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This document, which comprises a prospectus, has been prepared in accordance with the Prospectus Rules made under section 73A of FSMA and has been approved as such by the FSA in accordance with section 85 of FSMA. A copy of this document has been filed with the FSA in accordance with paragraph 3.2.1 of the Prospectus Rules. The Company has also requested that the FSA certify to The Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) that this document is a prospectus drawn up in accordance with the Prospectus Rules. This document has been made available to the public in accordance with paragraph 3.2.1 of the Prospectus Rules and chapter 5.21 of the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*).

This document does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security in any jurisdiction (including, without limitation, the New Ordinary Shares).

The Directors, whose names appear on page 16 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (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 contains no omission likely to affect the import of such information

The Existing Ordinary Shares are traded on Euronext Amsterdam and on AIM. Application has been made for the New Ordinary Shares to be admitted to listing and trading on Euronext Amsterdam and on AIM, in each case under the symbol 'AXS'. It is expected that such admission will become effective and that dealings in the New Ordinary Shares on Euronext Amsterdam and on AIM will commence at 9.00 a.m. (Central European Time) on or about 10 February 2010. No application is currently intended to be made for the New Ordinary Shares to be admitted to trading or traded on any other exchange.

You should read the whole of this document and the documents incorporated herein by reference. In particular, your attention is drawn to the risk factors set out in Part II ('Risk factors') of this document, which you should read in full.

ACCSYS
TECHNOLOGIES

ACCSYS TECHNOLOGIES PLC

(Incorporated and registered in England and Wales with registered no. 5534340)

**Admission to listing and trading of 44,232,226 New Ordinary Shares
with a nominal value of €0.01 each on Euronext Amsterdam and on AIM**

Fortis Bank (Nederland) N.V. is acting as the Euronext listing agent to the Company in connection with the Euronext Admission and is not advising any person or treating any person as its customer or client in relation to the Euronext Admission and will not be responsible to any such person for providing the protections afforded to its customers or clients or for providing advice in connection with the Euronext Admission. No representation or warranty, express or implied, is made by Fortis Bank (Nederland) N.V. as to any of the contents of this document and Fortis Bank (Nederland) N.V. does not accept any responsibility for the contents of this document.

Matrix Corporate Capital LLP, which is authorised and regulated in the United Kingdom by the FSA, is acting as nominated adviser to the Company in connection with the AIM Admission and will not regard any other person (whether or not a recipient of this document) as a client in relation to the AIM Admission and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the AIM Admission or any other matters addressed in this document. Its

responsibilities as the Company's nominated adviser under the AIM Rules for Companies and the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his or her decision to acquire Ordinary Shares in reliance on any part of this document. No representation or warranty, express or implied, is made by Matrix Corporate Capital LLP as to any of the contents of this document.

The distribution of this document in jurisdictions other than the United Kingdom and The Netherlands may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities law of any such jurisdiction. In particular, the New Ordinary Shares referred to in this document have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold in the United States absent registration or an exemption from registration. There will be no public offer of the New Ordinary Shares in the United States, the United Kingdom or elsewhere. The New Ordinary Shares were offered and sold outside the United States in reliance on Regulation S under the Securities Act. The New Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority, nor have the foregoing authorities passed upon or endorsed the merits of the Subscription referred to in this document. Any representation to the contrary is unlawful. See Part IX ('Selling and transfer restrictions') for further information on selling and transfer restrictions.

Certain information in relation to the Company is incorporated by reference into this document. Capitalised terms used herein have the meanings ascribed to them in the section entitled 'Definitions' beginning on page 68 of this document. Certain abbreviated and technical terms that are commonly used in the wood industry and which appear in this document are defined in the section entitled 'Glossary of Technical Terms' beginning on page 71 of this document. Unless the context otherwise requires, all references in this document to "we", "us", "our" and similar terms refer to the Company or the Group, as the context requires.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as of any subsequent time.

The contents of this document are not to be construed as legal, business or tax advice. Each Shareholder should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

The contents of the Company's website do not form part of this document.

This document will be published in the English language only.

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PART I

SUMMARY INFORMATION

The following information should be read as an introduction to this document. Any decision to invest in the Ordinary Shares should be based on consideration of this document as a whole by the investor.

Where a claim relating to the information contained in this document is brought before a court, the plaintiff might, under the national legislation of the EEA States, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary (including any translation of this summary), but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.

Overview

Accsys's primary focus is on the production and licensing of Accoya® wood through the Group's proprietary acetylation process. Accoya® exhibits superior dimensional stability and durability compared with other natural and treated timber. The Group has also developed proprietary acetylation technology to modify wood chip to enable future production of a range of panel products. This new modified wood chip product was launched by the Group in early 2009 under the brand name of Tricoya®.

The Group's operations comprise three principal business units: (i) the Accoya® production facility located in Arnhem, The Netherlands, being the world's first commercial scale plant for the production of Accoya®; (ii) technology development focused on a programme of continuous improvements to the process engineering and operating protocols for the acetylation of wood, as well as the development of technology for the acetylation of wood chip; and (iii) the licensing of technology for the production of Accoya® across the globe, for which licensing packs have been developed covering all aspects of the support and fulfilment of licensing the technology, such as the license and royalty arrangements, the use and marketing of the Accoya® brand, the basic site specific engineering.

Group strategy

The Group's focus is on maximising the global use of Accoya® as a modified wood offering unparalleled durability, stability and reliability.

The Group's preference is to follow an asset-light model through the development of large-scale licensing of its proprietary acetylation technology. To date, two licensees have been secured: Al Rajhi W.L.L. and Diamond Wood China Limited have been granted exclusive rights to manufacture and sell Accoya® in the member states of the GCC and China respectively. Accsys intends to make strenuous efforts to protect its intellectual property and has obtained patent protection in many major markets, with many further applications pending.

The Group is actively developing demand for Accoya® by working with selected distribution partners to generate interest in the use of Accoya® for end-use applications requiring appearance grade wood where the properties of durability, stability and reliability confer the highest value and focusing its efforts on the larger national markets.

Early attention has been paid to the development of a distinctive brand identity, the name Accoya® and the green trimark logo supported by a range of tags denoting product attributes. The Group has developed and maintains the 'www.accoya.com' website as an informative "shop window" to provide a consistent global presentation

A key component of the Group's strategy is the extension of its leading position in the acetylation of solid wood into the application of its proprietary technology to wood chip based panel products. In collaboration with Medite, a subsidiary of the Irish state-owned Coillte Group, development work and testing of panel products made using the Group's proprietary acetylation technology is well underway. Through Medite, a major producer of MDF and the Group's panel product development partner of choice, a route to market for the next generation of panel products incorporating Tricoya® has been identified .

The Company's competitive strengths

Only company with an economically viable method of acetylation

Although the process of acetylation of wood has been known for many decades, in the Directors' opinion, no other company in the world apart from Accsys has developed an economically viable method of producing acetylated wood on an industrial scale.

Commercial scale production plant

The Group has designed and developed the world's first commercial scale plant for the production of Accoya[®], drawing upon extensive experience it gained from operating a pilot plant over a period of several years. The plant provides technical validation of the processes and technology required to produce Accoya[®] on a commercial scale, providing a platform from which to launch the Group's licensing activities. Physical construction of the plant commenced in April 2006 and the first batch of Accoya[®] was produced in March 2007. Today, the plant has a theoretical maximum annual production capacity of 40,000 m³ of Accoya[®].

Product with favourable advantages and a lack of negative effects

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, its coatings adhesion, its gluability, its thermal resistivity, its hardness, its UV-stability, and – perhaps most importantly – its consistency and reliability. These improvements are not at the expense of other properties of the wood as the acetylation treatment has no negative impact on the strength properties of the material, the appearance of the material or on the toxicity of the material. 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. One of the significant advantages of Accoya[®] is that its quality can be readily measured.

Market

Approximately 3.6 billion m³ of round wood were harvested in 2007, of which 1.7 billion m³ was classified as industrial round wood (*source: Forest Product Statistics 2003-2007, UNECE Trade and Timber Division*). Approximately 431 million m³ of sawn wood was manufactured in 2007 (*source: Forest Product Statistics 2003-2007, UNECE Trade and Timber Division*). Using a conversion factor 0.6 m³ of sawn wood per m³ of round wood, some 0.718 billion m³ of industrial round wood was used for sawn wood. The remaining one billion m³ of industrial round wood is consumed in 220 million m³ of panel products, such as OSB and MDF, and engineered wood products with the balance going into pulp and paper. Of the 651 million m³ of panel products and sawn wood, Accoya[®] is expected to capture market share in those applications which require rot, insect and water resistance, ie primarily outdoor products. The Group is focused on the higher-value end of these application, where the dual qualities of durability and durability and dimensional stability offered by Accoya[®] are most highly valued. Key market segments include windows, doors, exterior plywood, veneers, recreational products (eg play-frames, decking and garden furniture) and cladding (known in the US as 'siding'). The Directors expect that over a five to ten year period a global licensing volume for Accoya[®] solid wood in the region of five million m³ is potentially achievable.

Potential applications

Major potential applications and product enhancements presently being researched or planned for future research by Accsys include the use of acetylated chips in the production of MDF or other engineered wood chip panels, 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 it could equal or even exceed that of solid wood applications.

Summary of financial information on the Accsys Group

The financial information set out below has been extracted from the Group's audited statutory accounts for the three years ended 31 March 2009 and the Group's unaudited interim financial statements for the six months ended 30 September 2008 and 30 September 2009, which are incorporated by reference into this document as explained in Part XI ('Documentation incorporated by reference') of this document. The audited financial information set out below in respect of the year ended 31 March 2007 is the financial information, prepared in accordance with UK GAAP, as set out in the Group's audited financial statutory accounts for the year ended 31 March 2007. The restated financial information for the year ended 31 March 2007 is prepared in accordance with IFRS and is the comparative financial information for the year ended 31 March 2007 as set out in the Group's audited statutory statements for the year ended 31 March 2008. The financial information set out below does not constitute statutory accounts for any company within the meaning of section 435 of the Companies Act 2006.

	Year ended 31 March 2007	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2008	Six months ended 30 September 2009
	Audited (UK GAAP)	Unaudited (restated)	Audited	Audited	Unaudited	Unaudited
	€'000	€'000	€'000	€'000	€'000	€'000
Consolidated income statements						
Revenue	50	50	27,328	31,191	17,867	9,330
Cost of sales	-	-	(11,761)	(20,209)	(10,902)	(7,292)
Administrative expenses						

	Year ended 31 March 2007	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2008	Six months ended 30 September 2009
	Audited (UK GAAP)	Unaudited (restated)	Audited	Audited	Unaudited	Unaudited
	€'000	€'000	€'000	€'000	€'000	€'000
General administrative expenses	(10,265)	(9,853)	(11,450)	(18,292)	(7,420)	(9,834)
Impairment of tangible fixed assets	(6,569)	(6,569)	-	-	-	-
Impairment of intangible fixed assets	(5,850)	(5,850)	-	-	-	-
Other income	-	-	-	8,290	-	-
(Loss)/profit from operations	(22,634)	(22,222)	4,117	980	(455)	(7,796)

	Year ended 31 March 2007 Audited (UK GAAP)	Year ended 31 March 2007 Unaudited (restated)	Year ended 31 March 2008 Audited	Year ended 31 March 2009 Audited	Six months ended 30 September 2009 Unaudited
	€'000	€'000	€'000	€'000	€'000
Consolidated balance sheets					
Non-current intangible assets	7,437	8,380	8,116	7,852	7,720
Non-current tangible assets	21,611	21,611	33,169	40,413	37,998
Cash and cash equivalents	10,825	10,825	46,239	17,503	9,512
Other current assets	1,995	1,995	10,032	47,073	48,184
Deferred tax	-	-	-	2,630	2,371
Less: trade and other payables	(3,102)	(3,102)	(10,095)	(23,132)	(20,985)
Equity attributable to equity holders of the parent	38,766	39,709	87,461	92,339	84,800

Emphasis of Matter – Going Concern statements

The Company's auditors included an Emphasis of Matter – Going Concern statement in their report on the financial year ended 31 March 2009 and their report on the six months ended 30 September 2009. Without qualifying their conclusion, in each case the auditors drew attention to the disclosures made in the relevant financial statements concerning the Group's ability to continue as a going concern, the Group's significant trade receivables, the Group's dependency on the recovery of these debts in a timely manner in order to continue as a going concern, the material uncertainty over the debtors' ability to pay their debts in line with the Group's funding requirements and the risk that a significant delay in realising such debts would result in the need for the Directors to raise additional funding.

As at 31 December 2009, the Group had trade receivables of €29,468,000 of which €28,622,000 related to Diamond Wood. The Company intends to use the net proceeds of the Subscription to support production and sales of Accoya® out of the Company's plant in Arnhem, The Netherlands, in so doing reducing the Company's reliance on realisation of the trade receivables described above. The Company is of the opinion that, taking into account the net proceeds of the Subscription, the working capital available to the Group is sufficient for its present requirements, that is for at least the 12 months following the date of this document.

The Subscription

The Subscription consists of a subscription by institutional investors and certain directors and senior managers of the Company for 34,744,133 New Ordinary Shares at €0.4865 per share. The net proceeds of the Subscription will be approximately €16.6 million.

The net proceeds of the Subscription will be used to meet the Company's short and medium-term cash flow requirements, principally supporting production and sales of Accoya® out of the Company's plant in Arnhem, The Netherlands.

The Subscription Price is the volume weighted average trading price of the Ordinary Shares for the two weeks ended 4 December 2009 and represents a discount of 2.7 per cent. to the closing market price of an Ordinary Share on 7 December 2009 (being the day immediately preceding the announcement of the Subscription) of €0.50 per share.

In addition to the Subscription Shares, the Company has agreed to issue a further 8,221,994 New Ordinary Shares at €0.4865 per share to Veritas to discharge the Company's obligations to Veritas under the €4,000,000 convertible loan referred to in the Company's half-yearly report announced on 17 November 2009, and a further 1,266,099 New Ordinary Shares at €0.4865 per share to certain of the Company's advisers in consideration for their work in connection with the Subscription.

The New Ordinary Shares will together represent approximately 22 per cent. of the enlarged issued share capital of the Company.

As a result of the issue of the Subscription Shares (net of expenses of approximately €0.3 million), the Loan Shares and the Adviser Shares, the Company's net assets will be increased by approximately €20.6 million. The issue of the Subscription Shares, the Loan Shares and the Adviser Shares will have no effect on the Company's earnings, save for interest earned on the net proceeds of the Subscription.

Risk factors

Shareholders and prospective investors should consider carefully the following risks, which are not the only risks facing the Group:

- the Company's auditors included an Emphasis of Matter – Going Concern statement in their report on the financial year ended 31 March 2009 and their report on the six months ended 30 September 2009;
- the Group may be affected by general market and economic conditions;
- the Group may not be able to win or maintain market share;
- the Group may not be able to expand into new markets;
- the Group may not be able to maintain or enhance its competitive advantage or keep pace with technological change;
- the Group is exposed to the risk of changes in tax laws, or the interpretation thereof, and government legislation or policy;
- the Group is exposed to credit risk associated with its existing licensees and future licensees;
- the Group is exposed to fluctuations in demand for wood products;
- the Group's success depends significantly on its ability to achieve market acceptance of and to further commercialise its wood acetylation technology and acetylated wood products;
- the Group faces competitive pressures;
- the Group's inability to adequately protect its proprietary technology and brand name could have a material adverse effect on its business;
- the Company cannot guarantee that the Group's disaster recovery and business continuity plans will be adequate in the future;
- the Group is reliant upon suppliers to supply it with the acetyl products it requires to produce Accoya®;
- the Group is exposed to environmental risks;
- the Group may not be able to take advantage of government permits or any applications for government permits may be denied;
- the Group's future access to additional capital may be restricted;
- the Group is exposed to health and safety risks;
- the Group is exposed to risks relating to the adequacy of its insurance;
- the Group could be adversely affected by increasing raw material costs;
- the Group may fail to secure or maintain acceptable levels of profitability in its operations;

- the Group is exposed to potential product liability claims; and
- the market value of the Ordinary Shares may fluctuate and may not reflect the underlying value or prospects of the Group.

PART II

RISK FACTORS

You should carefully consider the risks and uncertainties described below, in addition to the other information in this document. The risks and uncertainties described below represent all of those known to the Directors as at the date of this document which the Directors consider to be material. However, these risks and uncertainties are not the only ones facing the Group; additional risks and uncertainties not presently known to the Directors, or that the Directors currently consider to be immaterial, could also impair the business of the Group. If any or a combination of these risks actually occurs, the business, financial condition and operating results of the Group could be adversely affected. In such case, the market price of the Ordinary Shares could decline and you may lose all or part of your investment.

No statement contained in the risks and uncertainties described below should be taken as qualifying the statement as to the sufficiency of working capital set out in paragraph 11 of Part X ('Additional information') of this document.

1. Industry specific risks

The Group may be affected by general market and economic conditions

General market conditions may affect the value of the Company's share price regardless of operating performance. The Group could be affected by unforeseen events outside its control, including natural disasters, terrorist attacks, political unrest and/or government legislation or policy, announcements of technological innovations or new products and services by the Group's competitors, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Company and news reports relating to trends in the Group's markets. Market perception of companies operating in the Group's industry may change which could impact on the value of the Company's share price and on the ability of the Group to raise future funds. Furthermore, general economic conditions may affect exchange rates, interest rates and inflation rates, and movements in such rates may have an impact on the Company's cost of raising and maintaining debt financing should it seek to do so in the future.

The Group may not be able to win or maintain market share

There are no assurances that the Group's competitors will not improve or that the Group will win any market share from its competitors. For instance, the Group may face significant competition from organisations which have greater capital resources than the Group and/or which have a product offering competitive to that of the Group. Some of the markets into which the Group is entering may be conservative and adopt new products more slowly than anticipated. There is no assurance that the Group will be able to compete successfully in the market places in which it seeks to operate.

The Group may not be able to maintain or enhance its competitive advantage or keep pace with technological change or the Group's competitors may be able to respond more quickly to new or emerging technologies and changes in client requirements. Failure of the Group's products and services to maintain or enhance their competitive advantage and existing and/or increased competition could adversely affect the Group's business results from operations and its financial condition.

The presence of these competitive pressures could force the Group to reduce the price of its products, which could adversely affect its business, financial condition and operating results.

The Group may not be able to expand into new markets

An element of the Group's strategy for growth envisages the Group selling new or existing products and services into other territories or countries or into new markets. However, there can be no assurance that the Group will successfully execute this strategy for growth or such products or services will achieve commercial success. The development of a mass market for a new product or process is affected by many factors, most of which are beyond the control of the Group, including the emergence of newer and more competitive products or processes, the future price of raw materials, the tax regime on the materials and chemicals required to produce such products and develop such processes, the costs of the products or processes developed by third parties, regulatory requirements (including future regulatory changes) and the propensity of end-users to try new products or processes. If a mass market for any product or process fails to develop or develops more slowly than anticipated, the Group may fail to achieve profitability with respect to the technology associated with such product or process and suffer a material adverse effect on future revenue and profitability. In addition, the Group may not continue to develop such technology if market conditions do not support the continuation of the product or process.

The Group may not be able to maintain or enhance its competitive advantage or keep pace with technological change

If the Group's products and services do not sustain or enhance their competitive advantage, its business,

results from operations and financial condition will be adversely affected. The Group will need to continue to improve its products and to develop and market new products that keep pace with technological developments. Should the Group 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, the Group's business, financial condition and operating results could be adversely affected. The Company cannot guarantee that the Group will successfully develop these types of products.

The Group is exposed to the risk of changes in tax laws, or the interpretation thereof

Any change in the Group'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 Group depends on the individual circumstances of investors.

The Group is exposed to the risk of 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.

New legislation or regulations, or a more stringent interpretation of existing laws and regulations, may also require the Group's potential customers, partners or suppliers to change operations significantly or incur increased costs which could have a material adverse effect on the financial results of the Group.

2. Accsys Group specific risks

The Company's auditors included an Emphasis of Matter – Going Concern statement in their report on the financial year ended 31 March 2009 and their report on the six months ended 30 September 2009

The Company's auditors included an Emphasis of Matter – Going Concern statement in their report on the financial year ended 31 March 2009 and their report on the six months ended 30 September 2009. The Emphasis of Matter – Going Concern statement in their report on the financial year ended 31 March 2009 noted that:

“In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of disclosures made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group has significant amounts owing to it from trade debtors. The Group is dependent on the recovery of these amounts in a timely manner, and the new equity investments arranged since the balance sheet date, in order to continue as a going concern. While the Directors are confident that the amounts are recoverable, and that the investment will be forthcoming, there is a material uncertainty over the debtors' ability to pay their debts in line with the Group's funding requirements. A significant delay would result in the need for the Directors to raise additional funding. These conditions, along with the matters disclosed in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.”

The Emphasis of Matter – Going Concern statement in their report on the six months ended 30 September 2009 noted that:

“The Group has significant trade receivables. The Group is dependent on the recovery of these amounts in a timely manner in order to continue as a going concern. While the Directors are confident that the amounts are recoverable, there is a material uncertainty over the debtors' ability to pay their debts in line with the Group's funding requirements. A significant delay would result in the need for the Directors to raise additional funding. These conditions, along with the matters disclosed in note 1 to the interim financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The interim financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.”

As at 31 December 2009, the Group had trade receivables of €29,468,000 of which €28,622,000 related to Diamond Wood. If the Group is unable to realise these debts, or it experiences a prolonged delay in doing so, this would significantly affect the income received by the Group and cause the Group to take substantial write-downs which would have an adverse effect on the Group's financial position, namely a reduction in the Group's net assets which would be charged to the profit and loss account. In these circumstances, if the non-realisation of debts related to Diamond Wood, the Group would also have to write-down the value of its investment in that entity. However, the materialisation of this risk would have no impact on the Group's cash resources.

The Group would need to write-down the value of its investment in Diamond Wood if Diamond Wood is unable to obtain sufficient funds to construct its plant in Nanjing, China

The Group's interim results for the six months ended 30 September 2009 show significant balances in relation to Diamond Wood. Diamond Wood requires significant funds so as to enable the construction of the planned 300,000m³ Accoya® wood manufacturing plant in Nanjing, China. The Group's net assets as at 30 September 2009 were €84,800,000. As at that date, €38,764,000 of the Group's net assets were represented by its total investment in Diamond Wood, receivables for licence fees and other services and products, and prepayments of costs incurred in respect of this project. As at 31 December 2009, the Group had trade receivables of €29,468,000 of which €28,622,000 related to Diamond Wood. There has been a delay in Diamond Wood securing the necessary funding to build the first phase of the plant due to the world financial crisis and economic recession. If sufficient funds are not obtained to construct the plant, then the carrying value of the related net assets of €38,764,000 would be in doubt and the Group may have to write-down their value in full resulting in a reduction in the Group's net assets, which would be charged to the profit and loss account. However, the materialisation of this risk would have no impact on the Group's cash resources.

The Group is exposed to credit risk associated with its licensees

The Group's two existing licensees, Diamond Wood and Al Rajhi, may default on their licence fee and royalty payment obligations in favour of the Group. A significant portion of the Group's accounts receivable is attributable to existing licensing. If Diamond Wood and Al Rajhi fail to achieve sufficient project funding for them to continue as viable licensees, or they go out of business or restructure, or otherwise default on their obligations in favour of the Group, the Group could suffer losses because such parties may not pay their licence and royalty fees payable.

Furthermore, the Company currently holds 21,666,734 ordinary shares of €0.01 each in the share capital of Diamond Wood. In the event that Diamond Wood fails, the value of this shareholding is likely to be materially adversely affected.

The Group expects to licence its proprietary technology to future licensees. The Group expects that a significant portion of the Group's future accounts receivable will be attributable to future licensees. Future licensing capability and revenues could be at risk if Diamond Wood and/or Al Rajhi fail.

If future licensees fail to achieve sufficient project funding for them to be viable licensees, or they go out of business or restructure, or otherwise default on their obligations in favour of the Group, the Group could suffer losses because such parties may not pay their licence and royalty fees payable.

The loss of existing and/or future licensing revenues could have a material adverse effect on the Group's business, financial condition and results from operations.

The Group is exposed to fluctuations in the demand for wood products

Economic conditions significantly influence the demand for wood. Therefore, any deterioration or merely a long-term persistence of a difficult economic environment could negatively affect the demand for, and price of, the Group's products. Fluctuations in both prices and demand for the Group's products could have an impact on the Group's ability to operate profitably.

The Group's success depends significantly on its ability to achieve market acceptance of and to further commercialise its wood acetylation technology and acetylated wood products, and if the Group is unable to achieve market acceptance of or to further commercialise its technology and products, it will be unable to build a sustainable or profitable business.

The future development and success of the Group's business depends in large part on its ability to achieve market acceptance of and to commercialise the Group's wood acetylation technology and acetylated wood produced on the basis of this technology. Currently, the Group has only one production facility located in Arnhem, The Netherlands, which is the world's first commercial scale plant for the production of acetylated wood. This production facility was constructed in 2006 and the first batch of acetylated wood, branded Accoya®, was produced in March 2007. Whilst significant advances have been made, with sales revenue in the financial year ended 31 March 2009 (€8,486,000) doubling from the previous year (€4,210,000), increased volumes need to be sold to demonstrate market acceptance. If the Group's acetylation technology and acetylated wood does not achieve market acceptance, or if the speed of further developing and time-to-market of this technology and products compares unfavourably to directly competing technologies or products, the Group's business, results from operations or financial condition would be materially affected.

The Group faces competitive pressures

The Group's product, Accoya®, has material performance attributes which enable it to be considered as an alternative building material in major end-product applications. Materials specifiers will evaluate their choice of materials based upon a number of factors, including strength, durability, availability, machineability, aesthetics, environmental impact and price. Competing materials include durable hardwood, PVC (vinyl),

softwoods, engineered woods, wood plastic composites, concrete and aluminium. Improvements to the properties of these competing materials may be developed which increase the competitive pressure faced by Accoya®. New materials with enhanced properties may also be developed. Competitors may be able to respond more quickly to new or changing technologies and 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 new competing products and services that could be priced lower, provide superior performance or achieve greater market acceptance than the Group's products and services. The Group's 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.

The Group's inability to adequately protect its proprietary technology and brand name could have a material adverse effect on its business

The Group relies substantially on proprietary technology, information, trade secrets, know-how, laboratory research data and field research data to conduct its business, and to attract and retain customers and licensees. The success of the Group's business depends on its ability to protect its know-how and its intellectual property portfolio, maintain and obtain patents without infringing the proprietary rights of others. If the Group does not effectively protect its know-how and intellectual property, its business and operating results could be harmed materially.

To date, the Group has been granted patent protection relating to its acetylation technology in many major markets, including the United Kingdom, with many other patent applications pending. No assurance can be given that any pending patent applications or any future patent applications will result in granted patents. Furthermore, patents may only be granted for certain claims, thereby limiting the scope of protection. Patent applications are only made public after a certain number of months or years. As a result thereof the Group's patent applications run the risk of not being new due to prior applications of competitors that have not yet become public. This can result in the refusal of an application. The existing patents that have been granted and future patents that may be granted in the future arising out of current and future applications may be challenged, circumvented, invalidated or unenforceable. Competitors may develop similar technology or design around patents issued to the Group or its other intellectual property rights. The Group's competitors would then be able to manufacture and sell products which compete directly with the Group's products. In that case, the Group's revenues and operating results would decline. Therefore, there is no guarantee that the scope of any patent protection will exclude competitors or provide advantages to the Group, that in the future any patent granted in favour of the Group will be held valid on being challenged, or that third parties will not in future claim rights in or ownership of the patents and other proprietary rights from time to time held by the Group. Furthermore, there can be no assurance that others have not developed or will not develop similar products, duplicate any of the Group's products or design around any pending patent applications or patents (if any) subsequently granted to the Group. Other persons may hold or receive patents which contain claims having a similar scope.

The Group uses the brand names Accoya® and Tricoya® for its products worldwide. The Group has registered both Accoya® and Tricoya® as trademarks in numerous jurisdictions, but further applications for trademark registration may be refused or challenged in jurisdictions where a similar trademark for wood products has been registered prior to filing of the Group's application. Furthermore, the existing trademarks may be infringed or otherwise come under attack from third parties. An inability to use its brand names or continual infringement may adversely affect the Group's business in the relevant jurisdiction.

The Group also seeks to protect its technology and processes in part by confidentiality agreements with prospects, customers, licensees and employees and by limiting (broad) access to the Group's proprietary technologies and processes to its licensees. However, confidentiality agreements might be breached by licensees, (former) employees or others, and in that event, the Group might not have adequate remedies for the breach. In addition, the key employees' employment contracts contain robust restrictive covenants and confidentiality provisions. However, a judge is permitted to mitigate the restrictive covenants agreed under employment contracts. Furthermore, the Group's trade secrets might otherwise become known or be independently discovered by competitors. Unauthorised disclosure of the Group's trade secrets could enable competitors to use some of their proprietary technologies. This could harm the Group's competitive position and could cause its revenues and operating results to decline.

A substantial cost may be incurred if the Group is required to defend its intellectual property rights. In addition, a third party could also claim that the Group's technology infringes its proprietary rights. These claims, even if without merit, could be time consuming and expensive to defend and could have a materially detrimental effect on the Group. A third party asserting infringement claims against the Group and its customers could require the Group to cease the infringing activity and/or require the Group to enter into licensing and royalty arrangements. The third party could also take legal action which could be costly. In

addition, the Group may be required to develop alternative non-infringing solutions that may require significant time and substantial unanticipated resources. There can be no assurance that such claims will not have a material adverse effect on the Group's business, financial condition or results.

The commercial success of the Group may also depend in part on non-infringement by the Group of intellectual property owned by third parties. If this is the case, the Group may have to obtain appropriate intellectual property licences or cease or alter certain activities or processes or develop or obtain alternative products or challenge the validity of such intellectual property in the courts.

The Company cannot guarantee that the Group's disaster recovery and business continuity plans will be adequate in the future

The Company cannot guarantee that the Group's disaster recovery and business continuity plans will be adequate in the future for its critical business processes. Business continuity plans are intended to ensure that business-critical processes are protected from disruption and will continue even after a disastrous event (such as a major fire or weather, political, war or labour event). Without these plans, or if these plans prove to be inadequate, there is no guarantee that the Company or any of its operating subsidiaries would be able to compete effectively or even to continue in business after a disastrous event or major disruption to one or more of its operating subsidiaries. The Group's business is currently operated out of one plant, which is crucial for the production of Accoya®. Therefore, in case of a calamity all of the operations are at risk. Accordingly, if critical business processes fail or are materially disrupted as a result of a disastrous event or otherwise and cannot recover quickly, this could have a material adverse effect on the Group's business, financial condition and results from operations.

The Group is reliant upon suppliers to supply it with the acetyl products it requires to produce Accoya®

The Group currently relies on various suppliers, including BP and Celanese, to supply it with the acetyl products it requires to produce Accoya®. Any disruption, including due to the solvency or other financial difficulties on the part of the supplier, its inability to fulfil orders in a timely manner, an increase in the price of acetyl products or the interruption of supply, could, among other things, increase the Group's operating expenses, reduce the Group's profitability, disrupt the Group's inventory levels, harm customer relationships, reduce the Group's sales or future licensees or decrease the value of the Group's brand. Any disruption to the supply would have a material adverse effect on the Group's business, results from operations or financial condition.

The Group's technological advantages may be outweighed by additional costs

The Group's technologies are highly innovative and at different stages of development, from concept to commercial scale plant. In each case there is a risk 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 or will result in higher unit production costs than projected, therefore reducing profitability.

Timber is an organic material. Each different wood species requires its own acetylation recipe. For each specific dimension, a detailed recipe must be developed and tested for production conditions. The Group will not release Accoya® that does not meet its stringent quality controls. If species testing takes longer than expected, or if the Group does not meet its own quality controls in a timely manner or at all, the Group's competitive advantage, its business, results from operations and financial condition will be adversely affected.

The Group is exposed to 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 endeavour to take, appropriate measures to strive to ensure that the Group's facilities are and will endeavour 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 operation of the Group's plant.

The Group may not be able to take advantage of government permits or any applications for governmental permits may be denied

Future permit requirements must continue to be satisfied and there is no guarantee that this will always be possible and any application for governmental permits may be denied which could have a material adverse effect on the Group's business, financial condition and prospects.

The Group is sensitive to general economic conditions

Economic conditions significantly influence the demand for wood, including hardwood. Therefore, any deterioration or merely a long-term persistence of a difficult economic environment could negatively affect the demand for the Group's products and influence the prices of the Group's end-products. Fluctuations in both prices of the Group's end-products and demand for the Group's products could have an impact on the Group's ability to operate profitably.

The Group is exposed to health and safety risks

The Group's business exposes it to health and safety risks, particularly in relation to its employees. The Group cannot guarantee that the measures taken to ensure employee health and safety and to ensure compliance with the relevant regulations will be sufficient in the future, or that the Group will not be required to incur significant health and safety-related expenses in the future, either as a result of existing or future laws and regulations. Any such expenses could have an adverse effect on the Group's business, financial condition and results from operations.

The Group is exposed to risks relating to the adequacy of its insurance

Although the Group has insured major risks, the Company can give no assurance that the Group's present insurance coverage is sufficient to meet any claims to which it may be subject, that it will in the future be able to obtain or maintain insurance on acceptable terms or at appropriate levels or that any insurance maintained will provide adequate protection against potential liabilities. In addition, defending the Group against such claims may strain management resources, affect the Group's reputation and require the Group to expend significant sums on legal costs.

The Group is exposed to risks relating to fluctuations in currency exchange rates

The Group's financial statements are expressed in Euros and are therefore subject to movements in currency exchange rates on the translation of financial information of businesses whose operational currencies are other than the Group's reporting currency. Some of the Company's subsidiaries may incur costs in currencies other than those in which revenues are earned. The relative movements between the exchange rates in the currencies in which costs are incurred and the currencies in which revenues are earned can affect the profits of those subsidiaries. Fluctuations in the exchange rates between the Euro and other currencies could therefore affect the Group's reported results from year to year. This could have a material adverse effect on the Group's business, financial condition and results from operations.

The Group relies significantly on the skills and experience of its senior management and other key personnel and the loss of these individuals could harm its business

The Group's 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 the Group were to lose the services of any of these key employees, it may encounter difficulties in finding a suitable replacement for that person.

The retention of the services of these people cannot be guaranteed. In order to develop, support and maintain its business, the Group must recruit suitably qualified people.

The Group's 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. The Company cannot be sure that the Group will be able to attract and secure sufficient numbers of personnel in the future.

The Group is exposed to risks relating to potential tax liabilities

The Group is subject to income taxes in the United Kingdom and The Netherlands. Significant judgement is required in determining the Group's provision for income taxes. In the ordinary course of business, there are many transactions, including inter-company transactions, where the ultimate tax determination is uncertain. Additionally, the Group's calculation of income taxes is based in part on the Company's interpretations of applicable tax laws in the jurisdictions in which the Group operates. Although the Company believes its tax estimates are reasonable, there is no assurance that the final determination of the Group's income tax liability will not be materially different from what is reflected in the Group's income tax provisions and related balance sheet accounts. Should additional taxes be assessed as a result of new legislation, tax litigation or an audit, if the effective tax rate should change as a result of changes in tax laws, or if the Group were to change the locations in which it operates, there could be a material effect on the Group's income tax provision and results.

The Group could be adversely affected by increasing raw material costs

Apart from acetyls referred to above, the Group procures raw materials, principally timber, from a significant number of sources worldwide but mainly from the southern hemisphere. These raw materials are not rare or unique to the Group's industry. Wood costs and costs of commodities, such as energy, show significant volatility. The Group's gross margins could be affected if these types of costs remain high or escalate further. In the longer run, the Group may not be successful in passing along a portion of the higher raw materials costs to the Group's customers because of competitive pressures.

The Group's ability to pay a dividend

Future dividends to shareholders will be at the discretion of the Board after taking into account various factors including the Group's business prospects, cash requirements, financial performances, new product development and plans for international expansion.

The Group may fail to secure or maintain acceptable levels of profitability in its operations

The Group has invested significantly in the development and modification of its acetylation reactor technology and products over the years. In the year ended 31 March 2007, the Group had net losses after tax of €22,185,000 and in the years ended 31 March 2008 and 31 March 2009, the Group had modest net profits after tax of €4,081,000 and €5,429,000, respectively. The Group's operations are subject to a number of risks, including general economic conditions and fiscal regimes in each country in which it operates and compliance with a variety of foreign laws and regulations. Furthermore, the success of the Group's operations depends, *inter alia*, on the Group's ability to commercialise its acetylation reactor technology. The Company cannot guarantee that it will be able to achieve this or that its operations will become profitable or that it will be able to manage the Group's operations effectively. Any failure to secure or maintain acceptable levels of profitability in the Group's operations could have a material adverse effect on the Group's business, financial condition and results from operations.

The Group is exposed to potential product liability claims

There can be no assurance that long-term unforeseen technical problems will not be encountered with the Group's wood acetylation technology and acetylated wood produced on the basis of that technology. Any such problems may give rise to future legal claims against the Group for product liability.

3. Risk factors relating to the Ordinary Shares

The market value of Ordinary Shares may fluctuate and may not reflect the underlying value or prospects of the Group

Prospective investors should be aware that the value of an investment in the Company may go down as well as up. The market value of Ordinary Shares can fluctuate and may not always reflect the underlying value or prospects of the Group. A number of factors outside of the control of Accsys may materially adversely affect its performance and the price of the Ordinary Shares including, *inter alia*, the operations and share price performance of other companies in the industries and markets in which Accsys operates; speculation about Accsys' business in the press, media or investment community; changes to Accsys' sales or profit expectations or the publication of research reports by analysts and general market conditions.

Investors may experience immediate and substantial dilution by future share issues

Save for the issue of the New Ordinary Shares and the exercise of options or warrants under the Share Option Schemes referred to in this document, the Directors have no current plans for an offering of Ordinary Shares. However, it is possible that the Directors may decide to offer additional shares in the future. Any additional offering could have a material adverse effect on the market price of the Ordinary Shares.

Shareholders may be exposed to exchange rate risks

The Ordinary Shares are denominated in Euros. An investment in Ordinary Shares by an investor whose principal currency is not Euros exposes the investor to foreign currency exchange risk. Any depreciation of Euros in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares or any dividends in foreign currency terms, and any appreciation of Euros will increase the value in foreign currency.

Future sales, or the possibility of future sales, of a substantial number of Ordinary Shares by Shareholders may lead to a decline of the price of the Ordinary Shares

Future sales of Ordinary Shares by Shareholders could cause a decline in the market price of the Ordinary Shares. The Company cannot predict whether substantial numbers of Ordinary Shares will be sold in the open market. A sale of a substantial number of Ordinary Shares, or the perception that such sales could occur, could materially and adversely affect the market price of the Ordinary Shares and could also impede the ability for the Company to raise capital through the issue of equity securities.

The volume of trading in the Ordinary Shares has historically been low. The share price of the Ordinary Shares is subject to volatility and investors may be unable to sell Ordinary Shares at or above the price they pay for them

The Ordinary Shares are traded on Euronext Amsterdam and on AIM. There is no guarantee that there will be sufficient liquidity in the Ordinary Shares to sell or buy any number of Ordinary Shares at a certain price level. The Company cannot predict the extent to which an active market for the Ordinary Shares will develop or be sustained, or how the development of such a market might affect the market price for the Ordinary Shares. An illiquid market for the Ordinary Shares may result in lower trading prices and increased volatility, which could adversely affect the value of any investment. The market price of the Ordinary Shares could fluctuate substantially due to a number of factors, including, but not limited to:

- disruption or termination of the Group's relationships with key suppliers, customers or licensees;
- fluctuations in the Group's semi-annual or annual operating results;
- changes in the composition of the management;

- fluctuations in currency exchange rates;
- changes in the financial performance, conditions or market valuation of the Group's suppliers, customers or licensees;
- the issue of additional shares by the Company or a significant increase in the Group's debt obligations;
- publication of research reports about the Group or the Group's industry by securities or industry analysts;
- failure to meet or exceed securities analysts' expectations relating to the Group's financial results;
- speculation in the press or investment community generally;
- general economic conditions, particularly as they impact consumer spending patterns; and
- war, acts of terrorism and other man-made or natural disasters.

Past trends have indicated that where a company experiences a period of volatility in the market price of its shares, or where investors incur a loss on the value of their investment in a company's shares, such a company may be vulnerable to litigation activity by shareholders endeavouring to recoup their losses. If instituted against Accsys or one of its subsidiaries, such litigation activity could result in substantial costs and a diversion of the Group's management's attention and resources.

A limited number of Shareholders may collectively own a substantial percentage of the Ordinary Shares after the Subscription, and could significantly influence matters requiring shareholder approval

Certain institutional shareholders (see also Part X ('Additional information') of this document) currently hold, and may continue to hold after the Subscription, and other investors may acquire pursuant to the Subscription, a significant proportion of the Ordinary Shares. These shareholders may, if they act together, exercise significant influence over all corporate matters requiring shareholder approval after the Subscription, including the election of Directors and the determination of significant corporate actions. These shareholders may vote their Ordinary Shares in a way with which investors do not agree and this concentration of ownership could adversely affect the trading volume and market price of the Ordinary Shares or delay or prevent a change of control that could be otherwise beneficial to the Shareholders.

If securities or industry analysts do not publish research or reports about the Group's business or if they downgrade their recommendations regarding the Ordinary Shares, the Company's share price and trading volume could decline

The trading market for the Ordinary Shares will be influenced by the research and reports that industry or securities analysts publish about the Group or its business. If one or more of the analysts who covers the Company or the Group's industry downgrades the Ordinary Shares in their report, the market price of the Ordinary Shares would probably decline. If one or more of these analysts stop covering the Company or fail to regularly publish reports on the Company, the Company could lose visibility in the financial markets. This could cause a decline in the market price of the Ordinary Shares or trading volume.

The AIM Rules for Companies are less demanding than those which apply to companies whose shares are listed on the Official List

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. The AIM Rules for Companies are less demanding than those which apply to companies whose shares are listed on the Official List. A prospective investor should be aware of the risks of investing in an AIM listed company and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

FORWARD-LOOKING STATEMENTS

This document and the information incorporated by reference into this document include certain “forward-looking statements” with respect to the business, strategy and plans of the Company and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about the Company’s or the Directors’ and/or management’s beliefs and expectations are forward-looking statements. Words such as “believes”, “anticipates”, “estimates”, “expects”, “intends”, “aims”, “potential”, “will”, “would”, “could”, “considered”, “likely”, “estimate” and variations of these words and similar future or conditional expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. Investors are therefore cautioned that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements. These factors include, but are not limited to, those discussed in Part II (‘Risk factors’) and Part V (‘Information on the Accsys Group’). Neither Accsys nor any member of the Accsys Group undertake any obligation publicly to update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, save in respect of any requirement under applicable laws, the Prospectus Rules, the Disclosure and Transparency Rules and other applicable regulations.

PART III

SUBSCRIPTION STATISTICS

Subscription Price per New Ordinary Share	€0.4865
Number of Existing Ordinary Shares	156,370,302
Number of New Ordinary Shares	44,232,226
Estimated gross proceeds of the Subscription	€16.9 million
Estimated net proceeds of the Subscription	€16.6 million
Number of Ordinary Shares in issue following admission of New Ordinary Shares to trading on Euronext Amsterdam and on AIM	200,602,528
Percentage of enlarged issued share capital represented by New Ordinary Shares	22 per cent.
Market capitalisation following admission of New Ordinary Shares to trading on Euronext Amsterdam and on AIM *	€98,295,238.72
AIM and Euronext symbol	AXS
ISIN code	GB00B0LMC530
Common code	023381559

*Based on the Closing Price on 3 February 2010, being the latest practicable business day prior to the publication of this document.

Please refer to Part VIII ('The Subscription') for further details about the Subscription.

PART IV

DIRECTORS, SECRETARY AND ADVISERS

Directors	William Paterson-Brown (<i>Non-Executive Chairman</i>) Paul Clegg (<i>Chief Executive Officer</i>) Kevin Wood (<i>Chief Financial Officer</i>) Gordon Campbell (<i>Non-Executive Director</i>) Thomas Priday (<i>Non-Executive Director</i>) Timothy Paterson-Brown (<i>Non-Executive Director</i>) Lord Charles Russell Sanderson of Bowden K.B.D.L. (<i>Non-Executive Director</i>)
Registered office	Kensington Centre 66 Hammersmith Road London W14 8UD United Kingdom
Company secretary	Adrian Wyn-Griffiths
Nominated adviser	Matrix Corporate Capital LLP One Vine Street London W1J 0AH United Kingdom
Euronext listing agent & paying agent	Fortis Bank (Nederland) N.V. Rokin 55 1012 KK Amsterdam The Netherlands
UK legal advisers to the Company	Slaughter and May One Bunhill Row London EC1Y 8YY United Kingdom
Dutch legal advisers to the Company	Houthoff Buruma N.V. Gustav Mahlerplein 50 1082 MA Amsterdam The Netherlands
Auditors and reporting accountant	BDO LLP 55 Baker Street London W1U 7EU United Kingdom
Principal bankers	Barclays Bank PLC 180 Oxford Street London W1D 1EA United Kingdom
Registrars	SLC Registrars Thames House Portsmouth Road Esher Surrey KT10 9AD United Kingdom

PART V

INFORMATION ON THE ACCSYS GROUP

1. Introduction

Accsys's primary focus is on the production and licensing of Accoya[®] wood, manufactured through the Group's proprietary acetylation process, which exhibits superior dimensional stability and durability compared with other natural and treated timber. The Group has also developed technology to modify wood chip to enable future production of a range of panel products which the Directors believe will enable such materials to become suitable for external applications for the first time.

Business structure

The Group's operations comprise three principal business units: (i) the Accoya[®] production facility; (ii) technology development; and (iii) technology licensing.

(a) *The Accoya[®] production facility*

Located in Arnhem, The Netherlands, this is the world's first commercial scale plant for the production of Accoya[®] wood. The Group designed and developed the facility drawing upon extensive experience it gained from operating a pilot plant over a period of several years. The plant provides technical validation of the processes and technology required to produce Accoya[®] on a commercial scale, providing a platform from which to launch the Group's licensing activities. Physical construction of the plant commenced in April 2006, the first batch of Accoya[®] was produced in March 2007 and today the plant has a theoretical maximum annual commercial production capacity of 40,000m³ of Accoya[®].

Accoya[®] produced in Arnhem is now being sold across Europe, North America and Asia in an effort to establish the Accoya[®] brand in the global market and build demand for Accoya[®]. The Directors believe that such a strategy will stimulate demand for further licence deals across the globe.

(b) *Technology development*

Technology development is focused on a programme of continuous improvements to the process engineering and operating protocols for the acetylation of wood and, in conjunction with Medite, the development of technology for the acetylation of wood chip. The technology development resource is also being geared up to support licensing initiatives from early stage site specific advice, through input to basic engineering, assistance with commissioning and an intention to provide ongoing technical advice and information exchange once licensees are in production.

Operating protocols for each wood dimension and moisture content have been refined, and significant investigation and testing has been carried out to develop the Group's proprietary technology to enable acetylation of different wood species on a commercial scale. This investigation and testing continues, but the results to date are positive.

(c) *Technology licensing*

Licensing activity has developed into a global effort with interest being expressed by potential licensees for solid wood and chip products across the world. To date, licence agreements have been signed with two licensees, Al Rajhi and Diamond Wood, granting exclusive rights to manufacture and sell Accoya[®] in the member states of the GCC and China respectively. Licence fees payable under these agreements total €130 million and potential annual royalty payments total €14.3 million.

Subject to continued successful testing of acetylated wood chip in panel products, the Group expects Medite to be its first panel products licensee for the UK and the Republic of Ireland. Testing is well advanced and to date results are positive.

Further details of the Company's arrangements with Diamond Wood, Al Rajhi and Medite are set out in Part X ('Additional information') of this document.

The licensing arrangements cover:

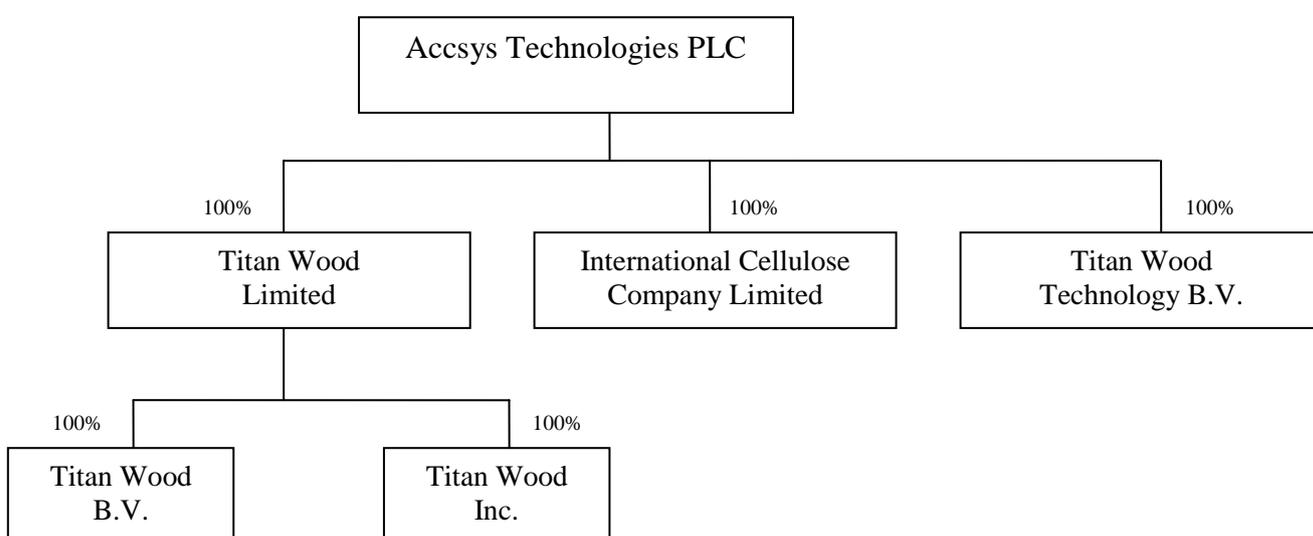
- license and royalty arrangements;
- use and marketing of the Accoya[®] brand;
- basic site specific engineering;
- long-term provision of acetyls supply and recycling of spent acid; and
- supply of certain key items of equipments.

Group structure

The Accsys Group comprises Accsys Technologies PLC and its five wholly-owned subsidiaries:

- Titan Wood Limited (“**Titan**”) – focused on the licensing of wood acetylation technology and the development of the Accoya® brand;
- Titan Wood B.V. (“**TWBV**”) – focused on the production of Accoya® to develop end-product applications of Accoya® in major markets and to supply the early product needs of potential licensees;
- Titan Wood Technology B.V. (“**TWTBV**”) – focused on the development of acetylation technologies and the provision of technical assistance to licensees;
- Titan Wood Inc. (“**TWInc**”) – focused on the sale and marketing of Accoya® across the United States and Canada; and
- International Cellulose Company Limited (“**ICC**”) – the owner of various technologies relating to cellulose modification and cracking technology.

The Company was incorporated on 11 August 2005 for the purpose of, among other things, acquiring the group of companies of which the trading subsidiaries Titan, TWBV, TWTBV and ICC formed part. The Group’s current structure is illustrated in the diagram below:



2. Group strategy

The Group’s focus is on maximising the global use of Accoya® as a modified wood offering unparalleled durability, stability and reliability.

The Group’s preference is to follow an asset-light model through the development of large-scale licensing of the technology to manufacture Accoya® across the globe. In its licensing model, Accsys charges licensees certain upfront technology licensing fees based on annual production capacity and royalty fees based on the amount of Accoya® produced. In all instances, the Group has made, and intends to continue to make, strenuous efforts to protect its intellectual property.

The Group is actively developing demand for Accoya® by working with selected distribution partners to generate interest in the use of Accoya® for end-use applications requiring appearance grade wood where the properties of durability, stability and reliability confer the highest value. As end-use demand expands, it will reinforce the Group’s ability to license the Accoya® technology by delivering substantial demand ahead of future licence agreements being entered into.

The Group’s licensing proposals incorporate a payment profile reflecting the stages of the negotiation, construction and commissioning that will be undertaken in bringing a licensee production facility into operation. The Group has established a model whereby it contracts with licensees on a basis that provides for payment of: (i) a technology fee for the intellectual property licensed; and (ii) royalties on volumes of Accoya® produced by the licensee.

Attention has been paid to the development of a distinctive brand identity, the name Accoya® and the green trimark logo supported by a range of tags denoting product attributes. The Group has developed and maintains the ‘www.accoya.com’ website as an informative “shop window” to provide a consistent global presentation of Accoya®. As product availability grows, the Group will consider consumer activity to

stimulate end-user awareness which is expected to contribute to demand growth as individuals seek to benefit from the enhanced performance offered by Accoya® and are swayed by its environmental advantages.

A key component of the Group's strategy is the extension of its leading position in the modification of solid wood through the application of its proprietary technology to wood chip based panel products. Such engineered wood panel products, including MDF, OSB and particle (also known as 'chip') boards, cannot presently be used in any applications where they are exposed to long-term weathering because the absorption of water leads to rapid structural deterioration. Deterioration is initially caused by the swelling forces of water in wood, which cause the glue bonds to fracture, and, over time, mould and insect attack. Development and testing work is advancing with Medite - a subsidiary of the Irish state-owned Coillte Group, a major producer of MDF and the Group's panel product development partner of choice. Under the terms of a joint development agreement between Titan and Medite, Medite has agreed to work with Titan to assess the commercial viability of such new generation panel products. The joint development agreement provides that once testing is complete and approved by Medite, Medite will invest in the world's first commercial scale plant for the production of panel products using the Group's proprietary technology under licence. This is expected to happen in 2011. Further details of the joint development agreement with Medite are set out in Part X ('Additional information') of this document.

3. The Accsys Group

(a) *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 a 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., 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 very limited 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 durable hardwoods will become increasingly scarce.

Historically, 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 highly toxic, with serious disposal and health implications due to their copper, arsenic and chromium content. The current American Wood Preservers Association website notes that research has shown that more than 581.4 million cubic feet of wood was chemically treated in the US alone in a single year (1997 data). A method of transforming wood on an industrial scale 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 (much less swelling and shrinkage) that is significantly better than the unacetylated parent wood. Acetylation transforms low durability woods into a new kind of high durability, dimensionally stable wood.

(b) *Accoya® production and performance attributes*

Although the process of acetylation of wood has been known for many decades, in the Directors' opinion, no other company in the world apart from Accsys has developed an economically viable method of producing acetylated wood on an industrial scale. The modified wood created by the process of acetylation has been branded Accoya® by the Group. The Group owns the proprietary and 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. Major applications of acetylated wood include decking, cladding, window frames, doors, veneers (the outer wood skin used in many wood applications), bridges and freshwater marine use (such as canal linings).

Accoya® offers three significant improvements compared to either untreated or treated wood: class leading durability, dimensional stability and reliability. These attributes are superior even to tropical

hardwoods.

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 cheapest types of 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:

(i) *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. Durability is increased up to Class 1, the best available and which achieves resistance to virtually all rot, water and insect degradation. Accoya® is more durable than teak wood or meranti.

(ii) *Dimensional stability*

Dimensional stability is improved considerably by acetylation with swelling and shrinkage reduced by 80 per cent. compared to the untreated wood species. Overall dimensional stability affects coatings adhesion and mechanical properties (swelling causes paint to break and doors and windows to jam in their frames). The volumetric dimensional stability of Accoya® is nearly three times better than teak and four times better than dark red meranti – both considered to be stable woods.

(iii) *Consistency and reliability*

Accoya® is typically made from fast-growing, farmed wood, such as pine. Softwoods such as radiata pine are abundantly available (measured in tens of millions of cubic metres annual harvest availability). Reliability of supply is increasingly a challenge for importers of tropical hardwoods.

(iv) *Coatings adhesion*

Coatings adhesion of Accoya® in long-term trials is significantly better than untreated wood. After nine and a half years of outdoor exposure, untreated wood samples showed substantial cracking and flaking, and, in one case, complete erosion of the coating. In contrast, Accoya® samples showed no meaningful deterioration of coatings. This is expected to have a significant impact on the competitive potential of Accoya® as in many countries wood has been replaced by other alternatives, such as PVC or vinyl, in part because of the maintenance issues associated with wood. Over the period from 1994 to 2005, the United Kingdom private residential housing market saw the share of wooden windows decline from 85 per cent. to 12 per cent. while the share of PVC rose from 9 per cent. to 82 per cent. – a significant change in share for each material (source: “*Inspiration & Aspiration – a look at private sector development*” – British Woodworking Foundation (2007)). The Directors believe that Accoya® has the potential to reverse this trend.

(v) *Gluability*

Accoya® has been proven to have excellent gluability properties. Under testing required for the Sneek Bridge programme for the Province of Friesland in The Netherlands (conforming to European Committee testing standards EN 386 and BRL 1701), the ability to glue Accoya® was tested with wood glues provided by Dynea and Purbond and demonstrated suitable outcomes in delamination testing, such that Accoya® has been deemed suitable for the construction of a heavy road bridge having large dimension laminated beams.

(vi) *Thermal resistivity*

The thermal resistance of a wood specie is affected greatly by the wood’s density and moisture content. The equilibrium moisture content of Accoya® is significantly reduced. This results in far better thermal resistance (lower heat conductivity) compared to “durable” tropical hardwood species. Official testing of Accoya® wood according to EN standard 12667 gives a thermal conductivity of $\lambda = 0.13 \text{ W/mK}$ whereas typical tropical hardwood species have a value of 0.18 W/mK for a near 40 per cent. difference. Thermal performance versus non-durable softwoods that are clad or treated with toxins is also improved. Without compromising performance in respect of durability (resistance against fungi), Accoya® is therefore a good choice for improvement of thermal isolation over “durable” tropical hardwood species.

(vii) *Ultra-violet stability*

UV-stability of unfinished Accoya® has been independently investigated and although the wood is

still susceptible to UV-breakdown, the process actually lightens the wood, rather than the usual dark (brownish) discoloration.

(viii) *Hardness*

Accoya[®] is made from underlying wood species that are generally fast-growing, such as pine, and typically have moderate levels of natural hardness. The process of manufacturing Accoya[®] improves hardness of such soft species, without meaningful loss of strength. Testing has shown hardness improvements in the radial, tangential and end-grain orientation of the wood of 47 per cent., 52 per cent. and 81 per cent. respectively, placing Accoya[®] made from pine in the same hardness range as dark red meranti and teak (flat surface) and much better than that of Scots pine, Oregon pine and Western Red Cedar which are commonly used in the wood industry.

The above improvements are not at the expense of other properties of the wood as the acetylation treatment has no negative impact on the strength properties of the material, the appearance of the material, or the toxicity of the material.

The Directors believe that the combination of the favourable attributes of Accoya[®] and the lack of negative effects make acetylation appealing to potential consumers. Many, if not all, other wood modifications and treatments either significantly reduce the wood's strengths, harm its appearance or have harmful environmental impacts (see further under the heading '(j) Competition' in this section 3 below). This is not true for acetylation.

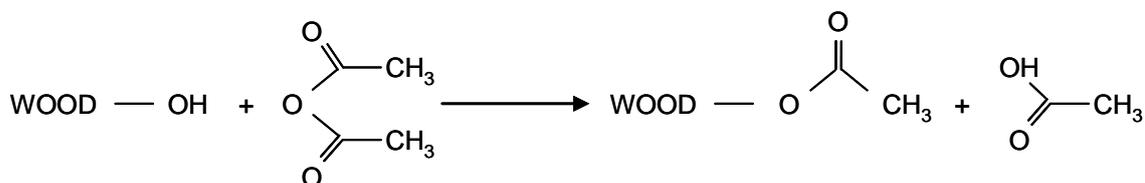
Acetylation alters the actual chemical structure, rather than the simple 'chemical content', of the wood. By contrast, to achieve similar benefits to those offered by acetylation, many other treatments merely insert chemicals (such as oils, ammonia or metal compounds) into the cell walls of the wood,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

Unlike preservative treatments, acetylation does not introduce chemicals that are not already present in naturally occurring wood. 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 (*source: Timber: Structure Properties, Conversion and Use by H.E. Desch, J.M. Dinwoodie*). 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.

(c) *The basic chemistry and process steps*

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[®] therefore presents no problems additional to the disposal of normal wood.



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.

(d) **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. Actual usage indicates that acetylated wood is suitable for a wide range of joinery products. Moreover, Accoya® is preferable to existing alternatives, including higher-cost hardwoods, laminated softwoods and artificial alternatives, due to the combination of favourable attributes and the lack of negative effects described above.

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.

(e) **Intellectual property and know-how**

The Group relies substantially on proprietary technology, information, trade secrets, know-how, laboratory research data and field research data to conduct its business, and to attract and retain customers and licensees. The success of the Group's business depends on its ability to protect its intellectual property portfolio, including its patents granted and other proprietary technology, know-how and trade secrets, and obtain further patents without infringing the proprietary rights of others. The Group's intellectual property rights relate to a process for the reaction of wood with acetic anhydride.

The Group incorporates more than 15 years of development work in acetylation technology.

Accoya® and Tricoya® have been registered as global international trade marks, registered in the European Union and have been granted trade mark status in many major markets, with many other applications for other territories and states pending.

(f) **Arnhem production facility**

The Group started work on the design of its wood modification plant during the summer of 2005, with basic engineering, incorporating learning from its pilot reactor system, being completed by the end of that year. Following a decision to acquire a freehold site adjacent to its existing operations in Arnhem, site access was achieved in April 2006. Construction and initial commissioning tests allowed the first batch of Accoya® to be produced in March 2007.

As planned, the Group then spent considerable time optimising operating protocols, defining detailed recipes for each dimension of radiata pine (the preferred timber), refining pre-production drying and post-production conditioning, and optimising utilisation of acetyls and utilities. The Company engaged in an extensive testing programme to optimise logistics, wood handling and the modification process in order to achieve a robust and economically viable process for the volume production of Accoya®. This testing process has now been successfully concluded and the Arnhem plant is now theoretically capable of commercially producing 40,000m³ of Accoya® per annum, validating the use of the Group's proprietary technology on a commercial scale.

(g) **Sales and marketing strategy**

The Group's primary objective is to maximise its returns through the international licensing of its technology. The Directors expect licensing revenues to consist of certain upfront technology licensing fees based on annual production capacity and a royalty fee based on the amount of Accoya® or Tricoya® produced.

The Group's production facility has a vital role to perform in realising this:

- (i) providing physical demonstration of the technology and production processes;
- (ii) seeding demand for the use of Accoya®, particularly for key end-product applications (e.g. external doors, windows, decking and cladding) in large national markets;
- (iii) providing samples of Accoya® and Tricoya® to potential licensees for testing and development of local and export market end-product applications; and
- (iv) providing suitable quantities of Accoya® to stimulate licensees distribution pipelines ahead of their own production facilities coming online.

The Group's plant is providing material to support market penetration by companies focusing on key

product groups in major markets and to licensees seeking initial seed volumes in order to develop their markets.

The Group has granted Diamond Wood exclusive distribution rights for a period of three years from 7 October 2009, covering not only China but a total of thirteen other Asian states affording Diamond Wood the opportunity to seed the Asian market in advance of its own production going live. Accoya® is also being distributed in the GCC in anticipation of assisting Al Rajhi in the same manner.

In addition, distribution or agency agreements have also been entered into with a total of fifteen separate parties to date, allowing Accoya® to penetrate the markets of the United States, Canada, India, the United Kingdom, the Republic of Ireland, Norway, Denmark, Italy, Switzerland, Austria and Greece. Further, Accoya® is being sold into Germany, Poland and The Netherlands where the Group is currently engaged in discussions for further distribution arrangements.

(h) **Markets**

Market size

Approximately 3.6 billion m³ of round wood were harvested in 2007, of which 1.9 billion m³ was consumed as fuel and 1.7 billion m³ classified as industrial round wood (*source: Forest Product Statistics 2003-2007, UNECE Trade and Timber Division*). Approximately 431 million m³ of sawn wood was manufactured in 2007 (*source: Forest Product Statistics 2003-2007, UNECE Trade and Timber Division*). Using a conversion factor 0.6 m³ of sawn wood per m³ of round wood, some 0.718 billion m³ of industrial round wood was used for sawn wood. The remaining one billion m³ of industrial round wood is consumed in 220 million m³ of panel products, such as OSB and MDF, and engineered wood products with the balance going into pulp and paper.

Of the 651 million m³ of panel products and sawn wood, Accoya® is expected to capture market share in those applications which require rot, insect and water resistance, i.e. primarily outdoor products. The Group 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 (e.g. play-frames, decking and garden furniture) and cladding (known in the US 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 the Group's sales and marketing team through primary market contacts and published literature research, combined with various commissioned work.

Demand in Europe and North America for Accoya® is growing. The product has been widely tested in these regions by scientific experts, manufacturers and end-users, and confirmed as an extremely desirable new product in the wood and timber industry. The total market volume in the principal applications in which the Group's product is expected to successfully compete in Europe and North America is estimated to be equivalent to more than 40 million m³ per year. 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 treble this amount.

The Directors expect that over a five to ten year period a global licensing volume for Accoya® solid wood in the region of five million m³ is potentially achievable. Actual licence volumes will be a function of market acceptance and cost competitiveness, and would be affected by the launch of rival technologies. These estimates are before considering the potential capacity for licensing wood chip acetylation technology under development and the Directors believe that it could equal or even exceed that of solid wood applications.

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 1.5 million m³ of wood equivalent (*source: Global Information, Inc.*).

(i) **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. None 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. Independent research (*source: Holz-Zentralblatt 20 September 2005*) 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 furfuryl 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 by furfurylation the wood colour is much darker than the original wood. Depending on the WPG-increase the colour of furfurylated wood turns darker.

Other modifications

There are a wide variety of other modifications and impregnations (including oil, wax and silica based impregnations, various combinations of approaches seeking to introduce different attributes). The Group is not aware of any that offer the combination of performance attributes of Accoya[®], particularly the combination of exceptionally positive improvements to durability, dimensional stability, coatings adhesion, gluability, thermal resistivity, UV-stability and hardness, without the negative effects associated with other treatments (excessive hardness, coatings adhesion problems, strength loss or undesirable weight gains). It is possible that other modification techniques will find market acceptance in due course. In the opinion of the Directors, any such acceptance is likely to benefit Accoya[®], as it would validate the acceptance of wood modification in general.

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 past 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 market.

Chemically impregnated wood

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

At the same time the industry is developing new alternatives to CCA. These chemical preservations do not improve dimensional stability and UV-resistance, generally limiting their usage to lower value applications. There will continue to be a place for such materials, largely due to their low costs of production. Since, however, these treatments rely on toxicity to provide the preservative effect, it is expected that increasingly legislation will continue to erode the share of markets occupied by such basic chemical treatments.

4. Summary of financial information on the Accsys Group

The Group adopted IFRS as endorsed by the European Union for the first time when it prepared its statutory accounts for the year ended 31 March 2008. The financial information set out below has been extracted from the Group’s audited statutory accounts for the three years ended 31 March 2009 and the Group’s unaudited interim financial statements for the six months ended 30 September 2008 and 30 September 2009, which are incorporated by reference into this document as explained in Part XI (‘Documentation incorporated by reference’) of this document. The audited financial information set out below in respect of the year ended 31 March 2007 is the financial information, prepared in accordance with UK GAAP, as set out in the Group’s audited financial statutory accounts for the year ended 31 March 2007. The restated financial information for the year ended 31 March 2007 is prepared in accordance with IFRS and is the comparative financial information for the year ended 31 March 2007

as set out in the Group's audited statutory statements for the year ended 31 March 2008. The principal difference for the Group between reporting under IFRS as compared to UK GAAP was not to amortise goodwill but instead test for impairment and the impact of the restatement in the year ended 31 March 2007 was to reduce the loss from operations by €412,000 and to increase the equity attributable to equity holders of the parent as at 31 March 2007 by €943,000. The financial information set out below does not constitute statutory accounts for any company within the meaning of section 435 of the Companies Act 2006.

	Year ended 31 March 2007 Audited UK GAAP €'000	Year ended 31 March 2007 Unaudited (restated) €'000	Year ended 31 March 2008 Audited €'000	Year ended 31 March 2009 Audited €'000	Six months ended 30 September 2008 Unaudited €'000	Six months ended 30 September 2009 Unaudited €'000
Consolidated income statements						
Revenue	50	50	27,328	31,191	17,867	9,330
Cost of sales	-	-	(11,761)	(20,209)	(10,902)	(7,292)
Administrative expenses						
General administrative expenses	(10,265)	(9,853)	(11,450)	(18,292)	(7,420)	(9,834)
Impairment of tangible fixed assets	(6,569)	(6,569)	-	-	-	-
Impairment of intangible fixed assets	(5,850)	(5,850)	-	-	-	-
Other income		-	-	8,290	-	-
(Loss)/profit from operations	(22,634)	(22,222)	4,117	980	(455)	(7,796)

	Year ended 31 March 2007 Audited UK GAAP €'000	Year ended 31 March 2007 Unaudited (restated) €'000	Year ended 31 March 2008 Audited €'000	Year ended 31 March 2009 Audited €'000	Six months ended 30 September 2009 Unaudited €'000
Consolidated balance sheets					
Non-current intangible assets	7,437	8,380	8,116	7,852	7,720
Non-current tangible assets	21,611	21,611	33,169	40,413	37,998
Cash and cash equivalents	10,825	10,825	46,239	17,503	9,512
Other current assets	1,995	1,995	10,032	47,073	48,184
Deferred tax	-	-	-	2,630	2,371
Less: trade and other payables	(3,102)	(3,102)	(10,095)	(23,132)	(20,985)
Equity attributable to equity holders of the parent	38,766	39,709	87,461	92,339	84,800

Emphasis of Matter – Going Concern statements

The Company's auditors included an Emphasis of Matter – Going Concern statement in their report on the financial year ended 31 March 2009 and their report on the six months ended 30 September 2009. The Emphasis of Matter – Going Concern statement in their report on the financial year ended 31 March 2009 noted that:

“In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of disclosures made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group has significant amounts owing to it from trade debtors. The Group is dependent on the recovery of these amounts in a timely manner, and the new equity investments arranged since the balance sheet date, in order to continue as a going concern. While the Directors are confident that the amounts are recoverable, and that the investment will be forthcoming, there is a material uncertainty over the debtors' ability to pay their debts in line with the Group's funding requirements. A significant delay would result in the need for the Directors to raise additional funding. These conditions, along with the matters disclosed in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a

going concern.”

The Emphasis of Matter – Going Concern statement in their report on the six months ended 30 September 2009 noted that:

“The Group has significant trade receivables. The Group is dependent on the recovery of these amounts in a timely manner in order to continue as a going concern. While the Directors are confident that the amounts are recoverable, there is a material uncertainty over the debtors’ ability to pay their debts in line with the Group’s funding requirements. A significant delay would result in the need for the Directors to raise additional funding. These conditions, along with the matters disclosed in note 1 to the interim financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern. The interim financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.”

As at 31 December 2009, the Group had trade receivables of €29,468,000 of which €28,622,000 related to Diamond Wood. If the Group is unable to realise these debts, or it experiences a prolonged delay in doing so, this would significantly affect the income received by the Group and cause the Group to take substantial write-downs which would have an adverse effect on the Group’s financial position, namely a reduction in the Group’s net assets which would be charged to the profit and loss account. In these circumstances, if the non-realisation of debts related to Diamond Wood, the Group would also have to write-down the value of its investment in that entity.

The Company intends to use the net proceeds of the Subscription to support production and sales of Accoya® out of the Company’s plant in Arnhem, The Netherlands, in so doing reducing the Company’s reliance on realisation of the trade receivables described above. The intended use of the net proceeds of the Subscription will not change irrespective of whether or not the events described in the risk factors set out on pages 7 and 8 of this document, respectively, under the headings “The Company’s auditors included an Emphasis of Matter – Going Concern statement in their report on the financial year ended 31 March 2009 and their report on the six months ended 30 September 2009” and “The Group would need to write-down the value of its investment in Diamond Wood if Diamond Wood is unable to obtain sufficient funds to construct its plant in Nanjing, China” materialise.

The Company is of the opinion that, taking into account the net proceeds of the Subscription, the working capital available to the Group is sufficient for its present requirements, that is for at least the 12 months following the date of this document.

5. Dividend policy

The Company paid a maiden dividend to Shareholders in August 2008 but has not paid a dividend since. The Company’s general dividend policy following the subscription is to pay dividends at levels consistent with factors such as future earnings, financial condition, capital adequacy and liquidity. The Company does not expect to pay a dividend in respect of the current financial year.

6. Capitalisation and indebtedness

The following tables show the capitalisation of the Group as at 30 September 2009 and the indebtedness and cash of the Group as at 30 November 2009. There have been no material changes to the capitalisation figures since 30 September 2009. The figures for capitalisation have been extracted without material adjustment from the Group’s unaudited consolidated interim results for the six months ended 30 September 2009. The indebtedness and cash figures have been extracted from the underlying accounting records of the Group as at 30 November 2009. The figures exclude balances between entities that comprise the Group. The financial information set out in the following tables does not constitute statutory accounts for any company within the meaning of section 435 of the Companies Act 2006.

	€'000
Total current debt	4,000
- Guaranteed	-
- Secured	-
- Unguaranteed / unsecured	4,000
Total non-current debt (excluding current portion of long-term debt)	-
- Guaranteed	-
- Secured	-
- Unguaranteed / unsecured	-
Total gross indebtedness	4,000

Shareholder’s equity (excluding retained earnings):

Share capital	1,564
Share premium account	78,726
Other reserves	106,937
Total equity attributable to equity holders of the parent	187,227
Total equity attributable to equity holders of the parent and gross indebtedness	191,227

Net financial indebtedness as at 30 November 2009

	€'000
Cash	4,269
Cash equivalent	-
Trading securities	-
Liquidity	4,269
Current financial receivable	-
Current bank debt	-
Current portion of non current debt	-
Other current financial debt	(4,000)
Current financial debt	(4,000)
Net current liquidity	269
Non current bank loans	-
Bonds issued	-
Other non current loans	-
Non current financial indebtedness	-
Net cash	269

7. Existing AIM and Euronext quotations

In October 2005, the Company's Ordinary Shares were listed on AIM and in September 2007, the Company's Ordinary Shares were also listed on Euronext Amsterdam. The Ordinary Shares, quoted in Euros, are completely fungible between AIM and Euronext.

Application has been made for the New Ordinary Shares to be admitted to listing and trading on Euronext Amsterdam and on AIM, in each case under the symbol 'AXS'. It is expected that such admission will become effective and that dealings in the New Ordinary Shares on Euronext Amsterdam and on AIM will commence at 9.00 a.m. (Central European Time) on or about 10 February 2010. No application is currently intended to be made for the New Ordinary Shares to be admitted to trading or traded on any other exchange.

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. A prospective investor should be aware of the risks of investing in an AIM listed company and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM listed company is required by the AIM Rules for Companies to have a nominated adviser. The Company's nominated adviser is Matrix. The AIM Rules for Companies are less demanding than those which apply to companies whose shares are listed on the Official List.

8. Use of proceeds

The net proceeds from the issue of the Subscription Shares will be approximately €16.6 million. The net proceeds will be used to meet the Company's short and medium-term cash flow requirements, principally supporting production and sales of Accoya® out of the Company's plant in Arnhem, The Netherlands. The intended use of the net proceeds of the Subscription will not change irrespective of whether or not the events described in the risk factors set out on pages 7 and 8 of this document, respectively, under the headings "The Company's auditors included an Emphasis of Matter – Going Concern statement in their report on the financial year ended 31 March 2009 and their report on the six months ended 30 September 2009" and "The Group would need to write-down the value of its investment in Diamond Wood if Diamond Wood is unable to obtain sufficient funds to construct its plant in Nanjing, China" materialise.

The Company has agreed to issue the Loan Shares to Veritas to discharge the Company's obligations to Veritas under the €4,000,000 convertible loan referred to in the Company's half-yearly report announced on 17 November 2009. The Company has agreed to issue the Adviser Shares to certain of the Company's advisers in consideration for their work in connection with the Subscription.

9. Directors, advisers, consultants and senior managers

Accsys has been able to draw upon an experienced team of engineering professionals with backgrounds in process, chemical, mechanical, textile engineering, micro-fibre technology, wood science and cellulose

chemistry. Members of this team have successfully obtained patents or been named as the inventor in relation to chemical manufacturing processes, wood and chip technology, and new products made from cellulosic materials.

In addition to technological expertise, Accsys's management team have experience ranging from very large multi-nationals to entrepreneurial start-ups. Experience includes managing fast-growing businesses as well as the construction, engineering and commissioning of new plants, operational plant management, raw materials procurement and product marketing.

Directors

William Paterson-Brown – (aged 44) is Non-Executive Chairman.

Willy has been Chairman of the Group since its inception. Having graduated with a B.A. from the University of Durham, he started his career in World Bank/United Nations backed projects in Africa and China. He became an entrepreneur in 1989, involved in the sports marketing sector where he founded, built and ultimately sold his first company, specialising in merchandising and commercialising the value of patented products. He has been investing in the environmental science sector for the past seventeen years in technology development, commodity trading and consumer product companies and has been involved in the financing of numerous companies at various stages from start up and private equity to public offerings. He is also an advisory trustee of a number of international trusts and a director of a number of companies (as set out in Part X ('Additional information') of this document). Willy is based in Switzerland.

Paul Clegg – (aged 49) is Chief Executive Officer.

Paul, born May 1960, assumed the role of Chief Executive Officer on 1 August 2009. Paul had been a Non-Executive Director of the Group since April 2009 and had been working with the Group as part of the Chairman's Office since mid 2008. Prior to this, he was CEO of Cowen International, subsequent to its sale by Société Générale in 2006. Before this, he ran SG Cowen International, part of the Société Générale Group, from 2000 to 2006. Paul started in investment banking in 1981 at The First Boston Corporation. Since then he has held senior positions at various investment banks including James Capel and Schroders. During this period of time he has gathered broad experience covering all aspects of investment banking with strong experience in growth companies.

Kevin Wood – (aged 44) is Chief Financial Officer.

Kevin, born January 1966, has held senior financial positions across manufacturing, retail and distribution sectors. Having graduated from Nottingham University with a MEng in Chemical Engineering, he joined Coopers & Lybrand where he qualified as a chartered accountant. He started his commercial finance career in pharmaceuticals with GEHE UK plc (Lloydspharmacy) before moving into food manufacturing with Arla Foods UK plc (formerly Express Dairies plc).

Gordon Campbell – (aged 62) is a Non-Executive Director.

Gordon is currently Chairman of Jupiter Second Split Trust plc and was previously Chairman of Babcock International PLC, Nuclear Fuels plc and Chief Executive of Courtaulds plc. He was also a Vice-President of the Royal Academy of Engineering, a member of the Presidents Council of the CBI and has held a number of other Non-Executive Directorships.

Timothy Paterson-Brown – (aged 49) is a Non-Executive Director.

Tim is currently President and CEO of MGT Capital Investments an American public company (AMEX, Ticker Symbol: 'MGT') specialising in medical imaging. He is also a Non-Executive Director of its subsidiaries, including Medicsight plc. 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 MGT Capital Investments. Tim is the brother of Willy Paterson-Brown.

Lord Sanderson of Bowden Kb.D.L. – (aged 76) is a Non-Executive Director.

Russell Sanderson retired as Chairman of Clydesdale Bank PLC in June 2004, having served as its Chairman for six years and as a board member for twelve years. He was also a former member of the boards of Yorkshire Bank PLC and National Australia Bank (Europe). He served for 10 years as Chairman of Scottish Mortgage Investment Trust and was a member of the boards of Morrison Construction (1995-2000), United Auctions and Shires Investment Trust. Lord Sanderson served as Minister of State at the Scottish Office from 1987 to 1990 and as Chairman of The Scottish Conservative Party from 1990 to 1993. Lord Sanderson started his business career in the Wool Industry and was a Director of both Johnston of Elgin and Illingworth Morris PLC. He is currently Chairman of The Hawick Cashmere Co. Lord Sanderson has received Honorary Degrees from both Glasgow University and Napier University.

Thomas Priday – (aged 51) is a Non-Executive Director.

Tom, born in April 1958, is currently Chairman of Finisterre Capital LLP, an Emerging Market focused fund management business. Prior to co-founding Finisterre Capital in 2003, Tom gained extensive banking and managerial experience with 2 years at European Banking Company, 10 years at Banque Paribas Capital Markets, and 4 years at Union Bank of Switzerland. In each Financial institution Tom was responsible for starting new businesses with particular emphasis on Emerging Market countries. Having created a global Emerging Market Debt business for UBS Tom left to co-found DePfa Investment Bank – a specialist Emerging Market Bank. DePfa Bank bought out the partners of DePfa Investment Bank in 2003. Tom holds an LLB Honours degree (Law) from King's College, London University.

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:

- Ben Painter, a chemist, with extensive experience of developing and commercialising technologies;
- Robert Rapier, a chemical engineer, presently Chief Technology Officer of Merica International. Merica has a number of assets in the forestry/biomass trading/biomass conversion area;
- Kurt Binder, a business development consultant to the wood and plastics industry.

Accsys Group companies also retain appropriate consultants and advisers 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.

Senior Management

Rombout van Herwijnen – (age 50) Global Projects (Solid Wood) and General Manager, Arnhem.

Rombout is responsible for global projects relating to solid wood. As a serial entrepreneur, his experience will drive the expansion of the Group into new projects, developing the resources and resilience of the organisation whilst supporting licensing efforts. After graduating with an MSc in Chemical Engineering from the Technical University Delft, The Netherlands, in 1986, he joined Heineken International. He held various production roles in Germany, France, Morocco and The Netherlands. He then transferred to Van Leer Packaging, holding a position as managing director of one of the business units. He bought the unit and invested in a further three companies in the packaging industry. In 2003, he sold his interest in the packaging activities and invested in an engineering business, selling to the US, UK and China. He joined the Group in May 2007.

Adrian Wyn-Griffiths – (age 47) Company Secretary and Chief Legal Officer.

Adrian is responsible for all Legal, Intellectual Property and HR matters within the Accsys group. Prior to joining the Company in November 2007, Adrian gained extensive multi-cultural experience, in both the FMCG and Defence sectors being directly involved in adding strategic and commercial value to complex business matters and advising on legal and regulatory risk associated with business decisions. He has also advised companies, directors and senior executives in relation to corporate governance, compliance and business ethics questions and agreed and contested national and international cross-border transactions. Adrian qualified in 1989, having trained at SJ Berwin in London and Salans in Paris, and also spent time in various legal roles at Diageo, Scottish & Newcastle and Thales.

Hal Stebbins – (age 51) Sales and Business Development.

Hal is responsible for sales and business development worldwide. His career has focused on leading new technology introductions primarily in the natural resources industries. He has led international teams responsible for product development, sales, partner management, marketing and technical support. This includes 15 years at IBM that culminated as Director, Industry Solutions for process industries worldwide. His early career experience includes work at the United States Forest Service. He holds a BBA in International Marketing and graduated summa cum laude with an MBA in International Management from the University of New Mexico. He joined the Group in October 2007.

Stuart Greenfield – (age 50) Director of Marketing.

Stuart started his career as a Royal Naval Engineering officer. On leaving the service Stuart worked in Saudi Arabia as an engineer for Omega. In 1984 on returning to the UK he subsequently held management positions at Northamber plc, Nubian electronic PLC, First Software and Sashimi International B.V. followed. In 1994 Stuart set up his first consultancy business focused on technology marketing and was responsible for launching various new technology products including the digital camera for Fujifilm. The Computer Trade show was launched as a new company by Stuart in 1997 and became the foremost trade show for IT products in the UK before being sold to Imark Inc in 2000. From 2000 to 2008 Stuart owned the full service advertising agency, Leepeck Greenfield, whose clients included VT Group PLC, SEEDA, Barratt Homes and Kerry Foods.

Michel Maes – (age 49) Global Projects and Business Development (Panel Products).

Michel is responsible for global projects and the development related to the Group's composite panel business. Based on his longstanding international marketing, sales and business development experience with high performance building products, Michel joined the Group in February 2007 to start up the new panel products business area which led to the joint development agreement with Medite. After graduating with an MBA from the University of West Georgia, USA, in 1984, he joined Hoechst Holland NV where he held management roles in his field within several business units. His most relevant experience was gained while managing high performance cladding products for Trespa International BV, a global and innovative manufacturing company of decorative panels. Michel's experience also extends to working closely with partners, including the US and China.

Further information on the Directors and Senior Management is set out in Part X ('Additional information') of this document.

10. Corporate governance

The principles set out in the Combined Code are not compulsory for companies whose shares are traded on AIM. However, the Directors recognise the importance of sound corporate governance and the Company complies with all of the principles of the Combined Code. In addition, the Company complies with all of the principles of the QCA Corporate Governance Guidelines for AIM Companies.

As Accsys is a company incorporated under the laws of England and Wales, the Dutch Corporate Governance Code is not applicable to it.

The Directors have been briefed on their statutory duties under the Companies Act. The core duty is to act in good faith and in a way most likely to promote the success of the Company for the benefit of its members as a whole. The following principles of corporate governance apply:

- the Board has responsibility for strategy, performance and approval of major capital projects. The Board also has responsibility for the maintenance of internal control systems and for reviewing their effectiveness. All risks identified by this process have been reviewed and amended as appropriate to reflect the current market conditions;
- the Board meets at least four times a year and has a formal schedule of matters specifically reserved to it for decision. To enable the Board to discharge its duties effectively, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings;
- committees of the Board, which have adopted formalised terms of reference, have been established to deal with the day-to-day matters of the Company and specific areas of responsibility;
- a formal process has been adopted by the Board to manage directors' conflicts of interest;
- independent advisers have been appointed by the Company;
- all Directors have direct access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense;
- all Directors are subject to re-election by Shareholders at annual general meetings of the Company. The Articles provide that Directors will be subject to re-election at the first opportunity after their appointment and the Board submits to re-election at intervals of three years; and
- the Board has adopted the Model Code for share dealings by Directors and key employees contained in the Listing Rules. The Board is responsible for taking all proper and reasonable steps to ensure compliance with the Model Code by such persons.

Audit Committee and Nomination & Remuneration Committee

The Board has established a properly constituted Audit Committee and Nomination & Remuneration Committee with formally delegated duties and responsibilities.

The Audit Committee consists of Gordon Campbell (Chairman), Tim Paterson-Brown and Lord Sanderson. The Audit Committee meets at least twice a year and is responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements prior to their submission for approval by the Board. The Committee also discusses the scope of the audit and its findings and considers the appointment and fees of the external auditors. The Audit Committee believes that it is not currently appropriate for the Company to maintain an internal audit function due to its size.

The Audit Committee considers the independence and objectivity of the external auditors on an annual basis, with particular regard to non-audit services. The non-audit fees are considered by the Board not to affect the

independence or objectivity of the auditors. The Audit Committee monitors such costs in the context of the audit fee for the period, ensuring that the value of non-audit service does not increase to a level where it could affect the auditors' objectivity and independence. The Board also receives an annual confirmation of independence from the auditors.

The Nomination and Remuneration Committee consists of Lord Sanderson (Chairman), Tim Paterson-Brown and Gordon Campbell. The Committee's role is to consider and approve the nomination of Directors and the remuneration and benefits of the executive Directors, including the award of share options. In framing the Company's remuneration policy, the Nomination & Remuneration Committee has given full consideration to Section B of the Combined Code.

11. Takeovers and mergers

Dutch bidding rules

On 28 October 2007, the Dutch Act implementing EU Directive 2004/25/EC of 21 April 2004 relating to public takeover bids (the "**Dutch Takeover Act**") and the rules promulgated thereunder came into force, including The Netherlands Decree on Takeover bids (*Besluit openbare biedingen Wft*). The provisions of the Dutch Takeover Act are included in, *inter alia*, Chapter 5.5 of the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*) and are applicable to the Company as its Ordinary Shares are admitted to trading on Euronext Amsterdam, except for certain exemptions as the Company is not a company incorporated under the laws of The Netherlands

In general, under these takeover provisions, it is prohibited to launch a public offer for securities that are admitted to trading on a regulated market, such as the Company's Ordinary Shares, unless an offer document has been approved by, in the case of the Company, the AFM and has subsequently been published. These public offer rules are intended to ensure that in the event of such a public offer, sufficient information will be made available to the holders of the Ordinary Shares, that the Shareholders will be treated equally, that there will be no abuse of inside information and that there will be a proper and timely offer period. The provisions in the Dutch Act on the Financial Supervision regarding mandatory takeover bids do not apply to the Company, as the Company is not a company incorporated under the laws of The Netherlands.

UK City Code on Takeovers and Mergers

The City Code on Takeovers and Mergers (the "**City Code**") is issued and administered by the Panel on Takeovers and Mergers (the "**Takeover Panel**"). The Takeover Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers and merger transactions pursuant to the Directive on Takeover Bids (2004/25/EC). Following the implementation of the on Takeover Bids by the Takeovers Directive (Interim Implementation) Regulations 2006, the rules in the City Code which are derived from that Directive now have a statutory basis.

The City Code applies to all takeovers and merger transactions, howsoever effected, where, amongst other things, the offeree company is a public company (except an open-ended investment company) which has its registered office in the United Kingdom, the Channel Islands or the Isle of Man.

However, the City Code only applies to Accsys in respect of matters relating to the information to be provided to its employees and matters relating to company law (in particular the percentage of voting rights which confers control and any derogation from the obligation to launch an offer, as well as the conditions under which the Board may undertake any action which might result in the frustration of an offer). This includes rule 9 of the City Code, under which any person who acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with such person are interested) carry 30 per cent. or more of the voting rights of a company subject to the City Code, must make a general offer in cash to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights to acquire the balance of the shares not held by such person and any person acting in concert with that person. An offer under Rule 9 of the City Code must be in cash and at the highest price paid within the 12 months prior to the announcement of the offer for any shares by the person required to make the offer or any person acting in concert with that person.

In relation to matters concerning the consideration offered (in particular the price) and matters relating to the offer procedure (in particular the information on the offeror's decision to make an offer, the contents of the offer document and the disclosure of the offer) the Dutch Bidding Rules, as described above, will apply.

For the purposes of the City Code:

- "**persons acting in concert**" comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company; and
- "**control**" means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting

rights of a company, irrespective of whether such interest or interests give *de facto* control.

12. Disclosure of information

Euronext

The Company must make public inside information by means of a press release. Pursuant to the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*), inside information is knowledge of concrete information directly or indirectly relating to the issuer or the trade in securities which has not been made public and publication of which could significantly affect the trading price of the securities. The Dutch Act on Financial Supervision contains specific rules intended to prevent insider trading.

UK Disclosure and Transparency Rules

A shareholder in a UK company whose shares are admitted to trading on AIM is required, pursuant to rule 5 of the Disclosure and Transparency Rules, to notify the company when the percentage of its voting rights he or she holds as a shareholder or is deemed to hold through his or her direct or indirect holding of financial instruments (or a combination of such holdings) reaches, exceeds or falls below three per cent., four per cent., five per cent. and each one per cent. threshold thereafter up to 100 per cent. as a result of an acquisition or disposal of shares or financial instruments.

In addition, as Euronext Amsterdam is a regulated market (as defined in article 4.1(14) of EU Directive 2004/39/EC of 21 April 2004 on markets in financial instruments), Accsys must also comply with rule 3 (Transactions by persons discharging managerial responsibilities and their connected persons), rule 4 (Periodic financial reporting) and rule 6 (Continuing obligations and access to information) of the Disclosure and Transparency Rules. Rule 4 of the Disclosure and Transparency Rules requires the Company to publish its annual financial report at the latest four months after the end of each financial year and its half-yearly financial report no later than two months after the end of the period to which the report relates. The Company is also obliged to publish interim management statements.

13. Market regulation

The market regulator in The Netherlands is the AFM, insofar as the supervision of market conduct is concerned. The AFM has supervisory powers with respect to the publication of information by listed companies and the application of takeover regulations. It also supervises the financial intermediaries (such as credit institutions and investment firms) and investment advisers. The AFM is also the competent authority for approving all prospectuses published for admission of securities to trading on the regulated market of Euronext Amsterdam, except for prospectuses approved in other member states of the EEA that are used in The Netherlands in accordance with applicable passporting rules. The surveillance unit of Euronext Amsterdam and the AFM supervise all trading operations.

14. Taxation

Your attention is drawn to paragraph 15 of Part X ('Additional information') of this document. If you are in any doubt as to your tax position, you should consult an appropriate professional adviser without delay.

PART VI

FINANCIAL INFORMATION RELATING TO THE ACCSYS GROUP

Financial information relating to the Group as at and for the years ended 31 March 2007, 31 March 2008 and 31 March 2009, and the six months ended 30 September 2009, is incorporated into this document by reference to the Group's audited statutory accounts for the years ended 31 March 2007, 31 March 2008 and 31 March 2009, and the Group's unaudited interim financial statements for the six months ended 30 September 2009 and 30 September 2009 as explained in Part XI ('Documentation incorporated by reference') of this prospectus.

PART VII

OPERATING AND FINANCIAL REVIEW

Introduction

Some of the information contained in this review and elsewhere in this document includes forward-looking statements that involve risks and uncertainties. See “Forward-looking statements” on page 14 for a discussion of important factors that could cause actual results to differ materially from the results described in the forward-looking statements contained in this document.

This review should be read in conjunction with (i) the Group’s audited financial statements for the three years ended 31 March 2009 and the Group’s unaudited interim financial statements for the six months ended 30 September 2009, and (ii) the notes thereto explaining such financial statements, which are incorporated by reference into this document as explained in Part XI (‘Documentation incorporated by reference’) of this document.

The financial information set out below in respect of the year ended 31 March 2007, prepared in accordance with UK GAAP, is the financial information as set out in the Group’s audited financial statutory accounts for the year ended 31 March 2007. The restated financial information for the year ended 31 March 2007 is prepared in accordance with IFRS and is the comparative financial information for the year ended 31 March 2007 as set out in the Group’s audited statutory statements for the year ended 31 March 2008. The principal difference for the Group between reporting under IFRS as compared to UK GAAP was not to amortise goodwill but instead test for impairment and the impact of the restatement in the year ended 31 March 2007 was to reduce the loss from operations by €412,000 and to increase the equity attributable to equity holders of the parent as at 31 March 2007 by €943,000.

Unless otherwise indicated, the selected financial information included in this Part VII has been extracted without material adjustment from the Group’s audited financial statements for the three years ended 31 March 2009. The financial information set out in this Part VII does not constitute statutory accounts for any company within the meaning of section 435 of the Companies Act 2006.

Shareholders should read the whole of this document and the documents incorporated herein by reference and should not rely solely on the summary operating and financial information set out in this Part VII.

Principal activities and business review

During the past three years the Group has focused on (i) constructing and commissioning a full-scale plant to validate its wood acetylation technology, (ii) production of Accoya[®], (iii) further developing and improving its proprietary technology for the production of acetylated wood and (iv) the development of its acetylation technologies with potential applications in the wood and chemicals industries, including technology to modify wood chip to enable future production of a range of panel products which the Directors believe will enable such materials to become suitable for external applications for the first time.

The Group’s operations comprise three principal business units: the Accoya[®] production facility, technology development and technology licensing:

A. The Accoya[®] production facility

Located in Arnhem, The Netherlands, this is the world’s first commercial scale plant for the production of Accoya[®] wood. The Group designed and developed the facility drawing upon extensive experience it gained from operating a pilot plant over a period of several years. The plant provides technical validation of the processes and technology required to produce Accoya[®] on a commercial scale. Physical construction of the plant commenced in April 2006 and the first batch of Accoya[®] was produced in March 2007. During the past three years the Group has refined its operating protocols and production processes to optimise materials consumption and capacity utilisation whilst identifying design improvements to be exploited in the engineering of the additional production capacity, which will also be incorporated in offerings to licensees.

B. Technology development

We have made excellent progress in the past three years in improving and optimising the performance of our Arnhem facility. This commercial scale Accoya[®] wood production facility was designed and built with a theoretical maximum annual capacity of 30,000m³. Through the efforts of our engineering, research and development, and operations teams we have implemented fundamental process changes, for relatively low capital cost, which have resulted in the theoretical maximum annual capacity increasing to 40,000m³. This increased production ability will further increase the potential financial returns for licensees of our technology. We will work to continue identifying and developing ways to improve our process and plant capacity.

Progress in the development of acetylated fibre and panel products has continued and the year ended 31 March 2009 was a very successful period for our panel products team. In March 2009, we announced the development of this technology, which is based on the acetylation of wood elements to produce high performance panels. We subsequently signed a joint development agreement with Medite to build the first MDF plant incorporating our wood acetylation technology to supply the UK and the Republic of Ireland.

We have devoted considerable time and resource to carrying out an extensive testing programme on alternative wood species for acetylation. Several species have been identified where acetylation results have been positive and we consider this work to be very important for those prospective licensees that want to use indigenous wood species.

C. Technology licensing

We signed our first licence agreement in the year ended 31 March 2008 with Diamond Wood. Diamond Wood has taken a licence to produce up to 750,000m³ of Accoya[®] annually and has exclusive rights in respect of China until August 2015. Planning and engineering design for the first phase of construction of the Diamond Wood plant, which will have an annual capacity of 300,000m³, has been completed and the government approvals have been obtained for the first stage of 120,000m³. There has been a delay in Diamond Wood securing the necessary funding to build this first phase of the plant due to the world financial crisis and economic recession. However, after making enquiries of Diamond Wood, the Directors anticipate that Diamond Wood will secure this funding in the first half of this year. We began shipping Accoya[®] wood to China during the year ended 31 March 2009 as Diamond Wood built and established a market there for Accoya[®] wood in advance of the construction of its own facility which, subject to the successful raising of funding, is currently expected to come onstream in early 2012.

Our second licence agreement is with the Saudi financial group, Al Rajhi. Al Rajhi has taken a licence of 150,000m³ annual capacity and has exclusive rights in respect of the member states of the GCC. We are working with Al Rajhi to confirm their site selection and establish appropriate partners for operating and distribution activities.

Discussions with other potential licensees are continuing, albeit the appetite for large capital projects has reduced over the last twelve months due to the world financial crisis and economic recession. There are signs that we are emerging from the recent economic turbulence and uncertainty as we are now starting to see renewed interest and enthusiasm from potential licensees, and we remain confident about the long-term prospects for our Accoya[®] wood technology and our business. However, the loss of existing and/or future licensing revenues could have a material adverse effect on the Group's business, financial condition and results from operations.

Consolidated income statements

	Note	Year ended 31 March 2007 (UK GAAP) €'000	Year ended 31 March 2007 (restated) €'000	Year ended 31 March 2008 €'000	Year ended 31 March 2009 €'000
Revenue		50	50	27,328	31,191
Cost of sales			-	(11,761)	(20,209)
Gross profit		50	50	15,567	10,982
General administration expenses	4	(10,265)	(9,853)	(11,450)	(18,292)
Impairment of intangible fixed assets		(5,850)	(5,850)	-	-
Impairment of property, plant and equipment		(6,569)	(6,569)	-	-
Other income			-	-	8,290
Administrative expenses		(22,684)	(22,272)	(11,450)	(10,002)
Profit / (loss) from operations		(22,634)	(22,222)	4,117	980
Finance income		284	284	1,328	923
Finance expense		(247)	(247)	-	(82)
Profit / (loss) before tax		(22,597)	(22,185)	5,445	1,821
Tax credit / (expense)	6	-	-	(1,364)	3,608

Profit / (loss) after tax	(22,597)	(22,185)	4,081	5,429
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Revenue

Revenue reported arose from the sale of Accoya® wood and the licences granted to Diamond Wood and Al Rajhi.

Administrative expenses

The above income statements reflect the growth of expenditure on development and commercialisation of the Group's technologies. Administrative expenditures decreased from €22.3 million in the year ended 31 March 2007 to €11.5 million in the year ended 31 March 2008, and then increased to €18.3 million in the year ended 31 March 2009. Administrative costs decreased from 2007 to 2008 largely due to there being impairments during the year ended 31 March 2007. The increase in administrative expenses staff costs was due to an increase in staff numbers to drive sales and licensing activities on a global basis, and to further develop our technology to meet the needs of existing and potential licensees. A detailed analysis is set out below:

	Year ended 31 March 2007 (UK GAAP) €'000	Year ended 31 March 2007 (restated) €'000	Year ended 31 March 2008 €'000	Year ended 31 March 2009 €'000
Staff costs	3,259	3,259	6,454	8,578
Other administration expenses	5,240	5,240	822	6,423
Depreciation of property, plant and equipment	733	733	1,447	1,572
Amortisation of intangible assets	628	216	264	264
Operating lease rentals	361	361	327	382
Fees payable to the company's auditors for the audit of the company's annual accounts	80	80	53	54
Fees payable to the company's auditors and its associates for other services:				
- audit of the company's subsidiaries	-	-	65	84
- other services pursuant to legislation	-	-	-	148
- tax services	-	-	1	105
Euronext Amsterdam listing expenses	-	-	1,252	-
Foreign exchange costs	7	7	72	99
Research & Development	(43)	(43)	693	584
General administrative expenses	10,265	9,853	11,450	18,292
Impairment of property, plant, and equipment (note 10)	6,569	6,569	-	-
Impairment of intangible assets (note 9)	5,850	5,850	-	-
Administrative expenses	22,684	22,272	11,450	18,292
Other income	-	-	-	(8,290)
Administrative expenses (net of other income)	22,684	22,272	11,450	10,002

Impairment charges

The impairment of tangible assets resulted from a financial evaluation of the value in use of the Group's prototype anhydride cracker. Following extensive efforts to successfully commission the cracker in the year ended 31 March 2007, the anhydride cracker was decommissioned. In the year ended 31 March 2009, the prototype anhydride was dismantled and sold.

The impairment of intangible assets arose from the annual impairment reviews undertaken by the Directors. The 2007 impairment followed the decision to suspend work on bringing the Group's cracking technology into operation. These impairments restrict the carrying value of intangibles to those intangibles relating to the acetylation of solid wood. The balance of in-house development to bought in know-how lies overwhelmingly in the development work undertaken over the past few years.

Other income

Other income represents the profit generated from the early settlement of a licensing agency agreement during the year ended 31 March 2009.

Tax

The Company and its subsidiaries in the UK and The Netherlands each filed claims for tax losses in the year ended 31 March 2007. In the years ended 31 March 2008 and 31 March 2009, the Company and its subsidiaries in the UK and The Netherlands recorded a profit for the year. The tax losses disclosed in the Company's audited accounts were carried forward and utilised to offset these taxable profits. The Company's branch in the United States made taxable profits in the year ended 31 March 2009, and paid tax accordingly.

Dividends

The Company paid a maiden dividend to Shareholders in August 2008, the aggregate amount of such dividend payment being €1,553,000, but has not paid a dividend since. The Company's general dividend policy following the subscription is to pay dividends at levels consistent with factors such as future earnings, financial condition, capital adequacy and liquidity. The Company does not expect to pay a dividend in respect of the current financial year.

Consolidated balance sheets

	Year ended 31 March 2007 (UK GAAP) €'000	Year ended 31 March 2007 (restated) €'000	Year ended 31 March 2008 €'000	Year ended 31 March 2009 €'000
Goodwill	3,288	4,231	4,231	4,231
Other intangible assets	4,149	4,149	3,885	3,621
Tangible assets	21,611	21,611	27,169	28,013
Available for sale investments	-	-	6,000	6,000
Deferred tax	-	-	-	2,630
Trade receivables	-	-	-	6,400
	<hr/>	<hr/>	<hr/>	<hr/>
Non-current assets	29,048	29,991	41,285	50,895
	<hr/>	<hr/>	<hr/>	<hr/>
Inventories	910	910	4,932	4,888
Trade and other receivables	1,085	1,085	5,100	42,185
Cash and cash equivalents	10,825	10,825	46,239	17,503
Less: Trade and other payables	(3,102)	(3,102)	(10,095)	(23,132)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Current Assets	9,718	9,718	46,176	41,444
	<hr/>	<hr/>	<hr/>	<hr/>
Equity attributable to equity holders of the parent	38,766	39,709	87,461	92,339
	<hr/>	<hr/>	<hr/>	<hr/>

Goodwill

Goodwill arose on the acquisition of the former minority interest in Titan Wood Limited which was acquired in December 2004, representing the excess of the consideration paid over the fair value of the assets acquired.

Intangible assets

These comprise intellectual properties and know-how acquired partly in 2001, relating to the acetylation of cellulose and cracking technology, and partly in 2004 and 2006, relating to the acetylation of solid wood. The carrying value of the intellectual property acquired in 2001 was fully impaired in the year ended 31 March 2007. The carrying value of the intellectual properties relating to the acetylation of wood is being impaired over the life of the patents protecting such properties.

Tangible assets

These primarily comprise the freehold land in Arnhem, together with the Group's wood modification plant which came into service in March 2007.

Inventories

These comprise stocks of timber and acetyls to be used to manufacture Accoya® wood and stocks of finished Accoya® wood.

Trade and other receivables

During the financial periods reported above, these balances primarily consisted of trade receivables from the sales of Accoya® wood and licences. Other amounts comprised mainly VAT recoverable, accrued income and pre-payments.

Cash and cash equivalents

These amounts comprise short-term money market deposits and cash at bank.

Trade and other payables

These amounts represent mainly outstanding creditors. Other amounts comprised mainly taxes and social security payable, accruals and deferred income.

Share capital

Details of changes in the share capital of the Company since 1 April 2006 (being the commencement date of the period covered by the historical financial information incorporated into this document by reference, as explained in Part XI ('Documentation incorporated by reference') of this document) are set out below:

- (i) On 8 November 2006, 6,623,172 Ordinary Shares were allotted at €1.48 per Ordinary Share to investors in a placing of shares.
- (ii) On 11 December 2006, 359,000 Ordinary Shares were allotted to two option holders exercising options.
- (iii) On 29 March 2007, 720,000 Ordinary Shares were allotted to Edward Pratt and 480,000 Ordinary Shares were allotted to Glyn Thomas on exercise of options granted to them under the Company's Unapproved Share Option Scheme at an exercise price in each case of €0.46 per share.
- (iv) On 15 May 2007, the Company increased its authorised share capital by €500,000 to €2,500,000 divided into 250,000,000 Ordinary Shares and 1,000,000 deferred shares of 10p each.
- (v) On 21 May 2007, 8,115,883 Ordinary Shares were allotted at €2.72 per Ordinary Share to Celanese Chemicals Europe GmbH pursuant to a subscription and option deed.
- (vi) On 31 July 2007, 47,920 Ordinary Shares were allotted to option holders exercising their options.
- (vii) On 4 September 2007, 1,399,520 Ordinary Shares were allotted to option holders exercising their options.
- (viii) On 17 September 2007, 5,000,000 Ordinary Shares were allotted at €4.10 per Ordinary Share to investors in a placing of shares.
- (ix) On 4 January 2008, 126,720 Ordinary Shares were allotted to option holders exercising their options.
- (x) On 25 September 2008, 254,640 Ordinary Shares were allotted to option holders exercising their options.
- (xi) Following Shareholder approval at the Company's annual general meeting held on 14 August 2008, during the financial year ended 31 March 2009 the Company repurchased all of the 1,000,000 deferred shares of 10p each in issue.
- (xii) On 21 May 2009, 80,000 Ordinary Shares were allotted to option holders exercising their options.
- (xiii) On 30 June 2009, 700,000 Ordinary Shares were allotted to GEM at a price of €0.753 per Ordinary Share pursuant to the terms of a subscription agreement between, *inter alia*, the Company and GEM dated 30 March 2009.
- (xiv) As at the date of this document, the Company's share capital is as follows:
 - authorised share capital: 250,000,000 Ordinary Shares; and
 - issued share capital: 156,370,302 Ordinary Shares.

	Year ended 31 March 2007 (UK GAAP) €'000	Year ended 31 March 2007 (restated) €'000	Year ended 31 March 2008 €'000	Year ended 31 March 2009 €'000
Share Capital - Ordinary Shares	1,406	1,406	1,553	1,556
Share Capital - Deferred Shares	148	148	148	-
Share Premium Account	35,689	35,689	78,076	78,191
Capital redemption reserve	-	-	-	148
Warrant reserve	-	-	-	82
Merger relief reserve	106,707	106,707	106,707	106,707
Retained earnings	(105,184)	(104,241)	(99,023)	(94,345)
Equity attributable to shareholders	<u>38,766</u>	<u>39,709</u>	<u>87,461</u>	<u>92,339</u>

Other reserves comprise reserves arising from the adoption of merger accounting both for the acquisition of Titan following the formation of Accsys Chemicals PLC in 2003 and also for the acquisition of Accsys Chemicals PLC following the formation of the Company in 2005.

Liquidity and capital resources cash flow

Consolidated cash flow

	Year ended 31 March 2007 (UK GAAP) €'000	Year ended 31 March 2007 (restated) €'000	Year ended 31 March 2008 €'000	Year ended 31 March 2009 €'000
Cash flows from operating activities before changes in working capital	(8,682)	(8,682)	6,965	3,620
Cash flow from changes in working capital, excluding deposits	228	228	(7,668)	(23,908)
Cash flows absorbed by operating activities after changes in working capital, excluding deposits	(8,454)	(8,454)	(703)	(20,288)
Cash flow from changes in other loans and deposits and financial assets carried at fair value	<u>22,572</u>	<u>22,572</u>	-	-
Cash (absorbed by) / generated from operating activities	14,118	14,118	(703)	(20,288)
Net remaining cash flow from investing activities	(18,136)	(18,136)	(6,417)	(6,753)
Net cash from financing activities	<u>10,266</u>	<u>10,266</u>	<u>42,534</u>	<u>(1,695)</u>
Net increase in cash and cash equivalents	<u>6,248</u>	<u>6,248</u>	<u>35,414</u>	<u>(28,736)</u>

Cash flow from operating activities

The cash absorbed by operating activities reflects the commercial and development activities as the business prepared for and then commenced the operation of the production facilities, assessed market and end-use product applications, created the Accoya® brand and developed relationships with potential licensees.

The Group is exposed to credit risk associated with its existing licensees and future licensees. The loss of existing and/or future licensing revenues could have a material adverse effect on the Group's business, financial condition and results from operations.

Cash flow from investing activities

The cash flow from investing activities relates primarily to capital expenditure, which is analysed below under the heading Capital expenditure.

Cash flow from financing activities

The cash flow from financing activities arose from share issues, net of the related costs.

In the year ended March 2007, the Company placed 6,623,172 new Ordinary shares at a price of €1.48 each. In the year ended March 2008, the Company placed 8,115,883 new Ordinary shares at a price of €2.72 each, and 5,000,000 new Ordinary shares at a price of €4.10 each.

As at the date of this document, the Company has positive cash balances. Existing and future commitments shall be met out of these cash balances and cash raised from the Subscription. The Company's only current borrowings are those under the convertible loan agreement with Veritas, further details of which are set out in Part X ('Additional information') of this document. These borrowings will convert into Ordinary Shares on completion of the Subscription as further described in Part VIII ('The Subscription') of this document. The Company does not currently anticipate having any borrowings during the 12 months following completion of the Subscription.

Cash resources

	Year ended 31 March 2007 (UK GAAP) €'000	Year ended 31 March 2007 (restated) €'000	Year ended 31 March 2008 €'000	Year ended 31 March 2009 €'000
Cash and cash equivalents	10,825	10,825	46,239	17,503
Total cash resources	<u>10,825</u>	<u>10,825</u>	<u>46,239</u>	<u>17,503</u>

Capital expenditure

The gross annual capital expenditure incurred on each major project during the period reviewed is analysed below:

	Year ended 31 March 2007 (UK GAAP) €'000	Year ended 31 March 2007 (restated) €'000	Year ended 31 March 2008 €'000	Year ended 31 March 2009 €'000
Intangible assets				
Patents and know-how	200	200	-	-
Property, plant and equipment				
Freehold land	329	329	5,486	50
Pilot wood modification plant	501	501	26	15
Commercial scale wood modification plant	16,885	16,885	1,385	2,426
Experimental acid cracking plant	388	388	-	-
Office equipment	117	117	108	115
Total capital expenditure	<u>18,420</u>	<u>18,420</u>	<u>7,005</u>	<u>2,606</u>

Indebtedness

The Company secured an equity line of credit for up to €20 million with GEM, on 31 March 2009. This is a three-year agreement, which allows the Company to issue shares at a price per share which represents a 10 per cent. discount to the average closing price over a 15 day period prior to the draw down. Each draw down is based on the share price over a 15 day period, with GEM having the option to subscribe for between 50 per cent. and 200 per cent. of the number of shares requested by the Company. The Company controls the timing of any draw down under this credit line and is not obliged to draw on the equity line.

The Company also issued 3,120,000 warrants, and the warrants will be exercisable for a period of three years from the issue date at an exercise price of €1.00 each. Further details are set out in Part X ('Additional information').

On 30 June 2009, the Company completed the first drawdown under the equity line of credit, with the issue of 700,000 Ordinary shares at €0.753 per share, raising €527,100. The Company has no current intention of drawing any further sums under this credit line in the 12 months following the date of this document.

Events since 31 March 2009

Operating review

Paul Clegg was appointed as Chief Executive Officer on 1 August 2009 and began a series of changes to the overall management structure and operations of the business, which are now completed. A thorough review of the cost base was also completed, resulting in a headcount reduction from 126 to 102 by 30 September 2009. In addition, with effect from 30 November 2009, Willy Paterson-Brown assumed the role of Non-Executive Chairman.

Sales of Accoya® wood produced at our Arnhem processing facility were up 51 per cent. in the first quarter. However, sales in the second quarter were affected by a temporary shutdown of the plant, which was required to implement further process improvements and an automated wood logistics system. These improvements resulted in the plant being shut down for almost all July and August, with production being resumed in September. Total sales of Accoya® wood for the six months to 30 September 2009 were up 17 per cent. on the same period in 2008, and have increased significantly since 30 September 2009.

Significant improvements to our Arnhem plant were made during the period ended 30 September 2009, including the implementation of a number of process improvements which increased the capacity of the plant by 33 per cent. requiring only a small capital outlay. An automated wood logistics system was also installed to improve efficiency and to cope with the extra output of the reactors. An added benefit was reduction in head count in this area.

We have continued to expand our sales network having reached agreement with a number of key distribution partners. We have also made very good progress with our panel business. Following the signing of the joint development agreement with Medite in June 2009, our technical teams have been working closely together with the result that the first 20m³ of MDF incorporating Tricoya® wood elements was produced on 30 September 2009.

Financial review

Results for the six months ended 30 September 2009 showed revenue of €9.3 million (2008: €17.9 million) and a pre-tax loss of €8.0 million (2008: profit of €0.2 million). Revenue from manufacturing, at €4.0 million, was six per cent. down on the same period in 2008. However, underlying Accoya® wood sales were up 17 per cent., with the balance due to a reduction in by-product sales. Licensing income was 61 per cent. lower than 2008 due to the timing of activities on the China and Middle East projects due to the economic climate.

During the six months ended 30 September 2009, we reduced our headcount from 126 to 102, with associated restructuring costs of €0.9 million. Administrative costs (before restructuring costs) of €8.9 million were 21 per cent. higher than the same period in 2008, but will reduce during the second half of this financial year as a result of the headcount reductions. Included within administrative expenses was a loss on disposal of fixed assets of €0.7 million incurred as a result of the disposal of plant and machinery that was determined to be no longer of use following the automation of the wood handling systems at the Arnhem plant.

As at 30 September 2009, the Group held cash balances of €9.5 million. The reduction in cash balances during the period ended 30 September 2009 of approximately €8 million reflected the loss for the period.

Other events

On 9 April 2009, the Company subscribed for a further 8,333,334 ordinary shares in Diamond Wood for €0.48 each. This takes the Company's total holding in Diamond Wood to 21,666,734 ordinary shares, which represents a holding of 15.4 per cent.

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

The Company agreed to issue the Loan Shares at €0.4865 per share to Veritas to discharge the Company's obligations to Veritas under the €4,000,000 convertible loan referred to in the Company's half-yearly report announced on 17 November 2009. Veritas also participated in the Subscription and waived its option, announced on 17 November 2009, to subscribe for an additional €2,000,000 convertible loan.

Principal risks and uncertainties

Diamond Wood

The Group's interim results for the six months ended 30 September 2009 show significant balances in relation to Diamond Wood. Diamond Wood requires significant funds so as to enable the construction of the planned 300,000m³ Accoya® wood manufacturing plant in Nanjing, China. The Group's net assets as at 30 September 2009 were €84,800,000. As at that date, €38,764,000 of the Group's net assets were represented by its total investment in Diamond Wood, receivables for licence fees and other services and products, and prepayments of costs incurred in respect of this project. As at 31 December 2009, the Group had trade receivables of €29,468,000 of which €28,622,000 related to Diamond Wood. There has been a delay in Diamond Wood securing the necessary funding to build the first phase of the plant due to the world financial crisis and economic recession. If sufficient funds are not obtained to construct the plant, then the carrying

value of the related net assets of €38,764,000 would be in doubt and the Group may have to write-down their value in full resulting in a reduction in the Group's net assets, which would be charged to the profit and loss account. However, the materialisation of this risk would have no impact on the Group's cash resources.

General

The Group's business faces a variety of strategic, operational, financial and external risks. Not all of these risks are within our control and the Group may be affected by risks other than those listed below, which were applicable to the Group in the years ended 31 March 2007, 31 March 2008 and 31 March 2009. Such risks are set out more fully in Part II ('Risk factors') of this document.

(a) ***Economic and market conditions***

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

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

The Group has an investment of €10 million in its first licensee, Diamond Wood, together with substantial receivables due in respect of technology fees and sales of Accoya[®] wood. The carrying value of this investment and the recoverability of these receivables are dependant on the raising of funds by Diamond Wood to build their production plant and execute their business plan.

(b) ***Regulatory, legislative and reputational risks***

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

(c) ***Employees***

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

(d) ***Intellectual property***

The Group's strategy of licensing technology depends upon maintaining effective protection of its intellectual property. Unauthorised use of the Group's intellectual property may adversely impact its ability to license the technology and lead to additional expenditures to enforce legal rights.

PART VIII
THE SUBSCRIPTION

1. Introduction

The Subscription consists of a subscription by institutional investors and certain directors and senior managers of the Company for 34,744,133 New Ordinary Shares at €0.4865 per share. The net proceeds of the Subscription will be approximately €16.6 million.

The reason for the Subscription is to increase the level of equity in the Company to provide a stronger financial base for the future. The net proceeds of the Subscription will be used to meet the Company's short and medium-term cash flow requirements, principally supporting production and sales of Accoya® out of the Company's plant in Arnhem, The Netherlands. The intended use of the net proceeds of the Subscription will not change irrespective of whether or not the events described in the risk factors set out on pages 7 and 8 of this document, respectively, under the headings "The Company's auditors included an Emphasis of Matter – Going Concern statement in their report on the financial year ended 31 March 2009 and their report on the six months ended 30 September 2009" and "The Group would need to write-down the value of its investment in Diamond Wood if Diamond Wood is unable to obtain sufficient funds to construct its plant in Nanjing, China" materialise.

In addition to the Subscription Shares, the Company has agreed to issue a further 8,221,994 New Ordinary Shares to Veritas and a further 1,266,099 New Ordinary Shares to certain of the Company's advisers, in each case at €0.4865 per share, as explained in paragraph 4 of this Part VIII.

The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares. The New Ordinary Shares will together represent approximately 22 per cent. of the enlarged issued share capital of the Company.

As a result of the issue of the Subscription Shares (net of expenses of approximately €0.3 million), the Loan Shares and the Adviser Shares, the Company's net assets will be increased by approximately €20.6 million. The issue of the Subscription Shares, the Loan Shares and the Adviser Shares will have no effect on the Company's earnings, save for interest earned on the net proceeds of the Subscription.

2. Subscription Price

The Subscription Price is the volume weighted average trading price of the Ordinary Shares for the two weeks ended 4 December 2009 and represents a discount of 2.7 per cent. to the closing market price of an Ordinary Share on 7 December 2009 (being the day immediately preceding the announcement of the Subscription) of €0.50 per share.

3. Subscribers

The Subscription Shares have conditionally been placed with the Subscribers at the Subscription Price. The Subscribers include the following Directors and senior managers of the Company who have agreed to subscribe for the number of Subscription Shares set out below:

<u>Name</u>	<u>Position</u>	<u>Number of Subscription Shares</u>
Paul Clegg	Chief Executive Officer	41,110
Kevin Wood	Chief Financial Officer	10,000
Adrian Wyn-Griffiths	Chief Legal Officer and Company Secretary	20,554
Stuart Greenfield	Director of Marketing	30,833
Hal Stebbins	Director of Sales and Business Development	4,111
Rombout van Herwijnen	General Manager	2,500
Michel Maes	Director of Global Projects – Panel Products	2,056

The Company and the Subscribers entered into conditional agreements dated 7 December 2009 relating to the

Subscription pursuant to which the Subscribers agreed to subscribe for the Subscription Shares at the Subscription Price. The Subscription Agreements contain certain customary warranties by the Company in favour of the Subscribers.

4. Loan Shares and Adviser Shares

The Company has agreed to issue a further 8,221,994 new Ordinary Shares (the “**Loan Shares**”) at €0.4865 per share to Veritas to discharge the Company’s obligations to Veritas under the €4,000,000 convertible loan referred to in the Company’s half-yearly report announced on 17 November 2009. In addition to the Loan Shares, Veritas has subscribed for Subscription Shares pursuant to the Subscription and waived its option, announced on 17 November 2009, to subscribe for an additional €2,000,000 convertible loan.

The Company has also agreed to issue in aggregate 1,266,099 new Ordinary Shares (the “**Adviser Shares**”) at €0.4865 per share to certain of the Company’s advisers in consideration for their work in connection with the Subscription.

5. Euronext Admission and AIM Admission

Application has been made for the New Ordinary Shares to be admitted to listing and trading on Euronext Amsterdam and on AIM, in each case under the symbol ‘AXS’. The Company has also requested that the Financial Services Authority certify to The Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) that this document is a prospectus drawn up in accordance with the Prospectus Rules.

It is expected that admission of the New Ordinary Shares to trading on Euronext Amsterdam and on AIM will become effective and that dealings in the New Ordinary Shares on Euronext Amsterdam and on AIM will commence at 9.00 a.m. (Central European Time) on or about 10 February 2010. No application is currently intended to be made for the New Ordinary Shares to be admitted to trading or traded on any other exchange.

The following are the security codes for the Ordinary Shares:

- ISIN: GB00B0LMC530
- Common Code: 023381559

6. Conditions relating to the Subscription

The Subscription is subject to the following conditions:

- all conditions to Admission having been satisfied by no later than 8.00 a.m. on 28 February 2010 (or such later time and/or date as the Company and the Subscribers may agree). These conditions are the conditions applicable to all applications for the admission of securities to listing and trading on Euronext Amsterdam and on AIM, and are not contractual obligations of, or otherwise specific to, the Company; and
- certain warranties given by the Company in the Subscription Agreements having been true and accurate in all material respects when given and being true and accurate in all material respects on the day before Admission.

The Company has received irrevocable commitments to subscribe for all of the Subscription Shares, subject to satisfaction of the above conditions.

7. Other matters relating to the New Ordinary Shares

The New Ordinary Shares were offered and sold to “qualified investors” within the meaning of article 2(1)(e) of the Prospectus Directive and other persons to whom the New Ordinary Shares can be lawfully offered and sold, and no other person may participate in such offer or rely on any communication relating to it. The offer of the New Ordinary Shares has not been made to the public for the purposes of the Prospectus Rules.

The New Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States. Accordingly, the New Ordinary Shares may not be offered or sold in the United States absent registration or an exemption from registration. The New Ordinary Shares were offered and sold outside the United States in reliance on Regulation S under the Securities Act. The New Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority, nor have the foregoing authorities passed upon or endorsed the merits of the Subscription referred to in this document. Any representation to the contrary is unlawful.

See Part IX (‘Selling and transfer restrictions’) for further information on selling and transfer restrictions.

8. Stamp duty/SDRT

No stamp duty or stamp duty reserve tax (“**SDRT**”) is ordinarily payable on the New Ordinary Shares to be issued by the Company in the Subscription. However, Subscribers should note that the New Ordinary Shares subscribed for and/or purchased by them under the Subscription will only be delivered into the accounts of such Subscribers (or their nominees) in the clearance system operated by Euroclear Nederland.

Under current legislation, SDRT will generally be payable at the rate of 1.5 per cent. of the aggregate value of the Subscription Price of the New Ordinary Shares so delivered. However, following a recent decision of the European Court of Justice (“**ECJ**”) under which it was found that this charge is not compatible with EU law, HM Revenue & Customs (“**HMRC**”) publicly indicated that it will not seek to apply the 1.5 per cent stamp duty or SDRT when new shares are first issued to an EU clearance service or depositary receipt system. Under the current legislation, relief is available for subsequent transfers between clearance services or depositary receipt systems. However, anti-avoidance measures have been announced by HMRC which, when enacted, will remove this exemption where companies and depositary receipt issuers arrange a scheme under which new shares are issued to an EU clearance service or depositary receipt system without the payment of 1.5 per cent stamp duty or SDRT and the shares are subsequently transferred to a depositary receipt system or clearance service outside the EU. This legislation will have effect for all relevant transfers made on or after 1 October 2009.

Accordingly, on the basis that the New Ordinary Shares are first issued to an EU clearance service or depositary receipt system, provided there is no subsequent transfer to a non-EU clearance service or depositary receipt system, no SDRT should be payable. However, if this is not the case, the Subscriber will be liable to pay SDRT at a rate of 1.5 per cent. of the aggregate value of the Subscription Price of the New Ordinary Shares allotted to them, in addition to the aggregate Subscription Price for such New Ordinary Shares.

In view of the recent changes, and as this issue is currently under review by HMRC, the Company recommends that the Subscribers obtain formal advice in relation to the stamp duty and SDRT position on transfers of New Ordinary Shares into and between clearance services or depositary receipt systems at the time of the relevant transfers.

PART IX

SELLING AND TRANSFER RESTRICTIONS

This document does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security in any jurisdiction (including, without limitation, the New Ordinary Shares).

No action has been taken or will be taken by the Company or any other person to permit the distribution of this document in any jurisdiction, other than in the United Kingdom and The Netherlands. The distribution of this document in jurisdictions other than the United Kingdom and The Netherlands may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities law of any such jurisdiction.

No person receiving a copy of this document in any territory may treat the same as constituting an invitation or offer to purchase, otherwise acquire or subscribe for securities in any jurisdiction. This document must be treated as sent for information only and should not be copied or redistributed in whole or in part without the prior consent of the Company.

European Union

This document, which comprises a prospectus, has been approved as such by the FSA in accordance with section 85 of FSMA and the Company has also requested that the FSA certify to The Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) that this document is a prospectus drawn up in accordance with the Prospectus Rules.

The New Ordinary Shares were offered and sold to “qualified investors” within the meaning of article 2(1)(e) of the Prospectus Directive and other persons to whom the New Ordinary Shares can be lawfully offered and sold, and no other person may participate in such offer or rely on any communication relating to it. The offer of the New Ordinary Shares has not been made to the public for the purposes of the Prospectus Rules.

United States

The New Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States. Accordingly, the New Ordinary Shares may not be offered or sold in the United States absent registration or an exemption from registration. There will be no public offer of the New Ordinary Shares in the United States. The New Ordinary Shares were offered and sold outside the United States in reliance on Regulation S under the Securities Act. The New Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority, nor have the foregoing authorities passed upon or endorsed the merits of the Subscription referred to in this document. Any representation to the contrary is unlawful.

Restricted Jurisdictions

No offer of the New Ordinary Shares is being made by virtue of this document. The New Ordinary Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

Other overseas territories

Prospective investors who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, other overseas territories should consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities in connection with their receipt of this document or to enable them to purchase or otherwise acquire Ordinary Shares.

PART X

ADDITIONAL INFORMATION

1. Responsibility

The Directors, whose names appear on page 16 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (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 contains no omission likely to affect the import of such information.

2. The Company

- (a) The Company was incorporated in England and Wales on 11 August 2005 under the 1985 Act (registered number 5534340) as a public company limited by shares with an 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.
- (b) The Company's registered office and principal place of business is at Kensington Centre, 66 Hammersmith Road, London W14 8UD and its telephone number is +44 (0) 333 888 4141.

3. Share capital

- (a) As at the date of this document, the Company's authorised share capital is €2,500,000 comprising 250,000,000 Ordinary Shares of €0.01 each. The Company's issued share capital as at the date of this document is €1,563,703.02 comprising 156,370,302 Ordinary Shares of €0.01 each. Each issued Ordinary Share is credited as fully paid. Following Admission, the Company's issued share capital will comprise 200,602,528 shares of €0.01 each. As at the date of this document, the Company held no shares in treasury.
- (b) Details of changes in the share capital of the Company since 1 April 2006 (being the commencement date of the period covered by the historical financial information incorporated into this document by reference, as explained in Part XI ('Documentation incorporated by reference') of this document) are set out in the paragraph entitled 'Share capital' on page 38 of this document. Save as set out in that paragraph, there have been no changes in the issued share capital of the Company since 1 April 2006.
- (c) Under the terms of the Subscription, the Company has agreed to issue 34,744,133 New Ordinary Shares to the Subscribers at the Subscription Price. In addition, the Company has agreed to issue a further 9,488,093 New Ordinary Shares, comprising the Loan Shares and the Adviser Shares, at €0.4865 per share. The New Ordinary Shares have been conditionally allotted by a resolution of the Board and, upon issue, will be credited as fully paid.
- (d) On 30 June 2009, the Company allotted 700,000 Ordinary Shares to GEM at a price of €0.753 per Ordinary Share pursuant to the terms of a subscription agreement dated 30 March 2009 between, *inter alia*, the Company and GEM. In connection with this agreement, the Company has issued:
 - (i) to GEM warrants to subscribe for 3,000,000 Ordinary Shares at a price of €1 per share, exercisable for a period of three years from 30 June 2009. Further details are set out in paragraph 10(d) of this Part X; and
 - (ii) to Montrose Partners LLP warrants to subscribe for 120,000 Ordinary Shares at a price of €1 per share, exercisable for a period of three years from 30 June 2009.
- (e) Save as set out in this Part X, since 1 April 2006 (being the commencement date of the period covered by the historical financial information incorporated into this document by reference, as explained in Part XI ('Documentation incorporated by reference')):
 - (i) no share or loan capital of the Company has been issued or is now proposed to be issued fully or partly paid for cash or otherwise; and
 - (ii) neither the Company nor any of its subsidiaries has granted any options over its share or loan capital which remain outstanding or has agreed, conditionally or unconditionally, to grant any such option.
- (f) Section 561 of the Companies Act (which, to the extent not disapplied, confers on Shareholders statutory rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) applies to the unissued share capital of the Company. In order to implement the Subscription and issue the Loan Shares and the Adviser Shares, the Directors were authorised at the extraordinary general meeting of the Company held on 12 January 2010, to allot the New Ordinary Shares or grant rights to subscribe for or convert any security into the New Ordinary Shares for cash as if section 561 of the Companies Act did not apply. This authority was granted in addition and without prejudice to the subsisting authority to disapply statutory pre-emption rights conferred on the Directors

pursuant to section 95 of the 1985 Act at the annual general meeting of the Company held on 19 August 2009.

- (g) The Directors were generally and unconditionally authorised at the annual general meeting of the Company held on 19 August 2009 to allot relevant securities (within the meaning of the 1985 Act) up to an aggregate nominal amount of €936,296.98, such authority to expire at the annual general meeting of the Company in 2010 or 15 months after 19 August 2009, whichever is the earlier. In addition and without prejudice to this subsisting authority, the Directors were generally and unconditionally authorised at the extraordinary general meeting of the Company held on 12 January 2010 to allot the New Ordinary Shares or grant rights to subscribe for or convert any security into the New Ordinary Shares pursuant to or in connection with the Subscription and the issue of the Loan Shares and the Adviser Shares up to an aggregate nominal amount of €442,322.26, such authority to expire at the earlier of the date on which such shares are allotted or rights granted and the conclusion of the next annual general meeting of the Company.
- (h) As at the date of this document, the unissued share capital of the Company amounts to approximately 37.45 per cent. of the authorised share capital of the Company. Following Admission, the unissued share capital of the Company will amount to approximately 19.76 per cent. of the authorised share capital of the Company. The Directors have no present intention to allot shares in the Company other than the New Ordinary Shares, and Ordinary Shares in the event that any share options are exercised.

4. Subsidiaries

The Company is the holding company of the following wholly-owned subsidiary undertakings:

Name	Activity	Date of incorporation	Country of incorporation
International Cellulose Company Limited (formerly International Cellulose Company Overseas Limited)	Owner and licensor of intellectual property	15 November 2001	Gibraltar
Titan Wood B.V.	Production and sales of Accoya®	18 June 2003	The Netherlands
Titan Wood Limited	Brand and market developing	17 April 2003	England and Wales
Titan Wood Technology B.V. (formerly International Chemical Company B.V.)	Research and Development	11 December 2000	The Netherlands
Titan Wood Inc.	Sales and marketing of Accoya® in North America	19 November 2009	United States

5. Memorandum and Articles of Association

The following is a summary of the Company's memorandum and articles of association, which are available for inspection at the address specified in paragraph 18.1 of this Part X.

Memorandum of Association

The main objects of the Company are to carry on the business of a general commercial company and a holding company. The objects of the Company are set out in full in clause 4 of its memorandum of association which is available for inspection at the address specified in paragraph 18.1 of this Part X. The Companies Act deems the objects of the Company to be included in the Company's articles of association.

Articles of Association

The Company's articles of association (the "Articles"), which were adopted on 14 August 2008, contain provisions, among others, to the following effect:

(a) **Voting**

Subject to paragraph (e) below, and to any special rights or restrictions as to voting upon which any shares may for the time being be held, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by its duly appointed representative shall have one vote and on a poll every Shareholder present in person or by representative or proxy

shall have one vote for every ordinary share in the capital of the Company held by him. A proxy need not be a Shareholder.

(b) ***Transfer***

A Shareholder may transfer all or any of his shares (i) in the case of certificated shares by instrument in writing in any usual or common form and (ii) in the case of uncertificated shares, through CREST in accordance with and subject to the CREST Regulations and the facilities and requirements of the relevant system concerned. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, if the share is not fully paid, by or on behalf of the transferee. The Directors may (only in exceptional circumstances approved by the London Stock Exchange) refuse registration of the transfer of a certificated share provided the exercise of such powers does not disturb the market.

The Directors may refuse to register a transfer of an uncertificated share in any circumstances permitted by, the CREST Regulations, the CREST Rules or the AIM Rules for Companies. The Directors may, in their absolute discretion and without giving any reason, refuse to register a transfer of shares which are not fully paid to a person to whom they do not approve. They may also decline to register any transfer of shares upon which the Company has a lien. In relation to a certificated share, the Directors may decline to register any instrument of transfer unless (i) the instrument of transfer, duly stamped, is deposited at the Company's registered office or such other place as the Directors may appoint accompanied by the certificate of the shares to which they relate; (ii) it is in respect of one class of share only; and (iii) is in favour of not more than four joint holders as transferees.

(c) ***Dividends***

The Company may by ordinary resolution in general meeting declare dividends to Shareholders provided that no dividend shall be paid otherwise than out of profits and no dividend shall exceed the amount recommended by the Directors. The Directors may from time to time declare and pay such interim dividends on shares of any class as appear to the Directors to be justified by the profits of the Company.

The profits of the Company available for dividend and resolved to be distributed shall be applied in the payment of dividends to the Shareholders in accordance with their respective rights and priorities.

No unpaid dividend, bonus or interest shall bear interest as against the Company.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. Dividends unclaimed for a period of 12 years after they became due for payment shall, unless the Directors otherwise resolve, be forfeited and shall revert to the Company.

There is no fixed date on which an entitlement to dividend arises.

(d) ***Liquidation***

Subject to any special rights attaching to any class of shares, on a winding-up, the balance of the assets available for distribution, after deduction of any provision made under section 719 of the Companies Act and subject to any special rights attaching to any class of shares, shall be applied in repaying to the shareholders of the Company the amounts paid up on the shares held by them. A liquidator may, with the authority of an extraordinary resolution of the Company, divide amongst the Shareholders in specie or kind the whole or any part of the assets of the Company, and may for such purposes 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 of different classes of members. A liquidator may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members.

(e) ***Suspension of rights***

If a member or any other person appearing to be interested in shares held by such member has been duly served with notice under section 793 of the Companies Act and is in default in supplying to the Company, within 14 days provided that the holding represents at least 0.25 per cent. of the relevant class of shares and 28 days where the holding represents less than 0.25 per cent. of the relevant class of shares, the information thereby required then the sanctions available are the suspension of voting rights conferred by membership in relation to meetings of the Company in respect of the relevant shares and, additionally, in the case of a shareholding representing at least 0.25 per cent. of the relevant class of shares, the withholding of payment of any dividends on, and such member shall not be entitled to transfer such shares otherwise than pursuant to an arm's length sale.

(f) ***Share Capital***

The Shareholders shall have the right to participate in all dividends declared, to attend and vote at

general meetings of the Company and to receive all monies and property falling to be distributed on a winding up or other return of capital.

(g) ***Changes in share capital***

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, subdivide its shares or any of them into shares of smaller amount or cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person. The Company may, subject to the Companies Act, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account. Subject to and in accordance with the provisions of the Companies Act, the Company may purchase its own shares (including any redeemable shares), provided that the Company shall not purchase any of its shares if at the time of such purchase there are outstanding any convertible securities of the Company unless such purchase has been sanctioned by an extraordinary resolution passed at a separate class meeting of the holders of the convertible securities.

(h) ***Modification of rights***

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of that class) be varied or abrogated either with the consent in writing of the holders of three quarters of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of such holders. The quorum at any such separate meeting (other than an adjourned meeting) shall be two persons holding or representing by proxy at least one sixth of the issued shares of the relevant class and at an adjourned meeting those persons present shall constitute a quorum.

(i) ***Pre-emption rights***

There are no rights of pre-emption under the Articles in respect of transfers of shares. In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the Companies Act in respect of the allotment of new shares in the Company (save to the extent not previously disapplied by shareholders). These statutory pre-emption rights would require the Company to offer new shares for allotment for cash to existing shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to shareholders of the Company.

Sections 974 to 991 of the Companies Act contain provisions, which apply in certain circumstances to require and entitle persons making a take-over offer for the shares in the Company and who acquire 90 per cent. or more of the shares to which such offer relates (if all other conditions of that offer have been satisfied or waived) to acquire, and for the holders of shares in the Company to be entitled and required to sell, the shares held by the non-acceptors of that offer, in each case on a mandatory basis and on the same terms as the take-over offer.

(j) ***Borrowing powers***

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property, assets (both present and future), including its uncalled capital and, subject to any applicable law, 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.

(k) ***Directors***

Directors' remuneration

The Directors shall be paid such remuneration as the Company may from time to time by ordinary resolution determine.

Management by Directors

The business of the Company shall be managed by the Directors, who may exercise all such powers of the Company as are not by any statute or by the Articles required to be exercised by the Company in general meeting. The Directors may arrange that any branch of the business carried on by the Company or any other business in which the Company is interested shall be carried on by or through one or more subsidiaries. They may, on behalf of the Company, make such arrangements as they think advisable for taking the profits or bearing the losses of any branch or business or for financing, assisting or subsidising any subsidiary or guaranteeing its contracts, obligations or liabilities.

Meetings of Directors

Subject to the Articles, the Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit. At any time any Director may, and the Secretary on the requisition of a Director shall, summon a meeting of the Directors. Notice of a meeting shall be

given to a Director by word of mouth or sent in writing (which includes electronic communication) to him at his last known postal address or any other address given by him to the Company for this purpose. A Director absent or intending to be absent from the United Kingdom may request the Board of Directors that notice of a meeting shall during his absence be sent in writing to him at his last known postal address or any other address given by him to the Company for this purpose or for the purpose, but in the absence of any such request it shall not be necessary to give notice of a meeting of Directors to any Director for the time being absent from the United Kingdom. Any Director may waive notice of any meeting and any such waiver may be retrospective.

The quorum necessary for the transaction of the business of the Directors may be fixed from time to time by the Directors and unless so fixed at any other number shall be two. A meeting of the Directors at which a quorum is present shall be competent to exercise all powers and discretions exercisable by the Directors.

Voting of Directors

Save as specifically provided in the Articles, a Director must not vote on (or be counted in the quorum in respect of) any resolution of the Board concerning a contract or arrangement or any other proposal in which he is to his knowledge, directly or indirectly materially interest. If he does, his vote shall not be counted.

A Director is entitled to vote (and will be counted in the quorum) in respect of any resolution concerning any of the following matters:

- the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
- the giving of any guarantee, security of indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by giving of security;
- any proposal concerning an offer of securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is to be interested as a participant in the underwriting or sub-underwriting thereof;
- any proposal concerning any other body corporate in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he (together with persons connected with him) does not have an interest (as the term is used in Part VI of the Companies Act) in one per cent., or more of the issued equity share capital of any class of such body corporate or in the voting rights available to members of the relevant company;
- any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to who such arrangements relates; and
- any proposal concerning insurance that the Company purports to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors.

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or place of profit with the Company or any company in which the Company is interested a separate resolution may be put in relation to each Director. In such case each of the Directors concerned (if not debarred from voting as described above) is entitled to vote (and will be counted in the quorum) in respect of such resolution except that concerning his own appointment).

(1) ***Annual general meetings and extraordinary general meetings***

An annual general meeting of the Company shall be held in each year in addition to any other meetings which may be held in that year and at such time and place as may be determined by the Directors, provided that it shall be held within six months beginning with the day following its accounting reference date.

The Directors may convene an extraordinary general meeting whenever they think fit, and shall on requisition in accordance with the Companies Act proceed to convene an extraordinary general meeting. Whenever the Directors shall convene an extraordinary general meeting on the requisition of Shareholders, they shall convene such meeting for a date not more than six (6) weeks after the date of the notice convening the meeting. If at any time there are not within the United Kingdom sufficient Directors capable of acting to form a quorum any Director or any two Shareholders of the Company may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

Twenty one (21) clear days' notice in respect of any annual general meeting and every extraordinary general meeting at which it is proposed to pass a special resolution and fourteen (14) clear days' notice in respect of every other annual or extraordinary general meeting shall be given to all members (other than those who, under the provisions of the Articles or otherwise, are not entitled to receive notices from the Company) and to the Directors and the auditors for the time being of the Company, but the accidental omission to give such notice to, or the non-receipt of such notice by, any member or Director or the auditors shall not invalidate any resolution passed or any proceeding at such meeting.

Every notice calling a general meeting shall specify the place, the day and the hour of the meeting and in the case of special business, the nature of such business and shall also state with reasonable prominence that a member entitled to attend and vote at the meeting, may appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member of the Company. In the case of a meeting convened for passing a special or extraordinary resolution, the notice shall also specify the intention to propose the resolution as a special or extraordinary resolution as the case may be.

No business shall be transacted at any general meeting unless a quorum is present at the time when the meeting proceeds to business. Two (2) members present in person or by proxy and entitled to vote at that meeting shall be a quorum for all purposes. If within half an hour from the time appointed for a general meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of the members shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week, at the same time and place, or to such other day and to such other time and place as the Directors may determine.

6. Share options

On 14 August 2008, the Company adopted an Unapproved Share Option Scheme (the “**2008 Unapproved Scheme**”), that replaced and superseded the Unapproved Share Option Scheme adopted in 2005 (the “**2005 Unapproved Scheme**”). The principal provisions of the 2008 Unapproved Scheme are as follows:

Eligibility

Options to acquire Ordinary Shares may be granted (at the discretion of the Board) to individuals who have been employees of any company within the Group for at least six months or an executive director of any Group company.

Performance targets

The exercise of an option may be made subject to the achievement of any performance targets set and deemed by the Board to be appropriate.

Exercise of options

An option is exercisable (in whole or in part) provided that:

- (i) exercise is not before any vesting date or period stated on the option certificate;
- (ii) the Board deems that any applicable performance targets have been fulfilled;
- (iii) exercise is before the option lapses, being prior to the tenth anniversary of the date of grant;
- (iv) exercise is permitted under the Model Code, the AIM Rules for Companies or any other comparable code or rules that then apply to the Company.

Options may also be exercised:

- (i) upon death, by an option holder's legal personal representative, at any time during such period as determined by the Board, being no earlier than 12 months following the date of death and no later than the 10th anniversary of the date of grant;
- (ii) if the Board considers there will or might be a change in control of the Company, in which case the Board may in its absolute discretion declare that all outstanding options be exercised within a certain period; and
- (iii) within 40 days of a resolution approving the liquidation of the Company.

Size of scheme

The maximum number of new Ordinary Shares in respect of which the Company can grant options within a ten year period pursuant to the 2008 Unapproved Scheme or grant options or award Ordinary Shares under any other employee incentive scheme shall not exceed ten per cent. of the issued Ordinary Share capital of the Company for the time being. Any options which have lapsed or been surrendered are excluded from this

limit.

Price

Options must be granted at a subscription price per Ordinary Share which is not less than the greater of the nominal value of an Ordinary Share or the market value of an Ordinary Share on the date of grant.

Non-transferability of options

Save in the case of death, options granted are not transferable or assignable.

Variation of share capital

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 subject to an opinion of the auditors of the Company that the variations are fair and reasonable.

Alterations

The Board shall administer the 2008 Unapproved Scheme. The Board may from time to time amend the rules of the 2008 Unapproved Scheme provided that no amendment may be made which would materially affect the existing rights of an option holder unless it has been approved by a majority of option holders and no amendment may be made to certain key features of the 2008 Unapproved Scheme which is to the advantage of existing or future option holders except with the consent of the Company.

As at 4 February 2010 (being the latest practicable date prior to the publication of this document), options have been granted, and remain unexercised, under the Unapproved Schemes to the Executive Directors to subscribe for an aggregate of 5,395,343 Ordinary Shares and to 72 other employees (including the Senior Managers, whose options are described at page 55 below) or ex-employees of the Group to subscribe for a further 6,444,200 Ordinary Shares, as set out below:

Date of grant	Number of Ordinary Shares	Exercise price per share	Expiry date
14.11.05	2,051,200	€0.46	30.3.15
14.6.06	73,000	€1.20	14.6.16
28.3.07	3,855,000	€2.59	31.3.17
15.5.07	1,000,000	€3.84	15.5.17
11.10.07	1,000,000	€3.80	11.10.17
20.11.07	367,000	€3.65	20.11.17
18.6.08	305,000	€2.80	18.6.18
8.12.08	1,383,000	€1.38	8.12.18
19.11.09	1,805,343	€0.50	19.11.19

Options granted on 14 November 2005 and on 14 June 2006 are now vested as any and all performance conditions have been met. The options can be exercised up until the date of expiry.

Options granted on 28 March 2007 and 15 May 2007 vest as to one third of the options granted upon achievement of each of the following:

- cumulative €5 million licence income recognised under Group accounting policies;
- cumulative €20 million revenue from sales of Accoya®; and
- announcement of annual Group distributable earnings exceeding €5 million.

Options granted on 11 October 2007 vest as to one third of the options granted upon achievement of each of the following:

- cumulative €75 million gross licence revenue recognised under Group accounting policies;
- cumulative €15 million revenue from sales of Accoya®; and
- announcement of annual Group distributable earnings exceeding €15 million.

Options granted on 20 November 2007 vest as to one third of the options granted upon achievement of each of the following:

- annual Accoya® production exceeds 23,000m³ in a financial year;
- annual Accoya® sales revenue exceeds €26 million in a financial year; and
- the second pair of reactors in the wood modification plant are processing more than 25 batches per

month.

Options granted on 18 June 2008 vest as to one third of the options granted upon achievement of each of the following:

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

Options granted on 8 December 2008 vest as to one third of the options granted upon achievement of each of the following:

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

Options granted on 19 November 2009 vest in accordance with performance criteria based on total shareholder returns.

7. Directors' and other interests

- (a) The beneficial interests of the Directors in the Ordinary Shares as at 3 February 2010 (being the latest practicable date prior to the publication of this document) and as they are expected to be on Admission are set out below:

Director	As at 3 February 2010		As at Admission	
	Number of Ordinary Shares	% of issued share capital	Number of Ordinary Shares	% of issued share capital
William Paterson-Brown	5,000,000	3.2	5,000,000	2.5
Gordon Campbell	100,000	0.06	100,000	0.05
Paul Clegg	-	-	41,110	0.02
Kevin Wood	-	-	10,000	0.005
Lord Sanderson of Bowden Kb.D.L.	11,095	0.007	11,095	0.005
Tim Paterson-Brown	2,500,000	1.6	2,500,000	1.2

- (b) As at 3 February 2010 (being the latest practicable date prior to the publication of this document) none of the Senior Managers held any legal or beneficial interest in the Ordinary Shares. On Admission, the beneficial interests of the Senior Managers in the Ordinary Shares are expected to be as follows:

<i>Senior Manager</i>	
Adrian Wyn-Griffiths	20,554
Stuart Greenfield	30,833
Hal Stebbins	4,111
Rombout van Herwijnen	2,500
Michel Maes	2,056

- (c) In addition, options over the Ordinary Shares have been granted to certain of the Directors and the Senior Managers under the Company's Unapproved Scheme (all of which options were granted for no consideration) and remain exercisable as at 4 February 2010 (being the latest practicable date prior to the publication of this document) as set out below:

Director	Date(s) of grant	Number of Ordinary Shares	Exercise price per share	Date(s) of expiry
William Paterson-Brown	14.11.05	1,440,000	€0.46	31.03.15
	28.03.07	1,000,000	€2.59	28.03.17
	15.05.07	1,000,000	€3.84	15.05.17
Kevin Wood	08.12.08	150,000	€1.38	20.11.18
Paul Clegg	19.11.09	1,805,343	€0.50	19.11.19

Senior Manager	Date(s) of grant	Number of Ordinary Shares	Exercise price per share	Date(s) of expiry
Rombout van Herwijnen	20.11.07	75,000	€3.65	20.11.17
	18.06.08	75,000	€2.80	18.06.18
Adrian Wyn-Griffiths	18.06.08	150,000	€2.80	18.06.18
Stuart Greenfield	-	-	-	-
Michel Maes	20.11.07	40,000	€3.65	20.11.17
Hal Stebbins	18.06.08	40,000	€2.80	18.06.18

The basis on which these options have vested or will vest is set out in paragraph 6 of this Part X.

- (d) Pursuant to an agreement dated 2 September 2009 between Paul Clegg and the Company, in addition to the options granted to Mr Clegg on 19 November 2009, the Company has agreed to grant to him options over an additional two per cent. of the Ordinary Shares on a fully diluted basis in accordance with the rules of the current Unapproved Scheme at an exercise price set by reference to the prevailing market price of the Ordinary Shares at the time of grant.
- (e) Save as disclosed in this Part X, none of the Directors nor the Senior Managers nor any member of their immediate families holds, or is legally or beneficially interested, directly or indirectly, in any shares or options in the Company.
- (f) As disclosed in paragraph 7(a) above, William Paterson-Brown holds a notifiable interest in the total voting rights of the Company. In addition, as at 3 February 2010 (being the latest practicable date prior to the publication of this document), the Company had been notified by the following entities of their interests in the total voting rights of the Company:

	Notified number of voting rights	Notified % of voting rights
Saad Investments Company Limited	15,820,000	10.12
Rajhi Holdings	14,526,728	9.29
Dutch Bearer Shares	12,259,598	7.84
Oak Foundation USA Inc./Oak Holdings Ltd	12,009,586	7.68
Bank Sarasin	10,378,533	6.64
OP-Fund Management Company Ltd	10,253,584	6.56
SNS Bank Nederland	5,452,766	3.49
Invesco	4,990,091	3.19

- (g) None of the Company's major shareholders have any different voting rights.
- (h) No person involved in the Subscription has an interest which is material to the Subscription.
- (i) As at 3 February 2010 (being the latest practicable date prior to the publication of this document), the Company was not aware of any persons who, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company. As at 3 February 2010 (being the latest practicable date prior to the publication of this document), the Company was not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- (j) The Directors hold or have held in the past five years the following directorships in companies in addition to their directorships of the Company and past or current members of the Group and are or have been a partner of any of the following partnerships in the past five years:

Director	Current directorships/partnerships	Past directorships/partnerships
<i>Willy Paterson-Brown</i>	Asia IT Capital Investments Limited HipCricket, Inc. Khalidiya Investments SA Zica SA Diamond Wood China Limited	ICC Properties Limited
<i>Paul Clegg</i>	Clegg Enterprises Limited Synairgen PLC	Cowen International Limited Cowen Asset Management International Limited
<i>Kevin Wood</i>	-	Arla Foods Finance Limited Staplemead Dairy Products Limited Bapco Closures Holdings Limited Miltenvale Limited
<i>Gordon Campbell</i>	Jupiter Second Split Trust PLC JSST Securities Limited	ITI Scotland Limited British Nuclear Group Sellafield Limited British Nuclear Fuels plc Babcock International PLC Babcock Africa (Proprietary) Limited HSS Hire Service Holdings Limited Jupiter Split Trust PLC Senior plc
<i>Thomas Priday</i>	Em Power Limited Finisterre Cayman LLP Lateral Life Travel Limited	Finisterre Capital LLP
<i>Timothy Paterson-Brown</i>	Medictrainer PLC Medicexchange PLC MGT Capital Investment Inc. Medicsight USA, Inc. Medicsight Asset Management Limited Medicsight Nominees Limited Medicsight International Limited (Gibraltar) Medicsight KK MGT Capital Investments (UK) Ltd Medicsight PLC Medicsight Pty Ltd MGT Capital Investments Ltd MGT Investments Ltd (Gibraltar) On Team Asia Limited (Hong Kong) Medicexchange China MedicEndo Ltd Medicexchange International Limited	Medicsight Finance Limited Medicexchange (UK) Limited Westminster Wellness Limited Yang Cellulose Company Limited Chardy Limited Library of Life (USA), Inc.

(Gibraltar)
Medicexchange Ltd
Medicexchange Inc.

Lord Sanderson of Bowden Kb.D.L. Hawick Cashmere Company Limited Develica I LLP
Develica Deutschland Limited

- (k) The Senior Managers hold or have held in the past five years the following directorships and are or have been a partner of any of the following partnerships in the past five years:

Senior Manager	Current directorships/partnerships	Past directorships/partnerships
<i>Rombout van Herwijnen</i>	Sobriquet B.V. Lalesse Holding B.V. Titan Wood B.V. Titan Wood Technology B.V.	Flexible Packaging Holding B.V. Avebe Lalesse Groep B.V.
<i>Adrian Wyn-Griffiths</i>	Titan Wood Limited	Titan Wood B.V. Titan Wood Technology B.V.
<i>Stuart Greenfield</i>	Greenfield (Global) Limited	LeepeckGreenfield Limited LeepeckGreenfield International Limited
<i>Michel Maes</i>	Titan Wood B.V. Titan Wood Technology B.V.	-
<i>Hal Stebbins</i>	Titan Wood Inc.	-

- (l) Save as disclosed in paragraph (m) below, at the date of this document none of the Directors nor the Senior Managers:

- (i) has any convictions in relation to fraudulent offences for at least the previous five years;
- (ii) has been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or of senior manager of any company for at least the previous five years; or
- (iii) has been subject to any official public incrimination and/or sanction of him by any statutory or regulatory authority (including any designated professional bodies) nor has ever been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

- (m) Sobriquet B.V., of which Rombout van Herwijnen is the sole director and shareholder, is a director of Lalesse Holdings B.V. which became the sole shareholder and corporate director of Lalesse Groep B.V. and its subsidiaries, Lalesse Gevellijften B.V., Machinefabriek Lalesse Arnhem B.V. and Lalesse Machinebouw B.V in March 2004. Lalesse Groep B.V. and its subsidiaries were declared bankrupt by the competent court in The Netherlands on 13 December 2005.

- (n) In respect of any Director or Senior Manager, there are no potential conflicts of interest between any duties they may have to the Company and their private interests and/or other duties they may have in addition.

- (o) There is no arrangement or understanding with any major shareholder, customer, supplier or other person, pursuant to which any of the Directors or Senior Managers was elected as a member of the Board of Directors or member of the senior management.

8 Directors' and Senior Managers' terms of service

- (a) The Directors have, in the case of the Executive Directors, entered into service agreements or agreements for services and in the case of Non-Executive Directors, letters of appointment, as follows:

Director	Date of original appointment as a Director	Annual remuneration	Notice period	Contracting company
William Paterson-Brown	17.08.05	€264,000	12 months	Titan

Paul Clegg**	29.04.09	€258,500	12 months	Accsys
Kevin Wood	18.06.08	€192,500	6 months	Titan
Gordon Campbell	03.10.05	€35,000	1 month	Accsys
Timothy Paterson-Brown	22.09.05	€30,000	1 month	Accsys
Lord Sanderson of Bowden Kb.D.L.	16.08.07	€35,000	1 month	Accsys
Thomas Priday	18.06.08	€30,000	1 month	Accsys

William Paterson-Brown's services are provided pursuant to a consultancy agreement between Titan Wood Limited and Khalidiya Investments SA (Switzerland). Each of the Non-Executive Directors has a letter of appointment with Accsys in respect of his appointment to office as a director of Accsys.

- (b) Save as disclosed above, there are no service agreements existing or proposed between the Directors and the Company or any of its subsidiaries which provide for benefits upon termination of the relevant Director's employment with the Group.
- (c) The aggregate emoluments (including any contingent or deferred compensation) including remuneration and benefits in kind of the Directors and Senior Managers for the financial year ended 31 March 2009 were €1,167,731 and in the case of the Directors and Senior Managers on an individual basis were:

Director	Salary/fee	Bonus	Pension	Other benefits*	Total
Willy Paterson-Brown	€340,800	-	-	-	€340,800
Paul Clegg**	-	-	-	-	-
Kevin Wood	€146,193	-	8,235	100	€154,528
Gordon Campbell	€35,000	-	-	-	€35,000
Thomas Priday	€30,000	-	-	-	€30,000
Tim Paterson-Brown	€30,000	-	-	-	€30,000
Lord Sanderson of Bowden Kb.D.L.	€35,000	-	-	-	€35,000
Senior Manager	Salary/fee	Bonus	Pension	Other benefits*	Total
Rombout van Herwijnen	€162,640	-	10,533	-	173,173
Adrian Wyn-Griffiths	€130,163	-	9,883	1,785	141,831
Stuart Greenfield***	-	-	-	-	-
Michel Maes	€102,000	-	-	-	102,000
Hal Stebbins	€109,394	-	3,745	12,260	125,399

Notes:

*Other Benefits comprise the provision of health and life insurance benefits.

**Paul Clegg was appointed as a Non-Executive Director on 29 April 2009 and became Chief Executive Officer on 1 August 2009.

***Stuart Greenfield was appointed as Director of Marketing on 30 October 2009.

- (d) Under the arrangements currently in force, the aggregate contractual remuneration (including any contingent or deferred compensation) and benefits in kind of the Directors for the financial year ending 31 March 2010 is expected to be approximately €785,922.78.
- (e) No amount has been set aside or accrued for by the Company and its subsidiaries to provide pension, retirement or similar benefits.

9. Related party transactions

A description of the material provisions of agreements and other documents between the Group and various individuals and entities that may be deemed to be related parties is given in the Group's audited statutory accounts for the three years ended 31 March 2009, which are incorporated by reference into this document as explained in Part XI ('Documentation incorporated by reference') of this document. Save for the transaction described below, no such transactions have been entered into by any member of the Group since 31 March 2009.

Mr William Paterson-Brown is a director of Khalidiya Investments SA. During the six months to 30 September 2009, the Group was charged €136,400 by Khalidiya Investments SA in respect of director's services, €158,715 in respect of travel expenses for a number of employees and €210,947 in respect of office and related costs. As at 30 September 2009 there were balances outstanding in respect of Khalidiya Investments SA of €86,122.

10. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) are all the contracts which have been entered into by members of the Group within the two years immediately preceding the date of this

document, which are, or may be, material to the Group or are contracts (not being contracts entered into in the ordinary course of business) which have been entered into at any time by any member of the Group and which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

- (a) Conditional agreements dated 7 December 2009 between (1) the Company and (2) the Subscribers pursuant to which the Subscribers have agreed to subscribe for the Subscription Shares at the Subscription Price. The Subscription Agreements contain certain customary warranties by the Company in favour of the Subscribers. The Subscription Agreements provide that the Subscription is conditional upon, amongst other things, all conditions to Admission having been satisfied by no later than 8.00 a.m. on 28 February 2010 (or such later time and/or date as the Company and the Subscribers may agree) and certain warranties given by the Company in the Subscription Agreements having been true and accurate in all material respects when given and being true and accurate in all material respects on the day before Admission.
- (b) A subscription agreement dated 11 December 2007 between (1) Diamond Wood China Limited and (2) Titan pursuant to which the Company agreed to subscribe for 133,334 ordinary shares of €1 each in the share capital of Diamond Wood at a price of €45 per share. Subsequent to the subscription the share capital of Diamond Wood has been sub-divided resulting in 13,333,400 shares being held by the Company pursuant to this subscription. The share subscription is now fully paid up.
- (c) A subscription agreement dated 9 April 2009 between (1) Diamond Wood China Limited and (2) the Company pursuant to which the Company agreed to subscribe for 8,333,334 ordinary shares of €0.01 each in the share capital of Diamond Wood at a price of €0.48 per share. Further to the agreement, the subscription is now fully paid up.
- (d) A subscription agreement dated 30 March 2009 between (1) GEM, (2) GEM Investment Advisors, Inc. (“**GEMIA**”) and (3) the Company pursuant to which GEM granted the Company the right to require GEM to subscribe, in one or more tranches, for Ordinary Shares up to an aggregate subscription price (if more than one tranche) of €20,000,000. The mechanics of the subscription and the price at which GEM subscribe for each share under the agreement is summarised below:
 - (i) the Company may serve written notice (the “**Notice**”) specifying the number of shares it wishes GEM to subscribe for (the “**Draw Down Amount**”) and a price below which the Company shall not be obliged to issue Ordinary Shares pursuant to a Notice (the “**Floor Price**”);
 - (ii) a 15 trading day period (the “**Pricing Period**”) follows the date on which the Notice is received by GEM;
 - (iii) at or before 9.00 am (London time) on the first trading day immediately following the Pricing Period, GEM shall deliver to the Company a closing notice stating the exact number of Ordinary Shares it wishes to subscribe for and the applicable subscription price, which shall in aggregate be deposited into escrow (the “**Closing Notice**”). In the case of the first subscription, GEM is required to subscribe for at least 50 per cent. and may elect to subscribe for up to 100 per cent. of the “**Pricing Period Obligation**”. The Pricing Period Obligation is the Draw Down Amount divided by 15 and multiplied by the number of trading days during the Pricing Period which are not “**Knockout Days**”. Knockout Days are any trading days during a Pricing Period (a) on which an amount equal to 90 per cent. of the closing bid price is less than the Floor Price or are days when Ordinary Shares are not traded on AIM, or (b) in the case of the first subscription, if and when the Company serves notice decreasing the Floor Price. In the case of subsequent subscriptions, GEM is required to subscribe for at least 50 per cent. and may elect to subscribe for up to 200 per cent. of the Pricing Period Obligation, provided that total subscriptions shall not exceed €20,000,000; and
 - (iv) subject to the Company issuing the Ordinary Shares notified under the Closing Notice and such Ordinary Shares being admitted to AIM within four trading days of the Closing Notice, the subscription monies are to be released to the Company.

Pursuant to the agreement and service of a first Notice, the Company issued to GEM 700,000 Ordinary Shares on 30 June 2009 at a subscription price of €0.753 per Ordinary Share.

In consideration of GEMIA procuring subscriptions pursuant to the Agreement, the Company is obliged to pay to GEMIA a fee of €200,000 in accordance with the terms of the agreement. Of this, €21,084 has been paid, with the balance payable on or before 30 March 2010.

In further satisfaction of the terms of the agreement, the Company executed a warrant instrument in favour of GEM on 30 June 2009 (the “**GEM Warrant Instrument**”) and issued to GEM warrants entitling GEM

to subscribe for up to 3,000,000 Ordinary Shares at a price of €1 per Ordinary Share at any time prior to 30 June 2012, being the third anniversary of the date of issue of the warrants.

The subscription agreement expires on the later of (a) the earlier of 30 March 2012 or the date that GEM has subscribed for Ordinary Shares with an aggregate subscription price of €20,000,000 (excluding any Ordinary Shares subscribed pursuant to any warrant) and (b) so far as the agreement relates to the GEM Warrant Instrument, the earlier of expiry of the exercise period thereunder and the date on which all the warrants thereunder have been exercised.

- (e) The GEM Warrant Instrument, executed by the Company on 30 June 2009 in favour of GEM, as described above in paragraph 10(d) above.
- (f) A convertible loan agreement dated 29 July 2009 (as amended on 9 October 2009 and 4 November 2009) between (1) Veritas and (2) the Company pursuant to which Veritas has advanced to the Company an aggregate loan amount of €4,000,000 (the “**Loan**”), less arrangement and underwriting fees totaling €240,000. The Loan is convertible into Ordinary Shares (the “**Conversion**”) on the earlier of:
 - (i) 31 January 2010; or
 - (ii) the date on which the Company completes any offer or placing of Ordinary Shares made outside of shareholder authorities existing at 29 July 2009, such offer or placing of Ordinary Shares having achieved specific shareholder consent and otherwise become unconditional in all respects; or
 - (iii) such other date as may be agreed in writing by the parties,

(the “**Conversion Date**”).

Pursuant to the agreement, Veritas has agreed that the Company may at its discretion carry out the Conversion by arranging for a wholly-owned subsidiary of the Company to issue shares to Veritas which are convertible into or exchangeable for Ordinary Shares.

The Loan shall convert into such number of Ordinary Shares as equals 4,000,000 divided by a Conversion price of €0.58, or if lower:

- (i) the closing price (as published by Bloomberg) of Ordinary Shares averaged for the period between 1 July 2009 to the day immediately preceding the Conversion Date;
- (ii) in respect of Conversion pursuant to paragraph (xii)(aa) above, the closing price (as published by Bloomberg) of Ordinary Shares on 30 January 2010;
- (iii) in respect of Conversion pursuant to paragraph (xii)(bb) above, the offer or placing price of Ordinary Shares as published in the announcement made in respect of the offer or placing; or
- (iv) in respect of Conversion pursuant to paragraph (xii)(cc) above, such other price as may be agreed in writing by the parties.

11. Working capital

The Company is of the opinion that, taking into account the net proceeds of the Subscription, the working capital available to the Group is sufficient for its present requirements, that is for at least the 12 months following the date of this document.

12. Significant change

Save for the receipt of the €4 million loan from Veritas described in paragraph 10(f) of this Part X, there has been no significant change in the financial or trading position of the Group since 30 September 2009, the date to which the Company’s last unaudited consolidated interim financial statements incorporated into this document by reference, as explained in Part XI (‘Documentation incorporated by reference’), are prepared.

13. Governmental, legal and arbitration proceedings

No member of the Group is or has been engaged in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months prior to the date of this document which may have, or have had in the recent past, significant effects on the financial position or profitability of the Group.

14. Principal establishments

- 14.1 Titan Wood B.V. has leased a number of buildings at IndustriePark Kleefse Waard, Westervoortsedijk, Arnhem. The annual rent of €261,805.64 is subject to annual indexation by the Dutch Consumer Price Index and runs until 31 March 2010, after which it may be extended.
- 14.2 Titan has the use of office accommodation at Kensington Centre, 66 Hammersmith Road, London W14 8UD under a license to occupy. The annual rent of £50,124.60 is subject to review in December of each year.
- 14.3 Titan Wood Inc. has leased premises at 5000 Quorum Drive, Suite 620, Dallas, Texas 75254, USA. The annual rent is \$112,734.96 and the lease term runs to 31 December 2014, after which it may be extended.

15. Taxation

- 15.1 The following information is intended only as a general guide to current UK tax legislation and to what is understood to be the current practice of HM Revenue & Customs and may not apply to certain classes of Shareholders, such as dealers in securities, or to Shareholders who are not absolute beneficial owners of their Ordinary Shares. Any person who is in any doubt as to their tax position, or is subject to tax in any jurisdiction other than the UK, should consult their professional adviser without delay.

(a) *Dividends*

Under current UK tax legislation, no tax is withheld from dividends paid by the Company. UK tax resident individual shareholders will be entitled to a tax credit in respect of any dividend received equal to one-ninth of the amount of the dividend. The tax credit therefore equals 10 per cent of the combined amount of the dividend and the tax credit. Liability to UK income tax is calculated on the sum of the dividend and the tax credit. The tax credit will satisfy a UK tax resident individual Shareholder's lower and basic rate (but not higher rate) income tax liability in respect of the dividend.

UK tax resident individual shareholders who are subject to tax at the higher rate will have to account for additional income tax. The special rate of income tax set for higher rate tax payers who receive dividends is 32.5 per cent. After taking account of the 10 per cent. tax credit, such tax payers would have to account for additional income tax of 22.5 per cent. on the amount of the dividend and tax credit. With effect from 6 April 2010 a new 42.5 per cent. rate of tax is expected to apply to dividend income to the extent that a Shareholder's income for tax purposes exceeds £150,000. After taking account of the 10 per cent. tax credit, such tax payers would have to account for additional income tax of 32.5 per cent. on the amount of the dividend and tax credit. In determining what tax rates apply to a UK tax resident individual Shareholder, dividend income is treated as the top slice of income.

A Shareholder who is not liable to income tax on the dividend (or any part of it) is not able to claim payment of the tax credit (or part of it) in cash from HM Revenue & Customs.

A UK resident corporate Shareholder (including authorised unit trusts and open ended investment companies) and pension funds will generally not be liable to UK corporation tax on any dividend received and will not be entitled to payment in cash of a tax credit. Legislation has recently been enacted that has made significant changes to the corporation tax treatment of dividends. Shareholders within the charge to corporation tax should consult their own professional advisers.

Shareholders not resident (for tax purposes) in the UK and who do not carry on a trade, profession or vocation in the UK through a branch, agency or permanent establishment through which their Ordinary Shares are held are generally not taxed in the UK on dividends received by them but may be subject to foreign tax on the dividend received. The entitlement of such Shareholders to claim repayment of any part of a tax credit will depend, in general, on the existence and terms of any double tax convention between the UK and the country in which the Shareholder is resident. Shareholders who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming repayment and what relief or credit may be claimed in respect of such tax credit in the jurisdiction in which they are resident.

(b) *UK taxation of chargeable gains arising on sale or other disposal*

A sale of Ordinary Shares by a Shareholder resident, or in the case of an individual, ordinarily resident, in the UK may, depending on the Shareholder's circumstances, and subject to any available exemptions, allowances or reliefs, give rise to a chargeable gain or allowable loss for the purposes of UK taxation of chargeable gains. Special rules apply to disposals by individuals at a time when they are temporarily non-resident or ordinarily resident in the UK.

A disposal of Ordinary Shares by a non-UK resident Shareholder may, in certain circumstances, also give rise to a chargeable gain or allowable loss for the purposes of UK taxation of chargeable gains (subject to their particular circumstances and any available exemptions, allowances or reliefs). For example, if they carry on a trade, profession or vocation in the UK through a branch or agency or, in the case of a company, if it carries on a trade through a permanent establishment in the UK, and they have used, held or acquired Ordinary Shares for the purposes of such trade, profession or vocation or such branch, agency or permanent establishment.

(c) *Stamp duty and SDRT*

Following completion of the Subscription and subject to applicable exemptions and reliefs and subject as set out below, in particular under the heading 'Ordinary Shares deposited with Euroclear Nederland', a subsequent conveyance or transfer on sale of Ordinary Shares will generally be subject to ad valorem stamp duty, at the rate of 0.5 per cent., rounded-up if necessary to the nearest multiple of £5, of the amount or value of the consideration paid where this is over £1,000. In practice, stamp duty is normally paid by the purchaser. A charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid for Ordinary Shares will generally arise in relation to an unconditional agreement to transfer Ordinary Shares. However, if within six years of the date of agreement (or, if the agreement was conditional, the date the agreement became unconditional) an instrument of transfer is executed pursuant to the agreement and that instrument is duly stamped, this will cancel, or give rise to a repayment in respect of, the SDRT liability. SDRT is specifically the liability of the purchaser.

Where Ordinary Shares are issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services (a "**clearance system**") or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depository receipts (a "**depository receipt system**"), stamp duty or SDRT will generally be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares.

However, following a recent decision of the European Court of Justice ("**ECJ**") under which it was found that this charge is not compatible with EU law, HM Revenue & Customs ("**HMRC**") have publicly indicated that they will not seek to apply the 1.5 per cent stamp duty or SDRT when new shares are first issued to an EU clearance service or depository receipt system. Under the current legislation, relief is available for subsequent transfers between clearance services or depository receipt systems. However, anti-avoidance measures have been announced by HMRC which, when enacted, will remove this exemption where companies and depository receipt issuers arrange a scheme under which new shares are issued to an EU clearance service or depository receipt system without the payment of 1.5 per cent stamp duty or SDRT and the shares are subsequently transferred to a depository receipt system or clearance service outside the EU. This legislation will have effect for all relevant transfers made on or after 1 October 2009.

Accordingly, on the basis that the new shares are first issued to an EU clearance service or depository receipt system, provided there is no subsequent transfer to a non-EU clearance service or depository receipt system, no SDRT should be payable. However, if this is not the case, Subscribers will be liable to pay SDRT at a rate of 1.5 per cent. Of the aggregate value at the Subscription Price of the New Ordinary Shares allocated to them, in addition to the aggregate Subscription Price for such New Ordinary Shares. Subscribers will be notified of the amount of SDRT payable by them when informed via their intermediaries of the number of New Ordinary Shares allocated to them (as referred to in the paragraph headed 'Allocation' above). This liability for stamp duty or SDRT will strictly be accountable by the clearance system or depository receipt system, as the case may be, but will, in practice, generally be reimbursed by participants in the clearance system or depository receipt system, as the case may be.

Clearance systems may opt under section 97A of the Finance Act 1986, provided certain conditions are satisfied, for the normal rate of stamp duty or SDRT (0.5 per cent. of the consideration paid) to apply to issues or transfers of Ordinary Shares into, and to transactions within, such systems instead of the higher rate of 1.5 per cent. generally applying to an issue or transfer of Ordinary Shares into the clearance system and the exemption from stamp duty and SDRT on transfer of Ordinary Shares whilst in the clearance system.

Certain categories of persons are not liable to stamp duty or SDRT and others may be liable to a higher rate as mentioned above or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

Ordinary Shares held through CREST

No stamp duty or SDRT will arise on the issue of Ordinary Shares into CREST, save to the extent that the Ordinary Shares are issued to the CREST account of, or of a nominee for, a depository receipt system or the CREST account of, or of a nominee for, a clearance system which has not made an election under section 97A of the Finance Act 1986. Paperless transfers of Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the system.

Ordinary Shares deposited with Euroclear Nederland

It is understood that Euroclear Nederland is a clearance system for stamp duty purposes and has not made an election under section 97A Finance Act 1986. If following completion of the Subscription, a holder of Ordinary Shares chooses to deliver its Ordinary Shares into Euroclear Nederland, as mentioned above, following the ECJ decision, HMRC will not seek to charge the 1.5 per cent. SDRT of the value of the Ordinary Shares.

No SDRT should be payable on any transfers or agreements to transfer Ordinary Shares within Euroclear Nederland.

The above statements are intended as a general guide to the current stamp duty and SDRT position. In view of the recent changes and as this issue is currently under review by HMRC, we recommend that formal advice in relation to the stamp duty and SDRT position on transfers of shares into and between clearance services or depository receipt systems is obtained at the time of the relevant transfers.

15.2 **Dutch taxation**

General

The information set out below is a general summary of certain Dutch tax consequences in connection with the acquisition, ownership and transfer of the New Ordinary Shares. The summary does not purport to be a comprehensive description of all the Dutch tax considerations that may be relevant for a particular holder of the New Ordinary Shares, and this summary is not intended to be applicable in respect of all categories of holders of Ordinary Shares. The summary is based upon the tax laws of The Netherlands as in effect on the date of this prospectus, as well as regulations, rulings and decisions of The Netherlands and its taxing and other authorities available on or before such date and now in effect. All of the foregoing is subject to change, which could apply retroactively and could affect the continuing validity of this summary. As this is a general summary, investors or shareholders are recommended to consult their own tax advisers as to the Dutch or other tax consequences of the acquisition, redemption, ownership and transfer of the New Ordinary Shares, including, in particular, the application to their particular situations of the tax considerations discussed below.

The following summary does not address the tax consequences arising in any jurisdiction other than the Netherlands in connection with the acquisition, ownership and transfer of the New Ordinary Shares.

The Directors believe that the Company is not a resident nor that it is deemed to be a resident of The Netherlands nor that it has a presence in The Netherlands for Dutch tax purposes, and the following summary assumes that the Company will not be treated as a resident or deemed resident of The Netherlands nor have a presence in The Netherlands for Dutch tax purposes.

The Directors believe that the assets of the Company, on a consolidated basis, do not consist of at least 70% of immovable property (or rights to immovable property) located in the Netherlands.

The description of taxation set out in this summary is not intended for any holder of the New Ordinary Shares, who is:

- an individual and for whom the income or capital gains derived from the New Ordinary Shares are attributable to employment activities the income from which is taxable in The Netherlands;
- an individual and from whom the ownership of the New Ordinary Shares is deemed to be a so called beneficial interest (*lucratief belang*)
- an individual and who holds, or is deemed to hold a substantial interest (as defined below) in the Company;
- an entity and that is no subject to or exempt, in whole or in part, from Dutch corporate income tax;

- an entity owning, directly or indirectly or together with affiliated companies, New Ordinary Shares representing 5 per cent. or more of the Company's total issued and outstanding capital (or the issued and outstanding capital of any class of shares), or rights to acquire shares, whether or not already issued, that represent at any time 5 per cent. or more of the Company's total issued and outstanding capital (or the issued and outstanding capital of any class of shares) or the ownership of certain profit participating certificates that relate to 5 per cent. or more of the annual profit and/or to 5 per cent. or more of our liquidation proceeds; or
- an investment institution (*beleggingsinstelling*) as defined in the Dutch Corporate Income Tax Act 1969.

Generally a holder of Ordinary Shares will have a substantial interest in the Company (“**substantial interest**”) if he holds, alone or together with his partner and his under-aged children, whether directly or indirectly, the ownership of, or certain other rights over, shares representing 5 per cent. or more of the Company's total issued and outstanding capital (or the issued and outstanding capital of any class of shares), or rights to acquire shares, whether or not already issued, that represent at any time 5 per cent. or more of the Company's total issued and outstanding capital (or the issued and outstanding capital of any class of shares) or the ownership of certain profit participating certificates that relate to 5 per cent. or more of the annual profit and/or to 5 per cent. or more of the Company's liquidation proceeds. If a holder of New Ordinary Shares does not have a substantial interest, a deemed substantial interest will be present if (part of) a substantial interest has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

Dividend withholding tax

Distributions from the Company are not subject to Dutch dividend withholding tax.

Corporate income tax and individual income tax

A ‘Resident of The Netherlands’ is a holder of Shares who is, or who is deemed to be, a resident of The Netherlands or, if he is an individual, who opts to be taxed as a resident of The Netherlands for purposes of Dutch taxation. A ‘Non-Resident of The Netherlands’ is a holder of Ordinary Shares who is not treated as a resident of The Netherlands for purposes of Dutch taxation.

Residents of The Netherlands

- Individuals

A Resident of The Netherlands who is an individual and who holds New Ordinary Shares will generally be subject to Dutch income tax on the income and/or capital gains derived from the New Ordinary Shares at the progressive rate (up to 52 per cent.) if:

- (i) the holder has an enterprise or an interest in an enterprise, to which enterprise the New Ordinary Shares are attributable; or
- (ii) the holder derives income or capital gains from the Shares that are taxable as benefits from ‘miscellaneous activities’ (*resultaat uit overige werkzaamheden*) which is considered to include performance of activities with respect to the New Ordinary Shares that exceed regular, active portfolio management (*normaal, vermogensbeheer*).

If conditions (i) and (ii) mentioned above do not apply, any holder of New Ordinary Shares who is an individual will be subject to Dutch income tax on a deemed return regardless of the actual income and/or capital gains benefits derived from the Shares. The deemed return amounts to 4 per cent. of the average value of the holder's net assets in the relevant fiscal year (including the New Ordinary Shares) insofar as that average exceeds the exempt net asset amount (*heffingvrij vermogen*). The deemed return is taxed at a flat rate of 30 per cent.

- Entities

A Resident of The Netherlands who is an entity will generally be subject to Dutch corporate income tax with respect to the income and capital gains derived from the New Ordinary Shares. The Dutch corporate income tax rate is 20 per cent. on the first €200,000 of taxable income and 25.5 per cent. over the taxable income exceeding €200,000 for the 2009 tax year.

Non-Residents of The Netherlands

A Non-Resident of The Netherlands who holds Shares is generally not subject to Dutch income or corporate income tax on the income and capital gains derived from the Shares, provided that:

- (i) such Non-Resident of The Netherlands does not derive profits from an enterprise or deemed enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder) which enterprise is,

in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the Shares are attributable or deemed attributable;

- (ii) in the case of a Non-Resident of The Netherlands who is an individual, such individual does not derive income or capital gains from the Ordinary Shares that are taxable as benefits from miscellaneous activities in The Netherlands (*resultaat uit overige werkzaamheden in Nederland*); and
- (iii) such Non-Resident of The Netherlands is neither entitled to a share in the profits of an enterprise nor co-entitled to the net worth of such enterprise effectively managed in The Netherlands, other than by way of the holding of securities or through an employment contract, to which enterprise the Shares or payments in respect of the Shares are attributable or deemed attributable.

Gift and inheritance taxes

Dutch gift or inheritance taxes will not be levied on the transfer of the New Ordinary Shares by way of gift or on the death of a holder, unless:

- (i) the holder is or is deemed to be a resident of The Netherlands for the purpose of the relevant provisions;
- (ii) the transfer is construed as an inheritance or bequest or as a gift made by or on behalf of a person who, at the time of the gift or death, is or is deemed to be a resident of The Netherlands for the purpose of the relevant provisions; or
- (iii) the New Ordinary Shares are attributable or deemed attributable to an enterprise or part of an enterprise which is carried on through a permanent establishment or a permanent representative in The Netherlands; or
- (iv) the holder of such New Ordinary Shares is entitled to a share in the profits of an enterprise effectively managed in The Netherlands, other than by way of the holding of securities or through an employment contract, to which enterprise such New Ordinary Shares are attributable or deemed attributable.

For purposes of Dutch gift, estate and inheritance tax, an individual who is of Dutch nationality will be deemed to be a resident of The Netherlands if he has been resident in The Netherlands at any time during the ten years preceding the date of the gift or his death. For the purposes of Dutch gift tax, an individual who is not of Dutch nationality will be deemed a resident of The Netherlands if he has been a resident in The Netherlands at any time during the 12 months preceding the date of the gift.

Value Added Tax

No Dutch value added tax is payable in respect of the issuance, transfer or redemption of the New Ordinary Shares or with regard to distribution on the New Ordinary Shares.

Other taxes and duties

No Dutch capital tax, net wealth tax, registration tax, customs duty, transfer tax, stamp duty, registration tax or any other similar documentary tax or duty will be due in The Netherlands by a holder of New Ordinary Shares in respect of or in connection with the subscription, issue, Subscription, allotment or deliver of the New Ordinary Shares.

16. Third party information

Certain information contained in this document has been sourced from third party sources. In each case, the source of such information is indicated where the information appears in this document. The Company confirms that the information in this document which has been sourced from third parties has been accurately reproduced and that, as far as it is aware and is able to ascertain from information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

17. General

- (a) The total expenses of the Subscription payable by the Company are approximately €300,000 (exclusive of value added tax). The net proceeds of the Subscription will be approximately €16.6 million.
- (b) The auditors of the Company are BDO LLP, Chartered Accountants and Registered Auditors, of 55 Baker Street, London W1U 7EU who have audited the consolidated financial statements of the

Group for the three financial years ended 31 March 2009. BDO LLP issued unqualified reports on the two financial years ended 31 March 2008. In their report on the financial year ended 31 March 2009, BDO LLP included an Emphasis of Matter – Going Concern statement.

- (c) Fortis Bank (Nederland) N.V. has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they are included.
- (d) Matrix 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.
- (e) Fortis Bank (Nederland) N.V. is incorporated in The Netherlands with commercial register number 30080248, its registered seat is in Amsterdam and its office at Rokin 55, 1012 KK Amsterdam. Fortis Bank (Nederland) N.V. is regulated by the Dutch Central Bank (*De Nederlandsche Bank*) and The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*).
- (f) The New Ordinary Shares will be in registered form and are capable of being held in uncertificated form.

18. Availability of documents

18.1 Copies of the following documents will be available for inspection at the offices of the Company's solicitors, Slaughter and May, One Bunhill Row, London EC1Y 8YY during normal business hours on any weekday (excluding Saturdays and public holidays) up to and including the date of Admission:

- (i) the memorandum and articles of association of the Company;
- (ii) the rules of the 2008 Share Option Scheme referred to in paragraph 6 of this Part X;
- (iii) the Group's audited statutory accounts for the two years ended 31 March 2009 and the Group's unaudited interim financial statements for the six months ended 30 September 2008 and 30 September 2009;
- (iv) the written consents referred to in paragraph 17 of this Part X; and
- (v) this document.

18.2 This document will be available through the Company's website at 'www.accsysplc.com' and Euronext's website at 'www.euronext.com'. The Euronext website is only available to Dutch residents.

Dated: 4 February 2010

PART XI

DOCUMENTATION INCORPORATED BY REFERENCE

The table below sets out the various sections of such documents which are incorporated by reference into this document, so as to provide the information required pursuant to the Prospectus Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of the Company and of the Ordinary Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company, and of the rights attaching to the Ordinary Shares. The following information is available free of charge from the Company's head office at Kensington Centre, 66 Hammersmith Road, London W14 8UD.

<i>Reference document</i>	<i>Information incorporated by reference</i>	<i>Page number(s)</i>
Interim results for the six months ended 30 September 2009	Condensed consolidated statement of comprehensive income for the 6 months ended 30 September 2009, condensed consolidated statement of changes in equity for the 6 months ended 30 September 2009, condensed consolidated statement of financial position at 30 September 2009, condensed consolidated statement of cash flow for the 6 months ended 30 September 2009, notes to the interim financial statements for the 6 months ended 30 September 2009 and independent review report	Pages 5 to 16
Annual report and financial statements for the year ended 31 March 2009	Auditors' report, consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, notes to the financial statements, Company balance sheet and notes to the Company financial statements	Pages 19 to 50
Interim results for the six months ended 30 September 2008	Consolidated income statement for the 6 months ended 30 September 2008, consolidated balance sheet at 30 September 2008, consolidated statement of changes in equity for the 6 months ended 30 September 2008, consolidated cash flow statement for the 6 months ended 30 September 2008, notes to the interim financial statements for the 6 months ended 30 September 2008 and independent review report	Pages 5 to 13
Annual report and financial statements for the year ended 31 March 2008	Auditors' report, consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, notes to the financial statements, Company balance sheet and notes to the Company financial statements	Pages 15 to 47
Consolidated financial statements for the year ended 31 March 2007	Report of the independent auditors, consolidated profit and loss account, balance sheets, consolidated cashflow statement and notes forming part of the financial statements	Pages 12 to 32

DEFINITIONS

The following definitions apply throughout this document (unless the context otherwise requires):

“1985 Act”	the Companies Act 1985 of England and Wales;
“Admission”	the admission of the New Ordinary Shares to listing and trading on Euronext Amsterdam and on AIM;
“Adviser Shares”	has the meaning ascribed to it in paragraph 4 of Part VIII (‘The Subscription’);
“AFM”	The Netherlands Authority for the Financial Markets (<i>Stichting Autoriteit Financiële Markten</i>);
“AIM”	the Alternative Investment Market, a market operated by the London Stock Exchange;
“AIM Admission”	the admission of the New Ordinary Shares to listing and trading on AIM;
“AIM Rules for Companies”	the rules published by the London Stock Exchange governing admission to AIM and the regulation of companies whose securities are admitted to trading on AIM (including any guidance notes), as each may be amended or reissued from time to time;
“AIM Rules for Nominated Advisers”	the rules published by the London Stock Exchange setting out the eligibility, ongoing responsibilities and certain disciplinary matters in relation to nominated advisers, as amended or reissued from time to time;
“Al Rajhi”	Al Rajhi W.L.L.;
“Articles”	the articles of association of Accsys, as amended from time to time;
“Board” or “Directors”	the directors of the Company at the date of this document;
“business day”	a day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for business in the City of London;
“City Code”	The Code on Takeovers and Mergers issued and administered by the Takeover Panel;
“Closing Price”	the closing middle market quotation of a share as derived from the Daily Official List of the London Stock Exchange;
“Combined Code”	the Combined Code on Corporate Governance of the Financial Reporting Council 2006;
“Companies Act”	the Companies Act 2006 of England and Wales;
“Company” or “Accsys”	Accsys Technologies PLC;
“CREST”	the United Kingdom paperless share settlement system and system for the holding of shares in uncertificated form in respect of which Euroclear UK & Ireland Limited (formerly called CRESTCo Limited) is the operator;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended);
“CREST Rules”	the rules and regulations and practices of Euroclear UK & Ireland Limited;
“Diamond Wood”	Diamond Wood China Limited;
“Disclosure and Transparency Rules” or “DTRs”	the Disclosure and Transparency Rules made by the Financial Services Authority pursuant to Part VI of FSMA (as set out in the FSA Handbook), as amended;
“EEA States”	a state which is a contracting party to the agreement on the European Economic Area signed at Oporto on 2 May 1992, as it has effect for the time being;
“EU”	the European Union;
“Euroclear Nederland”	Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.;
“Euronext Admission”	the admission of the New Ordinary Shares to listing and trading on Euronext Amsterdam;

“Euronext Amsterdam”	Euronext Amsterdam by NYSE Euronext, the regulated market of Euronext Amsterdam;
“Euros” or “€”	Euros;
“Executive Directors”	Paul Clegg and Kevin Wood;
“Existing Ordinary Shares”	the existing Ordinary Shares in issue at the date of this document;
“Financial Services Authority” or “FSA”	the Financial Services Authority of the UK;
“FSMA”	the Financial Services and Markets Act 2000 (as amended);
“GEM”	GEM Global Yield Fund Limited;
“GCC”	the Gulf Cooperation Council (being made up of Bahrain, Kuwait, Saudi Arabia and the United Arab Emirates);
“Group” or “Accsys Group”	Accsys and its existing subsidiary undertakings (and, where the context permits, each of them);
“IFRS”	International Financial Reporting Standards;
“Listing Rules”	the Listing Rules of the UK Listing Authority made in accordance with section 73A(2) of FSMA (as set out in the FSA Handbook), as amended;
“Loan Shares”	has the meaning ascribed to it in paragraph 4 of Part VIII (‘The Subscription’);
“London Stock Exchange”	London Stock Exchange plc;
“Matrix”	Matrix Corporate Capital LLP;
“Meditate”	Meditate Europe Limited;
“New Ordinary Shares”	the Subscription Shares, the Loan Shares and the Adviser Shares, or any part thereof, as the context requires;
“Non-Executive Directors”	Gordon Campbell, Thomas Priday, Timothy Paterson-Brown, Willy Paterson-Brown and Lord Sanderson of Bowden;
“Official List”	the Official List of the UK Listing Authority;
“Ordinary Shares”	the ordinary shares of €0.01 each in the capital of Accsys;
“Prospectus Directive”	Directive 2003/71/EC of the European Parliament and of the Council as published in the Official Journal of the European Union (L345/64, 31.12.2003) on 31 December 2003;
“Prospectus Rules”	the Prospectus Rules made by the Financial Services Authority pursuant to Part VI of FSMA (as set out in the FSA Handbook), as amended;
“Regulation S”	Regulation S promulgated under the Securities Act;
“Restricted Jurisdictions”	Australia, Canada, New Zealand, the State of Israel, the Dubai International Finance Centre and the Republic of South Africa, and “Restricted Jurisdiction” shall be construed accordingly;
“Securities Act”	the United States Securities Act of 1933, as amended;
“Senior Managers”	Rombout van Herwijnen, Adrian Wyn-Griffiths, Stuart Greenfield, Michel Maes and Hal Stebbins;
“Shareholder”	a holder of Ordinary Shares;
“2008 Share Option Scheme”	the Company’s unapproved share option scheme adopted in 2008, further described in paragraph 6 of Part X (‘Additional information’) of this document;
“Subscribers”	certain institutional investors, directors and senior managers of the Company who have agreed to subscribe for the Subscription Shares;
“Subscription”	the subscription for the Subscription Shares by the Subscribers;
“Subscription Agreements”	the subscription agreements entered into between the Company and the Subscribers, pursuant to which the Subscribers have agreed to subscribe for the Subscription Shares, further described in paragraph 10(a) of Part X

	(‘Additional information’) of this document;
“Subscription Price”	the subscription price in respect of the New Ordinary Shares being €0.4865;
“Subscription Shares”	the 34,744,133 New Ordinary Shares to be issued at €0.4865 per share pursuant to the Subscription;
“Takeover Panel”	the UK Panel on Takeovers and Mergers;
“Titan”	Titan Wood Limited, a wholly-owned subsidiary of the Company incorporated in England and Wales;
“Unapproved Scheme”	the 2005 Unapproved Scheme and/or the 2008 Unapproved Scheme and any other Unapproved Scheme as may exist from time to time, as the context may admit;
“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;
“US” or “United States”	the United States of America, its possessions and territories, all areas subject to its jurisdiction or any subdivision thereof, any State of the United States and the District of Columbia;
“VAT”	value added tax; and
“Veritas”	Veritas Investment Group S.A.

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;
CCA	chromated copper arsenate, the leading wood preservative, use of which is subject to increasing restrictions due to its extreme toxicity;
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 in the US as 'siding'); serves both as a decorative material and a weather barrier;
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;
cross ties	the base to which the steel rails are connected to form railway lines of which the vast majority are wood preserved with creosote;
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;
hydrophobic	water repellent;
m³	cubic meters;
MDF	medium density fibreboard;
meranti	tropical woods used for windows, door and external panels/trim;
OSB	orientated strand board;
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;
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; and
WPG	weight per cent. gain, refers to the weight gained during acetylation assuming totally dry wood before acetylation began.