 8, “Related Party Disclosure”, not to disclose transactions between Group companies on the grounds that 100% of the voting rights are controlled within that Group and that Company is included in the consolidated financial statements.

Cashflow statement

The Company has taken advantage of the exemption in FRS 1, “Cashflow Statement”, and has not produced a cashflow statement as it is a member of a group which prepares a consolidated cashflow statement.

2. Profit and loss account

A loss of €11,350,000 (2009: loss of €210,000) is dealt with in the company accounts of Accsys Technologies PLC. The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company above. Audit fees payable to the Group's auditors were €65,000 (2009: €54,000) and non audit fees payable were €213,000 (2009: €128,000) including €106,000 payable for corporate finance services relating to the issuance of a prospectus for the issue of new ordinary shares in February 2010.

3. Employees

The Company had no employees other than Directors during the current or prior year. Non-executive directors received emoluments in respect of their services to the Company of €123,000 (2009: €110,000). The Company did not operate any pension schemes during the current or preceding year.

4. Investment in subsidiaries

	€'000
Cost	
At 1 April 2009	13,121
Share based payments	327
At 31 March 2010	13,448
Impairment	
At 1 April 2009	4,180
Impairment of investment in International Cellulose Company Limited	500
At 31 March 2010	4,680
Net book value	
At 31 March 2010	8,768
At 31 March 2009	8,941

The following were the principal subsidiary undertakings at the end of the year and have all been included in the financial statements:

Subsidiary undertakings	**Class**	**2010 % shares & voting rights held**	**2009 % shares & voting rights held**
International Cellulose Company Limited	Ordinary	Nil	100
Titan Wood Technology BV	Ordinary	100	100
Titan Wood BV	Ordinary	100	100
Titan Wood Limited	Ordinary	100	100
Titan Wood Inc	Ordinary	100	100

The shares in Titan Wood BV and Titan Wood Inc are held indirectly by the Company.
International Cellulose Company Limited was dissolved during the year.

The principal activities of these companies were as follows:

International Cellulose Company Limited (dissolved 22 March 2010)	The ownership and exploitation of patents and technical know how (collectively intellectual property rights), relating to the acetylation of cellulose and production of acetic anhydride.
Titan Wood Technology BV	The provision of technical and engineering services to licensees, and the technical development of fibre board opportunities.
Titan Wood BV	The manufacture of Accoya®, acetylated wood.
Titan Wood Inc	Provision of Sales, Marketing and Technical services.
Titan Wood Limited	Establishing global market penetration of Accoya® as the premium wood for external applications requiring durabily, stability and reliability through the licensing of the Group's proprietary process for wood acetylation.

5. Other investments

	2010 €'000	2009 €'000
Unlisted securities available for resale	-	6,000

During the year Accsys Technologies PLC purchased an additional 8,333,334 unlisted ordinary shares in Diamond Wood China Limited for €0.48 each. This investment brings Accsys Technologies PLC's holdings in Diamond Wood to 21,666,734 shares, which represents a holding of 15.4%.

The historical cost of the unlisted shares at 31 March 2010 is €10m (2009: €6m). However, pending conclusion of Diamond Wood finalising its funding arrangements, a provision for the impairment of the entire balance of €10m has been recorded. In the event Diamond Wood completes the fund raising, the balance may be revalued.

6. Debtors

	2010 €'000	2009 €'000
Amounts owed by subsidiary undertakings	83,281	68,839
Prepayments and accrued income	172	36
	83,453	68,875

The amounts owed by subsidiary undertakings are payable on demand, however the Company has indicated it has no intention of demanding payment within the next twelve months.

7. Creditors: amounts falling due within one year

	2010 €'000	2009 €'000
Trade creditors	96	159
Amounts owed to subsidiary undertakings	3,448	3,448
Accruals and deferred income	112	69
	3,656	3,676

8. Share capital

	2010 €'000	2009 €'000
Authorised		
Equity share capital		
250,000,000 (2009: 250,000,000) Ordinary shares of €0.01 each	2,500	2,500
	2,500	2,500
Allotted		
Equity share capital		
200,602,528 (2009: 155,590,302) Ordinary shares of €0.01 each	2,006	1,556
	2,006	1,556

Options over 80,000 Ordinary shares were exercised during the year at a price of €0.46 each. Details of outstanding options granted over Ordinary shares in the Company are set out in Note 14 of the Group financial statements.

On 31 March 2009, as a condition of the equity line of credit agreement with GEM Global Equity Yield Fund Limited, the Company issued 3,120,000 warrants. The warrants are exercisable for a period of three years from the issue date at an exercise price of €1.00 each.

On 30 June 2009, the Company completed the first drawdown under the equity line of credit with Gem Global Yield Fund Limited, with the issue of 700,000 Ordinary shares at €0.753 per share, raising €527,100.

On 10 February 2010, following the publication of a prospectus, the Company issued 44,232,226 new Ordinary shares for €0.4865 each. Proceeds of €16,603,073 were received net of expenses of €1,076,000 (€139,000 of which were paid in cash with the remainder paid by way of issue of new Ordinary shares). In addition, at the same time, €4,000,000 relating to an existing loan was converted to the new Ordinary shares.

9. Reserves

	Capital redemption reserve account €'000	Warrant reserve account €'000	Share premium account €'000	Profit and loss account €'000
Balance at 1 April 2009	148	82	78,191	13,798
Share based payments charged to subsidiaries	-	-	-	327
Premium on shares issued	-	-	21,633	-
Share issue costs	-	-	(1,076)	-
Loss for the period	-	-	-	(11,350)
Balance at 31 March 2010	148	82	98,748	2,775

The profit and loss account includes €8,010,000 of non-distributable reserves arising from the liquidation of Accsys Chemicals PLC in the year ended 31 March 2007. The profit and loss account also includes €2,267,000 of non-distributable reserves relating to share based payments.

10. Reconciliation of movement in shareholders' funds

	2010 €'000	2009 €'000
Loss for the financial year	(11,350)	(210)
Share based payments charged to subsidiaries	327	804
Proceeds from issue of shares	22,083	118
Share issue costs	(1,076)	-
Buyback of deferred shares	-	(2)
Dividends Paid	-	(1,553)
Warrant reserve movement	-	82
Net increase in shareholders' funds	9,984	(761)
Opening shareholders' funds	93,775	94,536
Closing shareholders' funds	103,759	93,775

11. Dividends Paid

	2010 €'000	2009 €'000
Final Dividend €nil (2009: €1,553,000) per Ordinary share proposed and paid during year relating to the previous year's results	-	1,553

12. Related party transactions

Mr Paul Clegg is a director of Clegg Enterprises Ltd. During the year the Company recorded expenses from Clegg Enterprises Ltd consisting of €39,000 (2009: €Nil) in respect of directors services and €7,120 (2009: €Nil) in respect of travel expenses.

As at 31 March 2010 the Company had outstanding payables due to Clegg Enterprises Ltd of €Nil (2009: €Nil).

13. Post balance sheet events

On 18 June 2010 the licence agreement with Diamond Wood was amended to reflect Diamond Wood's expected new business plan. The business plan is subject to Diamond Wood completing its fundraising. A provision for the impairment of the equity investment in Diamond Wood has been recorded in the balance sheet which takes into account the latest expected business plans. See note 7 of the Group financial statements.

Accsys Technologies PLC is a public limited company incorporated in England

Directors	William Paterson-Brown	Non-Executive Chairman
	Paul Clegg	Chief Executive Officer
	Hans Pauli	Chief Financial Officer
	Gordon Campbell	Non-Executive Director
	The Rt. Hon. Lord Sanderson of Bowden, Kb, D.L.	Non-Executive Director
	Kevin Wood	Non-Executive Director

Company Secretary Adrian Wyn-Griffiths

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