



Accsys Technologies PLC

Consolidated Financial Statements

Year Ended

31 March 2007



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Directors	William Paterson-Brown Stefan Allesch-Taylor Gordon Campbell Tim Paterson-Brown Glyn C Thomas	Chairman & Chief Executive Non-Executive Director Non Executive Director Non-Executive Director Chief Financial Officer
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Company Secretary Christopher C Morse

Company Number 5534340

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Lawyers Lawrence Graham LLP
4 More London Riverside
London SE1 2AU

Chairman & Chief Executive's Business Review

It is a great pleasure to be writing this statement. The last twelve months have seen significant progress for your company and, in fact, we have achieved the majority of the goals that we set for ourselves during the course of the year.

We continue to increase our shareholder base, the list of which I believe any company on AiM would be proud, and I would like to thank so many of you for the strong support that you have given me personally and the Company as a whole, over the past year.

Your Company, at the time of writing, has a market capitalization of approximately €650 million, the stock enjoying strong liquidity with an average of several hundred thousand shares per day traded over the course of the year.

The year has witnessed many achievements, only some of which I summarize below:

Construction and commissioning of the wood modification plant

During the financial year we completed the physical construction of our commercial scale wood modification plant, with the first batch of Accoya being produced on 11th March 2007. We anticipate a period of around six months will be required to optimise operation of the plant as operating processes are finessed for the range of dimensions and conditions of the timber processed.

The wood modification reactors represent a substantial scale up of novel technology to achieve full commercial scale. The capacity of the large scale reactors is 30 m³ compared with 0.4 m³ for our pilot. Whilst we are still at a relatively early stage of working up the plant and, as would be typical for a new technology plant, we believe it will take us up to a year to bring the operation to full capacity utilisation. Our team are confident that the core reactor design is substantially validated by its performance so far. This is of critical importance for our licensing plans.

We now have a series of trading agreements in place, including ones with BSW Timber in the UK and Roggemann in Germany, and an agreement to supply Accoya for the construction of two road bridges in the Netherlands. Due to growing awareness and interest in Accoya's properties we are now planning to double our capacity in Arnhem at the earliest opportunity to take our annual capacity to around 60,000 cubic metres.

Celanese partnership agreement

In March 2007, we announced an agreement with Celanese Corporation which secures a number of advantages for the Company and for potential licensees.

- It provides priority customer status for the group and its potential licensees, worldwide;
- It underwrites the availability of the key bought-in raw material for the Accsys process;
- It removes a key layer of operating risk for licensees

The acetyls supply and recycle agreement transaction with Celanese enables Titan Wood to concentrate on its core wood acetylation technology. It gives our future technology licensees the certainty that they will have a dependable supply of the key raw material that they need, as well as offtake and re-cycling of their spent by-product, wherever they are in the world.

It has been a goal of your board to secure a substantial strategic partner to help us to accelerate the growth of our business. The equity investment and contractual support of Celanese gives us a huge fillip, not only with the additional financial resources needed to accelerate our market development work, but also through their global presence and commitment to the growth of our business.

Funds

The Celanese investment of €22m followed a small fund-raising of €9.5m completed in November 2006, giving your Company the wherewithal to pursue its business aggressively and exploit the competitive advantages during the coming years. As of the time of writing, the Company has no debt and a cash position of €27m.

Developing end product applications

With our full scale plant coming into production, greater volumes of Accoya will become available to facilitate the development of key end product applications in a number of major national markets. A good example of this is the Province of Friesland's bridge contract award. Extensive research and product development confirmed the excellent properties of our material and opens up a massive new market segment for your Company. We shall prioritise such new application work as it drives demand generation, enables national specifications and regulatory approval processes to be understood and tackled - thereby opening up high volume end use opportunities for potential licensees.

Licensing

With our technology being validated at full commercial scale, we have been able to progress discussions with a number of interested parties, in many parts of the world, who are enthusiastic about the potential that Accoya offers. We have testing programmes with large-scale licensees in windows, decking, cladding and panel products in the USA, with sawmill operators and distributors in Europe, with companies in the Middle East including a major construction company and with large scale suppliers in Australasia, South America and the Far East.

The main revenue driver for our business is licensing. We are developing licensing packages and gearing up to resource the negotiation and support required to secure a portfolio of licensed manufacturers of Accoya. We expect to announce a number of new licenses during the course of the year on a wide geographic scale, with the first significant licence revenue having already been secured by our agreement with Skanfore S.A., described below.

Skanfore licensing agreement

Skanfore LLC is a privately owned trading group, based in Abu Dhabi, whose evaluation of current and projected building projects within the GCC countries identified significant opportunities for licensing Accoya production. Accordingly, at the end of 2005, Skanfore took an initial option over licensed capacity of 50,000 m³ per annum.

During the past fifteen months, Skanfore has identified a number of potential licensees including three in the Gulf region - for Saudi Arabia, Dubai and Abu Dhabi - each interested in a minimum 50,000 m³ capacity, as well as interest from South Africa, Malaysia, China and Russia. Having sensed the potential scale of demand for Accoya, Skanfore believes it can deploy substantial resources to develop licensee demand across a large part of the globe and has agreed to underwrite a substantial upfront payment to secure rights to license Accoya.

Under the agreement announced on June 25th, Skanfore S.A. has taken rights to license 500,000 m³ of annual production capacity and will make a payment of €10m, representing 10% of the technology fees associated with this volume. Skanfore will then receive a share of Technology Fees received by Accsys from licenses it arranges. The Group stands to benefit substantially from Skanfore's introductions whilst also reducing execution risk. The payment of €10m will clearly represent the start of significant licence income for the Company, being the main source of profits going forward.

Management

Edward Pratt, our Chief Executive Officer, has made a unique contribution to the development of your business, over many years. Anyone who knows Eddie, knows his passion and enthusiasm for Accoya, but will also be aware of his long standing back injury. Having successfully seen the business through to the commissioning of its full scale technology validation plant, Eddie is now stepping down from his executive duties, as well as from the board, and will take a break to undergo major spinal surgery. Following his treatment and recuperation, he will take on the role of 'Senior Advisor, Projects', where, in particular he will be closely involved in the development of our wood fibre acetylation technology. We all wish him well and look forward to his return later in the year. Effective immediately, I will now take over as CEO.

I also welcome a new General Manager of our Arnhem facility, Rombout van Herwijnen, who joined us in May. Rombout will drive forward the development of the end product applications, oversee the expansion of our Accoya production facilities and lead a highly motivated high performance team who have helped to create and grow this business from its inception.

Review of the Business

Our focus over the past year has been on:

- The commissioning of our novel acid cracking facility
- The construction and commissioning of the wood modification plant
- Recruiting and training our operating teams
- Securing reliable sources of raw materials, principally wood and acetyls
- Building brand equity and international recognition of our Accoya mark
- Developing key end product applications in large national markets
- Building interest amongst potential licensees in anticipation of our plant coming on stream and providing validation of the process technology and the economics

The financial results reflect the build up of operating costs, as staffing and materials for commissioning activity is expensed, and the strengthening of management to encompass marketing and licensing activities, with total operating expenditure reported in the Profit & Loss Account rising from €5.9m to €10.3m.

The widespread enthusiasm shown for Accoya and our assessment of the scale of interest that we see emerge to license our technology has led us to conclude that the business should focus resolutely on wood acetylation. Accordingly, we have scaled down our other activities apart from our development work on acetylated wood fibre boards. As a result, we have terminated our efforts to license other potential applications of our cracking technology, which without the prospect of our deriving income become fully impaired in accounting terms requiring the charge of €5.9m shown in the Profit & Loss Account as an impairment of intangible assets.

Following our agreement with Celanese, our strategy on acetyls supply has changed. We have undertaken a review of the commissioning work done on our novel cracker design, concluding that without some considerable remediation work on ancillary process equipment we would not be able to fully commission it. As the cracker was out of use at 31st March 2007 and also required the remediation work to be completed prior to it being fired up again, the "value in use" for accounting purposes became zero at the balance sheet date - requiring the impairment charge of €6.6m shown in the Profit & Loss Account as an impairment of tangible assets.

The loss for the year amounted to €22.6m (2006: €5.0m).

Conclusion

Your Company is well positioned for the challenges in the year ahead. We have created a strong, solid base from which we are able to expand our business on a global scale. Over the past two years, we have moved from a technology development business to a full commercial operating business, with an order book that is testament to the quality of our product, a brand that is increasingly recognised as leading its field and an extremely promising new business pipeline. In addition, our competitive advantage, financial strength and licensing proposition has been reinforced by the exclusive support of the world's largest acetyl's supplier, Celanese.

2006-7 has been a landmark year for your Company. The prospects for 2007-8 are exciting. We expect to see significant revenue during the course of the year ahead and hope to be able to report a profit for the year.

We will continue to explore ways to create the best shareholder value and return possible. One such strategy will be to explore the opportunity of listing the Company's shares on Eurolist by Euronext Amsterdam during the course of the next six months, and to that end, we have engaged Fortis, one of Benelux's largest banks.

As mentioned at the beginning of my statement, it has been a pleasure to serve as your Chairman during the past year and I am confident that we can be tremendously successful with the foundations that we have built and, perhaps most importantly, with the continued excellent support from all our shareholders.

The directors present their report together with the audited financial statements for the year ended 31 March 2007.

Results and dividends

The consolidated profit and loss account for the year is set out on page 14.

The directors do not recommend payment of a dividend.

Principal activities and review of the business

The principal activity of the group is the development and commercialisation of its proprietary technology for the manufacture of Accoya branded acetylated wood. 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 & Chief Executive's Business Review on pages 1 to 3.

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are set out in Note 22 of the financial statements.

Share issue

On 8 November 2006, the Company completed the placing of 6,623,172 new Ordinary shares at a price of €1.48 each, raising €9,557,000 net of expenses. These shares were issued under the dis-application authority vested in the directors by the shareholders to issue additional shares up to 5% of the shares then in issue.

Strategic Partnership with Celanese Corporation

On 28 March 2007, the Company announced a strategic partnership with Celanese Corporation ("Celanese"). The arrangements provide for a long term exclusive supply agreement for the provision of acetyls, the principal raw material to acetylate wood, to both the group and its future licensees worldwide. Celanese also signed an option agreement to evaluate and acquire the group's proprietary acetic anhydride technology.

Celanese also agreed to subscribe for new Ordinary shares, subject to consent by the Company's shareholders. Such consent was duly granted at an Extraordinary General Meeting held on 15th May 2007 and Celanese duly subscribed for 8,115,883 new Ordinary shares at a price of €2.72 per share, a price determined as being at a 5% premium to the closing share price on 27 March 2007, the date the strategic partnership was entered into. The Extraordinary General Meeting also approved the granting of an option to Celanese to subscribe for additional Ordinary shares to increase its holding in the Company to 29.9% at the market price when the option is exercised. This option has a life of three years and may be exercised from the first anniversary of 15 May 2007.

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 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.

(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. Protection is afforded by a combination of 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 expenditures to enforce legal rights.

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:

- Progress in introducing Accoya into key end use applications (including external doors, windows, decking and cladding) in major markets, which is seen as an indicator of high volume future demand requiring supply from local or foreign technology licensees of the group. Good progress has been achieved in developing the first two such large national market end product applications in Germany and the UK.
- Future expansion of licensed Accoya production capacity.
- Process improvements to reduce progressively the direct cost per m³ to produce Accoya, optimising the utilisation of direct materials, utilities and capacity utilised in the wood modification process.

Future developments

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

- Driving the development of major end use applications adopting Accoya in major markets
- Exploiting global demand for licensing proprietary technology for wood modification
- Developing a commercial scale manufacturing process for the production of acetylated wood fibre products in the MDF, OSB and fibreboard space.

Impact of adoption of International Financial Reporting Standards (IFRS)

A review of the impact of adopting IFRS has been undertaken and, other than in respect of the amortisation of goodwill arising on consolidation (€412,000), the directors are not aware of any significant adjustments that would be made to the group and parent company financial statements of Accsys Technologies PLC for the year ended 31 March 2007 or the comparative figures when the results and net assets are reported under IFRS.

Significant shareholdings

The following shareholders held beneficial interests in the Ordinary shares exceeding 3%:

• MacNiven and Cameron Equity Holdings Limited	13.44%
• Saad Investments Company Limited	8.61%
• Oak Foundation USA Inc, and related parties	8.07%
• Rajhi Holdings	6.07%
• Celanese Chemicals Europe GmbH	5.46%
• Rathbone Investment Management Limited	3.90%
• UBS Wealth Management (UK) Limited	3.83%
• Axa Framlington	3.50%

Directors

The directors of the company throughout the year were:

Willy Paterson-Brown
Stefan Allesch-Taylor
Gordon Campbell
Tim Paterson-Brown
Edward J Pratt resigned 26 June 2007
Glyn C Thomas

Directors' interests in the Ordinary shares of the Company are set out below:

	Ordinary shares		Options over Ordinary shares	
	31 March 2007	31 March 2006	31 March 2007	31 March 2006
Willy Paterson-Brown	*20,000,000	*20,000,000	2,440,000	1,440,000
Stefan Allesch-Taylor	*20,000,000	*20,000,000	-	-
Gordon Campbell	48,172	48,172	-	-
Tim Paterson-Brown	*20,000,000	*20,000,000	-	-
Edward J Pratt	720,618	618	1,720,000	1,440,000
Glyn C Thomas	480,618	618	1,230,000	960,000

Note * 20,000,000 Ordinary shares and 415,184 Deferred shares are registered in the name of MacNiven and Cameron Equity Holdings Limited. Messrs S Allesch-Taylor, W Paterson-Brown and Mr T Paterson-Brown have beneficial interests in those shares as they are three of the discretionary beneficiaries of a trust which owns the majority of the issued share capital of MacNiven and Cameron Equity Holdings Limited. None of these persons can exercise, or influence the exercise of, the voting rights of the Ordinary and Deferred shares held by MacNiven and Cameron Equity Holdings Limited.

Accsys Technologies PLC

Directors' Report for the year ended 31 March 2007 (continued)

Directors' share options:

	At 1 April 2006	Granted during year	Exercised during year	At 31 March 2007
Willy Paterson-Brown				
Vested at €0.46	720,000	-	-	720,000
Unvested at €0.46	720,000	-	-	720,000
Unvested at €2.59	-	1,000,000	-	1,000,000
Edward Pratt				
Vested at €0.46	720,000	-	720,000	-
Unvested at €0.46	720,000	-	-	720,000
Unvested at €2.59	-	1,000,000	-	1,000,000
Glyn Thomas				
Vested at €0.46	480,000	-	480,000	-
Unvested at €0.46	480,000	-	-	480,000
Unvested at €2.59	-	750,000	-	750,000

Options granted on 1 March 2005 at an exercise price of €0.46 per Ordinary share vested 50% upon grant and 50% will vest upon the group achieving a cumulative €1 million in revenue from 1 April 2005. Once vested, these options may be exercised until 30 March 2015.

Options granted on 28 March 2007 at an exercise price of €2.59 per Ordinary share vest as 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
- Announcement of annual group distributable earnings exceeding €5 million

Once vested, these options may be exercised until 31 March 2017.

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.

Accsys Technologies PLC

Directors' Report for the year ended 31 March 2007 (continued)

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 payment terms consistent with local procedures, custom and practice. The average number of days credit taken by the Company is not a meaningful expression.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Auditors

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

By order of the Board

C C Morse
Secretary

Date: 28 June 2007

Details of the Company's corporate governance arrangements are set out below. The Board of Directors acknowledges the importance of the Principles set out in The Combined Code issued by the Committee on Corporate Governance. Although the Combined Code is not compulsory for AIM listed companies, the Board has applied the principles as far as practicable and appropriate for a relatively small public company.

We give below a statement as to how the Company applies the principles of Section 1 of the Revised Code, together with a statement regarding its compliance with specific provisions. The Board consists of an executive Chairman, one other executive Director, and three non-executive Directors. Gordon Campbell is considered to be the only independent non-executive. The Company has been in compliance throughout the year with the provisions set out in the Combined Code for Corporate Governance with the following exceptions:

- The Company does not meet the requirements regarding the independence of non-executive directors.
- There is no formal training programme for new Directors on joining the Board. This is contrary to provision A.5.1;
- The Board has not undertaken a formal and rigorous annual evaluation of its own performance and the individual Directors. This is contrary to provision A.6.1 but this is being reviewed;
- The non-executive Directors of the Company have not been appointed for specific terms as required by provision A.7.2 but this is being reviewed; and
- There is no formal performance evaluation or election process for the appointment of non-executive Directors. This is contrary to provision A.7.2.

Following Willy Paterson-Brown's appointment, as of the date of this report, as Chairman & Chief Executive, the Company does not meet the requirement for these posts to be held separately.

The Board of Directors

Throughout the period, the Board comprised a Chairman, and at least one executive Director.

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 & remuneration committee meetings which are held as required, but as a minimum twice per annum.

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

Audit Committee

The Audit Committee consists of Gordon Campbell (Chairman), Tim Paterson-Brown and Stefan Allesch-Taylor. 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 believes 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 receive an annual confirmation of independence from the auditors.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee consists of S. Allesch-Taylor (Chairman), Tim Paterson-Brown and G Campbell. 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 Nomination & 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.
- 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. The Directors have reviewed the effectiveness of the system of internal financial control as it operated during the period to 31 March 2007 and up to the date of approval of the annual report and accounts.

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' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group in order to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the directors. The directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Independent Auditor's Report to the Shareholders of Accsys Technologies PLC

We have audited the group and parent company financial statements (the "financial statements") of Accsys Technologies PLC for the year ended 31 March 2007 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Business Review and the statement of Corporate Governance. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 March 2007 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors

London

Date: 28 June 2007

Accsys Technologies PLC**Consolidated profit and loss account for the year ended 31 March 2007**

	Note	2007 €'000	2006 €'000
Turnover		50	80
Administration expenses			
General administrative expenses		(10,265)	(5,860)
Impairment of intangible fixed assets	11	(5,850)	-
Impairment of tangible fixed assets	12	(6,569)	-
		(22,684)	(5,860)
Operating loss	5	(22,634)	(5,780)
Interest receivable and similar income	6	37	782
Loss on ordinary activities before and after taxation	19	(22,597)	(4,998)
Basic and diluted loss per ordinary share	9	€(0.17)	€(0.04)

All amounts relate to continuing activities.

There are no recognised gains or losses other than the loss for the year.

The notes on pages 17 to 32 form part of these financial statements.

Accsys Technologies PLC

Balance sheets at 31 March 2007

	Note	Group 2007 €'000	Group 2006 €'000	Company 2007 €'000	Company 2006 €'000
Fixed assets					
Intangible assets	11	7,437	13,715	-	-
Tangible assets	12	21,611	10,693	-	-
Investments	13	-	-	6,000	11,383
		<u>29,048</u>	<u>24,408</u>	<u>6,000</u>	<u>11,383</u>
Current assets					
Stock	14	910	-	-	-
Debtors	15	1,085	8,411	38,668	19,646
Other investments	16	-	15,513	-	15,513
Cash at bank		10,825	4,577	10,455	4,023
		<u>12,820</u>	<u>28,501</u>	<u>49,123</u>	<u>39,182</u>
Creditors: amounts falling due within one year	17	<u>3,102</u>	<u>1,984</u>	<u>3,581</u>	<u>23,666</u>
Net current assets		<u>9,718</u>	<u>26,517</u>	<u>45,542</u>	<u>15,516</u>
Net assets		<u>38,766</u>	<u>50,925</u>	<u>51,542</u>	<u>26,899</u>
Capital and reserves					
Called up share capital	18	1,554	1,473	1,554	1,473
Share premium account	19	35,689	25,504	35,689	25,504
Merger reserve	19	106,707	106,707	-	-
Profit and loss account	19	(105,184)	(82,759)	14,299	(78)
Shareholders' funds		<u>38,766</u>	<u>50,925</u>	<u>51,542</u>	<u>26,899</u>

The financial statements were approved by the Board and authorised for issue on 28 June 2007

Glyn Thomas)
) **Directors**
 Willy Paterson-Brown)

The notes on pages 17 to 32 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 March 2007

	Note	2007 €'000	2007 €'000	2006 €'000	2006 €'000
Net cash outflow from operating activities	25		(8,454)		(4,468)
Returns on investments and servicing of finance					
Interest received		284		269	
Net cash flow from returns on investments and servicing of finance			284		269
Capital expenditure and financial investment					
Purchase of intangible fixed assets		(200)		-	
Purchase of tangible fixed assets		(18,220)		(7,925)	
Sale of tangible fixed assets		-		53	
			(18,420)		(7,872)
Cash outflow before use of liquid resources and financing			(26,590)		(12,071)
Management of liquid resources					
Decrease/(increase) in short term bank and other deposits		1,726		(1,690)	
Decrease/(increase) in other investments		15,266		(15,000)	
			16,992		(16,690)
Financing					
Issue of share capital		10,518		27,000	
Expenses of issue of share capital		(252)		(1,226)	
Shares issued by subsidiary		-		3,000	
			10,266		28,774
Increase in cash	26		668		13

The notes on pages 17 to 32 form part of these financial statements.

1 Corporate restructuring

During the comparative period the Group carried out a corporate re-structuring including the introduction of a new holding company, Accsys Technologies PLC. The corporate restructuring was accounted for as a merger in accordance with Financial Reporting Standard 6 'Acquisitions and Mergers' (FRS 6) see accounting policies (note 2). The profit and loss account for the comparative year was accordingly prepared as if the new holding company had been in existence throughout both 2006 and prior periods.

2 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

In preparing these financial statements, the group has adopted FRS20 'Share Based Payments' for the first time.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Accsys Technologies PLC and all its subsidiary undertakings throughout the year ended 31 March 2007 and the comparative year, using the merger or acquisition method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition. Intra-group sales and losses are eliminated fully on consolidation.

If the acquisition meets the criteria of a group reconstruction merger accounting is used. In such instances the investment is recorded in the Company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

In the Group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the Group. The results of such a subsidiary are included for the whole period in the year it joins the Group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the Company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to a merger reserve.

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 being amortised over the directors' estimate of its remaining useful economic life, of nine years from the date of acquisition.

Intellectual property rights

Intellectual property rights, including patents, which cover a portfolio of novel chemical processes and products, are shown in the financial statements at cost less any amounts by which the carrying value is assessed during an annual review to have been impaired. No amortisation charge is made until plants licensed to exploit the intellectual property are fully commissioned, thereafter the carrying value is amortised in equal amounts over the useful economic life up to a maximum of 20 years.

2 Accounting policies *(Continued)*

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset, 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. The pilot plants are designed to validate technology designs and generally have short lives, with depreciation rates between 33% and 50%. Production facilities are depreciated from the start of commissioning at rates applicable to the average asset lives expected for each class of asset, with rates between 5% and 20%.
Office equipment	between 20% and 50%.
Motor vehicles	20%.

Impairment of tangible and intangible fixed assets

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

Operating leases

The annual rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Development costs

Product development costs are written off as incurred.

Investments

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

Financial assets

Financial assets are recognised and derecognised on the trade date of their purchase or sale. The group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The group's accounting policy for each category is as follows:

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment.

Stock

Stock is carried at the lower of cost and net realisable value.

Share based payments

Effective 1 April 2006, the Group adopted FRS20 Share Based Payments. A fair value for the share options awarded is measured at the date of grant. The aggregate amount of the cumulative charge in respect of all periods to 31 March 2007 is €172,000. This includes an amount of €95,000 in respect of prior periods which is considered immaterial in the context of the prior period results. Accordingly, the results and the balance sheets for the prior period have not been restated and the entire amount has been charged in arriving at the result for the year to 31 March 2007.

2 Accounting policies (*Continued*)*Share based payments, continued*

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. 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.

Pensions

The pension costs charged in the financial statements represent the contributions payable by the company to individuals personal money purchase schemes during the period in accordance with FRS 17.

Deferred taxation

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

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rates of exchange ruling at the balance sheet date. Transactions in other currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

The exchange rate used at 31 March 2007 was €1.47 to £1 (2006: €1.45 to £1).

Government grants

Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income. Grants of a revenue nature are credited to the profit and loss account in the period to which they relate.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as current asset investments and short term deposits.

3 Employees

	Group 2007 €'000	Group 2006 €'000
Staff costs consist of:		
Wages and salaries	2,392	1,609
Social security costs	606	189
Other pension costs	89	122
	<u>3,087</u>	<u>1,920</u>

3 Employees, continued

The average number of employees, including executive directors, during the year was as follows:

	Number	Number
Administration	17	11
Operating	18	10
	<u>35</u>	<u>21</u>

The Company has no employees

4 Directors' remuneration

	2007 €'000	2006 €'000
Directors' remuneration consists of:		
Directors' emoluments	725	743
Gains on exercise of share options	2,556	-
Company contributions to money purchase pension schemes	64	71
Amounts paid to third parties in respect of directors' services	407	362
	<u>3,752</u>	<u>1,176</u>

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	1,903	419
Company contributions to money purchase pension schemes	21	21

The group makes contributions to 2 (2006: 2) directors' personal pension plans. Out of the share based payments charge (note 5) €107,000 (2006: € nil) relates to the directors.

5 Operating loss

	2007 €'000	2006 €'000
This has been arrived at after charging:		
Depreciation of tangible assets	733	21
Impairment of plant and machinery	6,569	531
Amortisation of intangible fixed assets	628	-
Impairment of intangible fixed assets	5,850	-
Product development costs	277	380
Operating lease rentals	361	286
Auditors' remuneration for audit services	80	54
Remuneration of auditors for non-audit work	-	-
Admission to AiM expenses	-	565
Foreign exchange costs	7	3
Share based payments	172	-
and after crediting:		
Research subsidies from governmental agencies	<u>(43)</u>	<u>(308)</u>

Included in admission to AiM expenses in 2006 are corporate finance fees of €110,000 paid to the auditors. A further €38,000 of corporate finance fees paid to the auditors in 2006 was charged to the share premium account.

6 Interest receivable and similar income

	2007 €'000	2006 €'000
Interest receivable on bank and other deposits	284	269
(Decrease)/increase in market value of current asset investments	(247)	513
	<u>37</u>	<u>782</u>

7 Taxation on loss from ordinary activities

	2007 €'000	2006 €'000
<i>Current tax</i>		
UK corporation tax on loss for the year	-	-
Adjustment in respect of previous years	-	-
	<u>-</u>	<u>-</u>
Total current tax	-	-
	<u>-</u>	<u>-</u>
Factors affecting the corporation tax charge for the year		
Loss on ordinary activities before tax	(22,597)	(4,998)
	<u>(22,597)</u>	<u>(4,998)</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 - 30%)	(6,779)	(1,499)
	<u>(6,779)</u>	<u>(1,499)</u>
Effects of:		
Expenses not deductible for tax purposes	1,983	345
Capital allowances in excess of depreciation	(599)	(125)
Increase in tax losses carried forward	5,395	1,279
	<u>6,779</u>	<u>1,499</u>
Current tax charge for year	-	-
	<u>-</u>	<u>-</u>

Deferred taxation

The potential deferred tax asset of the group arising from tax losses carried forward and the excess of depreciation over capital allowances are set out below. As the recoverability of these amounts in the foreseeable future is uncertain, the potential deferred tax assets have not been recognised.

	2007 €'000	2006 €'000
Tax losses carried forward	8,939	2,793
Excess of depreciation over capital allowances	179	264
	<u>9,118</u>	<u>3,057</u>

The Company has no significant potential deferred tax assets or liabilities

8 Loss for the financial period

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The loss for the financial period includes a profit of €6,195,000 (2006: loss of €78,000) which is dealt with in the financial statements of the parent company. The result for year includes a realised gain of €10,881,000 arising from the liquidation of a former holding company.

9 Loss per Accsys Technologies PLC share

The loss per share shown below is calculated based upon the weighted average number of Accsys Technologies PLC Ordinary shares in issue

	2007	2006
Weighted average number of Ordinary shares in issue	135,217,231	116,975,026
Loss for the year €'000	(22,597)	(4,998)
Loss per share	€(0.17)	€(0.04)

Since none of the Accsys Technologies PLC's potential Ordinary shares are dilutive, there is no difference between basic and diluted loss per share. At 31 March 2007, the Company had 9,660,500 (2006: 5,688,000) options over Ordinary shares which are potentially dilutive in the future.

10 Share based payments

Options granted on 1 March 2005 at an exercise price of €0.46 per Ordinary share vested 50% upon grant and 50% will vest upon the group achieving a cumulative €1 million in revenue from 1 April 2005. Once vested, these options may be exercised until 30 March 2015. At 31 March 2007, 4,129,000 of these options were outstanding.

Options granted on 14 June 2006 at an exercise price of €1.20 per Ordinary share vested immediately but are not exercisable before 14 June 2009. These options may be exercised until 14 June 2016. At 31 March 2007, 438,500 of these options were outstanding.

Options granted on 28 March 2007 at an exercise price of €2.59 per Ordinary share vest as 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
- Announcement of annual group distributable earnings exceeding €5 million

Once vested, these options may be exercised until 31 March 2017. At 31 March 2007, 5,093,000 of these options were outstanding.

Unless discretion is exercised by the Nomination & Remuneration Committee, all options are forfeit following an optionholders termination of contract.

10 Share based payments (continued)

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

Date of grant	Number of outstanding options at 31 March		Weighted average remaining contractual life, in years		Option price
	2007	2006	2007	2006	
1 March 2005	4,129,000	5,688,000	7.9	8.9	€ 0.46
14 June 2006	438,500	-	9.2	-	€ 1.20
28 March 2007	5,093,000	-	10.0	-	€ 2.59

Movements in the weighted average values are as follows:

	2007 Weighted average exercise price	2007 Number	2006 Weighted average exercise price	2006 Number
Outstanding at 1 April	€ 0.46	5,688,000	€ 0.46	5,688,000
Granted during the year	€ 2.48	5,531,500	-	-
Exercised during the year	€ 0.46	(1,559,000)	-	-
Outstanding at 31 March	€ 1.62	9,660,500	€ 0.46	5,688,000

The exercise price of options outstanding at the end of the year ranged between €0.46 and €2.59 (2006: €0.46) and their weighted average contractual life was 9.1 years (2006: 8.9 years).

Of the total number of options outstanding at the year end, 1,285,000 (2006: 2,844,000) had vested and were exercisable at the end of the year.

The weighted average share price (at the date of exercise) of options exercised during the year was €2.37 (2006: not applicable).

The weighted average fair value of each option granted during the year was €0.33 (2006: not applicable).

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

Grant date	28 Mar 07	14 Jun 06	1 Mar 05
Share price at grant date	€ 2.59	€ 1.20	€ 0.46
Exercise price	€ 2.59	€ 1.20	€ 0.46
Expected life	3	3	3
Contractual life	10	10	10
Risk free rate	4.92%	4.63%	4.37%
Expected volatility	15%	15%	15%
Expected dividend yield	0%	0%	0%
Fair value of option	€ 0.346	€ 0.120	€ 0.044

10 Share based payments (continued)

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.

11 Intangible fixed assets

Group	Intellectual property rights €'000	Goodwill on consolidation €'000	Total €'000
<i>Cost</i>			
At 1 April 2006	73,000	4,249	77,249
Additions	200	-	200
	<hr/>	<hr/>	<hr/>
At 31 March 2007	<u>73,200</u>	<u>4,249</u>	<u>77,449</u>
<i>Amortisation</i>			
At 1 April 2006	62,985	549	63,534
Amortisation	216	412	628
Impairment	5,850	-	5,850
	<hr/>	<hr/>	<hr/>
At 31 March 2007	<u>69,051</u>	<u>961</u>	<u>70,012</u>
<i>Net book value</i>			
At 31 March 2007	<u>4,149</u>	<u>3,288</u>	<u>7,437</u>
At 31 March 2006	<u>10,015</u>	<u>3,700</u>	<u>13,715</u>

The directors have undertaken an impairment review (using the value in use method) of the carrying value of the intellectual property rights. These rights relate to a number of potential technology applications. Following the most recent impairment review, the directors resolved that the carrying value in respect of potential applications which are no longer being actively pursued, nor are likely to be resourced in the foreseeable future, should be treated as fully impaired. The carrying value in respect of applications which are currently being developed is based upon an evaluation of future potential licence fees and production royalty fees using a post tax discount rate of 25%.

12 Tangible assets

Group	Freehold land €'000	Production facilities €'000	Office equipment €'000	Total €'000
<i>Cost or valuation</i>				
At 1 April 2006	950	10,490	40	11,480
Additions	329	17,774	117	18,220
Disposals	-	(134)	(4)	(138)
At 31 March 2007	1,279	28,130	153	29,562
<i>Depreciation</i>				
At 1 April 2006	-	768	19	787
Charge for the year	-	683	50	733
Impairment	-	6,569	-	6,569
Disposals	-	(134)	(4)	(138)
At 31 March 2007	-	7,886	65	7,951
<i>Net book value</i>				
At 31 March 2007	1,279	20,244	88	21,611
At 31 March 2006	950	9,722	21	10,693

The directors have reviewed the economic lives of the tangible fixed assets. Following extensive commissioning trials, the prototype anhydride cracker has been decommissioned pending remediation work required before it can be brought into service. Accordingly, at the balance sheet date it is treated as fully impaired. Following completion of the remediation work and successful commissioning of the cracker, its useful life will be re-estimated. Accordingly, an amount of €6,569,000 has been recognised as an impairment.

13 Fixed asset investments

	Company €'000
Shares in subsidiary undertakings	
<i>Cost</i>	
At 1 April 2006	11,383
Liquidation of subsidiary	(1,203)
	<hr/>
At 31 March 2007	10,180
	<hr/> <hr/>
<i>Impairment</i>	
At 1 April 2006	-
Impairment charge	(4,180)
	<hr/>
At 31 March 2007	(4,180)
	<hr/> <hr/>
<i>Net book value</i>	
At 31 March 2007	6,000
	<hr/> <hr/>
At 31 March 2006	11,383
	<hr/> <hr/>

Shares in subsidiaries have been impaired following the impairment review undertaken on intangible and tangible assets referred to in notes 11 and 12.

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

Subsidiary undertakings	Country of registration or incorporation	Class	% shares held
International Cellulose Company Overseas Limited	Gibraltar	Ordinary	100
International Chemical Company BV	Netherlands	Ordinary	100
Titan Wood BV	Netherlands	Ordinary	100
Titan Wood Limited	England	Ordinary	100

The shares in Titan Wood BV are held indirectly by the company.

The principal activities of these companies were as follows:

International Cellulose Company Overseas Limited	The ownership and exploitation of patents and technical know how (collectively intellectual property rights), relating to the acetylation of cellulose and production of acetic anhydride.
International Chemical Company BV	The technical validation and demonstration of patents and technical know-how relating to the acetylation of wood fibre, cellulose and production of acetic anhydride.
Titan Wood BV	The manufacture of Accoya, acetylated wood.
Titan Wood Limited	Establishing global market penetration of Accoya as the premium wood for external applications requiring durability, stability and reliability through the licensing of the Group's proprietary process for wood acetylation.

Accsys Technologies PLC

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

14 Stock

	Group 2007 €'000	Group 2006 €'000
Raw materials	898	-
Finished goods	12	-
	<u>910</u>	<u>-</u>

15 Debtors

	Group 2007 €'000	Group 2006 €'000	Company 2007 €'000	Company 2006 €'000
Amounts owed by subsidiary undertakings	-	-	38,638	12,316
Other debtors	906	943	-	-
Other loans and deposits	-	7,306	-	7,306
Prepayments and accrued income	179	162	30	24
	<u>1,085</u>	<u>8,411</u>	<u>38,668</u>	<u>19,646</u>

All amounts fall due for payment within one year. Other loans and deposits at 31 March 2006 included €5,616,000 of interest bearing deposits.

16 Other investments

	Group 2007 €'000	Group 2006 €'000	Company 2007 €'000	Company 2006 €'000
Unlisted securities available for resale	-	15,513	-	15,513

At 31 March 2006, the Company held 9,643,256 redeemable shares of €0.000015 each in the Tactica Euro Balanced Opportunities Fund, managed by Goldman Sachs International.

17 Creditors: amounts falling due within one year

	Group 2007 €'000	Group 2006 €'000	Company 2007 €'000	Company 2006 €'000
Trade creditors	1,938	1,777	134	-
Amounts owed to subsidiary undertakings	-	-	3,432	23,651
Taxes and social security costs	470	55	-	-
Accruals and deferred income	694	152	15	15
	<u>3,102</u>	<u>1,984</u>	<u>3,581</u>	<u>23,666</u>

18 Share capital

	2007 €'000	2006 €'000
<i>Authorised</i>		
<i>Equity share capital</i>		
200,000,000 ordinary shares of €0.01 each	2,000	2,000
1,000,000 deferred shares of 10p each	148	148
	<u>2,148</u>	<u>2,148</u>
<i>Allotted</i>		
<i>Equity share capital</i>		
140,645,619 (2006: 132,463,447) ordinary shares of €0.01 each	1,406	1,325
1,000,000 deferred shares of 10p each	148	148
	<u>1,554</u>	<u>1,473</u>

The deferred shares have no right to receive a dividend, no right to attend, speak or vote at general meetings of the Company and only a right to participate in a winding up after €100,000 has been paid on each Ordinary share.

Movements in allotted, called up and fully paid share capital comprise:

	Deferred shares of 10p each €'000	Ordinary shares of €0.01 each €'000
At 31 March 2006	148	1,325
Placing	-	66
On exercise of share options	-	15
	<u>148</u>	<u>1,406</u>
At 31 March 2007	<u>148</u>	<u>1,406</u>

On 14 September 2005, the Company made offers for the entire issued share capital of Accsys Chemicals PLC on the basis of one new Ordinary share of €0.01 for each existing Ordinary share and of one new Deferred share of 10p for every 48.1715 existing Deferred shares. After acceptances exceeded 90%, the Company exercised compulsory purchase powers under the Companies Act to acquire the outstanding Ordinary and Deferred shares. A total of 105,463,445 Ordinary shares and 1,000,000 Deferred shares were issued in consideration. On 22 November 2005, the Company completed its acquisition of the Ordinary and Deferred shares of Accsys Chemicals PLC, which became wholly owned, and also completed the offer in respect of options over Ordinary shares in Accsys Chemicals PLC.

On 26 October 2005, the Company placed 27,000,000 new Ordinary shares at a price of €1.00 each raising €25,209,000 after expenses and its Ordinary shares were admitted to AIM.

On 8 November 2006, the Company placed 6,623,172 new Ordinary shares at a price of €1.48 each raising €9,557,000 after expenses.

Options over 1,559,000 Ordinary shares were exercised during the year at a price of €0.46 each. Details of outstanding options granted over Ordinary shares in the Company are set out in Note 10.

19 Reserves

Group	Share premium account €'000	Merger reserve €'000	Profit and loss account €'000
Balance at 1 April 2006	25,504	106,707	(82,759)
Premium on shares issued	10,437	-	-
Issue costs	(252)	-	-
Share based payment charges	-	-	172
Loss for the period	-	-	(22,597)
	<u>35,689</u>	<u>106,707</u>	<u>(105,184)</u>
		Share premium account €'000	Profit and loss account €'000
		25,504	(78)
		10,437	-
		(252)	-
		-	172
		-	6,195
		-	8,010
		<u>35,689</u>	<u>14,299</u>

In the comparative period, the Company utilised merger relief available under §131 of the Companies Act 1985 in respect of the shares issued to acquire the former holding company, Accsys Chemicals PLC. The Profit and loss account of the Company includes €8,010,000 of non distributable reserves arising from the liquidation of Accsys Chemicals PLC

20 Commitments under operating leases

As at 31 March 2007, the group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2007 €'000	Land and buildings 2006 €'000
Operating leases which expire:		
In two to five years	<u>361</u>	<u>286</u>

The company has no annual commitments under non-cancellable operating leases.

21 Reconciliation of movements in shareholders' funds

Group	2007 €'000	2006 €'000
Loss for the financial year	(22,597)	(4,998)
Share based payment charges	172	-
Proceeds from issue of shares	10,266	25,774
Shares issued by subsidiary	-	4,195
	<hr/>	<hr/>
Net (decrease)/increase in shareholders' funds	(12,159)	24,971
Opening shareholders' funds	50,925	25,954
	<hr/>	<hr/>
Closing shareholders' funds	<u>38,766</u>	<u>50,925</u>
 Company		
Profit/(loss) for the financial year	6,195	(78)
Unrealised gain on liquidation of former holding company	8,010	-
Share based payment charges	172	-
Shares issued to acquire Accsys Chemicals PLC	-	1,203
Proceeds from issue of shares	10,266	25,774
	<hr/>	<hr/>
Net increase/(decrease) in shareholders' funds	24,643	26,899
Opening shareholders' funds	26,899	-
	<hr/>	<hr/>
Closing shareholders' funds	<u>51,542</u>	<u>26,899</u>

22 Financial instruments

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.

Currency exposures are limited as the Group's functional currency is the euro. A minor proportion of administrative expenditure is incurred in pounds sterling.

Counterparty credit risks arise principally in relation to the Group's short term liquid resources of €9,580,000 (2006: €26,819,000). These have been placed directly or indirectly with high quality financial institutions or are represented by a diversified portfolio managed within clearly defined investment guidelines by a highly reputable investment manager.

22 Treasury policy, continued

	Group 2007 €'000	Group 2006 €'000	Company 2007 €'000	Company 2006 €'000
Gross financial assets comprise:				
Redeemable preference shares	-	15,513	-	15,513
Other financial assets:				
Other loans and deposits	-	7,306	-	7,306
Money market deposits	9,580	4,000	9,580	4,000
Money at call	1,220	540	872	21
Money at call in sterling	25	37	3	2
	<u>10,825</u>	<u>27,396</u>	<u>10,455</u>	<u>26,842</u>

Redeemable preference shares were redeemable at the holder's option on one month's notice and are carried at fair value. This was determined as the net asset value reported by the investment manager at the balance sheet date. In the opinion of the directors, there is no material difference between the book value and the fair value of other financial assets. All other financial assets have interest rates fixed for less than nine (2006: three) months at a weighted average of 3.12% (2006: 2.55%). Apart from minimal amounts denominated in sterling currency, all financial assets are denominated in euro.

At the balance sheet date, the Group has financial liabilities of €1,938,000 (2006: €1,777,000) comprising trade creditors. The Company has no financial liabilities. In the opinion of the directors, there is no material difference between the book value and the fair value of financial liabilities.

23 Related party transactions

Mr William Paterson-Brown is a director of Khalidiya Investments SA. During the year the Company paid €406,795 (2006: €425,376) in respect of directors services provided by Khalidiya Investments SA.

24 Capital commitments

Group	2007 €'000	2006 €'000
Contracted but not provided for	<u>1,776</u>	<u>8,936</u>

25 Reconciliation of operating loss to net cash outflow from operating activities

	2007	2006
	€'000	€'000
Operating loss	(22,634)	(5,780)
Share based payment charges	172	-
Depreciation of tangible fixed assets	733	21
Impairment of tangible fixed assets	6,569	-
Amortisation of intangible fixed assets	628	531
Impairment of intangible fixed assets	5,850	-
(Increase) in stock	(910)	-
Decrease/(increase) in debtors	20	(497)
Increase in creditors	1,118	1,257
	<u>(8,454)</u>	<u>(4,468)</u>

26 Reconciliation of net cash inflow to movement in net funds

	2007	2006
	€'000	€'000
Increase in cash in the year	668	13
Cash (inflow)/outflow from changes in liquid resources	(16,992)	16,690
Shares issued in subsidiary in settlement of debt	-	1,195
	<u>(16,324)</u>	<u>17,898</u>
Movement in net funds in the year	(16,324)	17,898
(Decrease)/increase in value of current asset investment	(247)	513
Opening net funds	27,396	8,985
	<u>10,825</u>	<u>27,396</u>

27 Analysis of net funds

	At 1 April	Cash	Non cash	At 31 March
	2006	flow	changes	2007
	€'000	€'000	€'000	€'000
Cash in hand and at bank	577	668	-	1,245
Other liquid resources	26,819	(16,992)	(247)	9,580
	<u>27,396</u>	<u>(16,324)</u>	<u>(247)</u>	<u>10,825</u>

28 Post balance sheet events

On 21 May 2007, 8,115,883 new Ordinary shares were issued to Celanese Corporation at a price of €2.72 each for a cash consideration of €22,075,000.

On 25 June 2007, the Company announced an agreement with Skanfore SA under which rights to negotiate certain technology licenses were exchanged for a premium payable to the Group of €10m.

Further details of the transaction are provided in the Chairman's Statement and the Directors' Report.

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