Regulatory Announcement

Company	Accsys Technologies PLC
TIDM	AXS
Headline	Preliminary Announcement of Results for the year ended 31 March 2011
Released	30 June 2011
Number	4294J07

World leaders in wood technology

AIM: AXS
NYSE Euronext Amsterdam: AXS

30 June 2011

ACCSYS TECHNOLOGIES PLC
("Accsys" or the "Company")
Preliminary Announcement of Results for the year ended 31 March 2011

Leading producer and licensor of sustainable and highly durable modified wood products positioned for growth

Operational Highlights:

- 36% increase in sales volume of Accoya® (to 11,935m^3) compared to last year;
- 62% increase in sales volume of Accoya® compared to last year excluding sales to Diamond Wood (following postponement of orders pending finalisation of their fund-raising);
- Nine further distribution, agency and supply agreements signed, making a total of 27, covering most of Europe, Australia, Canada, Chile, China, India, Morocco, New Zealand, parts of South East Asia and the USA;
- Licence option signed with a major multinational corporation in January 2011;
- On-going process improvements including approximately 10% reduction in production cycle times over last 12 months; and
- Positive progress with Medite Tricoya® with significant technology developments, three successful industrial production trials and independent verification by Building Research Establishment (BRE) confirming an expected service life of 60 years when used in exterior applications.

Financial Highlights

- 38% increase in revenue from sales of Accoya® wood to €12.6m (2010: €9.1m);
- Total revenue of €13.7m (2010: €16.7m) was less than the previous year as a result of a reduction in licensing income. €0.5m of cash received from our licensee and potential licensee resulted in a partial reversal of the impairment charge relating to Diamond Wood which was originally recorded in 2010;
- Gross manufacturing margin improved to a negative 4% from negative 27% last year and from negative 66% in 2009 as a result of improved efficiency and the economies of scale resulting from our higher sales volumes;
- Other operating costs reduced by 27% to €13.7m (2010: €18.6m) following continuing focus on reducing costs and increasing efficiency. Staff numbers have been reduced by 22% over the last two years;
- Reduction in loss from operations to €13.8m (2010: loss of €51.9m) as a result of improved manufacturing gross margin and reduced other operating costs together with no further impairment charges relating to Diamond Wood; and
- Cash of €27.6m at the end of the period (2010: €18.3m). Cash out-flow significantly reduced following period of high cash out-flow due to postponement of orders from Diamond Wood.

Business Highlights:

- Patrick Shanley and Nick Meyer joined as Non-Executive Directors bringing significant experience in the chemical and wood industries respectively; and
- New heads of Business Development, Product Development, Technology, Legal and Marketing are now in place as well as the appointment of Hans Pauli as CFO and COO;
- Successful €28m (net of fees) fundraising providing platform for growth.

Post Year-end Highlights:

- Heads of Agreement on sale and leaseback for approximately €4m allowing for expansion of the plant and capacity when appropriate to meet increasing demand.
- Diamond Wood reported that, together with its bankers, it is in an advanced stage of preparing for an Initial Public Offering on the junior market of the Malaysian Stock exchange in October 2011. However this is still subject to regulatory review and formal due diligence also needs to be completed.

There will be a presentation relating to these results at 12:00am BST on Thursday 30 June 2011. The presentation will take the form of a web based conference call, details of which are below:

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

http://www.media-server.com/m/p/tr82s9dr

Conference call details for participants:

Participant Telephone Number: +44 (0)20 7136 2053 UK Toll
Confirmation Code: 1612412

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

Paul Clegg, CEO of Accsys, commented:

"Following a year of considerable change and challenges, in which steady progress has been made, I am optimistic about the future growth of the company. A strong management team is now in place and we have continued to expand our network of distribution agreements with the goal of becoming a truly global brand. Demand for Accoya® is increasing and I am confident that sales will continue to increase in the next few years.

The progress in negotiating new licence agreements has been steady and I am particularly pleased by the signing of an option agreement relating to Accoya® and the advances being made with Medite which demonstrate the significant further potential of our technology. We are very confident that Medite Tricoya® will play a significant part in the MDF marketplace and we will continue to work with Medite with the aim of bringing this into production.

Our recent successful fundraising has put us in a stable financial position and has provided the resources we need in order to satisfy increasing demand and enable the Group to become profitable without reliance on licensing income.

Whilst wider economic conditions remain challenging and progress on licensing agreements has been steady, we are confident that the changes and improvements we continue to introduce have put Accsys in a strong position to achieve our strategic goals and deliver long term shareholder value."

The financial statements for the year ended 31 March 2011 follow:

Chairman's Statement

Introduction

The Group has continued to undergo significant change during the year and, despite the challenges, I believe we are now well positioned to achieve our short and longer term goals.

The increasing demand for Accoya® being experienced resulted in our prediction that we will reach our maximum capacity (of approximately 35,000m^3) in the next two to three years. As a result, part of the net proceeds of €28m generated from a fund-raising completed in February 2011 is intended for the expansion of the Arnhem plant by adding a third reactor in order to satisfy this demand. We expect to carry out this expansion in stages at appropriate times, which will enable the Group to become profitable without reliance upon licence income. The first stage involves the creation of new storage facilities and the improvement of wood handling logistics and in this respect we have recently agreed in principle to the sale and leaseback of a portion of the land and all of the buildings relating to the Arnhem plant which will enable us to progress with this expansion.

We have made changes to the wider management team and achieved further improvements in our production processes at our Arnhem plant as well as reducing operating costs, which is evidenced by our achieving a 23% improvement in our gross manufacturing margin and a reduction in operating costs of 27%.

During the year we saw acceleration in demand for Accoya® worldwide, resulting in an increase in sales of Accoya® by 36% (to 11,935m^3). Taking account of the previously announced postponement of orders by Diamond Wood, the sales volumes increased by 62%.

We have added nine new distribution agreements to our global network of customers including in countries such as New Zealand, Australia and Chile making a total of 27 distribution, agency and supply agreements. Our existing distributors have started to sell to new sub-distributors which present significant opportunities for us. We have increased our sales to all existing countries with the exception of sales to China and the South-East Asian countries covered by Diamond Wood.

I am pleased by the progress being made by the business development team demonstrated by an Accoya® licence option agreement that was entered into in January 2011 with a major multinational corporation. While detailed agreements still need to be finalised and due diligence completed, this marks an important step towards meeting our longer term objective of licensing the Company's technology.

Diamond Wood continues to work towards completing their required fund-raising which is expected to be completed in 2011. We received €0.4m from Diamond Wood in respect of licence fees due to us resulting in the partial reversal of the impairment recorded in last year's financial statements. We are continuing to work with Diamond Wood management to ensure that Accoya® can be sold into the China and South-East Asia region ahead of the completion of their production plant.

Limited progress has been made during the year in respect of our second licensee Al Rajhi, partly due to recent unrest in Bahrain. However while uncertainty remains as to when the licence will proceed, we are confident it will progress and look forward to continuing to work with Al Rajhi in respect of their planning and other activities.

Following the unveiling of Medite Tricoya® at the Ecobuild exhibition in London in March in 2010, we have made steady progress with Medite, our joint development partner, concerning product and process development leading to further successful industrial scale production trials. The resulting tests and commercial analysis of the world's first medium density fibreboard (MDF) which uses our acetylation technology, confirmed Tricoya® to be a superior, commercially competitive, high performance panel suitable for external use.

Summary of financial results

Revenue from the sales of Accoya® increased by 38% to €12.6m (2010: €9.1m) reflecting the continuing growth in demand. However, total revenue of €13.7m (2010: €16.7m) was less than the previous year as a result of a reduction in licence income. The reduction in licence income to €0.1m (2010: €6.7m) reflects the delays experienced by our licensees.

The gross manufacturing margin has improved from negative 27% to negative 4% as a result of improved efficiency and the economies of scale resulting from our higher sales volumes.

Other operating costs have decreased by 27% to €13.7m (2010: €18.6m) following continued focus to reduce costs and increase efficiency and value for money in all parts of the Company. This has included a reduction in staff numbers from 107 at the start of the financial year to 98 by 31 March 2011.

Our cash balance at 31 March 2011 was €27.6m compared to €18.3m last year. However during the year there was significant cash out-flow of €17.8m (2010: €14.0m) attributable to operating activities. This was higher than expected as a result of Diamond Wood postponing their orders part way through the year which resulted in significantly higher inventory levels than expected. As a result we are currently unwinding our inventory balance and expect our cash out-flow to be significantly reduced in the forthcoming year. The overall increase in cash was wholly attributable to the fund-raising completed in February 2011 which raised €28m net of fees. In addition, we have also entered into a new finance facility secured on our trade receivables and our inventory which will enable us to draw down up to approximately €4m in the future. Accsys currently has no debt.

Board and management

Hans Pauli joined the board on 1 April 2010 as Chief Financial Officer and Chief Operations Officer. Primarily based in the Netherlands, he has made a substantial impact on the operations in Arnhem and has led the changes implemented there. Kevin Wood, our former Chief Finance Officer, remained on the board as a non-executive director until 18 November 2010.

On 30 September I took over as Chairman of the Board from Willy Paterson-Brown who also stepped down as a non-executive director following his years of service since the Company's inception in 2005.

Patrick Shanley joined the Board on 18 November 2010 as an independent non-executive director, bringing extensive board room experience in the chemicals sector. Patrick has taken over from me as Chairman of the Audit Committee.

Most recently, on 17 May 2011, Nick Meyer joined the board as an independent non-executive director. Nick has significant experience in the timber industry including as a former President of the Timber Trade Federation of the United Kingdom.

Following these changes, I am confident that Accsys will benefit from the additional experience the Board now brings, in particular from the broader range of industries that the directors collectively have worked in.

Dividend

No final dividend is proposed in respect of 2011. This reflects the loss we have reported in the last financial year together with the Board's decision to preserve as strong a balance sheet as possible while the Group continues to develop long term business opportunities.

Prospects

The fund-raising has provided us a stable financial position following on from the last two years of change, and as a result, I am confident that Accsys can build on the steady progress that has been achieved in all areas over the last twelve months. We are confident that we can build upon the progress that has been made despite the challenging global economy, in particular in the construction industry.

Our short term plan is to continue to increase sales of Accoya® such that the plant is operating at a break-even level. The continued feedback we obtain from customers, distributors and potential licensees, as well as independent tests, confirms our belief that we offer a genuinely superior product. Together with further product development by ourselves and our partners, I am confident that we will continue to increase sales in the next few years. We expect to utilise part of the proceeds from the fund-raising to finance the expansion of the plant in order to meet this demand and at the same time we expect to move into a position of sustained profitability.

The additional sales and capacity will enable us to seed markets with Accoya® to create a demand for the licensing of our technologies which remains our longer term objective. In this respect we will continue to progress existing licence and option agreements as well as seeking to secure other opportunities.

We are very confident that Medite Tricoya® will play a significant part in the MDF marketplace and we will continue to work with Medite with the aim of bringing this into production.

Our more stable financial position, strengthened operational and management team and increased global demand for our specialist wood products, gives us confidence for the future prospects of the Group.

Gordon Campbell
Non-executive Chairman
29 June 2011

Chief Executive's Report

Accoya® wood

The Group markets its acetylated solid wood product under the brand name Accoya®. Accsys' proprietary acetylation technology modifies sustainable wood to create a timber with the following key features:

- Outstanding durability – class 1, surpassing even teak and is indigestible to a wide range of insects including termites;
- Dimensionally stable – swelling and shrinkage reduced by 75% or more and accepts wide range of industry standard coatings which typically last 3 to 4 times longer;
- Excellent machinability, hardness and retained strength;
- UV resistance and natural beauty together with improved thermal insulation;
- 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.

Continuing change

Last year I reported that we had made substantial changes to increase effectiveness and reduce costs, including a 15% reduction in headcount. Over the last year we have continued to make significant changes throughout the Company and I now believe we are in a stronger position, capable of taking full advantage of our technology and superior product offering.

The global economy and in particular the construction industry has continued to prove challenging. However, we have increased manufacturing revenue by 36%, reduced other operating costs by 27% and improved gross manufacturing margin by 23%.

We have made significant internal staff changes. Hans Pauli joined us as CFO and COO on 1 April 2010 and following this we appointed new heads of Business Development, Product Development, Technology, Legal and Marketing. These new appointments to the Accsys Senior Management Team have enabled us to start to make significant progress towards achieving our short and longer term objectives.

The successful completion of the fund-raising in February 2011 generating €30m, followed our announcement that we intend to expand our Arnhem plant by adding a third reactor in order to meet the accelerating demand for Accoya® in order for the Group to become profitable without reliance on licence income.

Technology development and projects

We have built upon the progress made last year in improving and optimising the performance of our Arnhem plant. These further developments have enabled us to increase the capacity of the current two reactors such that when demand requires it, we will be able to manufacture approximately 35,000m^3 per annum.

The improvements have resulted in a reduction in the production cycle times by up to 10% over the last 12 months as a result of the installation of a new system. In addition, we have made engineering design improvements which have increased production reliability and reduced energy consumption. We also developed the production of non-standard dimension Accoya® to meet a specific customer order.

While significant improvements have been made, the Technology team has also identified a number of further areas which, with additional development work, are expected to result in yet more improvements (including reduction in production cycle time) in the future. New species development has continued and we are particularly pleased with the progress being made such that we expect to start commercial production of acetylated hard-wood species to open up new application uses for Accoya® in the next year.

I am pleased by the progress made in the on-going development of Medite Tricoya®. Medite Tricoya® is a ground-breaking new composite panel product being developed by Accsys with its joint development partner, Medite Europe Limited, which delivers a new degree of reliability in exterior and wet interior applications. Significantly, BRE (Building Research Establishment) carried out independent testing that concluded Medite Tricoya® could meet demands for a desired service life of 60 years when used in exterior applications. We are pleased with the significant amount of technology development that has now been completed together culminating in a positive independent market assessment. Three industrial production trials have also successfully been carried out over the last year and we are confident that following further production and market trials, the commercial feasibility stage of the development will be concluded.

Global sales and distribution of Accoya® wood

We sold 36% more Accoya® wood by volume in the year ended 31 March 2011 compared to the previous year. This increase is also an improvement on the 19% year on year increase recorded last year. However, while we are pleased with this increase, it is less than we previously expected due to the delays experienced by Diamond Wood in finalising their fund-raising. This delay resulted in sales to the regions in which Diamond Wood distributes to largely ceasing from August 2010 onwards. Overall sales volumes increased by 62% when excluding sales to Diamond Wood from both years. We expect to start selling to these regions again imminently.

The increase in sales was achieved despite the global economy continuing to prove challenging, in particular in the construction industry. The increase resulted from new customers and distributors as well as increased demand from existing customers. We have continued to build the global Accoya® brand and the on-going expansion of our network of customers and distributors enabled us to generate sales in new territories which we expect to grow further into the future.

We added a further nine new distribution, agency and supply agreements across the globe compared to a year ago making a total of 27 agreements. We now have a network which covers most of Europe, Australia, Canada, Chile, India, Morocco, New Zealand, China, parts of South-East Asia, and the USA.

We have continued to obtain independent recognition of the superior benefits of Accoya® wood. BRE (Building Research Establishment) completed a 13 year field test resulting in a report which found that because Accoya® wood is transformed all the way through and holds Class 1 durability, it is one of the finest choices for use as a window frame. It also concluded that Accoya® can deliver a 60 year working life window making a more financially viable option for timber windows than other joinery materials.

An on-going 32-month study conducted by the Timber Research and Development Association (TRADA) showed that Accoya® outperforms competing cladding boards, even when coated with challenging dark-pigmented wood stains, with Accoya® having changed little from the day it was installed. In September 2010, Scion (formerly known as the New Zealand Forest Research Institute) published a report concluding that Accoya® is more durable than four of the most naturally durable species and CCA treated wood which has been treated to ground contact specification. The study also proved that our acetylation process is a superior treatment to alternative methods of wood modification.

These findings all build on the prestigious Cradle to Cradle Gold certification awarded last year together with the approval under Germany's prestigious RAL system. We were also particularly pleased by the installation of a second heavy-traffic road bridge in the Netherlands in November 2010, following the first in 2008 which was the first uncovered wooden bridge in the world able to support the heaviest load class of 60 tonnes. Accoya® continues to be used for many different purposes including for windows, doors, shutters, cladding, decking, walkways, canals and marinas.

Licensing activity

In January 2011 we entered a licence option agreement with a major multinational corporation relating to the production and sale of Accoya®. We extended this option agreement in May 2011 to allow for further detailed due diligence and licence agreement negotiations to be completed. We are very pleased with the progress that is being made in this respect but note that, at the current stage, there can be no certainty that a licence agreement will be entered into.

I am pleased with the progress that has been made in respect of a number of other negotiations with other potential licensees and strategic partners and we will continue to progress these relationships while at the same time seeking new licensees.

Progress with our two existing licensees, Diamond Wood and Al Rajhi, has been disappointingly slow. Diamond Wood has not yet completed its planned fund raising having previously informed us that it would be completed by the end of 2010. Diamond Wood recently reported that they are, together with its bankers and professional advisors, now in an advanced stage in preparing the submission for the listing of Diamond Wood on the junior market of the Malaysian Stock Exchange, and subject to regulatory review and formal due diligence processes, that they hope to be able to undertake an Initial Public Offering during October 2011. In the meantime we have been working with Diamond Wood management in order to re-commence sales of Accoya® as soon as its funding issues have been resolved to meet the continuing demand of customers in the China and South-East Asia region.

Last year-end we recorded an impairment of €25.5m relating to our Diamond Wood net receivables and an impairment of €10m relating to our equity investment. This followed a change in their business plan in which Diamond Wood stated they intended to build a smaller plant than previously envisaged.

We continue to work with Al Rajhi in respect of planning and other activities and we remain confident that the licence will progress. However, a degree of uncertainty remains over the timing of their investment, partly due to the recent unrest in Bahrain. We note that Accsys holds net assets of €2.9m in respect of this licence and if the licence were not to proceed as expected, a non-cash charge would be recorded relating to the write-off of these balances.

However, we are confident that new licence opportunities are progressing well and overall we are increasingly optimistic about the long term potential of our technology and our ability to generate value from it through long term licence agreements.

Outlook

Following a year of considerable change and challenges, I am optimistic about the future. We now have the right team in place that is focused on delivering increased sales and further improvements to our technology and processes. We continue to target the signing of a additional distribution, agency or supply agreements and establishing a truly global brand. Together these are expected to deliver the level of sales which will result in the plant breaking even and ultimately moving into overall profitability, even without taking account of any licence income.

The progress in negotiating new licence agreements has been steady and we strongly believe the longer term value of Accsys continues to be in its ability to licence our technology. The advances being made with Medite have also demonstrated the significant further potential of our technology and we look forward to being able to report further progress in the development of Tricoya® in the near future.

While wider economic conditions remain challenging, we are confident that Accsys is well placed and in particular, we believe the longer term trend to move away from unsustainable tropical hardwoods will lead to ever growing demand for Accsys' superior, environmentally focused products.

Paul Clegg
Chief Executive Officer
29 June 2011

Financial Review

Income statement

Revenue

Total manufacturing revenue increased by 36% to €13.6m (2010: €10.0m). Within manufacturing revenue, sales from Accoya® wood increased by 38% to €12.6m, reflecting increased demand and production volumes at our Arnhem facility. However total Group revenue of €13.7m (2010: €16.7m) was a decrease of 18%. Revenue from licensing activities was substantially less than last year at €0.1m (2010: €6.7m) as a result of delays experienced by our licensees, especially Diamond Wood, in completing their production facilities combined with no new licence agreements having been entered into. The €6.7m licence income recorded in 2010 was prior to the impairment of Diamond Wood net receivables recorded at the 31 March 2010, described below.

Cost of sales

Cost of sales has decreased to €14.2m (2010: €14.6m). The cost of producing Accoya® wood increased by 12% to €14.2m as a result of increased production levels. The resulting gross margin improved to a 4% loss (2010: 27% loss) as a result of the economies of scale resulting from the increased production levels, price increases and due to further process improvements. Cost of sales attributable to licence revenue decreased to €nil, in line with the reduction in licence revenue.

Impairment of licence related assets

In June 2010 the Company 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 the previously expected 300,000m^3.

As a result, in the year ended 31 March 2010, it was considered that net receivables (consisting of trade receivables, accrued income, prepayments and deferred income) of €25.5m relating to Diamond Wood were no longer recoverable and were provided for. This provision reflected 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 that previously expected.

In addition, pending the conclusion of Diamond Wood finalising its funding arrangements, a provision for the impairment of the entire balance of the equity investment of €10m was recorded as at 31 March 2010. As at 31 March 2011, the funding had not been secured and accordingly the provision for 100% of the historical cost continues to be recognised. In the event Diamond Wood completes the fund raising, the balance may be revalued.

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

Other operating costs

Other operating costs decreased by 27% to €13.7m (2010: €18.6m). This was attributable to a significant focus on cost reduction together with reduced headcount. Included within other operating costs are restructuring costs of €0.2m (2010: €0.8m) relating to the termination payments made to staff. This helped the Group reduce headcount by 22% over two years. Headcount reduced from 126 at the start of the previous year to 107 at 31 March 2010 and then to 98 as at 31 March 2011.

Loss from operations

The reduction in loss from operations to €13.8m (2010: loss of €51.9m) is as a result of improved manufacturing gross margin and reduced other operating costs. The previous year included significant charges (€36.3m) relating to the impairment of licence related assets and investments together with higher restructuring costs.

Finance income

Finance income of €18,000 (2010: €18,000) represents interest receivable on bank deposits.

Finance expense

The finance expense of €0.1m (2010: €0.3m) is primarily due to the equity line of credit with GEM Global Yield Fund Limited.

Taxation

There is no UK corporation tax liability for the year (2010: €Nil) due to the availability of losses within the Group.

Dividends

No final dividend is proposed in 2011 (2010 final dividend: €Nil). The Board deems it prudent for the Company to maintain as strong a balance sheet as possible during the current phase of the Company's growth strategy.

Earnings per share

Basic and diluted loss per share was €0.06 (2010 basic and diluted loss per share was €0.32).

Balance sheet

Property, plant and equipment

Property, plant and equipment additions of €1.0m (2010: €1.6m) predominantly relate to technology improvements and significant items of maintenance equipment at our Arnhem production facility. The installation of new equipment to reduce overall production cycle times was the most significant investment during the year at €0.5m.

Available for sale investments

The Company holds 21,666,734 Ordinary shares (2010: 21,666,734 Ordinary shares) in Diamond Wood, at a cost of €10m (2010: €10m). A full provision for impairment for this amount was made in the prior period for the reasons described above and continues to be recorded given Diamond Wood had not secured the required funding as at 31 March 2011.

Inventory

The Group had total inventory balances of €8.4m (2010: €3.8m). Finished goods consisting of Accoya® represented €4.4m (2010: €2.5m) and raw materials consisting of unprocessed lumber represented €4.0m (2010: €1.2m) with the remainder of the balance being work in progress. The significant increase is attributable in large to Diamond Wood postponing orders from August onwards, for which raw materials, often for their unique market needs, had already been ordered or received. The inventory balance is expected to decrease throughout the financial year-ending 31 March 2012.

Cash and cash equivalents

The Group had cash and bank deposits of €27.6m at the end of the period (2010: €18.3m). The increase in the year is the result of €28m of new equity (net of expenses) raised in February 2011. This was off-set by €18.0m of cash out-flows from operating activities, (including €4.6m net increase in inventory largely resulting from Diamond Wood postponing its orders), and €1m of capital expenditure.

New equity

On 22 February 2011, the Company completed a fund-raising. The Firm Placing and Placing and Open Offer resulted in the issue of 200,000,000 new Ordinary shares at €0.15 each to various new and existing institutional and private investors as well as members of management. This generated cash of €28.1m after expenses of €1.9m (€253,000 of which was paid after 31 March 2011).

Trade and other receivables

Trade and other receivables have increased to €9.6m (2010: €8.7m) primarily as the result of increased trade receivables attributable to higher sales than the prior year and €0.6m of overdue trade receivables due from Diamond Wood.

Trade and other payables

Trade and other payables have decreased marginally to €6.3m (2010:€6.4m). Payables balance has remained consistent compared to the prior year with the larger activity levels being off-set by reduced expenditure in respect of other operating expenses.

Capital structure

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

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

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

Risks and uncertainties

The net assets as at 31 March 2011 of €75m contain balances in relation to the Group's goodwill and intellectual property rights of €7.3m. The recoverability of these balances is dependent upon the Group's existing licensees progressing with the completion of their manufacturing facilities or the signing of other new licence agreements. While the scope and timing of the production facilities to be built by the Group's existing licensees remains uncertain, in particular as Diamond Wood has not yet completed its planned fund raising, the Directors continue to remain confident that revenue from either existing licensees or new licensees will be generated, demonstrating the recoverability of these balances.

In addition, the carrying value of the €26.4m 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, while some uncertainty inherently remains in achieving the budget, in particular in relation to market conditions outside of the Group's control, that there are a sufficient number of alternative actions and measures that can be taken in order to achieve the Group's medium and long term objectives.

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

Hans Pauli
Chief Financial Officer
29 June 2011

Directors Report for the year ended 31 March 2011

The Directors present their report together with the financial statements for the year ended 31 March 2011.

Results and dividends

The consolidated statement of comprehensive income for the year is set out on page 20, 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, sale and licensing of Accoya® solid wood and Tricoya® wood elements technologies. 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 5.

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are set out in Note 24 of the financial statements.

Share issues

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

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 amounting to €7.3m. The carrying values of these assets are dependent on the raising of funds by Diamond Wood or other licensees to build their production plants and execute their business plans. See the Financial Review for more details.

(b) Regulatory, legislative and reputational risks

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

(c) Employees

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

(d) Intellectual property

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

Key performance indicators

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

- Sales values of Accoya® wood and the geographic spread of these sales;
- Annual nameplate capacity of the Accoya® wood production facility in Arnhem - see the Chief Executive's report for more information;
- 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.
- Break-even of the Arnhem plant

Future developments

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

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

Directors

The Directors of the Company during the year were:

Paul Clegg	
Hans Pauli	appointed 1 April 2010
Gordon Campbell	
The Rt. Hon. Lord Sanderson of Bowden, Kb, D.L.	
Patrick Shanley	appointed 18 November 2010
Kevin Wood	resigned 18 November 2010
Willy Paterson-Brown	resigned 30 September 2010
Tim Paterson-Brown	resigned 1 April 2010
Thomas Priday	resigned 1 April 2010

On 17 May 2011, Nick Meyer 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 2011	31 March 2010	31 March 2011	31 March 2010
Gordon Campbell	173,333	100,000	-	-
Paul Clegg	341,110	41,110	750,000	-
Hans Pauli	200,000	-	500,000	-
Lord Sanderson	15,761	1,095	-	-
Patrick Shanley	166,666	-	-	-

Directors' indemnities

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

Charitable donations

Charitable donations of €2,000 (2010: €nil) 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 2011, the average payment period for trade creditors for the Group was 29 days (2010: 33 days) and for the Company was 90 days (2010: 80 days).

Significant shareholdings

So far as the Company is aware (further to formal notification), the following shareholders held legal or beneficial interests in ordinary shares of the Company exceeding 3% as at 31 March 2011:

• Royal Bank of Canada	5.73%
• OP-Pohjola Group Central Cooperative	5.55%
• FIL Limited (formerly known as Fidelity International Limited)	5.38%
• The London & Amsterdam Trust Company Limited	5.13%
• Invesco Limited	5.05%
• Saad Investments Company Limited	3.92%
• Legal & General Group Plc (L&G)	3.21%

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 resigned as auditors on 31 March 2011 under s.516 of the Companies Act 2006. BDO LLP did not indicate any circumstances connected with their resignation which they or the Company considered should be brought to the attention of the members or creditors of Accsys.

PricewaterhouseCoopers LLP were appointed by the Board as auditors on 1 April 2011. PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the annual general meeting.

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

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

By order of the Board

Angus Dodwell
Company Secretary
29 June 2011

Corporate and Social Responsibility

Our Corporate Vision

Advancing technologies for a better world

Accsys Technologies is an environmental science and technology company, focused on the licensing and production of environmentally friendly and sustainable acetylated wood products. A focus on 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 environmentally threatened or compromised 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 also continue to advance technologies for a better world.

Our products 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 timbers and materials produced from energy intensive or 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 m3/ha/yr) compared to slower growing wood species such as teak (6 m3/ha/yr) or even most bamboo (10 m3/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, 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).

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 its higher dimensional stability, a longer lifespan and a high value for thermal insulation which means improved energy efficiency. This has been shown in Life Cycle Analysis (LCA) work carried out by various independent research institutes following recognised norms such as ISO 14010. These include EMPA and the Swiss Institute 2007. EMPA confirmed that the application of Accoya® wood in window frames over a life span of 60 years gives a 19-26% better performance compared to window frame material alternatives such as wood, PVC and aluminium.

Non-toxic

In contrast to wood products that achieve durability via 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 into the environment. Since Accoya® wood is modified to the core it has outstanding durability and there is no need to field treat the wood with additional toxins when it is cut or drilled as with envelope treated woods. Accoya® wood offers a real alternative to these types of products.

Camco carbon footprint report

In 2009 we commissioned Camco, a leading independent environmental consultancy group, to report on the carbon footprint of Accoya® wood so that we could better understand our product, its impact on the environment and identify where further improvements were possible. Camco's report resoundingly supports Accoya® wood's carbon sequestration credentials and contrasts Accoya® wood with other woods and man-made construction materials that it 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 upon 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. They take into account that over 50% of the minimal energy required to make Accoya® wood comes from renewable sources.

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® wood elements can have in slowing the accumulation of CO_2 in the atmosphere that contributes to climate change.

In the case of Sneek Bridge I, Camco reported that 210 tons of CO_2 is sequestered by Accoya® wood (calculation based on use of acetic anhydride produced through carbonylation). This number includes the emissions required to produce Accoya® wood. This shows that Accoya® wood may act as a true carbon sink, and in some cases can even act as a carbon negative material. This stands in strong contrast with engineered materials such as steel and concrete which are unable to sequester CO_2 and emit a large amount of greenhouse gases during production (13884 kg CO_2 equivalent / m3 for steel and 495 kg CO_2 equivalent / m3 for concrete produced).

Sustainable forestry

Wood sourced from sustainably managed forests and plantations is an environmentally responsible resource, which is, in theory 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 25 years, unlike tropical hardwoods that take over 100 years to mature. 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 are 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 an integral part of Accsys Technologies’ quality management system.

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 most 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. This is due to the efficient low emissions per tonne per km 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 in the Sustainability section of our website.

Nevertheless, we are currently engaged in comprehensive species testing with the end goal of being able to commercially acetylate the 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 further still. 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 is 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;
- assist local communities in reaching their goals.

Examples of these efforts include the construction of the Sneek Bridges 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 also donated Accoya® wood to The Rosemary Works Community Association. Accoya® wood was used to make raised planters, which have been installed on the edge of Regent’s Canal, London as part of its regeneration.

We are also proud to have supported the London homelessness charity, St Mungo’s. Accoya® wood products, including decking, compost bins and outdoor furniture 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 made 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. Its aim was to use a sustainably constructed, high profile garden to challenge stereotypes around homelessness.
Accsys Technologies sponsored the University of Florida's International Solar Decathlon entry in 2010. This award winning program helps educate current and future building industry practitioners in the use of sustainable materials and energy efficient designs.

Reconstruction efforts in Haiti
Accsys Technologies partnered with non-profit organization Architecture for Humanity to raise funds for sustainable reconstruction in Haiti. For every Greenbuild 2010 Expo attendee who participated, Accsys Technologies donated $10 towards the group's Earthquake Reconstruction Program in Haiti.

The funds raised were used to sponsor an architect working in Haiti under Architecture for Humanity's Design Fellowship Program, enabling the organisation to continue its efforts to rebuild the infrastructure in Haiti that was destroyed in the January 2010 earthquake. The nonprofit design services firm is running several reconstruction programs in Haiti, including an initiative focused on the design and construction of primary and secondary schools. Designs will emphasise hurricane and earthquake-proof construction, climate sensitive/passive cooling techniques, community-centred design and development, local materials and the stimulation of local economies.

Accoya® helps kids have the holiday of a lifetime
In summer 2010 we were the proud sponsor of a group of young cyclists who participated in Holland's 'Ome Joop's Tour'. This annual event aims to give 180 elementary school children from deprived backgrounds and who would not otherwise have a holiday an unforgettable and fulfilling ten day break. Thirty teams of six children cycled in a colourful procession through the beautiful Dutch countryside, participating in different events and activities along the way, making new friends and enjoying companionship and teamwork. Sporting yellow t-shirts and big smiles 'Team Accoya' pedalled hard and had a wonderful time.

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

We mitigate any marginal health and safety risk associated with these 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, ensures operation of the facilities meet the highest health and safety standards and are in accordance with our bespoke Health and Safety Policy.

The Health and Safety Policy provides for:

- 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;
- 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 BV have helped ensure there have been no material health and safety issues in any part of the business.

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 their 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 groups' 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 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;
- to comply with all applicable wage and hour laws and regulations in their relevant jurisdiction, including minimum wage, overtime and maximum hours.

Recognition and endorsements

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

For the South-East Asian market we have attained the highly regarded Green Label of the Singapore Environment Council. The Singapore Environment Council (SEC) was 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.

The awarding body of the prestigious Debokeur® certification, Nederlands Instituut voor Bouwbiologie, issues certificates only to the most environmentally friendly products within a particular application, taking into account a range of stringent factors. This certification is of particular significance to our Dutch customers, unequivocally positioning Accoya® wood as an outstanding environmental choice for window frames according to Dutch sustainable building regulations.

Accoya® wood won the prestigious International Wood Products Association award (IWPA) for Innovative excellence in April 2011 at the annual conference in New Orleans.

Accoya® wood is one of the very few building products to have acquired Cradle to Cradle SM Gold Certification by MBDC. Cradle to Cradle Certification provides a means to tangibly and 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.

The Future Build is a green building materials portal that helps architects, engineers and contractors - particularly in the United Arab Emirates and wider region - confidently select and source environmentally sustainable, third party certified products to meet their projects' environmental objectives. Only products that have been assessed and selected according to standards and criteria set by Masdar City, Abu Dhabi, are listed. Accoya® wood was rated as excellent or A in 2011.

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 on Corporate Governance issued by the Financial Reporting Council. 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 non-executive Chairman, two executive Directors and a minimum of two non-executive directors.

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

During the year, all serving Directors attended the quarterly Board meetings that were held. In addition to the scheduled meetings there is frequent contact between all the Directors in connection with the Company's business including Audit and Nomination and Remuneration committee meetings which are held as required, but as a minimum twice per annum. Additional board meetings were held in the run up to the fund-raising that was completed on 22 February 2011.

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

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

Audit Committee

The Audit Committee consists of Patrick Shanley (Chairman), Gordon Campbell and Lord Sanderson. Prior to Patrick Shanley joining the board on 18 November 2010, Gordon Campbell acted as Chairman. Nick Meyer joined the Audit Committee on 17 May 2011. 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 Patrick Shanley. Prior to Patrick Shanley joining the board on 18 November 2010, Kevin Wood was also a member. Nick Meyer joined the Nominations and Remuneration Committee on 17 May 2011. 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. An on-going review of the effectiveness of the system of internal financial control operating across the group is on-going and has resulted in changes which Management has been putting in place to improve the effectiveness.

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**
Gordon Campbell	14	17	4	4	7	7
Paul Clegg	16	17	4	-	3	-
Tim Paterson-Brown (1)	1	1	1	1	1	1
Willy Paterson-Brown (2)	4	4	2	-	2	-
Hans Pauli (3)	16	15	4	-	4	-
Thomas Priday (4)	-	1	-	-	-	-
Lord Sanderson	11	17	4	4	7	7
Patrick Shanley (5)	9	10	2	1	3	2
Kevin Wood (6)	5	7	2	-	3	3

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) Resigned as a Director on 1 April 2010
(2) Resigned as a Director on 30 September 2010
(3) Appointed as a Director on 1 April 2010 (classed as in attendance but not serving on date of appointment)
(4) Resigned as a Director on 1 April 2010
(5) Appointed as a Director on 18 November 2010 (classed as in attendance but not serving on date of appointment)
(6) Resigned as a Director on 18 November 2010

Statement of Directors’ responsibilities

Directors’ responsibilities

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company’s transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the Directors’ Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Consolidated statement of comprehensive income for the year ended 31 March 2011

	Note	2011 €'000 Before Diamond Wood adjustments and restructuring costs	2011 €'000 Diamond Wood adjustments and restructuring costs (Notes 3 and 7)	2011 €'000 Total	2010 €'000 Before Diamond Wood adjustments and restructuring costs	2010 €'000 Diamond Wood adjustments and restructuring costs (Notes 3 and 7)	2010 €'000 Total
Accoya® wood revenue		12,567	-	12,567	9,136	-	9,136
Licence revenue		70	-	70	6,688	-	6,688
Other revenue		1,063	-	1,063	899	-	899
Total revenue		13,700	-	13,700	16,723	-	16,723
Total cost of sales		(14,209)	-	(14,209)	(14,572)	-	(14,572)
Gross (loss) / profit		(509)	-	(509)	2,151	-	2,151
Other operating costs before restructuring costs	3	(13,486)	-	(13,486)	(17,772)	-	(17,772)
Restructuring costs	3	-	(202)	(202)	-	(862)	(862)
Total other operating costs		(13,486)	(202)	(13,688)	(17,772)	(862)	(18,634)
Release of impairment / (impairment) of licensee receivables	6	-	394	394	-	(25,458)	(25,458)
Impairment of equity investment	6	-	-	-	-	(10,000)	(10,000)
Loss from operations	7	(13,995)	192	(13,803)	(15,621)	(36,320)	(51,941)
Finance income	8	18	-	18	18	-	18
Finance expense	9	(66)	-	(66)	(291)	-	(291)
Loss before taxation		(14,043)	192	(13,851)	(15,894)	(36,320)	(52,214)
Tax (charge)/credit	10	(553)	-	(553)	75	-	75
Loss for the period		(14,596)	192	(14,404)	(15,819)	(36,320)	(52,139)
Gain arising on translation of foreign operations		(14)	-	(14)	23	-	23
Total comprehensive loss for the period		(14,610)	192	(14,418)	(15,796)	(36,320)	(52,116)
Basic and diluted loss per ordinary share	12			€(0.06)			€(0.32)

The notes on pages 24 to 43 form part of these financial statements.

Consolidated statement of financial position at 31 March 2011

Registered Company 05534340

	Note	2011 €'000	2010 €'000
Non-current assets			
Intangible assets	14	7,576	7,588
Property, plant and equipment	15	26,427	26,972
Available for sale investments	16	-	-
Deferred tax	17	2,095	2,644
		36,098	37,204
Current assets			
Inventories	19	8,420	3,755
Trade and other receivables	20	9,589	8,741
Cash and cash equivalents		27,576	18,258
Corporation tax		8	36
		45,593	30,790
Current liabilities			
Trade and other payables	21	(6,317)	(6,437)
Corporation tax		-	-
		(6,317)	(6,437)
Net current assets		39,276	24,353
Total net assets		75,374	61,557
Equity and reserves			
Share capital - Ordinary shares	22	4,031	2,006
Share premium account		124,809	98,748
Capital redemption reserve		148	148
Warrants reserve		82	82
Merger reserve		106,707	106,707
Retained earnings		(160,387)	(146,157)
Own shares		(25)	-
Foreign currency translation reserve		9	23
Total equity		75,374	61,557

The financial statements were approved by the Board and authorised for issue on 29 June 2011

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

The notes on pages 24 to 43 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2011

	Share capital Ordinary €000	Share premium €000	Capital redemp-tion reserve €000	Warrant reserve €000	Merger reserve €000	Own Shares €000	Foreign currency trans-lation reserve €000	Retained earnings €000	Total €000
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
Total comprehensive income for the period	-	-	-	-	-	-	(14)	(14,404)	(14,418)
Share based payments	-	-	-	-	-	-	-	174	174
Shares issued	2,025	-	-	-	-	(25)	-	-	2,000
Premium on shares issued	-	28,000	-	-	-	-	-	-	28,000
Share issue costs	-	(1,939)	-	-	-	-	-	-	(1,939)
Balance at 31 March 2011	4,031	124,809	148	82	106,707	(25)	9	(160,387)	75,374

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

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

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

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

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

Own shares represents 2,500,000 shares issued to an Employee Benefit Trust at nominal value on 22 February 2011. See note 13.

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

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

The notes on pages 24 to 43 form part of these financial statements.

Consolidated statement of cash flow for the year ended 31 March 2011

	2011 €'000	2010 €'000
(Loss) / profit before taxation	(13,851)	(52,214)
Adjustments for:		
Amortisation of intangible assets	264	264
Depreciation of property, plant and equipment	1,630	1,609
Loss on disposal of property, plant and equipment	8	999
Finance (income)/expense	48	229
Reversal of impairment/(impairment) of receivables and investment	(394)	35,458
Equity-settled share-based payment expenses	174	327
Cash flows from operating activities before changes in working capital	(12,121)	(13,328)
(Increase)/decrease in trade and other receivables	(468)	5,592
(Increase)/decrease in inventories	(4,661)	1,144
Decrease in trade and other payables	(480)	(7,307)
Net cash absorbed by operating activities before tax	(17,730)	(13,899)
Tax received / (paid)	24	(103)
Net cash flows from operating activities	(17,706)	(14,002)
Cash flows from investing activities		
Interest received	18	18
Purchase of available for sale investments	-	(4,000)
Expenditure on capitalised internal development	(252)	-
Disposal of property, plant and equipment	22	2
Purchase of property, plant and equipment	(1,073)	(2,029)
Net cash absorbed by investing activities	(1,285)	(6,009)
Cash flows from financing activities		
Proceeds from loans	-	4,000
Finance expenses	-	(246)
Dividends paid	-	-
Proceeds from issue of share capital	30,000	17,167
Share issue costs	(1,686)	(160)
Net cash from financing activities	28,314	20,761
Effect of exchange rate changes on cash and cash equivalents	(5)	5
Net increase in cash and cash equivalents	9,323	750
Opening cash and cash equivalents	18,258	17,503
Closing cash and cash equivalents	27,576	18,258

The notes on pages 24 to 43 form part of these financial statements.

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

1. Accounting Policies

General information

The financial information set out in these preliminary results does not constitute the company's statutory accounts for the periods ended 31 March 2011 or 31 March 2010. Statutory accounts for the period ended 31 March 2010 have been filed with the Registrar of Companies and those for the period ended 31March 2011 will be delivered to the Registrar in due course; both have been reported on by the auditors. The auditors' report on the Annual Report and Financial Statements for the period ended 31 March 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.

The auditors' report on the Annual Report and Financial Statements for the period ended 31 March 2011 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Basis of accounting

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

Going Concern

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

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

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

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

Risks and uncertainties

The net assets as at 31 March 2011 of €75m contain balances in relation to the Group's goodwill and intellectual property rights of €7.3m. 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 €26.4m 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® wood and the raw materials and other inputs vary according to market conditions outside of our control. Should the price of the raw materials increase greater than the sales price or in a way which no longer makes as Accoya® competitive, then the carrying value of the tangible fixed assets may be in doubt and become impaired. The Directors are comfortable that the current market and best estimates of future prices means that this risk is limited.

Changes in accounting policies

The Group has adopted IAS 1 "Presentation of Financial Statements" (Revised) in the previous financial year.

The following accounting standards, amendments and interpretations issued by the IASB and the IFRIC are effective for the year ended 31 March 2011 but have had no material effect on the results or financial position of the Company disclosed within these financial statements:

- Amendment to IFRS 1 – 'First-Time Adoption of IFRSs'
- Amendment to IFRS 2 – 'Group Cash-Settled Share-Based Payment Transactions'
- Amendments to IFRS 3 – 'Business Combinations' and IAS 27 – 'Consolidated and Separate Financial Statements'
- Amendment to IAS 32 – 'Classification of Rights Issues'
- Amendment to IAS 39 – 'Eligible Hedged Items'
- IFRIC 17 – 'Distributions of Non-cash Assets to Owners'
- IFRIC 18 – 'Transfers of Assets from Customers'
- Various Improvements to IFRSs published in April 2009

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.

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

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

Finance income

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

Finance expense

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

Share based payments

The Company awards share options to acquire shares of the Company to certain directors and employees. In addition the Company awards bonuses to certain directors and employees in the form of the award of deferred shares of the Company. The fair value of options and deferred shares 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 average monthly exchange rates prevailing in the month in which the transaction took place. Exchange differences arising, if any, are recognised in other comprehensive income and the foreign currency translation reserve.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be 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 1 'First-time Adoption of International Financial Reporting Standards', goodwill includes intangible assets arising on those acquisitions that are separately identifiable.

Other intangible assets

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

Internal development costs are incurred as part of the Group's activities including new processes, process improvements, identifying new species and improving the Group's existing products. Research costs are expenses as incurred. Development costs are capitalised when all of the criteria set out in IAS 38 'Intangible Assets' (including criteria concerning technical feasibility, ability and intention to use or sell, ability to generate future economic benefits, ability to complete the development and ability to reliably measure the expenditure) have been met. Previously the Group has not been able to reliably measure the expenditure incurred on individual development activities and such costs had not been capitalised. These internal development costs are amortised on a straight line basis over their useful economic life, between 10 and 20 years.

Property, plant and equipment

Property, plant and equipment are stated at cost less 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 non-financial assets of the Group is compared to the recoverable amount of the assets whenever events or changes in circumstances indicate that the net book value may not be recoverable, or in the case of goodwill, annually. The recoverable amount is the higher of value in use and the fair value less cost to sell. In assessing the value in use, the expected future cash flows from the assets are determined by applying a discount rate to the anticipated pre-tax future cash flows. An impairment 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 cash, available for sale investments and loans and receivables, depending on the purpose for which the asset was acquired. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

Trade and other receivables

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits 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 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.

Licence related assets
The Group continues to work with Al Rajhi in respect of planning and other activities and remains confident that the licence will progress. However, a degree of uncertainty remains over the timing of their investment, partly due to the recent unrest in Bahrain. Accsys holds net assets of €2.9m (2010: €2.9m) in respect of this licence and if the licence were not to proceed as expected, a non-cash charge would be recorded relating to the write-off of these balances.

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

- IFRS 9 – 'Financial Instruments: Classification and Measurement'
- IFRS 10 – 'Consolidated Financial Statements'
- IFRS 11 – 'Joint Arrangements'
- IFRS 12 – 'Disclosure of Interests in Other Entities'
- IFRS 13 – 'Fair Value Measurement'
- IFRIC 14 – 'Prepayments of a Minimum Funding Requirement'
- IFRIC 19 – 'Extinguishing Financial Liabilities with Equity Instruments'
- Various Amendments to IFRSs published in May 2010
- Amendment to IAS 12 – 'Deferred tax - Recovery of Underlying Assets'
- Amendments to IAS 24 – 'Related Party Disclosures'
- Amendments to IFRS 1 – 'Removal of Fixed Dates for First-Time Adopters' and 'Severe Hyperinflation'

Entities in EU Member States can only apply IFRS or IFRIC that have been endorsed by the European Union. Of the standards and interpretations listed above IFRSs 9, 10, 11, 12 and 13 and the Amendment to IAS 12 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.

	Licensing		Manufacturing		Research and Development		Total	
	2011 €'000	2010 €'000	2011 €'000	2010 €'000	2011 €'000	2010 €'000	2011 €'000	2010 €'000
Revenue	70	6,688	13,630	10,035	-	-	13,700	16,723
Cost of sales	-	(1,857)	(14,209)	(12,715)	-	-	(14,209)	(14,572)
Gross profit / (loss)	70	4,831	(579)	(2,680)	-	-	(509)	2,151
Other operating costs	(6,550)	(8,992)	(5,448)	(7,447)	(1,488)	(1,333)	(13,486)	(17,772)
Restructuring costs	(202)	(818)	-	(44)	-	-	(202)	(862)
Total other operating costs	(6,752)	(9,810)	(5,448)	(7,491)	(1,488)	(1,333)	(13,688)	(18,634)
Release of impairment / (impairment) of licensee receivables	394	(25,458)	-	-	-	-	394	(25,458)
Impairment of equity investment	-	(10,000)	-	-	-	-	-	(10,000)
Loss from operations	(6,288)	(40,437)	(6,027)	(10,171)	(1,488)	(1,333)	(13,803)	(51,941)
Finance income							18	18
Finance expense							(66)	(291)
Loss before taxation							(13,851)	(52,214)

Analysis of Revenue by geographical area:

	2011 €'000	2010 €'000
Netherlands	4,371	3,112
Germany	2,495	1,375
United Kingdom	2,095	1,639
China	1,530	9,129
North America	1,295	776
Switzerland	453	98
Italy	301	187
Ireland	221	128
Greece	213	82
India	210	-
Other	516	197
	13,700	16,723

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

	2011 €'000	2010 €'000
UK	3,136	3,383
Other countries	26,636	26,946
Un-allocated - Goodwill	4,231	4,231
	34,003	34,560

Revenue generated from two customers exceeded 10% of Group revenue in 2011, represented by 100% of the revenue from Germany and China respectively and relates to manufacturing revenue. Revenue generated from one customer exceeded 10% of Group revenue in 2010 and 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. Other operating costs

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

	2011 €'000	2010 €'000
Sales and marketing	2,331	3,569
Research and development	1,488	1,333
Depreciation and amortisation	1,894	1,873
Other operating costs	2,287	4,312
Administration costs	5,486	6,683
Restructuring costs	202	862
	13,688	18,634

Restructuring costs of €0.2m were recorded in the year (2010: €0.9m) relating to the termination payments made to staff. This helped the Group headcount reduce by 22% over two years. Headcount reduced from 126 at the start of the previous year to 107 at 31 March 2010 and then to 98 as at 31 March 2011. 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

	2011 €'000	2010 €'000
Staff costs (including Directors) consist of:		
Wages and salaries	5,996	7,571
Social security costs	727	930
Other pension costs	309	652
Share based payments	174	327
	7,206	9,480

The average number of employees, including executive Directors, during the year was as follows:	Number	Number
Administration, research and engineering	70	75
Operating	31	37
	101	112

5. Directors' remuneration

	2011 €'000	2010 €'000
Directors' remuneration consists of:		
Directors' emoluments	682	1,045
Compensation for loss of office	109	384
Company contributions to money purchase pension schemes	40	20
	831	1,449

Compensation of key management personnel included the following amounts:

	Fees, Salary & short term benefits	Pension	Loss of office	Share based payments charge	2011 Total	2010 Total
Paul Clegg	283	28	-	145	456	411
Hans Pauli	208	12	-	34	254	-
Kevin Wood (2010 only)	-	-	-	-	-	234
Finlay Morrison (part year 2010)	-	-	-	-	-	569
	491	40	-	179	710	1,214

The Group made contributions to 2 (2010: 2) Directors' personal pension plans.

6. Impairment of Assets

In June 2010 the Company 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, in the year ended 31 March 2010, it was considered that 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 were therefore provided for. This provision reflected 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 the equity investment of €10m was recorded as at 31 March 2010. As at 31 March 2011, the funding had not been secured and accordingly the provision for 100% of the historical cost continues to be recognised. In the event Diamond Wood completes the fund raising, the balance may be re-valued.

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

Summary of (release of impairment)/impairment charges relating to Diamond Wood balances:

	2011 €'000	2010 €'000
Trade Receivables and accrued income	(394)	25,966
Deferred income	-	(8,800)
Prepayments - Licensing commission	-	7,467
Prepayments - Basic engineering plan	-	825
	(394)	25,458
Equity Investment	-	10,000
Total impairment	(394)	35,458

7. Loss from operations

	2011 €'000	2010 €'000
This has been arrived at after charging:		
Staff costs (including restructuring costs of €195,000 (2010: €799,000)	7,206	9,480
Other restructuring costs	7	63
Depreciation of property, plant and equipment	1,630	1,609
Amortisation of intangible assets	264	264
Operating lease rentals	431	359
Fees payable to the Company's auditors for the audit of the Company's annual accounts	60	65
Fees payable to the Company's auditors and its associates for other services:		
- audit of the Company's subsidiaries	78	71
- other services persuant to legislation	21	55
- tax services	70	34
Foreign exchange (gains)/losses	81	(74)
Research & Development (excluding staff costs)	714	800
Loss on sale of assets	8	999

€90,000 (2010: €106,000) of fees payable to the Company's previous auditors in respect of corporate finance services were credited to the share premium account.

8. Finance income

	2011 €'000	2010 €'000
Interest receivable on bank and other deposits	18	18

9. Finance expense

	2011 €'000	2010 €'000
Loan issue costs	-	246
Equity line of credit costs	66	45
	66	291

10. Tax expense

	2011 €'000	2010 €'000
(a) Tax recognised in the income statement comprises:		
Current tax expense		
UK Corporation tax on profits for the year	-	-
Under/(over) provision in respect of prior years	1	(101)
	1	(101)
Overseas tax at rate of 15%	3	40
Overseas tax at rate of 25.5%	-	-
Deferred Tax		
Recognition of deferred tax asset on trading losses - prior year	-	(14)
Utilisation of deferred tax asset	549	-
Total tax charge/(credit) reported in the income statement	553	(75)

	2011 €'000	2010 €'000
(b) The tax credit for the period is lower than the standard rate of corporation tax in the UK (2011: 28%, 2010: 28%) due to:		
Loss before tax	(13,851)	(52,214)
Expected tax credit at 28% (2010 - 28%)	(3,878)	(14,620)
Expenses not deductible in determining taxable profit	123	2,935
Under/(Over) provision in respect of prior years	1	(101)
Losses transferred to deferred tax asset but not recognised	4,363	12,303
Recognition of deferred tax asset on trading losses	-	(14)
Utilisation of previously unrecognised losses at local tax rate	-	(563)
Effects of overseas taxation	(56)	(15)
Total tax charge/(credit) reported in the income statement	553	(75)

11. Dividends Paid

	2011 €'000	2010 €'000
Final Dividend €Nil (2010: €Nil) per Ordinary share proposed and paid during year relating to the previous year's results	-	-

12. Earnings per share

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

Basic and diluted earnings per share	**2011**	**2010**
Weighted average number of Ordinary shares in issue ('000)	221,696	162,237
Loss for the year (€'000)	(14,404)	(52,139)
Basic and diluted loss per share	€(0.06)	€(0.32)

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

13. Share based payments

Share Options

The exercise prices and number of outstanding share options were adjusted at the same time that the Company completed the issue of 401m new shares on 22 February 2011. This adjustment was carried out under the anti-dilutive provisions of both the 2005 and 2008 Unapproved Share Option Scheme rules. The adjustment resulted in the exercise price reducing to 71% of the previous exercise price while the number of share options increased by 42%:

Options granted on 1 March 2005 at an exercise price of €0.46 per Ordinary share fully vested during the prior year. These options may be exercised until 30 March 2015. At 31 March 2011, 2,339,067 of these options were outstanding with an exercise price of €0.32.

Options granted on 14 June 2006 at an exercise price of €1.20 per Ordinary share vested immediately but are not exercisable before 14 June 2009. These options may be exercised until 14 June 2016. At 31 March 2011, 11,333 of these options were outstanding with an exercise price of €0.85.

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 2011, 3,444,666 of these options were outstanding at an exercise price of €1.83.

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

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

Once vested, these options may be exercised until 15 May 2017. At 31 March 2011, 944,391 of these options were outstanding at an exercise price of €2.71.

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 2011, 1,416,586 of these options were outstanding at an exercise price of €2.68.

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

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

Once vested these options may be exercised until 20 November 2017. At 31 March 2011, 477,390 of these options were outstanding at an exercise price of €2.58.

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

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

Once vested these options may be exercised until 18 June 2018. At 31 March 2011, 417,893 of these options were outstanding at an exercise price of €1.98.

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

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

Once vested these options may be exercised until 8 December 2018. At 31 March 2011, 1,333,008 of these options were outstanding at an exercise price of €0.97.

Options granted on 19 November 2009 at an exercise price of €0.50 per Ordinary share vest to 30% of the options granted upon achievement of median Total Shareholder Return ('TSR'). Full vesting of the options granted occurs upon achievement of upper quartile TSR measured over the three year period. Once vested, these options may be exercised until 19 November 2019. At 31 March 2011, 2,557,424 of these options were outstanding at an exercise price of €0.35.

Options granted on 1 April 2010 at an exercise price of €0.46 per Ordinary share vest to 30% of the options granted upon achievement of median TSR. Full vesting of the options granted occurs upon achievement of upper quartile TSR measured over the three year period. Once vested, these options may be exercised until 1 April 2020. At 31 March 2011, 1,017,354 of these options were outstanding at an exercise price of €0.32.

Options granted on 27 July 2010 at an exercise price of €0.34 per Ordinary share vest to 30% of the options granted on achievement of median TSR. Full vesting of the options granted occurs upon achievement of upper quartile TSR measured over the three year period. Once vested, these options may be exercised until 27 July 2020. At 31 March 2011, 6,414,985 of these options were outstanding at an exercise price of €0.24.

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

Outstanding options granted under the share option scheme are as follows:

	Number of outstanding options at 31 March		**Weighted average remaining contractual life, in years**		**Post Dilution Option**	**Pre Dilution Option**
Date of grant	**2011**	**2010**	**2011**	**2010**	**price**	**price**
1 March 2005	2,339,067	2,051,200	3.9	4.9	€0.32	€0.46
14 June 2006	11,333	23,000	5.2	6.2	€0.85	€1.20
28 March 2007	3,444,666	3,825,000	6	7	€1.83	€2.59
15 May 2007	944,391	1,000,000	6.1	7.1	€2.71	€3.84
11 October 2007	1,416,586	1,000,000	6.5	7.5	€2.68	€3.80
20 November 2007	477,390	337,000	6.6	7.6	€2.58	€3.65
18 June 2008	417,893	305,000	7.3	8.3	€1.98	€2.80
8 December 2008	1,333,008	1,383,000	7.7	8.7	€0.97	€1.38
19 November 2009	2,557,424	1,805,343	8.6	9.6	€0.35	€0.50
1 April 2010	1,017,354	-	9	-	€0.32	€0.46
27 July 2010	6,414,985	-	9.3	-	€0.24	€0.34

Movements in the weighted average values are as follows:

	average exercise price	Number
Outstanding at 31 March 2009	€2.25	11,736,000
Granted during the year	€0.50	1,805,343
Exercised during the year	€0.46	(80,000)
Forfeited during the year	€2.22	(1,731,800)
Outstanding at 31 March 2010	€2.00	11,729,543
Granted during the period from 1 April 2010 to 21 February 2011	€ 0.36	5,246,655
Exercised during the period from 1 April 2010 to 21 February 2011	€ 0.00	-
Forfeited during the period from 1 April 2010 to 21 February 2011	€ 2.21	(2,578,666)
Outstanding at 22 February 2011	€1.36	14,397,532
Impact of anti-dilution adjustment on 22 February 2011	(€0.40)	5,997,814
Outstanding at 22 February 2011	€0.96	20,395,346
Forfeited in period from 23 February to 31 March 2011	€ 2.59	(21,249)
Outstanding at 31 March 2011	€0.96	20,374,097

The exercise price of options outstanding at the end of the year ranged between €0.24 and €2.71 (2010: €0.46 and €3.84) and their weighted average contractual life was 7.5 years (2010: 7.3 years).

Of the total number of options outstanding at the year-end, 5,784,634 (2010: 5,624,200) had vested and were exercisable at the end of the year.

No options were exercised in the year. The weighted average share price (at the date of exercise) of options exercised during the prior year was €1.01.

The weighted average fair value of each option granted during the year was €0.11 (2010: €0.50).

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	**July 2010**	**April 2010**	**November 2010**
Share price at grant date	€0.34	€0.46	€0.50
Exercise price	€0.34	€0.46	€0.50
Expected life	3	3	3
Contractual life	10	10	10
Risk free rate	2.30%	2.00%	2.00%
Expected volatility	60%	60%	60%
Expected dividend yield	0.0%	0.0%	0.0%
Fair value of option	**€0.106**	**€0.143**	**€0.156**

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

Employee Benefit Trust

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

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

At 31 March 2011, all of the relevant Executive Directors and Senior Managers continued to be employed by the Company. The fair value of the awards is expensed over the vesting period (from 22 February 2011 to 31 December 2011).

14. Intangible assets

	Internal Development costs €'000	Intellectual property rights €'000	Goodwill €'000	Total €'000
Cost				
At 1 April 2009	-	73,200	4,231	77,431
Additions	-	-	-	-
At 31 March 2010	-	73,200	4,231	77,431
Additions	252	-	-	252
At 31 March 2011	252	73,200	4,231	77,683
Amortisation				
At 1 April 2009	-	69,579	-	69,579
Amortisation	-	264	-	264
At 31 March 2010	-	69,843	-	69,843
Amortisation	-	264	-	264
At 31 March 2011	-	70,107	-	70,107
Net book value				
At 31 March 2011	252	3,093	4,231	7,576
At 31 March 2010	-	3,357	4,231	7,588

The carrying value of internal development costs, intellectual property rights and goodwill on consolidation have been allocated for impairment testing purposes to one cash generating unit being the Group's licensing operations. The recoverable amount of 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. A reasonable change in assumptions used in the impairment testing would not change the outcome.

Internal development costs have been capitalised in the current period for the first time as a result of meeting all of the criteria set out in IAS 38 'Intangible Assets'. Previously the Group has not been able to reliably measure the expenditure incurred on individual development activities and such costs had not been capitalised.

15. Property, plant and equipment

	Freehold land €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
Cost or valuation				
At 1 April 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
Additions	-	1,040	72	1,112
Disposals	-	(36)	-	(36)
Foreign currency translation gain/(loss)	-	-	(4)	(4)
At 31 March 2011	6,815	26,108	462	33,385
Depreciation				
At 1 April 2009	-	3,614	269	3,883
Charge for the year	-	1,516	93	1,609
Disposals	-	(150)	(1)	(151)
At 31 March 2009	-	4,980	361	5,341
Charge for the year	-	1,586	44	1,630
Disposals	-	(6)	-	(6)
Foreign currency translation gain/(loss)	-	-	(7)	(7)
At 31 March 2011	-	6,560	398	6,958
Net book value				
At 31 March 2011	6,815	19,548	64	26,427
At 31 March 2010	6,815	20,124	33	26,972

16. Other financial assets

	2011 €'000	2010 €'000
Available for sale investments	-	-

During the previous period Accsys Technologies PLC purchased an additional 8,333,334 unlisted ordinary shares in Diamond Wood China Limited for €0.48 each. This investment brought Accsys Technologies PLC's holdings in Diamond Wood to 21,666,734 shares, which represented a holding of 6.2% at 31 March 2011.

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 2011 is €10m (2010: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded, as at 31 March 2011 the conclusion of Diamond Wood finalising its funding arrangements was still pending. In the event Diamond Wood completes the fund-raising, the balance may be re-valued.

17. Deferred Taxation

The Group has a deferred tax asset of €2,095,000 (2010: €2,644,000) relating to trading losses brought forward. The deferred tax asset has been recognised on the basis that trading profits are expected to be recorded in the related legal entities in the foreseeable future. These expected trading profits are attributable to the production of Accoya® wood and the recharge of research and development activities to other group companies.

The Group also has an unrecognised deferred tax asset of €18,306,000 (2010: €13,664,000) 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:

	2011 €'000	2010 €'000
Opening balance	2,644	2,630
Recognition of deferred tax asset	-	1,404
Derecognition of deferred tax asset	-	(1,390)
Utilisation of deferred tax asset	(549)	-
Closing balance	2,095	2,644

18. Subsidiaries

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

19. Inventories

	2011 €'000	2010 €'000
Materials and work in progress	4,014	1,281
Finished goods	4,406	2,474
	8,420	3,755

The amount of inventories recognised as an expense during the year was €11,716,000 (2010: €8,617,000). The cost of inventories recognised as an expense includes €nil (2010: €199,000) in respect of the write down of inventories to net realisable value.

20. Trade and other receivables

	2011 €'000	2010 €'000
Trade receivables - due in less that one year	3,531	1,882
Other receivables	159	240
Prepayments	5,899	6,619
	9,589	8,741

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

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

	2011 €'000	2010 €'000
Up to 30 days overdue	287	250
Over 30 days and up to 60 days overdue	243	185
Over 60 days and up to 90 days overdue	-	-
Over 90 days overdue	899	59
	1,429	494

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 €25,990,000 (2010: €25,966,000) due from Diamond Wood (see Note 6).

Movement in provision for doubtful debts:

	2011 €'000	2010 €'000
Balance at the beginning of the period	26,188	-
(Release of impairment)/impairment recognised	(418)	26,188
Balance at the end of the period	25,770	26,188

Summary of Receivable Impairments:

	2011 €'000	2010 €'000
Trade receivables - Accoya® wood **	(24)	222
Trade receivables - Diamond Wood Licensing*	(394)	12,860
Accrued income - Diamond Wood	-	13,106
Prepayments - Diamond Wood	-	8,291
	(418)	34,479

* The impairment of Diamond Wood trade receivables in 2010 was partially offset by the release of €8.8m of Deferred income (see note 7) and has been included separately on the face of the Consolidated Statement of Comprehensive Income. This impairment was partially reversed in 2011.
** The impairment of Accoya® wood receivables has been included in other operating costs.

21. Trade and other payables

	2011 €'000	2010 €'000
Trade payables	2,092	2,409
Other taxes and social security payable	192	159
Accruals and deferred income	4,033	3,869
	6,317	6,437

22. Share capital

Allotted - Equity share capital	2011 €'000	2010 €'000
403,102,528 (2010: 200,602,528) Ordinary shares of €0.01 each	4,031	2,006
	4,031	2,006

Options over 80,000 ordinary shares were exercised during the previous year at a price of €0.46 each. Details of outstanding options granted over ordinary shares in the Company are set out in Note 13.

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.

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

23. Commitments under operating leases

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

	2011 €'000	2010 €'000
Operating lease payments due		
Within one year	544	150
In the second to fifth years inclusive	1,637	109
In greater than five years	-	-
	2,181	259

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

24. 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 Yield Fund Limited, on 30 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 3,000,000 warrants to GEM and 120,000 warrants to Montrose Partners LLP 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 as adjusted following the Firm Placing and Placing and Placing and Open Offer.

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.

No final dividend is proposed in 2011 (2010 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.

Categories of financial instruments	2011 €'000	2010 €'000
Available for Sale investments	-	-
Loans and receivables		
Trade receivables	3,531	1,882
Other receivables	159	240
Money market deposits in Euro	26,000	14,003
Money at call in Euro	1,126	3,367
Money at call in US dollars	54	170
Money at call in Sterling	396	718
Financial liabilities at amortised cost		
Trade payables	(2,092)	(2,409)
Accruals	(1,482)	(1,319)
	27,692	16,650

Money market deposits have interest rates fixed for less than nine months at a weighted average rate of 0.40% (2010: 0.24%). Money market deposits are held at financial institutions with high credit ratings (Standard & Poor's rating of AA).

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

Market risk

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

Financial risk management objectives

The Group's treasury policy is structured to ensure that adequate financial resources are available for the development of its business whilst managing its currency, interest rate and counterparty credit risks. The Group's treasury strategy and policy are developed centrally and approved by the Board. The Group had no debt as at 31 March 2011 and as a result the Group has recently entered a new finance facility secured on our trade receivables and our inventory which will enable us to draw down up to approximately €4m in the future.

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 20). The Group is not exposed to any significant credit risk exposure in respect of any single counterparty or any group of counterparties with similar characteristics other than the balances which are provided for as described in notes 6 and 20.

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

Liquidity risk management

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

Fair value of financial instruments

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

25. Related party transactions

Mr William Paterson-Brown is a director of Khalidiya Investments SA. During the year the Group recorded total expenses of €288,380 (2010: €946,320) from Khalidiya Investments SA consisting of €213,534 (2010: €326,969) in respect of directors services, €5,346 (2010: €230,313) in respect of expenses for a number of employees, and €69,501 (2010: €389,038) in respect of office staff and related costs in Geneva.

As at 31 March 2011 the Group had outstanding payables due to Khalidiya Investments SA of €nil (2010: €151,169). During the year the Group recorded revenue of €7,426.88 (2010: €Nil) in respect of sales of Accoya® to Mr William Paterson-Brown. As at 31 March 2011 the Group had outstanding receivables due from Mr William Paterson-Brown of €Nil (2010: €Nil).

Mr Paul Clegg is a director of Clegg Enterprises Ltd. During the year the Group recorded expenses from Clegg Enterprises Ltd consisting of €Nil (2010: €39,000) in respect of directors services and €Nil (2010: €7,120) in respect of travel expenses. As at 31 March 2011 the Group had outstanding payables due to Clegg Enterprises Ltd of €Nil (2010: €Nil). During the year the Group recorded revenue of €4,093.42 (2010: €Nil) in respect of sales of Accoya® to Mr Paul Clegg. As at 31 March 2011 the Group had outstanding receivables due from Mr Paul Clegg of €Nil (2010: €Nil).

26. Capital Commitments

	2011 €'000	2010 €'000
Contracted but not provided for	190	-

27. Post balance sheet events

On 23 June 2011 Accsys signed a Heads of Terms with a third party in respect of the sale and leaseback of a portion of the land and all of the buildings relating to the Arnhem plant, the first part of which is expected to be completed in the summer of 2011.

END

For further information, please contact:

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Notes to editors:

Accsys Technologies PLC (www.accsysplc.com) is an environmental science and technology company whose primary focus is on the production of Accoya® wood and technology licensing via its 100% owned subsidiary, Titan Wood Limited, which has manufacturing operations in Arnhem, the Netherlands, a European office in London and an Americas office in Dallas, Texas. Accsys Technologies' operations comprise three principal business units: (i) the Accoya® wood production facility located in Arnhem, The Netherlands; (ii) technology development, focused on a programme of continuous improvements to the process engineering and operating protocols for the acetylation of wood which are currently under development and the development of technology for the acetylation of wood fibre; and (iii) the licensing of technology for the production of Accoya® wood and Tricoya® wood elements across the globe.

Accoya® Wood (www.accoya.info) is produced by using a proprietary, non-toxic process that effectively converts sustainably grown softwoods and non-durable hardwoods into what is best described as a "high technology wood" via acetylation. Distinguished by its durability, dimensional stability and, perhaps most importantly of all, its reliability (in terms of consistency of both supply and quality), Accoya® wood is particularly suited to exterior applications where performance and appearance are valued. Unlike most woods, its colour does not degrade when exposed to sunlight. Moreover, the Accoya® wood production process does not compromise the wood's strength or machinability. The combination of UV resistance, dimensional stability, increased coatings life, durability and retained strength means that Accoya® wood offers a wealth of new opportunities to architects, designers and specifiers. Leading applications include external doors and windows, shutters/shading, siding and cladding, decking, outdoor furniture/equipment and glulam beams for structural use.

Tricoya® Wood Elements (www.tricoya.com) is Accsys Technologies' proprietary technology for the acetylation of wood fibres, chips, and particles for use in the fabrication of wood based composites, including panel products. These composites demonstrate enhanced durability and dimensional stability which allow them to be used in a variety of applications which were once limited to solid wood or man-made products. Tricoya® Wood Elements is lauded as the first major innovation in the wood composites industry in more than 30 years.

Wood Acetylation is a process, which increases the amount of 'acetyl' molecules in wood, thereby changing its physical properties. The environmentally responsible process protects wood from rot by making it "inedible" to most micro-organisms and insects, without - unlike conventional treatments - making it toxic. It also greatly reduces the wood's tendency to swell and shrink, making it less prone to cracking and ensuring that, when painted, it requires dramatically reduced maintenance. Acetylated wood's increased durability offers major carbon sequestration advantages, compared to other woods and man-made building materials such as steel, vinyl, and plastic.

Wood Composites include a range of derivative wood products which are manufactured by binding together the strands, particles, fibres, or veneers of wood together with adhesives to form composite materials. These products are engineered to precise design specifications which are tested to meet national or international standards.