

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document has been drawn up in accordance with the AIM Rules. It does not constitute a prospectus and accordingly it has not been filed with the Register of Companies.

Application has been made for the Ordinary Shares issued, and to be issued pursuant to the Placing to be admitted to trading on AIM. It is expected that Admission will take place and trading will commence on 26 October 2005. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

Your attention is also drawn to the section headed "Risk Factors" set out in Part II of this document.

The Directors of Accsys, whose names appear on page 7 of this document, accept responsibility for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

ACCSYS TECHNOLOGIES PLC

(incorporated and registered in England & Wales number 5534340)

Placing of 27,000,000 Ordinary Shares of €0.01 each at €1.00 per share and Admission to trading on AIM

Nominated Adviser and Broker

Collins Stewart Limited

Share capital immediately following Admission

	<i>Authorised</i>		<i>Issued</i>	
	<i>Number</i>	<i>Nominal value</i>	<i>Number</i>	<i>Nominal value</i>
€0.01 Ordinary	200,000,000	€2,000,000	130,710,180	€1,307,101.80
£0.10 Deferred	1,000,000	£100,000	996,069	£99,606.90

Collins Stewart Limited is regulated by the Financial Services Authority and is acting exclusively for the Company and no-one else in connection with the Placing and Admission. Collins Stewart Limited will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Collins Stewart Limited nor for providing advice in relation to the transactions and arrangements detailed in this document. Collins Stewart Limited is not making any representation or warranty, express or implied, as to the contents of this document.

Collins Stewart Limited has been appointed as Nominated Adviser and Broker to the Company. In accordance with the AIM Rules, Collins Stewart Limited has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, in its opinion and to the best of its knowledge and belief, all relevant requirements of the AIM Rules have been complied with. No liability whatsoever is accepted by Collins Stewart Limited for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible.

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful or would impose any unfulfilled registration, publication or approval requirement on the Company or Collins Stewart Limited. The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States. The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province or territory of Canada, no document in relation to the Placing has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission, and no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the Placing or the Ordinary Shares. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered, sold or delivered in or into the United States, Israel, Canada, Australia or Japan or offered or sold to or for the account or benefit of any national, resident or citizen of the United States or a resident of Canada, Australia or Japan.

The Ordinary Shares to be issued by the Company under the Placing will, on Admission, rank *pari passu* in all respects with the existing issued Ordinary Shares of the Company and will rank in full for all dividends or other distributions which are declared, made or paid after the date of this document on the Ordinary Shares of the Company.

A copy of this document will be available free of charge during normal business hours on any week day (except Saturdays and Public Holidays) at the offices of Collins Stewart Limited, 9th Floor, 88 Wood Street, London EC2V 7QR from the date of this document and for a period of one month from Admission.

CONTENTS

	<i>Page</i>
Definitions	3
Glossary of technical terms	5
Directors, secretary and advisers	7
Placing statistics	8
Expected timetable	8
Key information	9
PART I Information on the Company	11
1. Introduction	11
2. Titan Wood Limited	12
History and Background	12
Products and Technology	13
Intellectual Property	15
Markets	15
Competition	16
Sales & Marketing Strategy	17
3. ICC	18
History and Background	18
Proprietary Technology	18
4. Summary Financial Information	20
5. Current Trading and Prospects	20
6. Directors, Senior Management and Employees	21
7. Corporate Governance	22
8. Employee Incentive Schemes	23
9. Pensions	23
10. Accounting Reference Date and Dividend Policy	23
11. Details of the Placing	24
12. Reasons for the Placing and use of Proceeds	24
13. Orderly Market Arrangements	24
14. Admission, Settlement and Dealings	24
15. The City Code on Takeovers and Mergers	25
16. Additional Information	25
PART II Risk factors	26
PART III Accountant's Report on Accsys Technologies PLC	30
PART IV Accountant's Report on Accsys Chemicals PLC	33
PART V Additional Information	49

DEFINITIONS

“Accsys” or “Company”	Accsys Technologies PLC
“Accsys Chemicals”	Accsys Chemicals PLC, a company incorporated in England and Wales with number 4643706
“Act”	the Companies Act 1985, as amended
“AIM”	AIM, the market of that name operated by the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange governing admission to and operation of AIM
“Articles”	the articles of association of the Company
“Asia IT”	Asia IT Capital Investments Limited, a company incorporated in the Commonwealth of the Bahamas and having its European office at 15 rue de la Confederation, CH1204 Geneva, Switzerland
“Asia IT Loan Facility”	the Loan Facility of €3 million provided by Asia IT which was converted into fully paid Accsys Chemicals ordinary shares on 4 April 2005
“Benelux”	together Belgium, The Netherlands and Luxembourg
“Board” or “Directors”	the directors of the Company
“BP”	BP P.L.C., an oil company which is also one of the world’s leading producers of acetyls (acetic acid and acetic anhydride)
“certificated” or “in certificated form”	the description of a share or other security which is not in uncertificated form (that is, not in CREST)
“Collins Stewart”	Collins Stewart Limited
“CREST”	the relevant system (as defined in the Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the Regulations) in accordance with which securities may be held and transferred in uncertificated form
“CRESTCo”	CRESTCo Limited, a company incorporated under the laws of England and Wales and the operator of CREST
“CREST member”	a person who has been admitted by CRESTCo as a system-member (as defined in the Regulations)
“Enlarged Share Capital”	the issued share capital of the Company immediately on Admission
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Group”	the Company and its subsidiaries
“ICC”	together, International Chemical Company BV and International Cellulose Company Overseas Limited
“IPR”	intellectual property rights
“London Stock Exchange”	London Stock Exchange plc
“Member Account ID”	the identification code or number attached to any member account in CREST
“New Ordinary Shares”	27,000,000 New Ordinary Shares to be allotted in connection with the Placing

“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of €0.01 each in the Company
“Placing Agreement”	the conditional agreement dated 19 October 2005 between, <i>inter alia</i> , the Company, the Directors, STG and Collins Stewart, details of which are set out in paragraph 10.1 of Part V of this document
“Placing Price”	€1.00 per Ordinary Share
“Regulations”	the Uncertificated Securities Regulations 2001
“Shareholder(s)”	a holder or holders of Ordinary shares
“SHR”	Stichting Hout Research (trading as SHR Timber Research), a not for profit wood science and research institute based in Wageningen, The Netherlands
“STG”	STG Holdings PLC
“Subsidiaries”	together Accsys Chemicals, International Chemical Company BV, International Cellulose Company Overseas Limited, Titan Wood BV and Titan
“Titan”	Titan Wood Limited, a subsidiary of the Company
“uncertificated” or “in uncertificated form”	recorded in the register as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“USA”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia

GLOSSARY OF TECHNICAL TERMS

acetic acid	commodity chemical made from natural gas; used in food preservation, solvent manufacture and chemical derivatives
acetic anhydride	a highly active form of acetic acid made by eliminating water from acetic acid; used in the manufacture of acetate fibres and DMT, a raw material for polyester
acetylation	the chemical process where acetyl groups are chemically bonded to cellulose pulp and to chemical components in wood
acrylonitrile butadiene styrene	copolymer derived from styrene having particular strength and shock absorbance properties that is used in broad range of plastics ranging from commodities to highly specialised plastics
ASE	anti shrink efficiency, the percentage of swelling and shrinking of wood avoided by modification (e.g. acetylation)
BRE	Building Research Establishment, a UK research institute owned by the Foundation for the Built Environment
CCA	chromated copper arsenate, the leading wood preservative, use of which is subject to increasing restrictions due to its extreme toxicity
cellulose acetate	a basic cellulose derivative made through the acetylation of cellulose pulp derived (typically) from wood or cotton (see cellulose materials, below)
cellulose di-acetate flake	an acetone soluble form of cellulose acetate from which acetate films and fibres are dried
cellulose di-acetate tow	cellulose acetate fibre spun for specific uses in cigarette filters due to its particular absorption and non-toxic properties
cellulose materials	wood and cotton are the primary sources of cellulose materials, which are then mechanically or chemically converted to commercial products
cladding	exterior boards and panels on buildings and houses (known as siding in the USA); serve both as decorative materials and as weather barriers
CMC	carboxymethyl cellulose, a water soluble derivative of cellulose used in food for texture and control of moisture loss, in cosmetics and pharmaceuticals as a suspending and thickening agent
cracking	the thermal separation of relatively inert chemicals into two or more components where one is highly reactive
creosote	a liquid coal-tar derivative used for the past century as a wood preservative via high-pressure impregnation
crossies	the base to which the steel rails are connected to form railway lines of which the vast majority are wood preserved with creosote
FAO	Food and Agricultural Organisation of the United Nations
FSC	Forest Stewardship Council

furfural alcohol	furfural is first extracted from natural sources, such as oat hulls and sugar cane, and then hydrogenated to yield furfural alcohol
furfurylation	the process where furfural alcohol is chemically bonded to the components in wood
HEC	hydroxyethyl, non-ionic water soluble polymers made from cellulose and ethylene oxide; used in water based paints, joint cements, drilling muds, etc.
hydrophobic	water repellent
ketene	a highly reactive gas derived from cracking acetic acid
m ³	cubic metres
MDF	medium density fibreboard
meranti	tropical woods used for windows, door and exterior panels/trim
MT	metric tonne
polydispersity	the name given to the aspect of a polymer which describes the dispersity range of the individual molecules within the polymer
polymerisation	the knitting together of monomers, either of like kind or with co-monomers, to create a long chain of the monomers in repeating groups
polymers	materials which are composed of repetitions of the same chemical to form long chains
PVC	polyvinyl chloride, a plastic used in building products made from vinyl acetate monomer and chlorine and blended with metals such as lead and cadmium to deliver particular physical properties
spinning technology	the art of generating fibres of specifically controlled diameters and weights either from solutions of polymers in solvent or by extrusion from molten polymers
styrene	styrene (also vinyl benzene, cinnamene, etc.) is an organic compound which is an aromatic hydrocarbon having the chemical formula C ₈ H ₈ . Its chemical derivatives, such as polystyrene and styrene butadiene, are used in thousands of everyday products
UV	ultra violet light, a wavelength of light that is just slightly shorter than the visible spectrum
veneer	any of the thin layers or slips of fine or decorative wood or other facing material applied or bonded to another coarser material, especially wood; also, any of the layers of wood used to form plywood
WPG	weight per cent. gain, refers to the weight gained during acetylation assuming totally dry wood before acetylation began

DIRECTORS, SECRETARY AND ADVISERS

Directors

William Paterson-Brown *Executive Chairman*
Edward James Pratt *Chief Executive Officer*
Glyn Collen Lewis Thomas *Chief Financial Officer*
Gordon Arden Campbell *Non-Executive Director*
Stefan Paul Allesch-Taylor *Non-Executive Director*
Timothy Paterson-Brown *Non-Executive Director*

Company Secretary

Christopher Charles Morse FCIS

Registered Address

7 Queen Street
Mayfair
London
W1J 5PB

Nominated Adviser and Broker

Collins Stewart Limited
9th Floor, 88 Wood Street
London
EC2V 7QR

Solicitors to the Nominated Adviser

Lawrence Graham LLP
190 Strand
London
WC2R 1JN

Solicitors to the Company as to English law

mhlaw
Warnford Court
29 Throgmorton Street
London
EC2N 2AT

Lawyers to the Company as to Dutch law

Dijkstra Voermans
Winthontlaan 2
3526KV
Utrecht
Netherlands

Auditors and Reporting Accountants

BDO Stoy Hayward LLP
8 Baker Street
London
W1U 3LL

Registrars

SLC Registrars Limited
42-46 High Street
Esher
Surrey
KT10 9QY

Financial PR

Parkgreen Communications
Ireland House
1st Floor, 150 New Bond Street
London
W15 2AQ

PLACING STATISTICS

Placing Price	€1.00
Number of Ordinary Shares in issue at the date of this document	103,710,180
Number of New Ordinary Shares to be placed on behalf of the Company	27,000,000
Number of Ordinary Shares in issue immediately following Admission	130,710,180
Number of Ordinary Shares in issued following Admission and Completion of compulsory acquisition of Accsys Chemicals shares	132,463,447
New Ordinary Shares as a percentage of the issued and to be issued Ordinary Shares at Admission	20.4 per cent.
Market capitalisation of all issued and to be issued Ordinary Shares at the Placing Price	€132.5 million
Estimated net proceeds of the Placing receivable by the Company	€25 million
AIM Symbol	AXS
ISIN Number	GB00B0LMC530

EXPECTED TIMETABLE

Publication of this document	20 October 2005
Admission and commencement of trading in the Ordinary Shares on AIM	26 October 2005
CREST accounts credited by	26 October 2005
Despatch of definitive share certificates (if applicable) by	2 November 2005

KEY INFORMATION

The following information is extracted from and should be read in conjunction with the full text of this document. This summary is not complete and does not contain all information that a prospective investor should consider before making any investment decision with respect to the Ordinary Shares. Prospective investors should read the whole of this document, including the risk factors set out in Part II.

Introduction

Accsys Technologies PLC (“Accsys”) is an environmental science and technology company which is developing a range of transformational technologies offering substantial improvements in the cost and environmental impacts of production for a range of everyday materials. The most advanced of these is the process for wood acetylation, which effectively converts softwoods to hardwoods. The technologies owned by Accsys will enable the commercial production of exciting new products, such as high-durability wood produced from fast-growing softwoods and the production of higher yield and enhanced performance products from lower purity raw material inputs. The Group’s technologies are based around the process of acetylation, whereby a reaction between a compound and acetic anhydride introduces an acetyl group to beneficially alter the properties of the compound.

Company Overview

Accsys operates through two business units: Titan and ICC. Titan focuses on wood modification and ICC on a range of industrial technologies.

Titan owns a licence from ICC to use its high temperature cracking technology for the purpose of producing acetic anhydride for wood acetylation. Wood acetylation is a process which attaches ‘acetyl’ molecules to the wood. Most wood already contains around 2 to 5 per cent. acetyl before acetylation: thus, unlike preservative treatments, acetylation introduces no chemicals not already present in naturally occurring wood. Acetylation greatly improves the durability and dimensional stability, without impacting its strength or toxicity. It also makes the underlying wood both harder and more colour-stable. Through this method soft woods can be improved until they reach or exceed the performance of tropical hardwoods. The wood acetylation technology has been proven through a large-scale pilot plant in Arnhem in The Netherlands which is presently producing samples for testing by prospective customers and licensees.

ICC focuses on three technologies: high temperature cracking, cellulose modification and acetate tow spinning. These industrial processes are used to make products which have a wide range of end-product applications, ranging from pharmaceuticals to plastics and from film to filters. Each of these technologies has been reviewed by independent parties and is expected to deliver significant cost and environmental improvements. ICC’s processes are at varying stages of development, with Accsys presently focusing primarily on its Titan subsidiary.

These are described in more detail in Part I of this document.

Sales and Marketing Strategy

Titan’s primary objective is to maximise its returns through international licensing of its technology. In order to achieve this, it is building a full-scale production plant in The Netherlands. This plant is intended to serve direct customers locally (likely to focus on Benelux and Germany) and provide initial sample material to enable potential licensees to conduct pre-sales in advance of starting their own production plants.

Primary Customers – Licensees

The Directors believe that over the 20 year life of the Company’s patents up to 4 million m³ of acetylation capacity might be installed worldwide. In light of the superior performance of acetylated wood and the experience of other new materials, the Directors believe that 1 to 2 million m³ is potentially achievable within 10 years. Actual licence volumes will be a function of early market acceptance and cost competitiveness and would be affected by the launch of rival technologies.

Local Consumers – Arnhem plant

The demonstration plant is expected to provide material to direct end-customers and to licensees seeking initial seed volumes in order to develop their markets. Contact with potential end-users for acetylated wood has already confirmed significant appetite for the product.

Titan’s preliminary forecasts for the Netherlands plant suggest the following direct sales volumes:

Window and door manufacturers	10,000 to 15,000 m ³
Cladding and recreational	3,000 to 5,000 m ³
Other applications	2,000 to 4,000 m ³

The plant is likely to produce a balance of material of approximately 7,000 to 10,000 m³ to be reserved for potential licensees for use as pre-sale material before they contract with Titan.

Branding

Acetylated wood made through Titan’s manufacturing process will be sold under the trade name “Accoya”. The Directors believe this name, which echoes the positive connotations of sequoia, a North American species famous for its longevity and grandeur, conveys a sense of quality and uniqueness and deliberately positions it as a “new species” of wood, rather than as a modified or treated wood product. The Directors believe this name responds to the overriding requirement for distinct positioning of a product which performs better than known species of wood and no longer suffers the weaknesses of the underlying species from which it is made (such as pine or poplar).

The word “Accoya” has been reviewed by partners and prospective customers, with positive feedback from these parties being incorporated into the development of a strong branded image. The word has also been subjected to international language checks and trade mark searches. It has been confirmed as unique in the intended trade mark classifications in Europe and is in the final search stages in the USA, pending registration there, and in several other target markets in Australasia and South America.

Key Strengths

The Directors believe that Accsys’ technologies offer:

- low unit production costs;
- lower capital costs enabling commercial production at scales not hitherto possible;
- improvements in environmental outcomes (lower waste output, reduced energy consumption, and higher purity); and
- the ability to produce innovative, high-performance products.

Accsys’ technologies have existing patent protection or are subject to pending patent applications and have been either proven at pilot-scale or subjected to independent validation by experts. Accsys is currently bringing two of its technologies into commercial production.

Use of Proceeds

The Placing is intended to provide sufficient funding, taken together with existing cash resources of €9.6m, to enable the Company to complete construction of its cracking and wood acetylation plants, their commissioning and working capital requirements; the development of a continuous fibre acetylation process and further development of certain of ICC’s technology applications.

PART I

Information on the Company

1. Introduction

Accsys Technologies PLC (“Accsys”) is an environmental science and technology company which is developing a range of transformational technologies offering substantial improvements in the cost and environmental impacts of production for a range of everyday materials. The most advanced of these is the process for wood acetylation, which effectively converts softwoods to hardwoods. The technologies owned by Accsys will enable the commercial production of exciting new products, such as high-durability wood produced from fast-growing softwoods and the production of higher yield and enhanced performance products from lower purity raw material inputs. The Group’s technologies are based around the process of acetylation, whereby a reaction between a compound and acetic anhydride introduces an acetyl group to beneficially alter the properties of the compound.

The Directors believe that Accsys’ technologies offer:

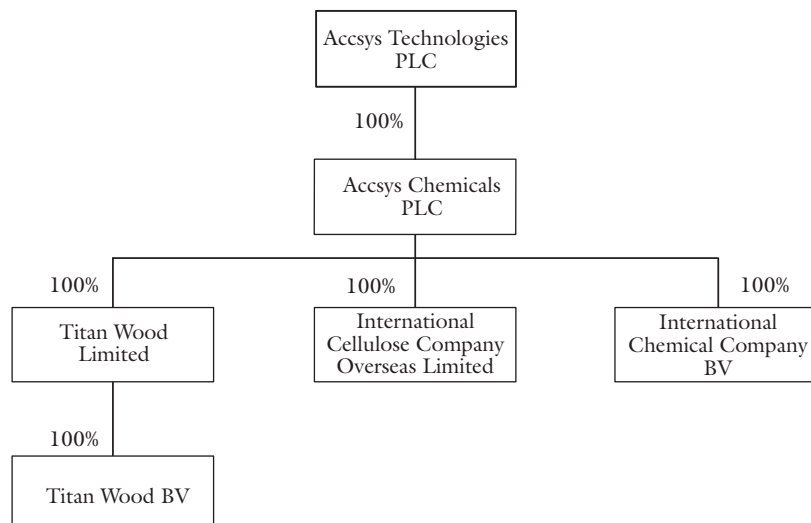
- low unit production costs;
- lower capital costs enabling commercial production at scales not hitherto possible;
- improvements in environmental outcomes (lower waste output, reduced energy consumption, and higher purity); and
- the ability to produce innovative, high-performance products.

Accsys’ technologies have existing patent protection or are subject to pending patent applications and have been either proven at pilot-scale or subjected to independent validation by experts. Accsys is currently bringing two of its technologies into commercial production.

Group Structure

Accsys was formed on 11 August 2005, for the purpose, *inter alia*, of acquiring the Company’s subsidiary Accsys Chemicals. Accsys Chemicals was incorporated on 23 January 2003 and itself acquired the trading subsidiaries Titan, ICC and Titan Wood BV. An offer was made on 14 September 2005 to acquire the entire share capital of Accsys Chemicals, the holding company of the subsidiaries, in a share-for-share exchange. As at the date of this document, Accsys has received acceptances representing 98.34 per cent. of the existing shares of Accsys Chemicals. The Directors have utilised the provisions of section 429 of the Act to ensure that Accsys owns 100 per cent. of Accsys Chemicals and the Directors expect, in time, to liquidate it as an intermediate holding company in order to simplify the Group structure.

The Group structure is illustrated in the diagram below:



Business Structure

Accsys operates through two business units: Titan and ICC. Titan focuses on wood modification, and ICC focuses on acetate tow spinning, cellulose modification and high temperature cracking. Titan owns a licence from ICC to use its high temperature cracking technology for the purpose of producing acetic anhydride for wood acetylation. Wood acetylation is a process which attaches acetyl molecules to wood to improve its durability and dimensional stability. Through this method soft woods can be improved until they reach or exceed the performance of tropical hardwoods. The wood acetylation technology has been proven on a pilot scale using a modified large-scale pilot production plant at Arnhem in The Netherlands. The resultant wood product has been branded 'Accoya' by the Company.

ICC focuses on three technologies:

- (i) *High Temperature Cracking* – cracking involves the breaking down of large molecules into more useful smaller molecules using in this case high temperatures. Whilst this technology is applied to a wide range of chemical processes, ICC is presently focused on the conversion of acetic acid into acetic anhydride;
- (ii) *Cellulose Modification* – this involves reacting certain types of chemical with cellulose molecules usually derived from wood or cotton pulp. ICC's technology has been particularly applied to the reaction of cellulose with acetic anhydride, a process called acetylation. The eventual output is cellulose di-acetate flake, a non-toxic material which is used in a variety of applications, such as cigarette filters and film coatings; and
- (iii) *Tow Spinning* – this is a process for spinning cellulose di-acetate flake into fibres for use in cigarette filters.

The Group's first full-scale production facility located in Arnhem, The Netherlands, is now under construction and scheduled to be mechanically completed and ready for commissioning in Summer 2006. This facility, which was originally designed to produce 24,000 cubic metres of Accoya, has benefited from further design enhancements which lead the Directors to believe actual capacity will exceed 30,000 cubic metres, with the acetic anhydride unit producing more than 11,000 metric tonnes per year. The Directors believe this plant will provide full-scale technology validation, a showcase for potential licensees and generate an operating profit in its own right.

The Directors believe that wood acetylation will form the Company's focus in the short to medium term and hope this part of the business will achieve substantial growth in the next few years. Once the business has been established, the Directors intend to pursue other technology applications.

2. Titan Wood Limited

I. History and Background

The Group has been working on acetylation chemistry since 1999. Titan was formed in April 2003 to pursue the acetylation of wood following more than a year of market and technical due diligence. In June 2003, Titan acquired large scale pilot production plant and all associated intellectual property rights for the production of acetylated wood. The assets had been developed by Acetyleer Kennis B.V. ("AKBV"), a Dutch company with shareholders drawn primarily from the Dutch wood working industry and timber traders. The assets acquired included not only the physical production plant but also extensive laboratory and field research on acetylation dating back to 1992.

Most fast growing, temperate climate wood species have no natural durability when exposed to high levels of moisture. The preservation of wood aims to enhance the properties of such species so that they may be used in applications which are otherwise only suitable for durable (typically hardwood) species, or artificial, non-sustainable alternatives, such as plastics and composite materials. The Directors believe that these durable hardwoods will become increasingly scarce.

Until now, the main approach to wood preservation has been to thwart the natural decaying process by creating toxic environments. These manipulations began in the 1830s by the preservation of crossties with creosote. The main chemicals used for preservation are still highly toxic, with serious

disposal and health implications due to copper, arsenic and chromium content. The current American Wood Preservers Association website notes that more than 20 million cubic metres of wood was chemically treated in the USA alone every year (1997 data). A method of transforming wood so that it offers the performance and durability of the hardwoods, without creating a toxic product, has long been the “holy grail” for the wood industry.

Acetylation significantly reduces the ability of wood to absorb moisture, which creates an environment that is inhospitable but not toxic. Wood-eating insects and microbes lack the ability to digest acetylated wood, which eliminates it as continuous food source. The hydrophobic nature of acetylated wood imparts a dimensional stability that is significantly better than the unacetylated parent wood. None of this is new or revolutionary, but is encased in a well-established body of knowledge developed over the last half century. Acetylation transforms low durability woods into a new kind of high durability, dimensionally stable wood, creating, in effect a new type of wood species.

The new species of wood created by the process of acetylation has been christened “Accoya” by Titan. Titan owns exclusive intellectual property rights for the production of “Accoya”™. Accoya offers properties which are very similar to high grades of tropical hardwoods, such as mahogany or teak. These properties are desirable for construction or aesthetic use, and include:

- greatly improved durability (up to “Class 1” durability – the best available – resistant to virtually all rot, water and insect degradation);
- greatly improved dimensional stability (much less swelling or shrinkage); and
- increased hardness – without loss of strength.

Major applications of acetylated wood include decking, cladding, window frames, doors, veneers (the outer wood skin used in many wood applications) and freshwater marine use such as canal linings.

II. Products and Technology

Acetylation greatly improves the durability, UV-resistance and dimensional stability of wood, and is particularly suited to permeable wood species, which are typically fast growing and generally the cheaper woods available. Perhaps most importantly, acetylation does not damage the wood nor, unlike other wood treatments, dramatically increase its weight or raise its toxicity. A summary of the main effects of acetylation is provided below:

- increased water resistance;
- greatly increased decay resistance – Accoya is largely fungi and insect repellent;
- durability is improved to “Class 1” (this is the highest class, Accoya is more durable than teak wood);
- greatly improved dimensional stability (much less swelling or shrinkage); and
- increased hardness.

These improvements are not at the expense of other properties of the wood:

- the treatment has no impact on strength properties of the material;
- the treatment has no impact on the appearance of the material; and
- the treatment has no impact on the toxicity of the material.

The Directors believe that it is the lack of negative effects that makes acetylation interesting to potential customers. Many, if not all wood modifications and treatments either significantly reduce the wood’s strengths, harm the appearance or have harmful environmental impacts. This is not true for acetylation.

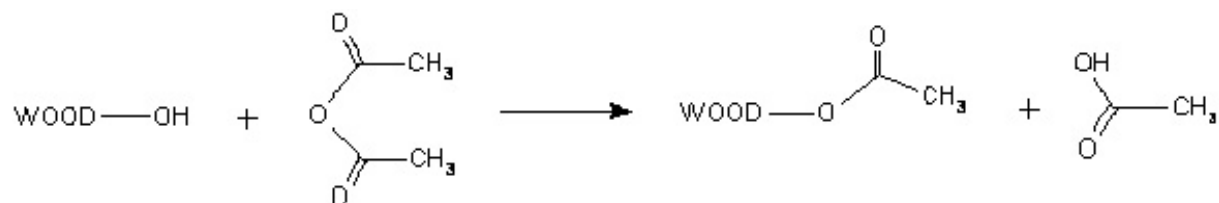
Acetylation alters the actual chemical structure, rather than simply the “chemical content”, of the wood. By contrast, to achieve similar benefits to those offered by acetylation, virtually all other treatments merely insert chemicals (such as oils, ammonia or metal compounds) into the cell walls of the wood, with the chemicals held in place by typically weak chemical bonds.

Acetylation involves the attachment of “acetyl” molecules to the naturally occurring free hydroxyls within the wood. Acetyl molecules comprise simply carbon, hydrogen and oxygen. Most wood already contains around 2 to 5 per cent. acetyl before acetylation. Unlike preservative treatments, acetylation introduces no chemicals not already present in naturally occurring wood. By increasing already present, natural chemicals, acetylation enables the use of softwoods in a range of applications for which they are not normally considered suitable.

(i) *The Basic Chemistry*

During the reaction of the wood with acetic anhydride, hydroxyl groups of the cell wall polymers are converted into acetyl groups. Wood already contains minor amounts of acetyl groups. During the reaction, acetic acid is formed as a by-product that can be converted into acetic anhydride again.

Like untreated timber, the modified wood consists only of carbon, hydrogen and oxygen and it contains no toxic elements. The disposal of Accoya waste, therefore, should present no problems additional to those of normal wood.



wood + acetic anhydride → acetylated wood (Accoya) + acetic acid

(ii) *Process Steps*

To achieve this reaction the following steps are required:

1. **Acetic anhydride** is reacted with **wood** at high pressure.
2. This produces **acetylated wood**. The by-products are un-reacted acetic anhydride mixed with **acetic acid** formed from the reaction.
3. The acetylated wood is treated to remove any internal residual acetic acid or anhydride, and then dried.
4. Acetic anhydride and acetic acid remaining after the reaction are recycled.
5. Surplus acetic acid is converted into acetic anhydride by heating it to a very high temperature and removing unwanted water, which is cleaned and sent for waste treatment. This completes a reaction loop.

(iii) *Product Uses*

Since the 1930s, the worldwide wood industry has expended considerable efforts into researching wood acetylation owing to its superior performance and development potential. Research in Europe, the Americas and Australasia has indicated that acetylated wood is suitable for a wide range of joinery products. Moreover, based upon feedback from potential customers the Directors are confident that Accoya is preferable to existing alternatives, including higher-cost hardwoods, laminated softwoods and artificial alternatives.

The Directors believe that the principal advantages of Accoya that have been identified by end-users are the combination of its superior durability, its dimensional stability and – perhaps most importantly – its consistency and reliability. In addition, there is an abundant availability of the raw material for acetylation, with Accoya being best-produced from wood grown in sustainable, plantation forests. The Directors believe that this is in sharp contrast with many tropical timbers which have large fluctuations in availability and price.

(iv) *Key Performance Attributes*

Accoya offers three significant improvements compared to either untreated or treated wood: class leading durability, dimensional stability and colour stability. These attributes are superior even to tropical hardwoods. The following three paragraphs summarise the results of analysis of each of these properties.

(a) *Durability*

Perhaps the most important single desirable attribute for any material is its resistance to decay. A summary technical measure is Durability Class, with 5 being the lowest and 1 the highest (best) durability. Research by SHR over the past 10 years reveals the extent of improvements in durability for beech, a low durability hardwood. Similar results apply to radiata pine.

(b) *Dimensional Stability*

Dimensional stability is improved considerably by acetylation with swelling and shrinkage reduced by 75 per cent.

(c) *Ultra-Violet Stability*

Acetylation increases the UV stability, since the degradability of lignin is lowered during acetylation.

III. Intellectual Property

Titan has intellectual property rights for:

- a process for the reaction of wood with acetic anhydride (“acetylation”);
- a process to manufacture acetic anhydride for the purpose of acetylating wood; and
- a process to recycle the acetic acid and acetic anhydride by-products for re-use as acetic anhydride for the purpose of acetylating wood.

Titan incorporates more than 13 years of development work in acetylation technology.

IV. Markets

Market size

More than 3 billion m³ of wood were produced worldwide in 2003, of which 402 million m³ were processed into sawn wood and 214 million m³ into wood-based panels (*source*: FAO statistics). Of the more than 600 million m³ per annum market for sawn wood and panel products, Accoya is expected to capture market share in those applications which require rot and water resistance, i.e. primarily outdoor products. Titan is focused on the higher-value end of these applications, where the dual qualities of durability and dimensional stability offered by Accoya are most highly valued. Key market segments include windows, doors, exterior plywood, veneers, recreational products (play-frames, decking and garden furniture) and cladding (known in the USA as “siding”).

The wide diversity of end-applications combined with the geographically fragmented nature of the wood products industry means that there is no single readily available source of statistical information covering all of the market segments in which Accoya has value. Data presented in this document is based upon information gathered by Titan’s sales and marketing team through primary market contacts and published literature research, combined with commissioned work provided by BRE, SHR and Innostart BV (both of The Netherlands).

Market research conducted by BRE and Innostart BV indicates strong potential demand throughout the world, and an immediate market opportunity in Northern Europe, where the product has been widely tested by both scientific experts and manufacturers and confirmed as an extremely desirable new product in the wood and timber industry. The total market volume in the principal applications in which Titan’s product is expected to successfully compete in Europe and North America is estimated to be equivalent to more than 40 million m³ p.a. Since almost 90 per cent. of the world’s population lives outside these regions, the Directors believe that total global applications for which Accoya is suited can reasonably be expected to be more than double this amount.

Focusing on the most developed markets of Western Europe and North America, the Directors expect that over a 10 year period a licensing volume in the region of 1 million to 1.5 million m³ is theoretically possible, while globally volumes could be more than double this, with 3 to 4 million m³ potentially achievable over a 10-15 year period. To set this in context, wood-plastic composites –

which are perceived as generally inferior to natural wood in all aspects except in durability – grew in five years from virtually zero sales to more than 1.5 million m³ of wood equivalent (*Source*: Global Information, Inc.). Additionally, the performance of wood plastic composites has been far worse than expected with successful class action litigation in light of early product failures.

Potential Applications

The development of further derivative products is of considerable interest to Titan. Major potential applications and product enhancements presently being researched (or planned for future research) by Titan include the use of Accoya fibres in the production of MDF or other wood fibre boards, improved fire-retardancy products, scented or coloured woods and composites (combining wood with plastics). Volume and margin potential for such products are unclear at present, but the Directors believe that it could equal or even exceed that of solid wood applications.

V. Competition

In addition to the well-known chemical impregnations which rely on toxicity to improve durability, there are other preservation techniques that are either in relative commercial infancy or in various stages of pilot-scaled work. These can be divided into the categories of heat treatment and chemical modification of components within the wood. Not all of these treatments are comparable to acetylation, as they do not bring the combination of durability, dimensional stability or colour stability that acetylation offers. They include:

Thermal Modification

Thermal modification uses high temperatures to alter the chemical structure of the wood, breaking down long molecular chains in a way that is similar to charring or coking for coal. The modification mechanism directly damages the structural properties (elasticity, rupture) of the wood, since it reduces strength through molecular shortening. Because of the reduced strength of the boards and the restrictions in the production process, the application possibilities are limited. Recent research (20 September 2005, Holz-Zentralblatt) has shown that the durability of two types of thermally modified wood averaged Class 4 – only “slightly durable”. Thermally modified wood is therefore not suitable for applications requiring durability; it is also generally unsuitable for any applications involving meaningful physical stresses due to its reduced strength.

Furfurylation

Furfurylation is a process where furfural alcohol is pressure driven into the cell walls of the wood and heated to 100°C to achieve polymerisation. Acetylation delivers Class 1 durability properties at 17-20 per cent. weight gain. To achieve the same properties with furfurylation, the weight gain must exceed 50 per cent. After modification the wood colour is much darker than the original wood. Depending on the WPG-increase the colour of furfurylated wood turns darker. According to a leading wood research institute the process costs for furfurylation are the same or a little higher compared to acetylation.

Other Modifications

Thermal modification is already available at the moment but there are also many other projects investigating different types of wood modification. Titan Wood is not aware of any that are yet being operated at large pilot scale and understands that most efforts are confined to laboratory scale evaluation. It is possible that the most promising of these modification techniques will eventually enter the market in the future although the timing, price points and performance attributes are hard to predict.

Plastics

Plastic materials are used in the window and door industry as alternatives for timber. These alternatives entered the market long ago and have established significant market share. In the future modified wood is expected to capture some of this market because of its greater thermal efficiency, carbon sink benefits, sustainability and the absence of toxins (such as lead, cadmium and chlorine) that are found in PVC.

Composite Materials

During the last few years there has been considerable investigation into composite materials as alternatives for solid wood. Many different mixtures have been developed. These products approach mainly the cladding and decking markets.

Chemically Impregnated Wood

During the past few years the use of chemicals for the preservation of wood has been restricted. For example in the USA the use of CCA is now largely forbidden for residential applications. The use of CCA is also becoming more restricted elsewhere, with regulations introduced, for example, in Europe and Australia.

At the same time the industry is developing new alternatives to CCA. These alternatives often have a higher cost price and the durability is typically poorer, with higher chemical leaching. This type of chemical preservation does not improve the dimension stability and UV resistance, limiting usage generally to lower value applications. There will continue to be a place for such materials, largely due to their very low costs of production. Since, however, these treatments rely on toxicity to provide the preservative effect, it is expected that increasing legislation will continue to erode the share of markets occupied by basic chemical treatments.

Quality Measurement

One of the significant advantages of Accoya is that its quality can be readily measured. The quality of other woods, and other modified woods (such as thermally modified wood), is not measurable. Actual durability performance only becomes clear during service, creating significant risk for suppliers. For example, African mahogany has lower durability than American mahogany and much wood that is sold as mahogany is, in fact, other species. Meranti, a tropical hardwood, is derived from 125 species of shorea. The quality of these species varies considerably and can only be assessed superficially through colour and weight, such that users of such wood are unsure that the wood will perform to the standards required.

VI. Sales and Marketing Strategy

Titan's primary objective is to maximise its returns through international licensing of its technology. In order to achieve this, it is building a full-scale production plant in The Netherlands. This plant is intended to serve direct customers locally (likely to focus on Benelux and Germany) and provide initial sample material to enable potential licensees to conduct pre-sales in advance of starting their own production plants.

Primary Customers – Licensees

The Directors believe that over the 20 year life of the Company's patents up to 4 million m³ of acetylation capacity might be installed worldwide. In light of the superior performance of acetylated wood and the experience of other new materials, the Directors believe that 1 to 2 million m³ is potentially achievable within 10 years. Actual licence volumes will be a function of early market acceptance and cost competitiveness and would be affected by the launch of rival technologies.

Local Consumers – Arnhem plant

The demonstration plant is expected to provide material to direct end-customers and to licensees seeking initial seed volumes in order to develop their markets. Contact with potential end-users for Accoya has already confirmed significant appetite for the product. Titan's preliminary forecasts for the Netherlands plant suggest the following direct sales volumes:

Window and door manufacturers	10,000 to 15,000 m ³
Cladding and recreational	3,000 to 5,000 m ³
Other applications	2,000 to 4,000 m ³

The plant is likely to produce a balance of material of approximately 7,000 to 10,000 m³ to be reserved for potential licensees for use as pre-sale material before they contract with Titan.

Branding

Acetylated wood made through Titan's manufacturing process will be sold under the trade name Accoya. The Directors believe this name, which echoes the positive connotations of sequoia, a North

American species famous for its longevity and grandeur, conveys a sense of quality and uniqueness and deliberately positions it as a “new species” of wood, rather than as a modified or treated wood product. The Directors believe this name responds to the overriding requirement for distinct positioning of a product which performs better than known species of wood and no longer suffers the weaknesses of the underlying species from which it is made (such as pine or poplar).

The word “Accoya” has been reviewed by partners and prospective customers, with positive feedback from these parties being incorporated into the development of a strong branded image. The word has also been subjected to international language checks and trade mark searches. It has been confirmed as unique in the intended trade mark classifications in Europe and is in the final search stages in the USA, pending registration there, and in several other target markets in Australasia and South America.

3. ICC

I. *History and Background*

In 1999 The International Cotton Company PLC was formed in Gibraltar to pursue technologies which exploit the beneficial material properties of cotton pulp, the purest source of high-performance chemical-grade cellulose. This company acquired a process for spinning cellulose acetate tow, a fibre that is used in cigarette filters. In 2001, STG acquired subsidiaries of The International Cotton Company PLC which owned the IPR and had initiated technology validation. These subsidiaries subsequently developed technologies for the acetylation of cellulose and the cracking of acetic acid to make acetic anhydride needed for the acetylation reaction. Today, the ICC business comprises International Cellulose Company Overseas Limited (which owns the intellectual property rights) and International Chemical Company BV (which undertakes technology validation).

ICC’s technologies create the platform for a series of further technologies having related reaction conditions, in particular in the field of cellulose modification and high temperature cracking. The technologies were subject to extensive independent reviews by qualified experts and offer the ability to manufacture competitively on a smaller scale than has hitherto been possible or, at larger scale, with significant investment, operating and environmental cost advantages.

The future development of these technologies is likely to require substantial investment.

II. *Proprietary Technology*

In addition to the technology owned by Titan, ICC has proprietary rights to three separate technologies. These technologies have prospective applications from which Accsys intends to derive future profits.

- *Proprietary high temperature cracking* – this is a process which converts lower-value, heavier molecular structures into higher value, shorter molecules, typically in the presence of a catalyst. ICC specialises in dehydrogenation reaction technology.
- *Cellulose modification processes* – these are processes for combining molecules of cellulose (from wood or cotton pulp) with molecules from acids and water to deliver materials with beneficial properties. ICC specialises in polymers combining higher molecular weights with lower polydispersity, and its technology can be used to produce materials with a huge variety of end-uses, from fibres and film to food additives and explosives.
- *Tow spinning* – a process for producing cellulose acetate fibres for use in cigarette filters.

Patent applications have been made for ICC’s high temperature cracking process and cellulose modification technology.

Current product developments include use of proprietary cracking to produce ketene to manufacture acetic anhydride and acetylation of cellulose to manufacture cellulose di-acetate. ICC’s pilot reactor has demonstrated that the technology offers potential for substantial capital cost and operating cost savings compared with existing technology. The plant design indicates substantial energy savings and reduced waste streams compared with conventional technology, which would reduce the cost of material that will be delivered for spinning into filter tow. Other process stages in the design remain to be validated. Once all stages of the process have been proven at pilot scale, increases in scale will be

required to confirm whether small-scale pilot outcomes translate to large scale benefits. Review by Nexant/Chem Systems indicates no substantial engineering constraint is likely to jeopardise such increases in scale. ICC's spinning technology offers similar capital cost advantages, being based on a design which uses a much smaller production footprint and whose energy and capital costs are expected to be substantially lower. Further investment in these technologies is dependent upon the release of engineering staff from Titan's development activities.

Future applications may include:

- *Proprietary high temperature cracking to produce styrene* – styrene is one of the main building blocks used in the manufacturing of a number of everyday products. Independent experts have confirmed that ICC's proprietary cracking technology is applicable to the dehydrogenation of ethyl benzene to produce styrene; and
- *Cellulose polymerisation* – ICC's acetylation reactor technology has been evaluated as applicable to the production of a variety of cellulosic polymers. This involves the derivitisation of cellulose to enable it to perform a variety of functions, primarily those in which different degrees of viscosity and either solvent or water-solubility is required. After cellulose di-acetate, one of the most widely used cellulose polymers is sodium carboxy methyl cellulose (CMC), which is used in industrial and consumer applications ranging from oil-field drilling mud to food additives. An evaluation plan has been developed for CMC. Other water-soluble cellulose ethers may also be pursued following further research.

There is a wide range of products and applications to which ICC's technologies may potentially be applied. Development and design work has been undertaken on some of the opportunities and is described below.

Ketene (for acetic anhydride)

The existing use is primarily in situations where spent acetic acid is recovered from activities consuming acetic anhydride, mainly in the acetylation of cellulose to produce cellulose acetate. Annual production of ketene in the USA, Western Europe and Japan has not changed greatly in recent times, with a small decline expected in 2003-2007 from 2002 levels, when market consumption was 470,000 MT. The Directors believe that the owner of IPR offering cost savings to a global industry would expect to extract a significant royalty flow based upon a share of the total benefit to licensees of its technology. In addition, the development of a market for Accoya by Titan is likely to generate a substantially greater demand for ketene/acetic anhydride.

Cellulose di-acetate flake

The major use of cellulose di-acetate flake is raw material for fibres used for textiles and cigarette filters.

Potential applications

Styrene – ICC is in early stage discussions with two leading manufacturers of high-temperature cracking products regarding the development, sale and licensing of its technologies. One application is in the cracking of ethyl benzene to produce styrene, a product which is used in the manufacture of thousands of everyday items. Some examples of its derivative products are polystyrene, acrylonitrile-butadiene-styrene (e.g. for telephones, helmets, automotive uses), and styrene-butadiene rubber (car tyres). Styrene is one of the most important plastics by volume in the world. The world's leading producers of styrene include Dow, BASF and Lyondell.

Carboxymethyl Cellulose ("CMC")

Other potential applications identified by Nexant/Chem Systems in which ICC's technologies are expected to deliver significant cost improvements include cellulose derivatives, such as CMC and hydroxy ethyl cellulose (HEC), reaction chemistries in which ICC's technology is expected to deliver potential cost savings. These chemicals are used in many consumer and industrial applications, including building and industrial products (drilling muds and paints), food products (syrups and sauces), pharmaceuticals and personal care products (pills, shampoo and shaving creams).

These chemicals are generally the preserve of large, high-tech chemical companies, such as Henkel, Noviant, Hercules, Akzo Nobel and a large number of Asian companies.

The primary customers for ICC's ketene technology are those producing acetyl derivative products, including cellulose acetate flake, filter tow, pharmaceuticals and film products. The major target companies include Eastman, Celanese, Rhodia, Daicel, Mitsubishi, Acordis, SK Chemicals, Bayer, BASF and a number of emerging producers in China and India.

The target customers for ICC's cellulose acetate flake and tow technologies are existing producers as well as those players seeking independence from the existing oligopoly. Targets identified include major companies in China, India, South-East Asia, Egypt and Turkey.

ICC's internal estimates suggest that the efficiency of its proprietary high temperature cracking process could increase the primary production efficiencies by 10 to 15 per cent., with the higher selectivity and purities increasing the productivity of the ancillary equipment by as much as 40 to 50 per cent.

4. Summary Financial Information

Accsys was incorporated on 11 August 2005. The financial record of Accsys Chemicals for the three financial years ended 31 March 2005 has been extracted from the Accountant's Report contained in Part IV of this document. Investors should read the whole of this document and not just rely on summarised information.

	<i>Year ended</i> <i>31 March</i> <i>2003</i> <i>€'000</i>	<i>Year ended</i> <i>31 March</i> <i>2004</i> <i>€'000</i>	<i>Year ended</i> <i>31 March</i> <i>2005</i> <i>€'000</i>
General administrative expenses	(1,017)	(1,430)	(2,965)
Impairment of tangible and intangible fixed assets	(785)	(45,234)	(24,514)
Operating loss	(1,802)	(46,664)	(27,479)
Loss on ordinary activities before and after taxation	(1,901)	(47,002)	(27,461)

International Financial Reporting Standards

Accsys currently prepares its financial statements in accordance with UK GAAP. Companies traded on AIM will have to comply with International Financial Reporting Standards ("IFRS") for each financial year beginning on or after 1 January 2007. In order to facilitate the transition to reporting in accordance with IFRS, Accsys proposes to conduct a review of the key areas which may be affected by IFRS and, the Board expects the adoption of IFRS to affect, amongst others, the following areas:

- capitalisation of development costs;
- valuation of share based payments;
- amortisation of goodwill arising on acquisitions;
- segmental reporting of trading results;
- taxation; and
- related party transactions.

Accsys currently intends to prepare its financial statements in accordance with IFRS in respect of the year ending 31 March 2007, a year earlier than is required.

5. Current Trading and Prospects

The Company does not expect to earn any sales revenues before September 2006 as it is currently in a development and commissioning stage.

Titan is confident of selling its entire output from Arnhem once production commences in Summer 2006 and is seeking to expand its capacity above initial design levels to enable it to accelerate its sales and licensing programme in light of customer interest. It presently has indicative commitments,

which are subject to contract, for 100 per cent. of the first 12 months' planned production from three customers and interest expressed for more than double this amount. One potential customer has confirmed its expectation that it would replace most or all of the hardwoods that it presently consumes (25,000-30,000 m³ p.a.) with Accoya if it was available at prices which were at a slight premium to tropical hardwoods.

6. Directors, Senior Management and Employees

Accsys has been able to draw upon an experienced team of engineering professionals with backgrounds in micro-fibre technology, process, chemical, mechanical and textile engineering. Members of this team have successfully obtained patents or been named as the inventor in relation to fibre-spinning technology, chemical manufacturing processes and developed new products made from cotton-derived cellulose.

In addition to technological expertise, Accsys' management team have experience in all aspects of the development of new projects, including the evaluation and establishment of new ventures, greenfield project financing, managing the construction, engineering and commissioning of new plants, operational plant management, raw materials procurement and product marketing.

Directors

William Paterson-Brown, *Executive Chairman (40)* – Willy is a Director of Asia IT Capital Investments Ltd., Khalidiya Investments S.A. and Zica S.A., focusing on the financial structure of investments and aiding those companies with equity investments and strategic partnerships. He is also an advisory trustee of a number of international trusts. Having graduated with a B.A. from the University of Durham he started his career in World Bank/United Nations backing projects in Africa and China. He was involved in the sports marketing sector where he founded, built and ultimately sold his company, specialising in merchandising and commercialising the value of patented products. He has been investing in the environmental science sector for the past twelve years in technology development, commodity trading and consumer product companies. He is based in Switzerland.

Edward Pratt, *Chief Executive Officer (41)* – Eddie spent his early career in investment banking, receiving his corporate finance training at J.P. Morgan before becoming a founder member of its affiliate, Saudi International Bank's highly successful Oil and Petrochemical advisory group (later becoming the bank's Investment Banking Division). Eddie has broad experience in a range of sectors, from manufacturing companies to shipping, public finance, defence and the chemicals sector, in which he has advised a number of companies on their financial and corporate strategies, including leading and successfully concluding both debt and equity financings for start-up companies employing new technologies. Eddie joined the group in March 2000, becoming CEO of ICC in 2002, and subsequently led the development and launch of the Titan Wood business in April 2003.

Glyn Thomas, *Chief Financial Officer (54)* – Glyn has held senior financial positions with businesses in a range of sectors over the last 25 years, across manufacturing, retailing, media, publishing and financial services. After qualifying as a Chartered Accountant with Peat Marwick Mitchell, his career has included appointments as Director of Corporate Finance for Rothmans International, Director of Financial Operations for Kingfisher plc, Chief Financial Officer for Thomas Cook and the Director of Finance & Business Affairs at the BBC. He has combined experience of corporate functions in blue chip multinationals with leading the successful entrepreneurial growth of new business ventures in consumer finance, retail insurance and international trade. During the past six years he has worked in a number of new start-up businesses engaged in telecoms, marketing technology, medical diagnostics and sales management software. Glyn has also held a number of non-executive positions in the mining, telecoms and technology fields, with experience of setting up and chairing both audit, nomination and remuneration committees.

Gordon Campbell, *Non-Executive Director (58)* – Gordon is Chairman of British Nuclear Fuels plc. He is part-time Chairman of Babcock International Group plc and former Chief Executive of Courtaulds plc. Gordon is also a Vice-President of the Royal Academy of Engineering and Non-Executive Chairman of ITI Scotland. He was formerly Chairman of the Acordis Group, which

was formed by the combination of the fibres operations of Akzo Nobel and Courtaulds. He has Non-Executive Directorships at Jupiter Split Trust plc and Senior plc. Gordon is also a member of the British Heart Foundation Council as well as a Companion of the British Institute of Management. He continues to be a visiting professor at Strathclyde University.

Stefan Allesch-Taylor, *Non-Executive Director (36)* – Stefan began his career as a stockbroker with Cawood Smithie & Co. (now part of Brown Shipley) in 1988. Since 1993 he has acted as a director of a wide variety of companies. Shortly after selling his private property company in 1996 he was appointed Chairman of STG Holdings PLC, a former BES property company that developed into a generic investment company. Between 1997 and 2002 he led the corporate teams for STG that created several new businesses both in the UK and in the United States primarily in the industrial and medical technology sectors. In 2003 he was co-founder and director of the Develica I Partnership, a property fund, where he currently serves as a member of the advisory board. He is a director of the Tactica Fund PLC, an asset management company. He is also a non-executive director of Savoy Asset Management PLC. Stefan has had senior management positions in the property, industrial, technology and financial services sectors and has over the last 12 years represented a number of substantial family trusts.

Timothy Paterson-Brown, *Non Executive Director (45)* – Tim is currently President and CEO of Medicsight, Inc., an American public company specialising in medical imaging. Tim obtained a BA from London University and an MA from Cambridge University. He trained as a Chartered Surveyor and qualified with Strutt & Parker. He spent the next ten years in a variety of industries ranging from entertainment to technology and was responsible for major reorganisations of a number of quoted public and private companies in North America. Upon leaving America in 1999 he went to work in Abu Dhabi for a period of five years advising on international investments and property related matters and thereafter returned to the United Kingdom where he currently resides, focusing on the global expansion of Medicsight.

Advisers and Consultants

Expert advisers support the Group's businesses. Each individual adviser brings relevant industry and commercial experience and contributes to developing and implementing the Group companies' business strategies. These advisers are drawn from industry, finance and advisory groups, and include:

- Sir Ronald Hampel, former Chairman of Imperial Chemical Industries plc;
- Sir William Purves, former Chairman of HSBC Holdings plc;
- Prof. dr. Hans Derksen, President, InnoStart Consulting BV, holder of the Mercator chair for Science and Entrepreneurship at the University of Nijmegen;
- Thomas Nysten, Non-executive Director, Sonae Industria S.G.P.S., S.A.; and,
- Hellmut Herrmann, former Chairman of the Management Board, Alstom Power Energy Recovery (Stuttgart) GmbH.

Accsys group companies also retain appropriate consultants and advisors to assist in the evaluation, development and implementation of its projects and technology. These include research institutes, marketing and engineering professionals and specialists in raw materials procurement.

Information on the Employee Incentive Schemes is set out in paragraph 8 of Part I.

7. Corporate Governance

The Directors recognise the importance of sound corporate governance and intend that the Company will comply with the main provisions of the Combined Code: Principles of Good Governance and Code of Best Practice in so far as appropriate given the Company's size and stage of development.

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. Following Admission, the Company intends to hold a minimum of 4 Board meetings every year.

The Company has established properly constituted, audit, nominations and remuneration committees of the Board with formally delegated duties and responsibilities.

The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. The responsibilities of the audit committee include approving certain related party transactions, and identifying irregularities in the management of the Company's business, *inter alia*, through consultation with the Company's internal auditor or external auditor, and proposing the board of directors remedying measures. It will receive and review reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee will meet at least once every quarter and will have unrestricted access to the Company's auditors. Currently, the members of the Audit Committee are Messrs Allesch-Taylor (chairing), Campbell and Tim Paterson-Brown.

The Remuneration and Nominations Committee will meet as and when necessary to assess the suitability of candidates proposed for appointment by the Board. In exercising this role, the Directors shall have regard to the recommendations put forward in the Combined Code. It will also review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. Engagement of the Company with its directors regarding the terms of their remuneration, including in other capacities in the Company, require approval of the Remuneration and Nominations Committee and then the board of directors. The Remuneration and Nominations Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. Currently, the members of the Remuneration and Nominations Committee are Messrs Campbell (chairing), Allesch-Taylor and Tim Paterson-Brown.

The Company has adopted a model code for Directors and key employees share dealings which is appropriate for an AIM quoted company.

8. Employee Incentive Schemes

The Board believes that the continuing commitment of management and staff to the further success of the Group will be enhanced by the implementation of appropriate share incentive schemes. Accordingly, the Company has adopted an Unapproved Share Option Scheme.

The Board also intends to adopt an Enterprise Management Incentive (EMI) Share Option Scheme and has applied for Inland Revenue consent in respect of such Scheme.

Under the Unapproved Share Option Scheme and the EMI Share Option Scheme, any national insurance contributions arising in respect of UK domiciled staff will be paid by the option holders. A summary of the rules of the Share Option Schemes is set out in paragraph 7 of Part V of this document.

9. Pensions

Pension contributions are made to the personal pension schemes of two Directors and all Dutch resident employees. A stakeholder pension scheme is offered to UK employees although no employees are currently members.

10. Accounting Reference Date and Dividend Policy

The Company's financial year end is 31 March. The Group's first reported results following Admission will be in respect of the 6 months ended 30 September 2005. Thereafter, it will, in accordance with the AIM Rules, report results made up to 31 March and 30 September each year.

The Company is seeking primarily to achieve capital growth for its shareholders. It is the Board's intention, whilst the Company establishes its market presence, to retain any future distributable profits to be used within the business. Thereafter, subject to the availability of distributable reserves,

the Directors intend to pursue a dividend policy which would reflect the Company's growth in earnings and cash flow generated from operations, whilst maintaining an appropriate level of dividend cover and having regard to further development of the Company's activities.

11. Details of the Placing

The Placing, which has not been underwritten, comprises the placing at the Placing Price of 27,000,000 New Ordinary Shares with institutional and other investors.

The 27,000,000 New Ordinary Shares to be issued pursuant to the Placing represent approximately 20.4 per cent. of the enlarged issued and to be issued ordinary share capital of the Company and will raise approximately €25 million net of expenses for the Company.

The New Ordinary Shares will be issued credited as fully paid and will, on issue, rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends or other distributions which are declared, made or paid after the date of this document on the Ordinary Shares of the Company.

Details of the Directors' interests in Ordinary Shares are set out in paragraph 6.2 of Part V of this document.

The Placing is conditional upon, *inter alia*, Admission and the Placing Agreement becoming unconditional in all respects (and not being terminated). Further details of the Placing Agreement are set out in paragraph 10 of Part IV of this document.

Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on AIM at 8.30 a.m. on 26 October 2005. In the Placing, the New Ordinary Shares will be issued to institutional and certain other investors in the United Kingdom and elsewhere.

12. Reasons for the Placing and Use of Proceeds

The Placing is intended to provide sufficient funding, taken together with existing cash resources of €9.6m, to enable the Company to complete construction of its cracking and wood acetylation plants, their commissioning and working capital requirements; the development of a continuous fibre acetylation process and technology validation of certain of ICC's technology applications.

13. Orderly Market Arrangements

Each of the Directors who holds or is interested in Ordinary Shares or options over Ordinary Shares has given undertakings in the Placing Agreement to Collins Stewart and the Company that they will not (subject to certain limited exceptions) dispose of any interests in Ordinary Shares that they hold for a period of 12 months following Admission and that for a further 12 months thereafter they will only dispose of any share interests subject to market conditions following reasonable consultation with Collins Stewart.

STG is a subsidiary of MacNiven & Cameron PLC, the majority of whose share capital is held in a discretionary trust, of which three of the Directors are beneficiaries. STG holds or is interested in 20,000,000 Ordinary Shares, has undertaken to Collins Stewart and the Company that it will not (subject to certain limited exceptions) dispose of any interests in Ordinary Shares that it holds for a period of 12 months following Admission and that for a further 12 months thereafter it will only dispose of any share interests subject to market conditions following reasonable consultation with Collins Stewart.

Further details of these arrangements are set out in paragraph 10 of Part V of this document.

14. Admission, Settlement and Dealings

Application has been made to the London Stock Exchange for the existing Ordinary Shares and the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will be effected and that trading in the issued ordinary share capital of the Company will commence on 26 October 2005.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so

admitted and accordingly enabled for settlement in CREST on the date of Admission. It is expected that Admission will become effective and trading in the Ordinary Shares on AIM will commence on 26 October 2005. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. Persons acquiring shares as a part of the Placing may elect to receive Ordinary Shares in uncertificated form if, but only if, that person is a “system-member” (as defined in the Regulations) in relation to CREST.

15. The City Code on Takeovers and Mergers

The City Code on Takeovers and Mergers is issued and administered by the Panel and applies to all public companies, incorporated and resident in the United Kingdom, the Channel Islands or the Isle of Man. Accsys is a Company to which the City Code applies and its shareholders are accordingly entitled to the protections accorded by the Code.

The City Code provides, pursuant to Rule 9, that where a person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company, that person is normally required by the Takeover Panel to make a general offer to the shareholders of the company to acquire the balance of the equity share capital of the Company at the highest price paid by that person or any other person acting in concert with him in the previous 12 months.

Persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate control of that company.

For the purpose of the City Code, control means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights of a company, irrespective of whether the holding or holdings gives de facto control.

16. Additional Information

The attention of prospective investors is drawn to the information contained in Parts II to V of this document which provide additional information on the Company. In particular, prospective investors are advised to carefully consider Part II of this document, entitled “Risk Factors”.

PART II

Risk Factors

The investment described in this document may not be suitable for all those who receive it. Before making a final decision, potential investors in any doubt are advised to consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

Prospective investors should be aware that an investment in the Ordinary Shares of the Company is speculative and involves a high degree of risk. In addition to the other information contained in this document, the Directors believe that the following risk factors are the most significant for potential investors and should be considered carefully in evaluating whether to make an investment in the Company and, in particular, should be read in conjunction with the Accountant's reports in Part III and IV of this document. If any of the risks described in this document actually occurs, the Company may not be able to conduct its business as currently planned and its financial condition, operating results and cash flows could be materially and adversely affected. In that case, the market price of the Ordinary Shares could decline, and all or part of an investment in the Ordinary Shares could be lost. However, the risks listed do not necessarily comprise all those associated with an investment in the Company. This overview of factors is not intended to be exhaustive and no reliance should be put on the order in which they appear.

Investment in AIM traded securities

Investment in shares traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose shares are listed on the Official List. An investment in the Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

Share price volatility and liquidity

The share price of quoted companies can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect quoted companies generally. These factors could include the performance of the Company, large purchases or sales of the shares of the Ordinary Shares, currency fluctuations, legislative changes and general economic, political or regulatory conditions.

Technology

Each of the Group's technologies is highly innovative, with each at different stages of development, from concept to fully-functioning, large-scale pilot plant. While management investigations and independent reviews suggest a low overall risk of failure, there is a risk in each case that the targeted achievement of performance at full operational size will involve additional cost and/or time requirements than have been budgeted, with consequent effects upon the funds required from Shareholders, or will result in higher unit production costs than projected, therefore reducing profitability. While the Directors believe that the Group's forecasts are reasonable, there is no guarantee of actual technological outcomes.

Competition

In each of its technologies the Group will be competing with some of the largest chemical companies in the world many of whom are long established and have extended operating histories. Competitors may be able to respond more quickly to new or changing technologies and changing client demands and/or to devote greater resources to the development, promotion and sales of their products and services than the Group. The Group's current and potential competitors may develop and introduce competing new products and services that could be priced lower, provide superior performance or achieve greater market acceptance than the Group's products and services. Accsys Technologies'

current and potential competitors have established, or may establish, financial and strategic relationships among themselves or with existing or potential clients or other third parties to increase the ability of their products to address client needs. Accordingly, it is possible that new competitors or alliances among competitors could emerge and rapidly acquire significant market share.

A small number of very large companies dominate some industries in which the Group's products will compete, and which may threaten their oligopoly. Some or all of these companies may reduce the price of their products to protect their established position. Whilst such action may breach competition laws, proceedings (whether by the Group or competition authorities) are likely to take time and be expensive to conduct (if brought by the Group) and such action could threaten the Group's future and viability.

Pricing

The prices of both end-products and of the underlying raw materials prices can fluctuate and this could have an impact on the Group's ability to operate profitably. Operating subsidiaries' production cost advantages (both capital and operating) are expected to offset these risks. The Group's strategy is to license its technology, which should further reduce the risk from price fluctuations, although it would not eliminate it entirely.

Environmental risks

The environmental risks of the Group's processes are related to proper process and product containment and the inherent risks of operating these types of processing facilities. The Directors have taken, and will continue to take, appropriate measures to ensure that the Group's facilities are, and will continue to be constructed and operated in compliance with applicable environmental laws and regulations, but changes to such laws and regulations may increase the costs of construction and operation of the Group's plant and processes and/or delay the start of commercial operations.

Dependence on key staff

Accsys Technologies' future success depends on the ability of its senior management and key sales and technical personnel to operate effectively, both individually and as a group. If Accsys Technologies were to lose the services of any of these key employees, it may encounter difficulties in finding a suitable replacement for that person. The loss of any key members of Accsys Technologies' senior management team, or a material number of its engineers could have a similar effect.

Whilst Accsys Technologies has entered into service agreements with each of these people, the retention of their services cannot be guaranteed. In order to develop, support and maintain its business, the Group must recruit suitably qualified people.

Accsys Technologies' future success depends also on the ability to attract, train, retain and motivate highly skilled technical, sales and support staff. Competition for personnel with appropriate qualifications is intense and may become even more so in the future. Accsys Technologies cannot be sure that it will be able to attract and secure sufficient numbers of personnel in the future.

Intellectual property

Accsys maintains a significant investment in intellectual property, in the form of trade and industrial design secrets, published or pending patents, and registered or pending trademarks. This IPR is integral to the Company's business. It is conceivable that some of this intellectual property may be subject to challenge through the courts in some or several jurisdictions or to unscrupulous or unfair copying and competitive practices, with the risk of a deleterious effect upon the Company's trading performance.

No operating history

The Accsys subsidiaries have only limited prior operating history. However, as demonstrated by their curricula vitae set out on pages 21 and 22, the management team that has been assembled has considerable relevant experience in the management of early stage businesses, the management of large quoted corporations, large-scale project finance and other relevant skills.

Government permits

Both ICC and Titan have successfully secured necessary government approvals and permits required for operations and environmental regulations. Future permit requirements must continue to be satisfied and there is no guarantee that this will always be possible.

Ability to win or maintain market share

There are no assurances that the competitiveness of Accsys' competitors will not improve or that Accsys will win any additional market share from its competitors or maintain its existing market share. Accsys' competitors may be able to respond more quickly to new or emerging technologies and changes in client requirements and/or demands. Some of the markets into which Accsys is entering may be conservative and adopt new products more slowly than anticipated. Existing and/or increased competition could adversely affect Accsys' market share and materially affect its business, financial condition and operating results. It may be that competitive pressures will intensify and force Accsys to reduce the price of its products, which could adversely affect its business, financial condition and operating results.

Ability of the Company to expand into new markets

An element of the Company's strategy for growth envisages the Company selling new or existing products and services into other territories or countries or into new markets. Whilst the Directors believe that these are viable areas for growth over the medium to longer term, there can be no guarantee that the Company will successfully execute this strategy for growth which may have a material adverse effect on future revenue and profitability.

Competitive advantage/technological change

If the Company's products and services do not sustain their competitive advantage, its business results of operations and financial condition will be adversely affected. Accsys Technologies will need to continue to improve its products and to develop and market new products that keep pace with technological developments.

Should Accsys not be able to maintain or enhance the competitive value of its products or develop and introduce new products successfully or if new products fail to generate sufficient revenues to offset research and development costs, Accsys' business, financial condition and operating results could be adversely affected. Accsys cannot guarantee that it will successfully develop these types of products.

It is a fundamental element of the Group's strategy to invest in the identification, development and utilisation of leading industry technologies in order to retain the competitive advantage of the Group's products.

International Financial Reporting Standards

On 12 October 2004, AIM changed its regulatory status and it is now regulated by the London Stock Exchange. Therefore, it is no longer a 'regulated market' under European Union regulations. On 7 October 2004, the London Stock Exchange issued guidance to Rule 17 of the AIM rules which stated that the London Stock Exchange intends to mandate International Financial Reporting Standards ("IFRS") for all AIM companies for financial years commencing on or after 1 January 2007. AIM companies are encouraged to prepare for this change well in advance of this date. It is expected that there will be significant continuing developments in IFRS between now and the date of adoption of IFRS by the Company and consequently there is uncertainty about exactly what IFRS will require at that time. In the meantime, the UK Accounting Standards Board is adopting a phased transition to the conversion of existing UK financial reporting standards ("UK FRS") to IFRS and as a result is in the process of issuing a number of new standards or revisions to existing standards over the next two years. However, it is likely that, by the IFRS implementation date set by the London Stock Exchange, UK FRS will not be fully aligned with IFRS. Therefore the transition of UK FRS to IFRS and/or the adoption of IFRS could possibly have a material impact on the Group's financial position and reported results, although it is not possible for the Directors to quantify the impact at this time.

Taxation

Any change in the Company's tax status or in taxation legislation could affect the Company's ability to provide returns to Shareholders or alter post tax returns to Shareholders. Statements in this document concerning the taxation of investors in Ordinary Shares are based on current tax law and practice which is subject to change. The taxation of an investment in the Company depends on the individual circumstances of investors.

Changes in government legislation or policy

The Group's products and services are subject to industry driven standards and governmental regulation. Changes to such standards and regulation in the future could give rise to increased costs being incurred by the Group associated with required remedial measures or production stoppage, any of which could have a material adverse effect on the business and financial performance of the Group.

Future access to additional capital

The Directors believe that the net proceeds of the Placing will meet the Company's current funding requirements. However, the Company cannot give any assurance that further equity capital or other funding will not be required and, if required, that such capital or other funding will be available in the future. If required funds are not available, the Company may have to reduce expenditure on research and development and/or marketing activities which could have a material adverse effect on the Company's business, financial condition and prospects.

Accsys' capital requirements depend on numerous factors, including the rate of market acceptance of its products and services, competitors' technological advances and its ability to expand its client base. If its capital requirements vary materially from its current plans, Accsys may require further financing. Any additional equity financing may be dilutive to shareholders, and debt financing, if available may involve restrictions on financing and operating activities. In addition there can be no assurance that Accsys will be able to raise additional funds when needed or that such funds will be available on terms favourable to it.

Environmental regulation

Accsys is subject to extensive and changing environmental protection and health and safety laws and regulations. Ongoing compliance with environmental, health and safety laws and regulations could require Accsys to incur significant expenses, limit its ability to modify or expand its premises or require expenditure on capital improvements.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. Prior to Admission, there has been no public market for the Ordinary Shares and there is no guarantee that an active market will develop or be sustained after Admission. It may be more difficult for an investor to realise his investment in the Company than in a company whose shares are quoted on the Official List.

PART III

Accountant's Report on Accsys Technologies PLC



BDO Stoy Hayward
Chartered Accountants

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

Section A: Accountant's Report on Accsys Technologies PLC

The Directors
Accsys Technologies PLC
7 Queen Street
Mayfair
London
W1J 5PB

The Directors
Collins Stewart Limited
9th Floor
88 Wood Street
London
EC2V 7QR

20 October 2005

Dear Sirs

Accsys Technologies PLC (the "Company")

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the admission document dated 20 October 2005 of the Company (the "Admission Document") on the basis of accounting policies set out in the financial information in Part III Section B.

This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information on the basis of preparation set out in Part III Section B and in accordance with applicable UK Accounting Standards.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 20 October 2005, a true and fair view of the state of affairs of the Company as at the dates stated in accordance with the basis of preparation set out in Part III Section B and in accordance with Accounting Standards as described in Part III Section B.

Declaration

We are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

Section B: Financial Information on Accsys Technologies PLC

The financial information below has been prepared on the basis set out below.

Balance sheet as at 11 August 2005

	<i>As at 11 August 2005</i>
	€
Current assets	
Unpaid Share Capital	0.02
	<u>0.02</u>
Share capital and reserves	
Called up share capital	0.02
Shareholders' funds – equity	<u>0.02</u>

Notes to the financial information

Accounting policies

The principal accounting policies applied in the preparation of this financial information are set out below.

Basis of preparation

The financial information has been prepared under the historical cost convention.

Share capital

The Company was incorporated on 11 August 2005 with authorised share capital of €2,000,000 divided into 200,000,000 ordinary shares of €0.01 each and £100,000 divided into 1,000,000 deferred shares of 10p each. On incorporation, 2 ordinary shares of €0.01 each were issued.

Post balance sheet events

Pursuant to an offer dated 14 September 2005 the Company is acquiring the entire issued share capital of Accsys Chemicals PLC for a consideration which will be satisfied by the issue and allotment of an aggregate of 105,463,447 Ordinary shares and 1,000,000 Deferred Shares, each of which will be credited as fully paid.

PART IV

Accountant's Report on Accsys Chemicals PLC



BDO Stoy Hayward
Chartered Accountants

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

Section A: Accountant's Report on Accsys Chemicals PLC

The Directors
Accsys Technologies PLC
7 Queen Street
Mayfair
London
W1J 5PB

The Directors
Collins Stewart Limited
9th Floor
88 Wood Street
London
EC2V 7QR

20 October 2005

Dear Sirs

Accsys Chemicals PLC (the "Company")

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the admission document dated 20 October 2005 of Accsys Technologies PLC (the "Admission Document") on the basis of accounting policies set out in the financial information in Part IV Section B.

This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The directors of Accsys Technologies PLC are responsible for preparing the financial information on the basis of preparation set out in Part IV Section B and in accordance with applicable UK Accounting Standards.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 20 October 2005, a true and fair view of the state of affairs of the Company as at the dates stated and of its consolidated profits for the years then ended in accordance with the basis of preparation set out in Part IV Section B and in accordance with Accounting Standards as described in Part IV Section B.

Declaration

We are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

Section B: Financial Information on Accsys Chemicals PLC

The information below has been prepared on the basis set out below.

Basis of preparation

The directors of the Company are responsible for the financial information set out below.

The financial information is based on the audited consolidated financial statements of the Group for the three years ended 31 March 2005.

The financial information of the Group has been prepared in accordance with applicable UK accounting standards.

BDO Stoy Hayward LLP, Chartered Accountants and Registered Auditors, 8 Baker Street, London W1U 3LL have been auditors to the Company throughout the Relevant Period. Each of the audit reports throughout the Relevant Period was unqualified.

Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Accsys Chemicals PLC and all its subsidiary undertakings, 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 reserves.

Re-denomination of functional currency and restatement of comparative figures

The shareholders approved a capital restructure at the Annual General Meeting held on 17 December 2004 which re-denominated the share capital predominantly into euro currency, which currency was also adopted as the company's functional currency. Assets and liabilities at that date were converted from sterling to euro currency at the then market rate of €1.46 to £1.

The exchange rate used at 31 March 2005 was €1.46 to £1.

The comparative figures for the period ending 31 March 2004 and 31 March 2003 have been restated in euro currency at €1.50 to £1.

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 will be written off over the directors' estimate of its useful economic life, once the subsidiary's facility is commissioned.

Intellectual property rights

Intellectual property rights, comprising patents pending which cover a portfolio of novel chemical processes and products, are shown in the financial statements at cost and are amortised in equal amounts over their useful economic life up to a maximum of 20 years. No amortisation charge is made until plants licensed to exploit the intellectual property are fully commissioned.

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 over its expected useful life, as follows:

Land and buildings leasehold	over the term of the lease
Plant and machinery	these assets comprise pilot plants and a production facilities in the course of construction. These assets are depreciated from the date the plant is commissioned at rates between 5 per cent. and 50 per cent. An impairment review is undertaken annually by the directors and any diminution in value is reflected as an impairment charge.
Office equipment	between 20 per cent. and 50 per cent. straight line
Motor vehicles	20 per cent. straight line

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.

Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Investments

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

Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the period in accordance with SSAP 24.

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 results of overseas subsidiaries and their balance sheets are translated at the rates of exchange ruling at the balance sheet date. Exchange differences, which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

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.

Consolidated profit and loss accounts

		<i>Year ended 31 March 2003 €000</i>	<i>Year ended 31 March 2004 €000</i>	<i>Year ended 31 March 2005 €000</i>
Administrative expenses				
General administrative expenses		(1,017)	(1,430)	(2,965)
Impairment of tangible and intangible fixed assets		<u>(785)</u>	<u>(45,234)</u>	<u>(24,514)</u>
Operating loss	3	(1,802)	(46,664)	(27,479)
Loss on part disposal of investment in subsidiary	4	<u>—</u>	<u>(347)</u>	<u>—</u>
Loss on ordinary activities before interest		(1,802)	(47,011)	(27,479)
Interest receivable and similar income		17	9	18
Interest payable and similar charges	5	<u>(116)</u>	<u>—</u>	<u>—</u>
Loss on ordinary activities before and after taxation	6	(1,901)	(47,002)	(27,461)
Minority interest		<u>—</u>	<u>216</u>	<u>841</u>
Retained Loss	13	<u><u>(1,901)</u></u>	<u><u>(46,786)</u></u>	<u><u>(26,620)</u></u>

All amounts relate to continuing activities.

Consolidated statement of total recognised gains and losses

		<i>Year ended 31 March 2003 €000</i>	<i>Year ended 31 March 2004 €000</i>	<i>Year ended 31 March 2005 €000</i>
Loss for the financial year	13	(1,901)	(46,786)	(26,620)
Exchange translation differences on consolidation	13	<u>113</u>	<u>(346)</u>	<u>1,155</u>
Total recognised gains and losses for the year		<u><u>(1,788)</u></u>	<u><u>(47,132)</u></u>	<u><u>(25,465)</u></u>

Consolidated balance sheets

		<i>As at</i> <i>31 March</i> <i>2003</i> €000	<i>As at</i> <i>31 March</i> <i>2004</i> €000	<i>As at</i> <i>31 March</i> <i>2005</i> €000
	<i>Notes</i>			
Fixed assets				
Intangible assets	7	75,018	35,475	14,246
Tangible assets	8	6,334	1,521	2,842
		<u>81,352</u>	<u>36,996</u>	<u>17,088</u>
Current assets				
Debtors	9	693	150	6,224
Cash at bank		238	1,443	4,564
		<u>931</u>	<u>1,593</u>	<u>10,788</u>
Creditors: amounts falling due within one year	10	<u>3,075</u>	<u>3,318</u>	<u>1,922</u>
Net current (liabilities)/assets		<u>(2,144)</u>	<u>(1,725)</u>	<u>8,866</u>
Net assets		<u>79,208</u>	<u>35,271</u>	<u>25,954</u>
Capital and reserves				
Called up share capital	11	36,129	36,129	47,295
Share premium account	12	7,011	7,011	16,288
Merger reserve	12	41,232	41,232	40,132
Profit and loss account	12	(5,164)	(52,296)	(77,761)
Shareholders' funds	13	<u>79,208</u>	<u>32,076</u>	<u>25,954</u>
Minority interests (equity)		—	3,195	—
		<u>79,208</u>	<u>35,271</u>	<u>25,954</u>

Included within shareholders' funds is an amount of €23,209,000 (2004: €nil, 2003: €nil) in respect of non-equity interests.

Consolidated cash flow statements

		<i>Year ended 31 March 2003 €000</i>	<i>Year ended 31 March 2004 €000</i>	<i>Year ended 31 March 2005 €000</i>
Net cash outflow from operating activities	18	(1,521)	(1,925)	(2,513)
Returns on investments and servicing of finance				
Interest received		18	18	18
Interest paid		(111)	(9)	—
Interest element of finance lease rentals		(6)	—	—
		<u> </u>	<u> </u>	<u> </u>
Net cash (outflow)/inflow from returns on investments and servicing of finance		(99)	9	18
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(1,046)	(1,518)	(2,210)
Sale of tangible fixed assets		215	18	—
		<u> </u>	<u> </u>	<u> </u>
Net cash outflow from capital expenditure		(831)	(1,500)	(2,210)
Cash outflow before use of liquid resources and financing		(2,451)	(3,416)	(4,705)
Management of liquid resources				
Increase in short term deposits		—	—	(5,616)
Financing				
Increases in loans		2,664	1,391	1,434
Capital element of finance lease rental payments		(101)	(12)	—
Issue of share capital		76	—	11,773
Expenses of issue of share capital		—	—	(565)
Shares issued by subsidiary to minority		—	3,242	800
		<u> </u>	<u> </u>	<u> </u>
Cash inflow from financing		2,639	4,621	13,442
Increase in cash	19	<u> 188</u>	<u> 1,205</u>	<u> 3,121</u>

Notes to the consolidated financial information

1. *Employees*

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

	<i>Year ended 31 March 2003 Number</i>	<i>Year ended 31 March 2004 Number</i>	<i>Year ended 31 March 2005 Number</i>
Administration	7	9	8
Operating	—	—	8
	<u>7</u>	<u>9</u>	<u>16</u>

Staff costs for all employees, including executive directors, consist of:

	<i>Year ended 31 March 2003 €000</i>	<i>Year ended 31 March 2004 €000</i>	<i>Year ended 31 March 2005 €000</i>
Wages and salaries	549	440	691
Social security costs	60	59	73
Other pension costs	74	41	30
	<u>683</u>	<u>540</u>	<u>794</u>

2. *Directors' emoluments*

	<i>Year ended 31 March 2003 €000</i>	<i>Year ended 31 March 2004 €000</i>	<i>Year ended 31 March 2005 €000</i>
Directors' remuneration consists of:			
Emoluments for qualifying services	366	251	307
Company pension contributions to money purchase schemes	68	32	30
	<u>434</u>	<u>283</u>	<u>337</u>

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

Emoluments for qualifying services	<u>216</u>	<u>216</u>	<u>211</u>
------------------------------------	------------	------------	------------

The group makes contributions to 1 (2004: 1, 2003: 2) director's personal pension plan.

3. *Operating loss*

	<i>Year ended 31 March 2003 €000</i>	<i>Year ended 31 March 2004 €000</i>	<i>Year ended 31 March 2005 €000</i>
This has been arrived at after charging			
Depreciation of tangible assets	115	58	838
Impairment of plant and machinery	784	5,691	—
Impairment of intangible fixed assets	—	39,543	24,514
Loss on disposal of tangible assets	3	—	—
Operating lease rentals	72	254	252
Auditors' remuneration	17	29	40
Remuneration of auditors for non-audit work and after crediting	6	2	22
Research subsidies from governmental agencies	—	(98)	(348)
Profit on foreign exchange	(642)	(95)	(308)
	<u>(642)</u>	<u>(95)</u>	<u>(308)</u>

4. *Loss on part disposal of investment in subsidiary*

The investment by a third party in Titan Wood Limited in December 2003 reduced the company's interest from 100 per cent. to 60 per cent. The loss on part disposal of a subsidiary reflects the difference between the group's share of the net assets of Titan Wood Limited prior to the disposal and its share of the subsidiary's net assets following the third party's investment.

5. *Interest payable and similar charges*

	<i>Year ended</i> <i>31 March</i> 2003 €000	<i>Year ended</i> <i>31 March</i> 2004 €000	<i>Year ended</i> <i>31 March</i> 2005 €000
Lease finance charges	6	—	—
Other interest	110	—	—
	<u>116</u>	<u>—</u>	<u>—</u>

6. *Taxation on loss from ordinary activities*

	<i>Year ended</i> <i>31 March</i> 2003 €000	<i>Year ended</i> <i>31 March</i> 2004 €000	<i>Year ended</i> <i>31 March</i> 2005 €000
<i>Current tax</i>			
UK corporation tax on profits of the year	—	—	—
Adjustment in respect of previous years	—	—	—
Total current tax	<u>—</u>	<u>—</u>	<u>—</u>
Factors affecting the corporation tax charge for the period			
Loss on ordinary activities before tax	<u>(1,901)</u>	<u>(47,002)</u>	<u>(27,461)</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30 per cent. (2004: 30 per cent., 2003: 30 per cent.)	(570)	(14,101)	(8,238)
Effects of:			
Expenses not deductible for tax purposes	35	13,665	7,355
Depreciation in excess of capital allowances	(42)	9	223
Increase/(decrease) in tax losses carried forward	524	(60)	368
Trading losses incurred in overseas subsidiaries	53	487	292
Current tax charge for year	<u>—</u>	<u>—</u>	<u>—</u>

Deferred taxation

The potential deferred tax assets 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.

	<i>Year ended</i> <i>31 March</i> 2003 €000	<i>Year ended</i> <i>31 March</i> 2004 €000	<i>Year ended</i> <i>31 March</i> 2005 €000
Tax losses carried forward	1,551	1,476	1,426
Excess of depreciation over capital allowances	(15)	(24)	223
	<u>1,536</u>	<u>1,452</u>	<u>1,649</u>

7. *Intangible assets*

	<i>Intellectual property rights €000</i>	<i>Goodwill on consolidation €000</i>	<i>Total €000</i>
Cost			
As at 1 April 2002, 31 March 2003 and 31 March 2004	75,000	18	75,018
Additions	(2,000)	—	(2,000)
Exchange adjustments	—	4,231	4,231
As at 31 March 2005	<u>73,000</u>	<u>4,249</u>	<u>77,249</u>
Amortisation			
As at 1 April 2002 and 31 March 2003	—	—	—
Impairment charge	39,525	18	39,543
As at 31 March 2004	39,525	18	39,543
Impairment charge	24,514	—	24,514
Exchange adjustments	(1,054)	—	(1,054)
As at 31 March 2005	<u>62,985</u>	<u>18</u>	<u>63,003</u>
Net book value			
At 31 March 2005	<u>10,015</u>	<u>4,231</u>	<u>14,246</u>
At 31 March 2004	<u>35,475</u>	<u>—</u>	<u>35,475</u>
At 31 March 2003	<u>75,000</u>	<u>18</u>	<u>75,018</u>

The directors have undertaken an impairment review (using the value in use method) of the carrying value of the intellectual property rights. In doing so, they have evaluated future potential licence fees and production royalty fees which may arise from full commercialisation of the patents applied for. When calculating this value, a pre-tax discount rate of 30 per cent. has been applied.

8. *Tangible assets*

	<i>Land and buildings leasehold €000</i>	<i>Plant & machinery €000</i>	<i>Office equipment €000</i>	<i>Motor vehicles €000</i>	<i>Total €000</i>
Cost					
As at 1 April 2002	210	5,223	194	336	5,963
Additions	—	988	1	—	989
Disposals	—	—	(2)	(275)	(277)
Exchange adjustment	—	674	—	2	676
As at 31 March 2003	210	6,885	193	63	7,351
Additions	—	1,173	8	—	1,181
Disposals	—	(6)	(20)	(13)	(39)
Exchange adjustment	—	(256)	—	—	(256)
As at 31 March 2004	210	7,796	181	50	8,237
Additions	—	2,287	11	—	2,298
Disposals	(210)	—	(179)	—	(389)
Exchange adjustment	—	—	—	3	3
As at 31 March 2005	—	10,083	13	53	10,149
Depreciation					
As at 1 April 2002	32	—	103	43	178
Provided for the year	21	—	44	50	115
Disposals	—	—	—	(60)	(60)
Impairment	—	784	—	—	784
As at 31 March 2003	53	784	147	33	1,017
Provided for the year	21	—	24	13	58
Disposals	—	—	(18)	(5)	(23)
Impairment	—	5,691	—	—	5,691
Exchange adjustment	—	(27)	—	—	(27)
As at 31 March 2004	74	6,448	153	41	6,716
Provided for the year	12	800	17	9	838
Disposals	(86)	—	(164)	—	(250)
Exchange adjustment	—	—	—	3	3
As at 31 March 2005	—	7,248	6	53	7,307
Net book value					
As at 31 March 2005	—	2,835	7	—	2,842
As at 31 March 2004	136	1,348	28	9	1,521
As at 31 March 2003	157	6,101	46	30	6,334

9. *Debtors*

	<i>As at</i> <i>31 March</i> <i>2003</i> €000	<i>As at</i> <i>31 March</i> <i>2004</i> €000	<i>As at</i> <i>31 March</i> <i>2005</i> €000
Trade debtors	20	18	3
Loan notes held by parent company	537	—	—
Other debtors	26	123	457
Other loans and deposits	74	—	5,616
Prepayments and accrued income	36	9	148
	<u>693</u>	<u>150</u>	<u>6,224</u>

All amounts fall due for payment within one year. Other loans and deposits includes €5,616,000 (2004: €nil, 2003: €nil) of interest bearing deposits.

10. *Creditors: amounts falling due within one year*

	<i>As at</i> <i>31 March</i> <i>2003</i> €000	<i>As at</i> <i>31 March</i> <i>2004</i> €000	<i>As at</i> <i>31 March</i> <i>2005</i> €000
Other loans	854	38	—
Net obligations under finance lease and hire purchase contracts	12	—	—
Trade creditors	579	203	547
Amounts owed to former parent undertakings	1,458	2,986	1,195
Tax and social security creditor	31	17	70
Accruals and deferred income	141	74	110
	<u>3,075</u>	<u>3,318</u>	<u>1,922</u>

Other loans comprise €nil (2004: €38,000, 2003: €854,094) which is unsecured, interest free and repayable on demand.

11. *Share capital*

	<i>As at</i> <i>31 March</i> <i>2003</i> €000	<i>As at</i> <i>31 March</i> <i>2004</i> €000	<i>As at</i> <i>31 March</i> <i>2005</i> €000
Authorised			
493,700,000 ordinary shares of €0.25 each	—	—	123,425
48,700,000 deferred shares of 33p each	—	—	23,464
200,000,000 ordinary shares of 50p each	150,000	150,000	—
	<u>150,000</u>	<u>150,000</u>	<u>146,889</u>
Allotted, called up and fully paid			
96,344,308 ordinary shares of €0.25 each	—	—	24,086
48,171,536 deferred share of 33p each	—	—	23,209
48,171,536 ordinary shares of 50p each	36,129	36,129	—
	<u>36,129</u>	<u>36,129</u>	<u>47,295</u>

The deferred shares have no right to receive dividends, no right to attend, speak or vote at general meetings of the Company and only a right to participate in a winding up after €1,000 has been paid on each ordinary share.

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

	<i>Ordinary shares of €0.25 each €000</i>	<i>Deferred shares of 33p each €000</i>	<i>Ordinary shares of 50p each €000</i>
At 1 April 2002	—	—	—
Issued for cash	—	—	75
Acquisition of ICC Ltd	—	—	29,043
Issued in exchange for interest free Loan Notes	—	—	7,011
At 31 March 2003 and 31 March 2004	—	—	36,129
Translation differences	—	—	(963)
Re-denomination of share capital into Euro	12,044	23,209	(35,253)
Transfer from share premium	—	—	87
Acquisition of minority interest in Titan Wood Limited	4,014	—	—
Part capitalisation of interest free advances	1,630	—	—
Placing and open offer	6,398	—	—
At 31 March 2005	<u>24,086</u>	<u>23,209</u>	<u>—</u>

On formation the authorised share capital was 1,000,000 Ordinary shares of £1 each.

On 5 March 2003 the company resolved to:

- (i) re-register as a Public Limited Company
- (ii) change the name of the company to Accsys Chemicals PLC
- (iii) to increase the authorised share capital to £100,000,000
- (iv) to sub-divide the £1 Ordinary shares into 50p Ordinary shares.

On formation 1 ordinary share of £1 was issued at par for cash. On 14 February 2003 a further 49,999 £1 ordinary shares were issued at par for cash.

On 6 March 2003 38,724,170 ordinary shares of 50p were issued at a premium of 50p per share. The consideration received was 100 per cent. of the issued share capital of International Cellulose Company Limited.

On 11 March 2003 9,347,365 ordinary shares of 50p were issued at a premium of 50p per share. As consideration the company received interest free unsecured Loan Notes issued by STG Holdings PLC, its intermediate parent company, with an aggregate value of £9,347,365.

At the Company's Annual General Meeting held on 17 December 2004, the shareholders approved proposals to re-denominate the Company's share capital in euro with the Ordinary shares re-denominated into €0.25 Ordinary shares. Each 50p Ordinary share was converted into 1 Ordinary share of 17p and 1 Deferred share of 33p. The 17p Ordinary shares were then converted into €0.25 Ordinary shares. At the rate of exchange then applicable, of €1.46 to £1, the resulting fractional shortfall in the amount paid up on each Ordinary share converted into euro, amounting to €86,709 in aggregate, was paid up from the balance in the share premium account.

On 17 December 2004, the Company issued 16,057,179 new €0.25 Ordinary shares in exchange for the 3,900,000 shares tendered by the minority interests in Titan Wood Limited, which thereupon became a wholly owned subsidiary of the Company.

On 22 December 2004, the Company entered into a placing agreement with STG Holdings PLC ("STG") under which STG agreed to subscribe for 6,521,739 new Ordinary shares of €0.25 at a price of €0.46 each, in capitalisation of part of the outstanding interest free advances previously made to Accsys.

On 22 December 2004, the Company entered into a conditional Placing Agreement with Asia IT under which Asia IT agreed to subscribe for 25,593,030 new Ordinary shares of €0.25 at a price of €0.46 each. This Placing Agreement was subject to clawback provisions under which existing shareholders, except STG, could subscribe for New Ordinary Shares on the basis of one New Ordinary Share for every two already held.

12. Reserves

	<i>Share premium account €000</i>	<i>Merger reserve €000</i>	<i>Profit and loss account €000</i>
At 1 April 2002	—	37,967	(3,376)
Exchange differences	—	—	113
Premium on shares issued by Accsys Chemicals PLC	7,011	—	—
Premium on shares issued by ICC Ltd pre acquisition	—	3,265	—
Retained loss for the year	—	—	(1,901)
As at 31 March 2003	<u>7,011</u>	<u>41,232</u>	<u>(5,164)</u>
Exchange differences	—	—	(346)
Retained loss for the year	—	—	(46,786)
As at 31 March 2004	<u>7,011</u>	<u>41,232</u>	<u>(52,296)</u>
Exchange differences	(187)	(1,100)	1,155
Transfer to share capital on conversion to Euro	(87)	—	—
Premium on shares issued	10,116	—	—
Issue costs	(565)	—	—
Retained loss for the year	—	—	(26,620)
As at 31 March 2005	<u><u>16,288</u></u>	<u><u>40,132</u></u>	<u><u>(77,761)</u></u>

In preparing the financial statements for the year ended 31 March 2005, the company has utilised merger relief available under S131 of the Companies Act 1985 in respect of the shares issued to acquire International Cellulose Company Limited in the prior period.

13. Reconciliation of movements in shareholders' funds

	<i>Year ended 31 March 2003 €000</i>	<i>Year ended 31 March 2004 €000</i>	<i>Year ended 31 March 2005 €000</i>
Loss for the financial year	(1,901)	(46,786)	(26,620)
Other recognised gains and losses relating to the year	114	(346)	1,155
Exchange differences on conversion to Euro	—	—	(2,250)
Issue of shares	19,271	—	21,593
Net decrease in shareholders' funds	<u>17,484</u>	<u>(47,132)</u>	<u>(6,122)</u>
Opening shareholders' funds	61,724	79,208	32,076
Closing shareholders' funds	<u><u>79,208</u></u>	<u><u>32,076</u></u>	<u><u>25,954</u></u>

14. Commitments under operating leases

As at 31 March 2005, 31 March 2004 and 31 March 2003, the group had annual commitments under non-cancellable operating leases for land and buildings as set out below:

	<i>Year ended 31 March 2003 €000</i>	<i>Year ended 31 March 2004 €000</i>	<i>Year ended 31 March 2005 €000</i>
Operating lease which expire:			
In two to five years	—	140	280
Over five years	600	600	—
	<u>600</u>	<u>740</u>	<u>280</u>

15. Related party transactions

On 31 October 2003, the company entered into an agreement with its shareholders and other loan providers to simplify its funding arrangements. Under the terms of this agreement various loans

made to or by the company and its subsidiaries were offset and consolidated into an interest free loan repayable on demand of £1,871,205 due by the company to its immediate controlling shareholder, STG Holdings PLC. The loans consolidated comprised: a Loan Note for USA\$1,000,000 due by a subsidiary to the ultimate holding company; amounts advanced by the ultimate holding company of £331,543, and two other parties of £1,357,217; partially offset by two amounts receivable by a subsidiary company, £358,987 due from the immediate controlling shareholder and £47,609 due from a related company, Berkeley Square Ventures Limited.

On 22 December 2003, the company entered into an agreement with its immediate holding company and its subsidiary companies to further restructure inter company loan balances. Under the terms of this agreement, the liability in respect of amounts due by Titan Wood Limited and its subsidiary company to International Cellulose Company Limited and a subsidiary company amounting to £265,600 was transferred to the Company as a subordinated loan. Repayment of this subordinated loan depends upon prior repayment of any amounts advanced by minority shareholders to Titan Wood Limited by that company.

During the period ended 31 March 2004, International Cellulose Company Limited (a subsidiary company) provided staff resources and administrative services to Titan Wood BV (also a subsidiary company), charging £248,393 in respect of staffing costs and £104,203 in respect of operating costs.

At 31 March 2004, Titan Wood BV owed International Cellulose Company Limited an amount of £85,889.

Accsys Fibres BV (a subsidiary company) provide staff resources, office facilities, certain materials and utilities to Titan Wood BV, charging £235,915 in respect of staffing costs, £78,630 in respect of operating costs, and £4,449 in respect of direct costs. At 31 March 2004 Titan Wood BV owed Accsys Fibres BV an amount of £114,175.

During the period ended 31 March 2004 Titan Wood Limited purchased intellectual property rights for an amount of £3,500,000 and equipment of an amount of €1,175,000 from Accsys Fibres BV.

During the period ended 31 March 2004 Accsys Chemicals PLC provided staff resources to Titan Wood Limited charging £36,805 in respect of this. At 31 March 2004 Titan Wood Limited owed Accsys Chemicals PLC an amount of £265,600.

At 31 March 2004, Titan Wood Limited was due amounts of £47,653 from International Cellulose Company Limited, and £145,682 from Accsys Fibres BV.

During the period ended 31 March 2005, International Cellulose Company Limited (whilst it was a subsidiary company) provided staff resources and administrative services to Titan Wood BV (also a subsidiary company), charging €41,068 (2004: €372,590) in respect of staffing costs and €69,442 (2004: €156,305) in respect of operating costs. At the 31 March 2005, Titan Wood BV owed International Cellulose Company Limited an amount of €nil (2004: €128,834) in respect of these transactions.

As part of the acquisition of the minority interests in Titan Wood Limited, the company issued 48,172 ordinary shares of €0.25 to Mr Brian Buckley and 412 ordinary shares of €0.25 to each of Mr Edward Pratt and Mr Glyn Thomas respectively in exchange for their shareholdings. All three individuals were directors of Titan Wood Limited at the date of acquisition of the minority interest.

Mr William Paterson-Brown is a director of Khalidiya Investments SA. During the year ended 31 March 2005 the Company paid €52,320 (2004: nil) in respect of directors services provided by Khalidiya Investments SA. Mr William Paterson-Brown is also a director of Asia I.T. Capital Investments Limited. During the year ended 31 March 2005 the Company paid €565,094 to Asia I.T. Capital Investments Limited in relation to the Placing of 25,593,030 new Ordinary shares.

Mr Glyn Thomas is a director of Rigi Limited. During the year ended 31 March 2005 Titan Wood BV, a subsidiary undertaking, paid €44,040 (2004: €nil) in respect of services provided by Rigi Limited.

16. *Post balance sheet events*

On 4 April 2005, the Company issued 9,119,139 Ordinary shares of €0.25 each. 6,521,739 of the shares were subscribed for in cash raising €3,000,000 and 2,597,400 shares represented the capitalisation of an aggregate of €1,194,804 of interest free advances from STG Holdings PLC, the former parent company.

17. *Capital commitments*

	<i>As at</i> <i>31 March</i> 2003 €000	<i>As at</i> <i>31 March</i> 2004 €000	<i>As at</i> <i>31 March</i> 2005 €000
Contracted but not provided for	—	781	2,085

18. *Reconciliation of operating loss to net cash flow from operating activities*

	<i>Year ended</i> <i>31 March</i> 2003 €000	<i>Year ended</i> <i>31 March</i> 2004 €000	<i>Year ended</i> <i>31 March</i> 2005 €000
Operating loss	(1,802)	(46,664)	(27,479)
Depreciation of tangible assets	115	58	838
Impairment of tangible assets	784	5,691	—
Impairment of intangible assets	—	39,543	24,514
Loss on disposal of fixed assets	3	—	—
Exchange differences	(382)	(383)	—
(Increase)/decrease in debtors	372	(69)	(476)
Increase/(decrease) in creditors	(611)	(101)	90
Net cash flow from operating activities	<u>(1,521)</u>	<u>(1,925)</u>	<u>(2,513)</u>

19. *Reconciliation of net cash flow to movement in net funds/(debt)*

	<i>Year ended</i> <i>31 March</i> 2003 €000	<i>Year ended</i> <i>31 March</i> 2004 €000	<i>Year ended</i> <i>31 March</i> 2005 €000
Increase in cash in the year	188	1,205	3,121
Cash inflow from increase in debt and lease financing	(2,564)	(1,379)	(1,434)
Change in net debt resulting from cash flows	<u>(2,376)</u>	<u>(174)</u>	<u>1,687</u>
Shares issued in settlement of debt	19,196	—	3,000
Other non-cash movements	705	74	150
Exchange differences	(97)	64	115
Movement in net funds/(debt) in the year	<u>17,429</u>	<u>(36)</u>	<u>4,952</u>
Net funds/(debt) at the beginning of the year	<u>(18,975)</u>	<u>(1,547)</u>	<u>(1,583)</u>
Net funds/(debt) at the end of the year	<u><u>(1,547)</u></u>	<u><u>(1,583)</u></u>	<u><u>(3,369)</u></u>

20. *Analysis of net debt*

	<i>Cash in</i> <i>hand and</i> <i>at bank</i> €000	<i>Debt due</i> <i>within</i> <i>one year</i> €000	<i>Obligations</i> <i>under</i> <i>finance leases</i> €000	<i>Total</i> €000
At 1 April 2002	50	(18,914)	(113)	(18,977)
Cash flow	188	(2,664)	101	(2,375)
Other non-cash charges	—	19,805	—	19,805
At 31 March 2003	<u>238</u>	<u>(1,773)</u>	<u>(12)</u>	<u>(1,547)</u>
Cash flow	1,205	(1,391)	12	(174)
Other non-cash charges	—	138	—	138
At 31 March 2004	<u>1,443</u>	<u>(3,026)</u>	<u>—</u>	<u>(1,583)</u>
Cash flow	3,121	(1,434)	—	1,687
Other non-cash charges	—	3,265	—	3,265
At 31 March 2005	<u><u>4,564</u></u>	<u><u>(1,195)</u></u>	<u><u>—</u></u>	<u><u>3,369</u></u>

PART V

Additional Information

1. The Company

- 1.1 The Company was incorporated in England and Wales on 11 August 2005 under the Act as a public limited company with registered number 5534340 under the name of Accsys Technologies PLC. The liability of members is limited.
- 1.2 The registered office of the Company is at 7 Queen Street, Mayfair, London W1J 5PB. The head office is 46 Berkeley Square, Mayfair, London W1J 5AT (telephone number 020 7598 4040).

2. Subsidiaries

The Company will have the following subsidiaries, all of which will, on completion of the compulsory acquisition process to acquire the outstanding Accsys Chemicals Shares, be wholly owned:

<i>Company</i>	<i>Activities</i>	<i>Date of incorporation</i>	<i>Place of Incorporation</i>
Accsys Chemicals PLC	Intermediate holding company	21 January 2003	England & Wales
International Chemical Company BV	Technology validation	11 December 2000	Netherlands
International Cellulose Company Overseas Limited	Owner and licensor of intellectual property	15 November 2001	Gibraltar
Titan Wood BV	Manufacturer of Accoya	18 June 2003	Netherlands
Titan Wood Limited	Brand and market development and licensing	17 April 2003	England & Wales

3. Share capital

- 3.1 As at 11 August 2005 (being the date of the most recent balance sheet included in Part III of this document) the authorised share capital of the Company was €2,000,000 divided into 200,000,000 ordinary shares of 1¢ each, with two Ordinary Shares being issued to the subscribers and £100,000 divided into 1,000,000 deferred shares (“Deferred Shares”) of 10p each.
- 3.2 By written resolutions signed by the Company’s shareholders on 17 August 2005:
- 3.2.1 the Directors were generally and unconditionally authorised in accordance with Section 80 of the Act to allot all the authorised but unissued share capital of the Company for the period up to and including 31 December 2006 or, if earlier, the conclusion of the annual general meeting held in the year 2006; and
- 3.2.2 the Directors were empowered, pursuant to section 95 of the Act, to allot shares in accordance with the authority under section 80 of the Act referred to in paragraph 3.2.1 above at any time up to 31 December 2006 or, if earlier the date of the annual general meeting of the Company held in the year 2006 as if section 89(1) of the Act did not apply to such allotment provided the allotment is confined to the allotment of shares to an aggregate nominal amount of €1,000,000.
- 3.3 Between 3 October 2005 and 19 October 2005, 103,710,178 Ordinary Shares were allotted at par, credited as fully paid up, in consideration of the acquisition of 103,710,180 Accsys Chemicals ordinary shares and 996,069 Deferred Shares were allotted at par to shareholders in Accsys Chemicals, credited as fully paid up, in consideration of the acquisition of 47,982,161 Accsys Chemicals deferred shares.
- 3.4 On 11 October 2005, a certificate authorising the Company to do business and to borrow was issued.

- 3.5 On 19 October 2005, 27,000,000 Ordinary Shares were allotted at €1.00 per Ordinary Share to investors in the Placing, conditional on Admission.
- 3.6 On 11 October 2005, the Company exercised the compulsory acquisition powers to acquire the outstanding Accsys Chemicals ordinary shares and the outstanding Accsys Chemicals deferred shares, of which at the date of this document 1,753,267 ordinary shares and 189,375 deferred shares were outstanding and which, unless any Accsys Chemicals shareholder successfully applies to the Court pursuant to section 430C of the Act, will result in the Company issuing 1,753,267 Ordinary Shares and 3,931 Deferred Shares to acquire the outstanding Accsys Chemicals ordinary shares and deferred shares respectively.
- 3.7 After Admission and the issue of the remaining shares to acquire the outstanding Accsys Chemicals shares as referred to in paragraph 3.6 above, the authorised share capital of the Company will be €2,000,000 represented by 200,000,000 Ordinary Shares and £100,000 represented by 1,000,000 Deferred Shares of 10p each, of which, 132,463,447 Ordinary Shares will have been issued fully paid, or credited as fully paid, 6,052,000 Ordinary Shares will be subject to options, and 67,536,553 Ordinary Shares will be unissued, of which 61,484,553 Ordinary Shares will not be subject to options and the Directors will be authorised to allot pursuant to the authorities referred to in paragraph 3.2 above; and all 1,000,000 Deferred Shares will have been issued.

The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer an shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the authorised but unissued share capital of the Company, except to the extent not disapplied by the resolution referred to in paragraph 3.2.2 above. The rights attaching to the Ordinary Shares and the Deferred Shares are set out in the Articles.

- 3.8 Set out below is a table showing the persons who, so far as they are known to the Company, directly or indirectly, jointly or severally, exercise or could exercise control of the Company and the proportion of the voting capital held by such persons as they are expected to be following the Placing and completion of the acquisition of the acquisition of the Accsys Chemicals Shares:

<i>Name</i>	<i>Number</i>	<i>Percentage of Ordinary Shares</i>	
		<i>Before Admission</i>	<i>After Admission</i>
Framlington Investment Management Limited	6,500,000	n/a	4.9
GAM Euro Select Hedge Investments Inc.	6,650,000	1.6	5.0
General Mediterranean Holdings SA	9,634,307	9.1	7.3
STG Holdings PLC	20,000,000	19.0	15.1
Wenco Limited	8,271,220	7.8	6.2

- 3.9 The Company is not aware of any person other than those listed above who, directly or indirectly, is interested in 3 per cent. or more of the Company's share capital or will be so interested after the Placing. Save as disclosed above and in paragraph 10.1 below, since the Company's incorporation no share or loan capital of the Company has been issued for cash or other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company or its subsidiaries in connection with the issue or sale of any such capital.
- 3.10 Save as disclosed in paragraphs 6.2 and 7 below, no share or loan capital of the Company or any of its subsidiaries is proposed to be issued or is under option or is agreed to be put under option and no person has any preferential subscription rights for any authorised but unissued shares.
- 3.11 The Company has no outstanding convertible debt securities or exchangeable debt securities with warrants.
- 3.12 There are no persons known to the Company who, directly or indirectly, jointly or severally, will, following the Placing, be able to exercise control over the Company, and there are no arrangements known to the Company the operation of which may, at a subsequent date, result in a change of control of the Company.

4. Memorandum of Association

The Memorandum of Association of the company provides that the Company's principal objects are to carry on business as a general commercial company and carry on any other business advantageous to the Company. The objects of the Company are set out in full in clause 4 of the Company's memorandum of association.

5. Articles of Association

The Articles include provisions to the following effect:

5.1 Votes of members

An annual general meeting shall be held in each year. The Board and, subject to the Act, the Ordinary Shareholders may convene extraordinary general meetings. The quorum for a valid meeting is three holders of Ordinary Shares present in person or by proxy. Subject to any special rights or restrictions as to voting attached by or in accordance with the Articles to any shares on a show of hands every person present who on a poll would be entitled to vote shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder. The Chairman has a casting vote.

5.2 Transfer of shares

Form of transfer

Transfer of shares in certificated form may be effected by transfer in writing in any usual or common form or in any other form approved by the Board. The instrument of transfer shall be signed by or on behalf of the transferor and (in the case of partly paid shares) by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register in respect of such shares.

The Directors may decline to register a transfer of shares which are not fully paid up to a person of whom they do not approve or a transfer of shares on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless:

- (i) the duly stamped instrument of transfer is lodged at the registered office or such other place as the Board may appoint and is accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer, and
- (ii) the transfer is in respect of only one class of share: and
- (iii) in the case of a transfer to joint holders, the number of joint holders does not exceed four.

Uncertificated Shares

Shares in uncertificated form shall be transferred in accordance with, and be subject to the provisions of, the Regulations and the facilities and requirements of the relevant system (presently operated by CRESTCo).

5.3 Dividends

Final dividends

The Company may by ordinary resolution declare dividends but no such dividends shall exceed the sum recommended by the Board.

Interim dividends

Insofar as, in the opinion of the Board, the profits of the Company justify such payments, the Board may from time to time declare and pay interim dividends on shares of any class (other than Deferred Shares) of such sums as the Board thinks fit.

Retention of dividends

The Board may retain any dividend and bonuses payable on a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

Unclaimed dividends

Any dividend unclaimed after a period of twelve years from the date the dividend became due for payment shall be forfeited and shall revert to the Company.

Distribution in specie

The Company may by ordinary resolution direct payment of a dividend or bonus in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Board shall give effect to such resolution.

Distribution in specie on a winding up

If the Company shall be wound up the liquidator may, with the authority of an extraordinary resolution, divide among the holders of the Ordinary Shares in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the members or different classes of members.

5.4 *Pre-emption rights*

Unless the Company shall by special resolution otherwise direct any shares proposed to be issued shall first be offered to the members in proportion as nearly as may be to the number of the existing shares held by them.

5.5 *Capitalisation of profits and reserves*

The Board may, with the sanction of an ordinary resolution of the Company, capitalise any sum standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit or loss account.

Such capitalisation shall be effected by appropriating such sum to the members in the same proportions as if it had been distributed by way of dividend and paying such sum on their behalf in paying up in full amounts unpaid on shares unissued shares or debentures.

5.6 *Share Capital*

Deferred Shares

The rights attaching to the Deferred Shares are as follows:

- (a) the Deferred Shares shall carry no right to dividends;
- (b) the Deferred Shares shall not confer upon the holders any right to attend and/or vote at general meetings of the Company;
- (c) on a winding up or other return of capital, holders of the Deferred Shares shall be entitled to receive the amount paid up on the Deferred Shares, after there has been paid to the holders of the Ordinary Shares (a) the capital paid up on the Ordinary Shares, (b) all dividends and other sums payable to the holders of the Ordinary Shares, and (c) the sum of €100,000 in respect of each Ordinary Share.

Ordinary Shares

The holders of the Ordinary Shares shall have the right to participate in all dividends declared, to attend and vote at general meetings of the Company and, subject to the rights of the holders of the Deferred Shares, to receive all monies and property falling to be distributed on a winding up or other return of capital.

Variation of rights

The special rights attached to any class or share may, subject to the provisions of the Memorandum of Association and the terms of issue of the class, be varied either with the consent in writing of the holders of not less than three quarters of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

Increase in share capital

The Company may from time to time by ordinary resolution increase the share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.

Consolidation, subdivision and cancellation

The Company may by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger nominal value than its existing shares
- (ii) subject to the provisions of the Act, sub-divide its shares into shares of a smaller amount,
- (iii) cancel any shares which have not been taken or agreed to be taken.

Reduction or cancellation

The Company may by special resolution reduce any capital redemption reserve fund or share premium account in any manner and subject to any condition or consent required by law.

Purchase of own shares

Subject to the provisions of the Act, the Company may purchase any of its own shares, including redeemable shares. There are special conditions dealing with redeemable shares and convertible securities.

Winding up or return of capital

On a winding up, the surplus assets to the Company available for distribution shall, subject to any special rights attaching to any class of shares, be applied in repaying to members the amounts paid up on their shares. Any surplus will belong to the holders of ordinary shares according to the numbers of shares held by them (or, if there are no ordinary shares, to the holders of any unclassified shares according to the numbers of shares held by them).

5.7 *Forfeiture and Lien*

Notice on failure to make a call

If a member fails to pay in full any call or instalment of a call on the due date for payment, the Board may at any time after the failure serve a notice on him requiring payment and shall state that, in the event of non-payment in accordance with such notice, the shares on which the call was made will be liable to be forfeited.

Lien on partly-paid shares

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all monies (whether presently payable or not) called or payable at a fixed time in respect of such share.

Sale of shares subject to lien

The Company may sell in such manner as the Board thinks fit any share on which the Company has a lien, fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell.

5.8 *Directors*

Number of directors

Unless otherwise determined by ordinary resolution, the Directors shall not be fewer than two and shall not be subject to any maximum.

Directors' fees

The ordinary remuneration of Directors shall from time to time be determined by ordinary resolution.

Other remuneration of directors

Any Director who holds any executive office or who performs special service may be paid such extra remuneration by way of salary, commission or otherwise as the Board may determine.

Directors' expenses

The Board may repay to any Director all traveling, hotel and other expenses as he may incur in attending meetings of the Board or of any committee of the Board or shareholders' meetings or otherwise in connection with the business of the Company.

Directors' pensions and other benefits

The Board has power to pay or procure the grant of donations, gratuities, pensions, allowances, bonuses, benefits or emoluments to any Director or former Director who has been in the employment of the Company as an executive director or the holder of any other office or place of profit under the Company and to any relatives of such persons.

Appointment and retirement of directors

Subject to the provisions of the Articles, the Company may appoint any person to be a Director by ordinary resolution. The Board may appoint any person to be a Director, and he will hold office until the next annual general meeting. At every annual general meeting one third (or the number nearest to one third) of the Directors who are subject to retirement by rotation shall retire. Retiring Directors shall be eligible for re-election. The Board may appoint one or more of their number to the office of managing director and a managing director shall not be subject to retirement by rotation. The office of Director is vacated if he resigns, or if he becomes bankrupt or has a receiving order against him or compounds with his creditors, or if he is prohibited from being a director by statute, or if the Board so resolves where he becomes of unsound mind or a patient under a mental health statute or is absent from Board meetings without leave for six months.

Restrictions on voting

Subject to the provisions of the Act, a Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution.

5.9 *Borrowing powers*

The Board may exercise all powers of the Company to borrow money and to mortgage or change its undertakings property and assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt liability or obligation of the Company or of any third party.

6. **Directors' Interests**

6.1 The names of the Directors and the business address of each of them is shown on page 9 of this document.

6.2 The interests of the Directors and (so far as is known to the Directors or could, with reasonable diligence, be ascertained by them) persons connected with the Directors within the meaning of section 346 of the Act, in the share capital of the Company, as required to be notified to the Company pursuant to sections 324 and 328 of the Act as at the date of this document and as they are expected to be immediately following Admission and completion of the acquisition of the Accsys Chemicals shares are as follows:

<i>Director</i>	<i>Before Admission</i>		<i>After Admission</i>		<i>Options</i>
	<i>Shareholding</i>				
	<i>Ordinary Shares</i>		<i>Ordinary Shares</i>		
	<i>Number</i>	<i>Per cent.</i>	<i>Number</i>	<i>Per cent.</i>	
W Paterson-Brown*	20,000,000	19.0	20,000,000	15.1	1,440,000
E J Pratt	618	<0.01	618	<0.01	1,440,000
G C Thomas	618	<0.01	618	<0.01	960,000
S P Allesch-Taylor*	20,000,000	19.0	20,000,000	15.1	nil
G A Campbell	nil	nil	50,000	0.04	nil
T Paterson-Brown*	20,000,000	19.0	20,000,000	15.1	nil

Note* 20,000,000 Ordinary Shares are registered in the name of STG. Mr W Paterson-Brown, Mr S Allesch-Taylor and Mr T Paterson-Brown have beneficial interests in those Shares as they are three of the beneficiaries of a trust which holds the majority of shares in STG's holding company, MacNiven & Cameron PLC. None of Mr W Paterson-Brown, Mr S Allesch-Taylor and Mr T Paterson-Brown can exercise, or influence the exercise of, the voting rights or the Ordinary Shares held by STG.

Each of Mr W Paterson-Brown, Mr S Allesch-Taylor and Mr T Paterson-Brown are beneficially interested in 415,184 Deferred Shares registered in the name of STG on the same basis referred to in the note above.

6.3 Save as disclosed above, none of the Directors has any interest in the Ordinary Shares or in the Deferred Shares.

- 6.4 The Directors have adopted a code to regulate directors' and employees' dealings in Ordinary Shares which is based on the Model Code for companies whose shares have been admitted to the Official List of the UK Listing Authority.
- 6.5 The Directors' current and other directorships and partnerships, in addition to the Company and its shareholders, held in the last five years (other than dormant companies) are as follows:
- 6.5.1 William Paterson-Brown
- | | |
|--------------------------|-----------------|
| <i>Present</i> | <i>Previous</i> |
| Accsys Chemicals PLC | |
| Asia IT Limited | |
| Khalidiya Investments SA | |
| Zica SA | |
- 6.5.2 Edward Pratt
- | | |
|-----------------------------------|--------------------------------|
| <i>Present</i> | <i>Previous</i> |
| Accsys Chemicals PLC | Yang Cellulose Company Limited |
| International Chemical Company BV | |
| Titan Wood BV | |
| Titan Wood Limited | |
- 6.5.3 Glyn Thomas
- | | |
|--|-------------------------------------|
| <i>Present</i> | <i>Previous</i> |
| Accsys Chemicals PLC | BBC Digital Programme Services Ltd |
| Dawncloud Limited | Chardy Limited |
| Fairfax I.S. Limited | Develica Management Limited |
| International Cellulose Company Overseas Ltd | Isomatrix UK Limited |
| International Chemical Company BV | Lifesyne UK Limited |
| Pearl Corporation PLC | Manet Telecom Limited |
| Rigi Limited | Medicsight PLC |
| Titan Wood Limited | Medicsight Asset Management Limited |
| Titan Wood BV | Pure Networks Limited |
| Tactica Fund PLC (Gibraltar) | Pure Telecommunications Limited |
| Tactica Management Limited (Gibraltar) | Redstone Network Services Limited |
| Xmonic Limited | Ravenscourt LS Limited |
| | Redstone Systems Limited |
| | Redstone Telecom plc |
| | Retec Europe Limited |
| | STG Holdings PLC |
| | Touchbase Network Limited |
| | Yang Cellulose Company Limited |
- 6.5.4 Stefan Allesch-Taylor
- | | |
|--|----------------------------------|
| <i>Present</i> | <i>Previous</i> |
| Fairfax Group Limited | Asia Capital (U.K.) Limited |
| Fairfax I.S. Limited | Develica Management Limited |
| Powerblue Pictures Limited | HTTP Defence Limited |
| Savoy Asset Management PLC | HTTP Healthcare Limited |
| Tactica Fund PLC (Gibraltar) | HTTP Insights Limited |
| Tactica Management Limited (Gibraltar) | HTTP Medical Limited |
| | HTTP Software PLC |
| | HTTP Statistics Limited |
| | IQ Capital HTTP Limited |
| | Landmark STG Limited |
| | Library of Life (Europe) Limited |
| | MDA (Central Europe) Limited |
| | Medicsight, Inc. |

6.5.4 Stefan Allesch-Taylor (*continued*)

Present

Previous

Medicsight Finance Limited
Medicsight Nominees Limited
Medicsight PLC
Metropolitan STG (Newry) Limited
Miller (St Neots) Limited
Monk Dunstone Associates (Bristol) Limited
Paduak Holdings Limited
Paduak Investments Limited
Paduak Ventures Limited
Semley Holdings Limited
STG Holdings PLC
STG Management Limited
S.T.G. Estates Limited
TPRC Limited
Worthing Premier Properties Limited
Yang Technology Limited

6.5.5 Gordon Campbell

Present

Previous

Babcock International Group PLC
British Heart Foundation
British Nuclear Fuels PLC
British Nuclear Group Sellafield Ltd
HSS Hire Service Holdings Limited
JSST Securities Limited
Jupiter Second Split Trust PLC
Senior PLC

Jupiter Split Trust PLC
Babcock UK Finance Limited
Babcock Holdings Limited
Babcock International Limited
Babcock Investments Limited
Babcock Management Limited
Babcock Nominees Limited
Babcock Overseas Investments Ltd
Babcock Engineering Services Ltd
Babcock Support Services (Investments)
Limited
Claudius Peters (UK) Limited
Forth Ports Public Limited Company
Icheme Limited
International Process Technologies Limited
ITI Scotland Limited
Peel Ports (BIHL) Limited

6.5.6 Timothy Paterson-Brown

Present

Previous

Accsys Chemicals PLC
Chardy Limited
Library of Life (USA), Inc.
Library of Life Public Limited
Company
Medicsight International Limited
Medicsight USA, Inc.
Medicsight PLC
Westminster Wellness Limited

Purely Cotton, Inc.
International Capital Corporation PLC
(Gibraltar)
STG Holdings PLC
Yang Cellulose Company Limited

6.6.1 William Paterson-Brown was a non-executive director of Multisofft PLC when that company was wound up on 31 July 1996.

6.6.2 Stefan Allesch-Taylor was a director of London & Plymouth Properties Limited until he sold his interest in that company and resigned as a director on 21 September 1994. The company was wound up on 24 May 1995.

- 6.6.3 Timothy Paterson-Brown was a non-executive director of Multisoft PLC and of its subsidiary Multisoft (UK) Limited when those companies were wound up on 31 July 1996 and 5 December 1996 respectively. He was also a non-executive director of Purely Cotton, Inc. until December 2000. Purely Cotton, Inc. sought US Chapter 11 protection in March 2001, that company's proposals were approved by the Florida Court in October 2002 and creditors agreed the proposals in November 2002.
- 6.7 Save as disclosed in paragraph 6.6 above, none of the Directors:
- 6.7.1 has any unspent convictions in relation to indictable offences;
 - 6.7.2 has been bankrupt or the subject of an individual voluntary arrangement;
 - 6.7.3 has been a director of a company which, while he was or within twelve months of his ceasing to be a director, was the subject of any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or with any class of its creditors;
 - 6.7.4 has been a partner in any partnership which, while he was or within twelve months of his ceasing to be a partner, was the subject of any compulsory liquidation, administration or partnership voluntary arrangement;
 - 6.7.5 has been a partner in any partnership which, while he was or within twelve months of his ceasing to be a partner, had a receiver appointed over any of its assets;
 - 6.7.6 has had a receiver appointed over any of his assets;
 - 6.7.7 has been publicly criticised by any statutory or regulatory authority (including recognised professional bodies);
 - 6.7.8 has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

7. Share Options

- 7.1 On 6 September 2005, the Company adopted an Unapproved Share Option Scheme (the "**Unapproved Scheme**"), the principal provisions of which are as follows:
- (a) Options to acquire Ordinary Shares may be granted (at the discretion of the Board or the remuneration committee of the Board) to selected employees who work not less than 20 hours for the Company or the directors of the Group.
 - (b) Options may be granted at an acquisition price per Ordinary Share which is not less than the nominal value of an Ordinary Share.
 - (c) No consideration is payable for the grant of an option. Options are not transferable or assignable.
 - (d) An option is exercisable (in whole or in part) normally up to the tenth anniversary of the date of grant. An option will lapse if the holder voluntarily resigns or is dismissed for cause as an employee of the Group unless otherwise agreed by the Board or the remuneration committee.
 - (e) The exercise of an option may be made subject to the achievement of specific performance conditions to be determined by the Board or the remuneration committee.
 - (f) In the event of a general offer to acquire the whole of the issued share capital of the Company as a result of which the offeror obtains control of the Company, an option holder may, with the consent of the acquiring company, release each subsisting and unexercised option for a new right which is equivalent to his option but relates to

shares in a different company (generally, the offeror). If another company obtains control of the Company, then options which are not exercised within a restricted period thereafter will lapse.

- (g) The number and/or class of shares and the subscription price of shares subject to an option may be varied by the Board in the event of a reorganisation of capital (such as a capitalisation or rights issue) subject to an opinion of the auditors of the Company that the variations are fair and reasonable.
 - (h) The Unapproved Scheme will be administered by the remuneration committee of the Board. The remuneration committee has the power to amend the Unapproved Scheme, but no amendment which is to the advantage of existing or future option holders (other than minor amendments to benefit its administrator for fiscal or regulatory benefit) except with the consent of the Company in general meeting.
 - (i) The Board may terminate the Unapproved Scheme at any time with the effect that no further options may thereafter be granted although in all other respects the Unapproved Scheme will remain in force.
 - (j) No Options may be granted under the Unapproved Scheme after the tenth anniversary of its adoption.
- 7.2 The Company also intends to adopt an Enterprise Management Incentive share option scheme (the “EMI Scheme”), the rules of which are in all material respects the same as the rules of the Unapproved Scheme, save that only UK employees and directors are eligible to participate in the EMI Scheme.
- 7.3 Options have been granted on 1 March 2005 to the following Directors to subscribe for an aggregate of 3,840,000 ordinary shares of €0.25 each in Accsys Chemicals:

<i>Director</i>	<i>Ordinary shares in Accsys Chemicals</i>
William Paterson-Brown	1,440,000
Edward Pratt	1,440,000
Glyn Thomas	960,000

and to a further 21 other employees of the Group to subscribe for a further 2,112,000 ordinary shares of €0.25 each in Accsys Chemicals. In each case, the options are exercisable at a price of €0.46 per share and vest as to 50 per cent. on grant and the remaining 50 per cent. will vest upon the Group attaining €1 million cumulative revenue after 1 April 2005.

- 7.4 Upon the share for share exchange offer by the Company for the Ordinary shares of Accsys Chemicals (as described in paragraph 10.3 of Part V of this document) becoming unconditional in all respects, the Company is making an offer to the holders of options over ordinary shares in Accsys Chemicals to exchange such options for options to subscribe for an equivalent number of Ordinary Shares in the Company on similar terms – i.e. at the same exercise price of €0.46 per share and with 50 per cent. of the options vesting upon grant and the remaining 50 per cent. on the attainment of cumulative Group turnover after 1 April 2005 of €1m. The Options will lapse if unexercised on 31 March 2015.

The options held by the Directors will be subject to a lock in of 12 months from the date of Admission.

- 7.5 On 22 September 2005, the Board also resolved to grant further options to subscribe for 100,000 Ordinary Shares, subject to the share for share exchange offer by the Company for the ordinary shares of Accsys Chemicals (as described in paragraph 10.3 of Part V of this document) becoming unconditional in all respects, to one person at an exercise price of €0.90 per share.
- 7.6 Further grants of options under the Company’s Share Option Schemes will be considered by the Company on a half yearly basis.

8. Directors' remuneration and service agreements

8.1 The Directors have, in the case of the Executive Directors, entered into employment contracts or agreements for services and in the case of Non-Executive Directors, letters of appointment, as follows:

<i>Director</i>	<i>Annual Remuneration</i>	<i>Notice period</i>	<i>Contracting company</i>
William Paterson-Brown	£150,000	12 months	Titan Wood Limited
Edward Pratt	£148,500	6 months	Titan Wood Limited
Glyn Thomas	£105,000	6 months	Titan Wood Limited
Stefan Allesch-Taylor	€30,000	3 months	Accsys
Gordon Campbell	€30,000	3 months	Accsys
Timothy Paterson-Brown	€25,000	3 months	Accsys

William Paterson-Brown's services are provided pursuant to a consultancy agreement between Titan Wood Limited and Khalidiya Investments. In addition, each of the Executive Directors has a letter of appointment with Accsys in respect of his appointment to office as a director of Accsys.

8.2 The interests of the Directors in the Shares and options over Shares are set out in paragraph 6.2 above.

8.3 There are no loans or guarantees in existence provided by the Company for the Directors' benefit.

9. Working Capital

The Directors are of the opinion, having made due and careful enquiry, that following the Placing, the Group will have sufficient working capital available to satisfy its present requirements, that is for at least twelve months following Admission.

10. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company since its incorporation, or by a Group company in the two years preceding the date of this document and are, or may be, material:

10.1 The Placing Agreement dated 19 October 2005 between Collins Stewart (1), the Company (2), the Directors (3) and STG (4) pursuant to which conditional upon, *inter alia*, Admission taking place on or before 8.30 a.m. on 26 October 2005 (or such later time and/or date as the Company and Collins Stewart may agree, being not later than 2 November 2005), Collins Stewart has agreed to use reasonable endeavours to procure subscribers for the New Ordinary Shares at the Placing Price.

The Placing Agreement contains warranties and indemnities from the Company and from the Directors in favour of Collins Stewart together with provisions which enable Collins Stewart to terminate the Placing Agreement in certain circumstances prior to Admission including where any warranties are found to be untrue or inaccurate in any material respect. The liability of the Directors for breach of warranty is limited. Under the Placing Agreement, the Company has agreed to pay Collins Stewart a corporate finance fee of £180,000 and a commission of 4 per cent. of a sum equal to the Placing Price multiplied by the number of New Ordinary Shares for which Collins Stewart procures subscribers.

Under the terms of the Placing Agreement, each of the Directors has undertaken to the Company and Collins Stewart not to (and will procure that persons connected to them will not) dispose of any interest in any Ordinary Shares held by them on or immediately following Admission, other than in certain limited circumstances, for a period of twelve months following Admission. In addition, each of the Directors has agreed that, in the subsequent twelve month period, they and persons connected to them will only dispose of Ordinary Shares which they hold on or immediately following the first anniversary of Admission through Collins Stewart so as to ensure an orderly market in the share capital of the Company.

The lock-in arrangements (and the dealing restrictions referred to therein) apply save in certain limited circumstances, including on death, in connection with acceptance of (or an irrevocable undertaking to accept) a takeover offer or pursuant to a court order.

- 10.2 A Nominated Adviser and Broker Agreement dated 19 October 2005 between the Company (1) and Collins Stewart (2) pursuant to which the Company appointed Collins Stewart to act as its nominated adviser and broker for the purposes of the AIM Rules. The Company has agreed to pay an annual fee (half-yearly in advance) of £30,000 (plus VAT) to Collins Stewart in respect of such appointment (as from Admission) and all Collins Stewart's reasonable expenses incurred in connection with the appointment. The appointment of Collins Stewart as the Company's nominated adviser and broker is for an initial period of 12 months from the date of Admission and thereafter is terminable by either Collins Stewart or the Company on three months' written notice.
- 10.3 A share for share exchange offer by the Company dated 14 September 2005 pursuant to which the Company offered one new Ordinary Share for each issued ordinary share of €0.25 each in Accsys Chemicals and an aggregate of 1,000,000 new deferred shares of 10p each in the Company for all the issued deferred shares of 33p each in Accsys Chemicals. As at 19 October 2005, acceptances had been received in respect of an aggregate of 103,710,180 issued ordinary shares in Accsys Chemicals and 47,982,161 issued deferred shares in Accsys Chemicals, resulting in the issue of 103,710,178 new Ordinary Shares and 996,069 new Deferred Shares in the Company between 3 and 19 October 2005. The Company has utilised the compulsory acquisition provisions of section 429 of the Act to acquire compulsorily the outstanding issued ordinary shares and deferred shares in Accsys Chemicals.
- 10.4 On 22 December 2004, Accsys Chemicals entered into a placing agreement with STG under which STG subscribed for 6,521,739 new ordinary shares at a price of €0.46 each, in capitalisation of part of the outstanding interest free advances previously made to Accsys Chemicals.
- 10.5 On 22 December 2004 Accsys Chemicals entered into a conditional Placing Agreement with Asia IT under which Asia IT subscribed for 25,593,030 new ordinary shares of €0.25 at a price of €0.46 each. This Placing Agreement was subject to clawback provisions under which existing shareholders, except STG, could subscribe for ordinary shares on the basis of one Ordinary Share for every two ordinary shares already held.
- 10.6 On 4 April 2005, Accsys Chemicals issued 9,119,139 Ordinary Shares. 6,521,739 ordinary shares were subscribed for in cash raising €3,000,000 and 2,597,400 ordinary shares represented the capitalisation of an aggregate of €1,194,804 of interest free advances from STG.

11. Litigation

- 11.1 A subsidiary undertaking, Titan Wood BV ("Titan Wood"), is in dispute with Cumae BV ("Cumae"), a firm of consulting engineers engaged to provide detailed structural specifications for the piping, steel superstructure and foundations of the acetic acid cracker nearing completion at the group's site in Arnhem. The original contract was for a total of €88,000. After alleged significant delays and cost overruns, followed by lengthy negotiations, Titan Wood is considering legal proceedings to recover substantial sums, which it claims to have incurred and part of the consequential costs of delays to the project which it claims to have incurred during 2004. Cumae is seeking payment of outstanding invoices amounting to some €146,000 which Titan Wood challenges. Titan Wood is claiming that the designs delivered by Cumae were effectively withdrawn because the design solution would have required redesign of the steel superstructure, changes to the foundations already prepared to an earlier Cumae specification and changes to certain unique vessels already manufactured and delivered to site. Titan Wood is accordingly claiming for repayment of amounts already paid to Cumae (€119,000); amounts paid to third parties to procure design solutions (€129,000); legal costs (currently modest) and fixed overheads for the period of the delay (rent and management overhead). Having taken legal advice, the Company intends to vigorously pursue its claim. Any reimbursement may have to await due process through the Dutch legal system which may take at least two years.

11.2 Save as disclosed in paragraph 11.1 above, the Group is and has not been involved in the past 12 months prior to the date of this document in any governmental, legal or arbitration proceedings and so far as the Company is aware no such proceedings are pending or threatened, which may have or have had in the recent past a significant effect on the Company and/or the Group's financial position or profitability.

12. Premises

12.1 Titan Wood BV has leased a number of buildings at IndustriePark Kleefse Waard, Westervoortsedijk, Arnhem. The annual rent of €226,513 is subject to annual indexation by the Dutch CPI index and runs until 31 March 2010, after which it may be extended.

12.2 The Company has the use of office accommodation at 46 Berkeley Square, Mayfair, London W1J 5AT under a licence at will. No specific payment is required to be made by the Company in respect of its occupation of this office.

13. Taxation

The following paragraphs, which are intended as a general guide only, are based on the Directors' understanding of current legislation and Inland Revenue practice as at the date of this document. They summarise certain limited aspects of the UK taxation treatment of the holding of shares and they relate only to the position of individual and corporate Shareholders who hold their shares beneficially as an investment and who are resident or ordinarily resident in the UK for taxation purposes (except insofar as express reference is made to the treatment of non-UK residents), and should not be construed as constituting advice. If you are in any doubt as to your taxation position, or if you are subject to taxation in any jurisdiction other than the UK, you are strongly advised to consult an appropriate independent professional adviser immediately.

On issue, the New Ordinary Shares will not be treated as either "listed" or "quoted" securities for tax purposes. Provided that the Company remains one which does not have any of its shares quoted on a "recognised stock exchange" (which for these purposes does not include AIM) the Ordinary Shares should continue to be treated as unquoted securities.

13.1 *Capital Gains Tax ("CGT") — individuals, trustees and personal representatives*

The Finance Acts 1998 and 2000 introduced various reforms to the taxation of gains realised by individuals, trustees and personal representatives. Affected Shareholders should note the following changes introduced by those acts:

Taper relief operates to reduce the amount of gain brought into charge to CGT by reference to the number of complete years during which assets have been held after 5 April 1998. It is a two-tier system depending on whether the asset qualifies as a business or non-business asset for taper relief purposes. With effect from 6 April 2000 shares in unlisted (which for this purpose includes shares quoted on AIM) trading companies generally qualify as business assets. Prior to 6 April 2000, shares in trading companies only qualified as business assets if they were held by full time employees who held at least 5 per cent. of the voting rights in the company or by a shareholder who held at least 25 per cent. of the voting rights in the company.

Once shares which qualify as business assets throughout the period from acquisition (or 6 April 1998 if later) have been held for (i) a complete year the amount of gain brought into charge to CGT is reduced to 50 per cent. (equivalent at present tax rates to a tax rate of 20 per cent. for a higher rate taxpayer, and 10 per cent. for those taxpayers with a gain that does not exceed their unused basic rate Income Tax band) and (ii) two complete years the amount of gain brought into charge to CGT is reduced to 25 per cent. (equivalent at present tax rates to a tax rate of 10 per cent. for a higher rate taxpayer, and 5 per cent. for those individual taxpayers with a gain that does not exceed their unused basic rate Income Tax band).

For non-business assets, the amount of gain brought into the charge to CGT is reduced by 5 per cent. for each complete year, in excess of two, that the asset is held after 5 April 1998. The maximum relief is achieved once the asset has been held for ten years when 60 per cent. of the gain is charged to CGT (equivalent at present tax rates to a rate of tax of 24 per cent. for a higher rate taxpayer and 12 per cent. for those taxpayers with a gain that does not exceed their unused basic rate Income Tax band).

Non-business assets that were held before 17 March 1998 have one extra year added to their holding period. Indexation up to April 1998 is also available on shares acquired before that date. Taper relief is applied to the gain after any indexation allowance.

Where a gain is made on an asset that was a business asset for only part of the shareholder's holding period the gain is apportioned on a time basis between the period when it was a business asset and the period when it was not. Only the period of ownership after 6 April 1998 (or the last ten years of ownership if shorter) is taken into account for apportionment purposes. The gain is then treated as two separate gains with business asset taper relief applied to the business gain and non-business taper relief to the non-business gain.

Corporation Tax on chargeable gains – companies

Subscriptions for New Ordinary Shares will not give rise to a liability to Corporation Tax. Shareholders within the charge to UK Corporation Tax will be subject to Corporation Tax on chargeable gains when disposing of shares depending upon the shareholder's circumstances (which will include the availability of allowable losses). Indexation will be available (when calculating a chargeable gain but not an allowable loss) from the month of acquisition up to the month of disposal.

Certain disposals of substantial shareholdings (broadly a shareholding of at least 10 per cent.) are exempt from Corporation Tax. In order to benefit from the exemption a number of conditions have to be satisfied. These relate to the company invested in, the shareholder and the shareholding itself and include a twelve-month holding period.

13.2 *Dividends*

There is no withholding tax on dividends nor is the Company liable to account for any tax to the Inland Revenue in respect of dividends it pays.

A Shareholder who is an individual resident for tax purposes (an 'individual shareholder') in the UK and who receives a dividend will be entitled to a tax credit equal (at current rates) to one ninth of the dividend. The individual will be taxable on the total of the dividend and the related tax credit ('the gross dividend'). The rate of Income Tax on dividends is 10 per cent. for both lower and basic rate taxpayers. The tax credit will discharge the Income Tax liability of an individual shareholder who is not liable to Income Tax at a rate greater than the basic rate but will not be repayable to an individual shareholder who is a non-taxpayer. Higher rate taxpayers will be liable to Income Tax at their current rate of 32.5 per cent. on the gross dividend, so that such a higher rate individual shareholder will have an income tax liability, after taking into account the tax credit, equal to 25 per cent. of the cash dividend.

It will not usually be possible for UK resident shareholders to claim repayment in respect of dividends.

A Shareholder that is a company resident for tax purposes in the UK will not generally be taxable on any dividend it receives from the Company if the shares are held as an investment, rather than as trading stock.

Shareholders resident outside the UK should consult their own professional adviser concerning their tax liabilities on dividends received from the Company. Such Shareholders should note that they will generally no longer be entitled to any payment from the UK Inland Revenue in respect of dividends paid.

13.3 *Stamp Duty and Stamp Duty Reserve Tax*

The following comments are intended as a guide to the general position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons concerned with depository arrangements or clearance services to which special rules apply.

The issue of New Ordinary Shares by the Company will not give rise to a charge to Stamp Duty or Stamp Duty Reserve Tax ("SDRT").

Transfers of the Ordinary Shares for value will generally be subject to UK ad valorem Stamp Duty, normally at 0.5 per cent. (rounded up to the nearest £5 in the case of transfers of

certificated shares) of the amount or value of the consideration given for the transfer. Generally ad valorem Stamp Duty does not apply to gifts nor to transfers from a nominee to the beneficial owner, although in cases of transfers where no ad valorem Stamp Duty arises, a fixed UK stamp duty of £5 may be payable. Stamp Duty and SDRT is normally paid by the purchaser and is generally due and payable within 30 days of the execution of the relevant agreement.

An agreement to transfer the Ordinary Shares for money or moneys worth will normally give rise to a charge to SDRT at the rate 0.5 per cent. of the amount or value of the consideration payable by the purchaser. The SDRT charge will generally arise where an agreement for the sale of the Ordinary Shares is not followed by an instrument of transfer that is duty stamped (for example, shares transferred in uncertificated form). SDRT is generally chargeable whether the agreement is effected in the UK or elsewhere and whether or not any party is resident or situated in the UK. The SDRT charge is cancelled if the stamp duty is paid on an instrument before the date of payment, or is repaid if an (instrument is duly stamped after the date on which the SDRT charge has been paid. A claim for repayment or cancellation must be made within six years of the date of the relevant agreement.

The above statements are intended as a general guide to UK tax law and practice. Any person who is in doubt as to his taxation position or requires information, which is more detailed than the general outline above, should consult his professional advisers.

14. General

- 14.1 Save as disclosed herein, there has been no significant change in the financial or trading position (or any significant recent trends concerning the development of the business) of the Company or any of its subsidiaries since 31 March 2005, being the end of the last financial period for which audited financial information for Accsys Chemicals and its subsidiaries has been published or 30 September 2005, being the date to which financial information for the Company has been published.
- 14.2 Save as disclosed in Parts I and II of this document:
- (i) there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are or may be material to the Company's business or profitability; and
 - (ii) the Directors are not aware of any environmental issues that may affect the Group's utilisation of its tangible fixed assets.
- 14.3 As at 31 March 2003, 31 March 2004 and 31 March 2005, the Group employed, in aggregate, approximately 7, 7 and 14 persons respectively. As at the date of this document, the Group employs approximately 20 persons.
- 14.4 The financial information relating to the Company and to Accsys Chemicals in the Accountants' Reports contained in Parts III and IV of this document does not constitute statutory accounts within the meaning of section 240(5) of the Act. No accounts have been prepared for the Company as the Company has not yet commenced business.
- 14.5 The financial information relating to the Company and to Accsys Chemicals in Parts III and IV of this document has been prepared in accordance with the laws applicable to the Company and to Accsys Chemicals and the Directors accept responsibility for it.
- 14.6 The Placing is being made by Collins Stewart on behalf of the Company. Collins Stewart is authorised and regulated by the Financial Services Authority, is registered in England and Wales with company number 1774003 and its registered office is at 9th Floor, 88 Wood Street, London EC2V 7QR.
- 14.7 Of the Placing Price, 1¢ represents the nominal value and 99¢ represents the premium.
- 14.8 The Company has agreed to pay Collins Stewart a commission of 4 per cent. of the funds raised in the Placing by Collins Stewart.

- 14.9 Save as disclosed herein (and in particular in paragraphs 5, 8.1 and 12.6 of Part V of this document), no person (excluding professional advisers named herein and trade suppliers) has received, directly or indirectly from the Company, since the date of incorporation of the Company, any of the following:
- 14.9.1 fees totalling £10,000 or more;
 - 14.9.2 securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - 14.9.3 any other benefit with a value of £10,000 or more at the date of this document, nor has any person entered into contractual arrangements to receive, directly or indirectly, from the Company any of the above on or after the Admission.
- 14.10 The proceeds of the Placing to be received by the Company are estimated at €27 million (gross) leaving a net sum of €25 million for the Company after expenses of €2 million which will be paid by the Company.
- 14.11 The Company has appointed SLC Registrars Limited of 42-46 High Street, Esher, Surrey KT10 9QY as registrars and as paying agents for any dividends declared.
- 14.12 The accounting reference date of the Company is 31 March and the current accounting reference period of the Company will end on 31 March 2006.
- 14.13 This document does not constitute an offer to sell, nor the solicitation of an offer to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and is not being mailed or otherwise distributed or sent in or into the United States, Canada, Japan or Australia. The Ordinary Shares have not been and will not be registered under the United States Securities Act 1933 as amended, or under the applicable securities laws of Canada, Japan or Australia and may not, subject to certain exceptions, be offered, sold, transferred, taken up or delivered in the United States of America, Canada, Japan or Australia.
- 14.14 Collins Stewart has given, and has not withdrawn, its written consent to the inclusion of its name in this document in the form and the context in which it appears.
- 14.15 BDO Stoy Hayward LLP have given and has not withdrawn its written consent to the issue of this document with the inclusion herein of their letter and reports set out in Parts III and IV and references thereto and to their name in the form and context in which they appear.
- 14.16 Copies of this document will be available free of charge to the public from the date of this document for not less than 14 days at the offices of Collins Stewart, 9th Floor, 88 Wood Street, London EC2V 7QR. Copies of this document may be inspected after that date for a period of one month after Admission.

15. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays accepted) at the office of Messrs mhlaw, Warnford Court, 29 Throgmorton Street, London EC2N 2AT for one month following Admission:

- 15.1 the Memorandum and Articles of Association of the Company;
- 15.2 the Accountant's Reports set out in Parts III and IV of this document;
- 15.3 the Directors' employment contracts and agreements for services referred to in paragraph 8.1 of Part V above;
- 15.4 the rules of the Unapproved Share Option Scheme;
- 15.5 the material contracts referred to in paragraph 10 of Part V above; and
- 15.6 the consent letters referred to in paragraphs 14.14 and 14.15 of Part V above.

Dated: 20 October 2005