

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser.

This prospectus comprises a 'prospectus' under, and has been prepared in accordance with, the prospectus rules of the Financial Services Authority (the "**Prospectus Rules**") made under section 73A of the Financial Services and Markets Act 2000 ("**FSMA**"), and has been approved by, and has been filed with, the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules. 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 prospectus is a prospectus drawn up in accordance with the Prospectus Rules.

Application has been made for the existing ordinary shares of €0.01 each in the Company ("**Ordinary Shares**"), currently traded on AIM (the market of that name operated by the London Stock Exchange) ("**AIM**") and the new Ordinary Shares of €0.01 each in the Company ("**New Ordinary Shares**") to be issued pursuant to the Offering to be listed on Euronext Amsterdam by NYSE Euronext, the regulated market of Euronext Amsterdam N.V. ("**Euronext Amsterdam**") ("**Euronext Admission**") under the symbol 'AXS'. It is expected that Euronext Admission will become effective and that dealings in the existing Ordinary Shares and the New Ordinary Shares will commence on Euronext Amsterdam by NYSE Euronext at 9.00 a.m. Central European Time on or about 18 September 2007 on an 'as-if-and-when-issued' basis (the "**Listing Date**") and that delivery will take place on the third business day following the Listing Date (the "**Settlement Date**") expected to be on or about 21 September 2007.

Application will also be made for the New Ordinary Shares to be issued pursuant to the Offering to be admitted to trading on AIM ("**AIM Admission**"). It is expected that AIM Admission will be effective and trading in the New Ordinary Shares will commence on AIM on or about 21 September 2007. No application is currently intended to be made for the New Ordinary Shares to be admitted to listing or dealt with on any other exchange.

The whole of this prospectus should be read, but your attention is, in particular, drawn to the section entitled 'Risk Factors' at Part II of this prospectus.



ACCSYS TECHNOLOGIES PLC

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

**Offering of up to 5,000,000 New Ordinary Shares of €0.01 each and
up to 10,000,000 Existing Ordinary Shares of €0.01 each
Offer Price: to be determined**

**Listing on Euronext Amsterdam by NYSE Euronext
Admission to Trading on Euronext Amsterdam and on AIM**

**Lead Manager, Sole Bookrunner and Euronext Listing Agent
Fortis Bank (Nederland) N.V.**

Fortis Bank (Nederland) N.V. ("**Fortis**") is acting as the Euronext Listing Agent to the Company in connection with the Euronext Admission and is not advising any other person or treating any other 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.

It is the responsibility of any person receiving a copy of this prospectus outside the United Kingdom or The Netherlands to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities required to be observed in such territory and paying any other issue, transfer or other taxes due in such other territory.

Investors who wish to enter into transactions in the Ordinary Shares prior to the Settlement Date, whether such transactions are effected on Euronext Amsterdam by NYSE Euronext or otherwise, should be aware that the closing of the Offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement and which are described under 'Plan of Distribution' in Part IX of this prospectus are not satisfied or waived or occur on or prior to such date. If the closing of the Offering does not take place on the Settlement Date or at all, the Offering will be withdrawn, all applications for the Ordinary Shares will be disregarded, any allotments made will be deemed not to have been made, any payments made will be returned without interest or other compensation and all transactions in the Ordinary Shares on Euronext Amsterdam by NYSE Euronext will be cancelled. All dealings in the Ordinary Shares on Euronext Amsterdam by NYSE Euronext prior to settlement and delivery are at the sole risk of the parties concerned.

Euronext Amsterdam does not accept any responsibility or liability for any loss or damage incurred by any person as a result of a withdrawal of the Offering or the related annulment of any transaction on Euronext Amsterdam by NYSE Euronext.

Furthermore, neither the Company nor any of the Directors nor Fortis accepts any responsibility or liability for any loss or damage incurred by any person as a result of a withdrawal of the Offering or the related annulment of any transaction on Euronext Amsterdam by NYSE Euronext.

This prospectus will be published in the English language only.

3 September 2007

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NOTICE TO INVESTORS

This prospectus has been produced for the purpose of the Offering and listing and admission to trading of the Ordinary Shares on Euronext Amsterdam by NYSE Euronext. In making an investment decision regarding the Offer Shares and Additional Shares offered, investors must rely on their own examination of the Group, including the merits and risks involved in an investment in the Ordinary Shares. The Offering is being made solely on the basis of this prospectus. Fortis as the Lead Manager, the Sole Bookrunner and the Euronext Listing Agent makes no representation or warranty, express or implied, as to the accuracy or completeness of the information in this prospectus for which the Company is solely responsible, and nothing in this prospectus is, or shall be relied upon as, a promise or representation by Fortis as the Lead Manager, the Sole Bookrunner and the Euronext Listing Agent. Fortis as the Lead Manager, the Sole Bookrunner and the Euronext Listing Agent accordingly disclaims all and any liability (save for any statutory liability) whether arising in tort or contract or otherwise which it might otherwise have in respect of this prospectus or any such statement. The contents of this prospectus are not to be construed as legal, financial, business or tax advice. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Ordinary Shares (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser.

Prospective investors should rely only on the information contained in this prospectus. The Company has not, and Fortis, as the Lead Manager, the Sole Bookrunner and the Euronext Listing Agent has not authorised any other person to provide prospective investors with different information. No reliance should be placed on any different or inconsistent information provided by any person. Prospective investors should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or of any offer or sale of Ordinary Shares. The business, financial condition, results from operations and prospects of the Company could have changed since that date. The Company expressly disclaims any duty to update this prospectus except as required by applicable law. This prospectus should be read in its entirety before making any application for Ordinary Shares.

Fortis is advising the Company and no one else in connection with the Offering and will not be responsible to anyone other than the Company for providing protections afforded to clients nor for providing advice in connection with the Offering.

Over-Allotment Option and Stabilisation

In connection with the Offering, Fortis as the Lead Manager or any of its agents, may, to the extent permitted by applicable law and subject to the Company's approval, over-allot new Ordinary Shares up to a maximum of 15 per cent. of the aggregate number of Offer Shares and effect other transactions with a view to stabilising or maintaining the market price of the Ordinary Shares at a level higher than that which might otherwise prevail in the open market.

For the purposes of allowing Fortis to cover short positions resulting from any such over-allotments by it during the stabilising period, the Company has granted to Fortis an over-allotment option (the "**Over-Allotment Option**"), pursuant to which Fortis may require the Company to issue additional new Ordinary Shares (the "**Additional Shares**") at the Offer Price, up to (in aggregate) a maximum of 15 per cent. of the aggregate number of Offer Shares. The Over-Allotment Option is exercisable in whole or in part at any time on or after the Listing Date and will expire no more than 30 days thereafter. Any Additional Shares issued by the Company pursuant to the Over-Allotment Option will be issued on the same terms and conditions as the Offer Shares and will form a single class for all purposes with the Offer Shares.

Fortis is not required to enter into such stabilising transactions. Such stabilising measures, if commenced, may be discontinued at any time and may only be taken up at any time on or after the Listing Date and will end no more than 30 days thereafter. To the extent permitted by law, such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise. Save as required by law or regulation, neither Fortis nor any of its agents intend to disclose the extent of any over-allotments and/or stabilisation transactions under the Offering.

Restrictions on Distribution and Sale

The distribution of this prospectus and the offering and sale of the Offer Shares and Additional Shares offered hereby may be restricted by law in certain jurisdictions. Persons in possession of this prospectus are required to inform themselves about and to observe any such restrictions. This prospectus must not be used for, or in connection with, and does not constitute, any offer to sell, or a solicitation to purchase any such Ordinary Shares in any jurisdiction in which such an offer or solicitation would be unlawful. See sections entitled 'Plan of Distribution' beginning on page 78 and 'Selling and Transfer Restrictions' beginning on page 81.

The Offer Shares and Additional Shares have not been and will not be registered under the US Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S) ("US Person"). Neither this prospectus nor any copy of it may be distributed directly or indirectly to any US Person. The Offer Shares and the Additional Shares are being offered and sold only outside the United States, in reliance on Regulation S of the US Securities Act, to investors that are not US persons. The Offer Shares and Additional Shares have not been approved or disapproved by the United States Securities and Exchange Commission or any securities commission or other regulatory authority of any state or other jurisdiction of the United States, nor have any of the foregoing passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States.

Forward-Looking Statements

This prospectus contains forward-looking statements, including statements about the Company's intentions, beliefs and expectations. These statements are based on the Company's current plans, estimates and projections, as well as the Company's expectations of external conditions and events. In particular the words 'expect', 'anticipate', 'predict', 'estimate', 'project', 'may', 'could', 'should', 'would', 'will', 'intend', 'believe' and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. The Company undertakes no duty to and will not necessarily update any of them in light of new information or future events, except to the extent required by any applicable law or regulation. 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', Part V 'Information on the Accsys Group' and Part VI 'Financial Information Relating to the Accsys Group'.

References to Defined Terms

Certain terms used in this prospectus including capitalised terms and certain technical and other terms are explained in the sections entitled 'Definitions' and 'Glossary of Technical Terms' beginning on pages 109 and 113 respectively.

PART I

SUMMARY INFORMATION

The following summary information should be read solely as an introduction to this prospectus. Any decision to invest in the Offer Shares and Additional Shares should be based on consideration of this prospectus as a whole.

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

Overview

Accsys is an environmental science and technology company focused on the development, commercialisation and licensing of technologies for use in a wide range of everyday materials. The 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 is also developing technology to modify wood fibre to enable future production of a range of panel products.

Accsys operations comprise three principal business units: (i) the Accoya™ production facility located in Arnhem, The Netherlands and the world's first commercial scale manufacturing 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 experimental technology for the acetylation of wood fibre, and (iii) the licensing of technology for the production of Accoya™ across the globe, for which licensing packs are currently being 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, the long term provision of acetyls supply and recycling of spent acid.

Group Strategy

The Group's strategy is focused on maximising the global use of Accoya™ as a wood species 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 technology. The Group's philosophy is to occupy the high ground, where specialist knowledge secures above average financial returns. Accsys intends to make strenuous efforts to protect its intellectual property.

The Group is actively developing large scale potential demand for Accoya™ by working with selected 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.info' website as an informative shop window to provide a consistent global presentation of Accoya™.

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 fibre based panel products. Development work is underway and is likely to involve significant capital expenditure to create a commercial scale technology demonstration plant.

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, to the best of knowledge of the Directors, no other Company apart from Accsys is in a position to be able to develop an economically viable method of producing acetylated wood on an industrial scale.

Commercial scale production plant

The Group designed and developed the commercial scale manufacturing plant for the production of Accoya™, drawing upon extensive experience gained from operating a pilot plant over a period of several years. The commercial scale plant provides technical validation of the processes and technology at a commercial scale, providing both a platform from which to launch the Group's licensing activities and a manufacturing business which is planned to be profitable in its own right. Physical construction of the plant commenced in April 2006 and the first batch of Accoya™ was produced in March 2007.

Long term exclusive supply agreement

Accsys signed a long term exclusive supply agreement (20 years) with Celanese, one of the global leaders in acetyls production, which is of major significance to the Group since acetyls represent the largest cost component in manufacturing Accoya™, apart from the cost of the wood.

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 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. The quality of other woods is not measurable. Actual durability performance only becomes clear during service, creating significant risk for suppliers. Research has indicated that acetylated wood is suitable for a wide range of joinery products.

Market

Approximately 450 million m³ of sawn wood were manufactured in 2005. 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 670 million m³ of panel products and sawn wood, Accoya™ is expected to capture market share in those applications which require rot and water resistance, i.e. primarily outdoor products. Titan is focused on the higher-value end of these applications, where the dual qualities of durability and dimensional stability offered by Accoya™ are most highly valued. Key market segments include windows, doors, exterior plywood, veneers, recreational products (play-frames, decking and garden furniture) and cladding (known in the US as 'siding'). Focusing on the most developed markets of Western Europe and North America, the Directors expect that over a 10 year period a licensing volume for Accoya™ solid wood in the region of 1 million to 1.5 million m³ is feasible while globally volumes could be more than double this, with 3 to 4 million m³ potentially achievable over a 10-15 year period.

Potential applications

Major potential applications and product enhancements presently being researched or planned for future research by Accsys include the use of Accoya™ fibres in the production of MDF or other engineered wood fibre 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.

Forecast of the Group's results before tax for the year ending 31 March 2008

The Directors forecast that the Group's consolidated result before taxation for the year ending 31 March 2008 will fall in a range of between a €15 million profit and a €15 million loss.

Summary Risk Factors

Before investing in the Offer Shares and Additional Shares, prospective investors should consider carefully, together with the other information contained in this prospectus, the factors and risks relating to the industry Accsys is active in, the Company and the Ordinary Shares described in the section entitled 'Risk Factors' in Part II of this prospectus, which include, *inter alia*:

- 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 government legislation or policy;
- 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;
- failure to secure or maintain acceptable levels of profitability in the Group's operations;
- exposure to potential product liability claims;
- the Group faces substantial 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 depends on Celanese for the supply of acetyl products and is exposed to risks associated with the termination of its relationship with Celanese or disruption in Celanese's ability to supply acetyl products;
- the Group is exposed to credit risk associated with its licensees;
- the Group is exposed to environmental risks;
- the Group may not be able to take advantage of government permits or any applications for governmental permits may be denied;
- future access of the Group to additional capital may be restricted;
- the Group may encounter difficulties in managing its growth;
- the Group relies significantly on the skills and experience of its senior management and other personnel and the loss of these individuals could harm its business;
- it may be necessary to impair some or all of the Group's intangible assets, which could have a material adverse effect on the Group's business, financial condition and results from operations;
- the Group could be adversely effected by increasing raw material costs;
- the market value of Ordinary Shares may fluctuate and may not reflect the underlying value or prospects of the Group;
- Shareholders may be exposed to exchange rate risks; and
- the Group has not paid its maiden dividend.

Summary of the Terms of the Offering

The Issuer	Accsys Technologies PLC
Shares Offered in the Offering	Up to 5,000,000 New Ordinary Shares and up to 10,000,000 Sale Shares (together the “ Offer Shares ”) of €0.01 each at the Offer Price to be determined. In addition, a number of additional new Ordinary Shares not exceeding 15 per cent. of such aggregate number of Offer Shares (up to 2,250,000 new Ordinary Shares) upon the exercise of the Over-Allotment Option.
AIM and Euronext Symbol	AXS
Security Code	ISIN: GB00B0LMC530 Common Code: 023381559 Amsterdam Security Code (<i>fondscode</i>): 603403
The Offering	The Offering consists of a public offer in The Netherlands and a private placement with certain institutional investors outside The Netherlands in reliance on Regulation S under the US Securities Act.
Offer Price	The Offer Price in respect of the Offer Shares and Additional Shares, will be based on, <i>inter alia</i> , the share price of the Ordinary Shares as quoted on AIM prior to the Pricing Date and a qualitative assessment of demand for the Offer Shares and will be announced in a pricing statement on or about 18 September 2007 to be filed with the UKLA. The Offer Price will also be published by an advertisement in a national newspaper distributed daily in The Netherlands (<i>Het Financieele Dagblad</i>), the Daily Official List of Euronext Amsterdam (<i>Officiële Prijscourant</i>) and via an RIS Announcement.
Subscription Period	4 September 2007 to 17:30 CET on 17 September 2007. The period during which applications can be made is subject to acceleration or extension. Any acceleration or extension of the timetable for the Offering will be announced in a press release by way of an RIS Announcement at least three (3) hours before the proposed expiration of the accelerated timetable for the Offering or, in the event of an extended timetable for the Offering, at least three (3) hours before the expiration of the original timetable for the Offering. Any extension of the timetable for the Offering will be for a minimum of one (1) full business day.
Allotment Date	The allotment is expected to take place on or around 17 September 2007 before the start of trading on Euronext Amsterdam on the Listing Date, subject to acceleration or extension of the timetable for the Offering.
Listing Date and Trading	The Ordinary Shares are currently listed on AIM (AIM symbol: ‘AXS’). The Company has applied for listing and trading of the Ordinary Shares on Euronext Amsterdam by NYSE Euronext under the symbol ‘AXS’. Listing and trading on Euronext Amsterdam by NYSE Euronext of the Ordinary Shares is expected to occur on or about the Listing Date. Trading, on an ‘as-if-and-when-issued’ basis, in the Ordinary Shares will commence on or about the Listing Date prior to closing of the Offering. If closing of the Offering does not take place on the Settlement Date or at all, the Offering will be withdrawn, all subscriptions for the Offer Shares and Additional Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription

payments made will be returned without interest or other compensation and Euronext Amsterdam may cancel transactions that have occurred. Prior to the Settlement Date, all dealings in the Offer Shares, and in Additional Shares which may be part of the Over-Allotment Option, if this has been exercised prior to the Settlement Date), will be at the sole risk of the parties concerned.

Settlement Date	Expected to be on or about 21 September 2007, subject to acceleration or extension of the timetable for the Offering.
Lead Manager and Sole Bookrunner	Fortis is acting as Lead Manager and Sole Bookrunner in connection with the Offering.
Payment and Delivery	<p>Payment for the Offer Shares and the Additional Shares (if the Over-Allotment Option has been exercised before the Settlement Date) will take place on the Settlement Date.</p> <p>Delivery of the Offer Shares and the Additional Shares (if the Over-Allotment Option has been exercised before the Settlement Date) is expected to take place on or about 21 September 2007 through the book-entry facilities of Euroclear Nederland, against payment for the Offer Shares and the Additional Shares in immediately available funds.</p>
Over-Allotment Option	The Company has granted to Fortis an option, exercisable within 30 calendar days after the date of commencement of trading on Euronext Amsterdam, pursuant to which Fortis may, subject to the Company's approval, require the Company to issue a number of additional new Ordinary Shares not exceeding 15 per cent. of such aggregate number of Offer Shares (up to 2,250,000 new Ordinary Shares) (the " Additional Shares ") to cover over-allotments, if any, in connection with the Offering and to cover short positions resulting from stabilisation transactions, if any, or created in subsequent transactions.
Stabilisation	Fortis may over-allot or effect transactions that stabilise or maintain the market price of the Ordinary Shares at levels above those which might otherwise prevail in the open market. Such transactions, if commenced, may be effected on Euronext Amsterdam by NYSE Euronext, in the over-the-counter market or otherwise. There is no assurance that such stabilisation will be undertaken and, if it is, it may commence as early as the date of commencement of trading on Euronext Amsterdam, may be discontinued at any time without prior notice and will end no later than 30 calendar days after the date of commencement of trading on Euronext Amsterdam.
Euronext Listing Agent	Fortis Bank (Nederland) N.V.
Paying Agent	Fortis Bank (Nederland) N.V.
AIM Nominated Adviser	Collins Stewart Europe Limited.

PART II

RISK FACTORS

Prior to making any decision to acquire any Offer Shares or Additional Shares, investors should carefully consider, together with all other information contained in this prospectus, the specific factors and risks described below. The risks and uncertainties below are not the only ones that could impact on the Group. However, the Directors believe that the risks set out below are all those that would have a material impact on the Group and its businesses. Additional risks and uncertainties not presently known to Accsys, or that Accsys presently believes are immaterial, could also impair the businesses of the Group.

If any one of the following risks materialises, the Group's businesses, financial condition, capital resources, results and/or future operations could be materially affected. In such case, the price of the Offer Shares and Additional Shares could decline and investors may lose some or all of their investment.

1. Industry Specific Risks

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

There are no assurances that the competitiveness of the Group's competitors will not improve or that the Group will win any market share from its competitors. The Group's competitors may be able to respond more quickly to new or emerging technologies and changes in client requirements and/or demands. Some of the markets into which the Group is entering may be conservative and adopt new products more slowly than anticipated. Existing and/or increased competition could adversely affect the Group's market share and materially affect its business, financial condition and operating results. It may be that competitive pressures will intensify and 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. There can be no guarantee that the Group will successfully execute this strategy for growth which may have a material adverse effect on future revenue and profitability.

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 prospectus 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.

2. Accsys Group Specific Risks

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 manufacturing plant for acetylated wood. This production facility was constructed in 2006 and the first batch of acetylated wood, branded Accoya™, was produced in March 2007. The processing of the acetylation technology in the production facility still needs to be optimised and improved. In the financial year ended 31 March 2007, the Company only realised revenue of €50,000. 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 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 years ended 31 March 2005, 2006 and 2007, the Group had net losses of €27.5 million, €4.5 million and €22.2 million, 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 take the necessary steps to achieve this or that it will have sufficient funding to take such steps. The Company also cannot provide any assurance 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, which could result in the requirement of additional funding.

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.

The Group faces substantial competitive pressures

The Group's single 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, uPVC (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™, the single product the Group is currently depending upon in generating revenue. 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 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.

The Group will use a single brand name, Accoya™, for its product worldwide. The Group's 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. This inability to use its brand name may adversely affect the Group's business in the relevant jurisdiction.

The Group's patent applications may not result in patents or 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. Even if the Group is able to obtain patents covering the Group's technology, the patents 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.

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 penalty clauses on the breach of confidentiality provisions. However, a judge is permitted to mitigate the agreed penalty under employment contracts. Further, 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.

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™ and as a platform from which to launch the Group's licensing activities. 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 depends on Celanese for the supply of acetyl products and is exposed to risks associated with the termination of its relationship with Celanese or disruption in Celanese's ability to supply acetyl products

The Group currently relies on Celanese to supply acetyl products to enable the Group to produce Accoya™ in the Group's production plant at Arnhem and to current and future licensees. Any disruption in these relationships with Celanese, including due to insolvency or other financial difficulties on the part of the Group's contract supplier, its inability to fulfil its agreed-upon responsibilities on a timely basis, or the interruption of supply, could, *inter alia*, 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. Although the Group's agreement with its contract supplier is for a 20 year term (only terminable in the case of a repudiatory breach by either party), any material change in the Group's contractual arrangements with Celanese could materially increase the Group's operating expenses, reduce sales of the Group's products and reduce the Group's profitability. If the Group's relationship with Celanese is significantly disrupted, or if the terms of the Group's contract with Celanese are subject to material changes, the Group and its licensees may need to seek an alternate supplier. There is no assurance that the Group or its licensees would be able to enter into a relationship with an alternate supplier in a timely manner or on terms commercially acceptable to the Group or licensees or at all.

Any disruption to or termination of the Group's relationship with Celanese or in the ability of Celanese to supply acetyl products would have a material adverse effect on the Group's business, results from operations or financial condition.

The Group is exposed to credit risk associated with its licensees

The Company expects that in future financial years a significant portion of the Group's accounts receivable will be attributable to its licensees. The Company therefore plans to select renowned companies as its counterparties and to carefully monitor the financial condition of licensees. Individual licensees may not continue to be viable or profitable. If licensees go out of business or restructure, the Group may suffer losses because such dealers may not be able to pay its licence and royalty fees payable. Such loss of revenues could have a material adverse effect on the Group's business, financial condition and results from operations.

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 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.

Construction of the Group's production facility in Arnhem and initial commissioning tests allowed production of the first batch of Accoya™ to be produced in March 2007. It is expected that as of that date a period of about twelve months will be required to optimise operating protocols, define detailed recipes for each dimension of radiata pine (the preferred timber), refine pre production drying and post production conditioning and optimise utilisation of acetyls and utilities. The Group will not release Accoya™ that does not meet its stringent quality controls. If testing and refinement 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 construction and operation of the Group's plant and processes and/or delay the start of commercial operations.

The Group may not be able to take advantage of government permits

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.

Future access of the Group to additional capital may be restricted

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

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

The Group is sensitive to general economical and political 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 may encounter difficulties in managing its growth

The Company expects the Group to experience significant growth in the number of its employees and the scope of its operations over the next several years. To manage the anticipated future growth, the Group must continue to implement and improve its managerial, operational and financial systems, and continue to recruit and train additional qualified personnel. Due to the Group's limited resources, it may not be able to effectively manage the expansion of the Group's operations or to recruit and train additional qualified personnel. The expansion of the Group's operations may lead to significant costs and may divert its management and business development resources. Any inability to manage growth could delay the execution of the Group's business plans, which would adversely affect the Group's results.

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 key employees of the Dutch subsidiaries, Messrs Girotra, Schoolkate, Kattenbroek, Raes and Rasing, have entered into employment contracts in which it is agreed that key employees are after termination of the employment agreement subject to a non-compete period of one year and non-relation contact period of two years. Under Dutch law, respective periods are generally accepted however under specific circumstances a judge might mitigate such agreed period to a shorter one.

It may be necessary to impair some or all of the Group's intangible assets, which could have a material adverse effect on the Group's business, financial condition and results from operations

As at 31 March 2007, the Group recognised approximately €8.4 million of intangible assets. It may be necessary to impair some or all of the Group's intangible assets. Any such impairment tests will be based on a set of assumptions made by the Company but which may subsequently be affected by external factors beyond the Group's control. Such an impairment would not be taken into account in determining the Company's EBITDA but would affect the Company's results before interest and taxes for the relevant period, and could have a material adverse effect on its business, financial condition and results from operations.

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 effected 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. The absolute volatility in wood costs and costs of commodities, such as energy, have significantly increased in recent years due to changes in global supply and demand. The Group's gross margins could be affected if these types of costs remain high or escalate further. In the short run, rapid changes in supply costs can be very difficult to offset because of price hold agreements the Group has entered into with certain of the Group's customers. It is difficult to find effective hedge markets to manage these risks. 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 has not yet declared its maiden dividend

The Group has not yet declared its maiden dividend payment. Future dividends to shareholders will be effectively 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.

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 proposed issue of New Ordinary Shares in connection with the Offering and the exercise of options under the Celanese Option and the Share Option Schemes referred to in this prospectus, 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 existing shareholders may lead to a decline of the price of the Ordinary Shares

Future sales of Ordinary Shares by existing 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 AIM and the Company has applied for admission of the Ordinary Shares to listing on Euronext Amsterdam by NYSE Euronext. 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 after the Offering, 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 Offer Price will be determined by the Lead Manager and the Company jointly, taking into account a number of factors, including the share price of the Ordinary Shares as quoted on AIM prior to the Pricing Date and a qualitative assessment of demand for the Offer Shares. The market price for the Ordinary Shares may fall below the Offer Price. The market price of the Ordinary Shares could also 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.

In the past, following periods of volatility in the market price of a company's securities, securities litigation has often been instituted against such companies. This type of litigation, if instituted against Accsys or one of its subsidiaries, could result in substantial costs and a diversion of the Group's management's attention and resources.

Management has broad discretion over the use of the net proceeds received by the Company from the Offering and may not apply the net proceeds effectively or in ways to which investors agree

The Company's management has broad discretion over the use of net proceeds from the sale of New Ordinary Shares in the Offering. The Directors intend to use the majority of the net proceeds received by the Company from the Offering for doubling the capacity of the Group's Arnhem manufacturing facilities, increasing warehousing, storage and office facilities in Arnhem, creating post acetylation finishing capability, including fingerjointing and lamination, advancing the MDF and wood fibre applications to a commercial scale, increasing licensing activity and support, increasing staff levels and increasing brand and product marketing and exploring additional product applications. Investors will not have an opportunity, as part of their investment decision, to assess whether the net proceeds received by the Company are being used appropriately. The Company cannot assure any investor that the Directors will apply the net proceeds effectively or that the net proceeds will be invested to yield a favourable return.

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

Certain institutional shareholders (see also paragraph 7(f) of Part XI of this prospectus) currently hold, and may continue to hold after the Offering, and other investors may acquire pursuant to the Offering, a significant part of the Ordinary Shares. These shareholders may, if they act together, exercise significant influence over all corporate matters requiring shareholder approval after the Offering, 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.

In particular, Celanese Europe has been granted an option by the Company to subscribe for such number of new Ordinary Shares which, when aggregated with the 8,115,883 Ordinary Shares issued to Celanese Europe on 21 May 2007, would equal not more than 29.9 per cent. of the Company's enlarged issued ordinary share capital immediately following admission of such Ordinary Shares to trading on AIM, such option being exercisable at any time during the period commencing on 21 May 2008 and ending on 21 May 2010 at a subscription price equal to the average Closing Price of an Ordinary Share on AIM for the 30 days prior to the exercise date.

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 Company does not apply the Dutch Corporate Governance Code and is not in full compliance with the UK Combined Code on Corporate Governance

Although the principles set out in the Combined Code on Corporate Governance published in June 2006 by the Financial Reporting Council in the United Kingdom are not compulsory for companies whose shares are traded on AIM, the Directors acknowledge the importance of these principles and have applied them in so far as practicable and appropriate for a company the size of the Company as set out under the heading '12. Corporate Governance' in Part V of this prospectus. The Company has been in compliance in the last financial year with the provisions of the Combined Code: Principles of Good Governance and Code of Best Practice with the following exceptions:

- the Company combines the role of Chairman and Chief Executive; and
- the Company's Non-Executive Directors have not been appointed for specific terms.

As Accsys is a company incorporated under the laws of England and Wales, it does not apply the Dutch Corporate Governance Code as that code is only applicable to companies incorporated under the laws of The Netherlands.

If the Offering is withdrawn, subscriptions for the Offer Shares and Additional Shares will be disregarded and transactions effected in the Offer Shares and Additional Shares on Euronext Amsterdam will be annulled

The Company intends to apply for all of the Ordinary Shares to be listed and traded on Euronext Amsterdam by NYSE Euronext. The Company expects that listing and trading in the Ordinary Shares on Euronext Amsterdam by NYSE Euronext will commence on or around the Listing Date on an 'as-if-and-when-issued' basis.

Investors who wish to enter into transactions in the Ordinary Shares prior to the Settlement Date, whether such transactions are effected on Euronext Amsterdam or otherwise, should be aware that the closing of the Offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement and which are described under 'Plan of Distribution' are not satisfied or waived or occur on or prior to such date. If closing of the Offering does not take place on the Settlement Date or at all, the Offering will be withdrawn, all subscriptions for the Offer Shares and Additional Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and all transactions in the Ordinary Shares on Euronext Amsterdam will be cancelled. All dealings in the Ordinary Shares on Euronext Amsterdam prior to settlement and delivery are at the sole risk of the parties concerned.

Euronext Amsterdam does not accept any responsibility or liability for any loss or damage incurred by any person as a result of a withdrawal of the Offering or the related annulment of any transaction on Euronext Amsterdam by NYSE Euronext.

Furthermore, neither the Company nor any of the Directors nor Fortis accepts any responsibility or liability for any loss or damage incurred by any person as a result of a withdrawal of the Offering or the related annulment of any transaction on Euronext Amsterdam by NYSE Euronext.

PART III

OFFERING STATISTICS

Market price per Ordinary Share ¹	€4.03
Number of Existing Ordinary Shares	148,809,422
Current market capitalisation at market price ¹	€599.7 million
Number of New Ordinary Shares available under the Offering	5,000,000
Number of Sale Shares available under the Offering	10,000,000
Number of issued Ordinary Shares following the Offering ^{2,3}	155,208,942
Percentage of Enlarged Ordinary Share Capital represented by the New Ordinary Shares ²	3.2 per cent.
Estimated net proceeds receivable by the Company from the Offering ^{2,4}	€18.35 million
Expected market capitalisation after the Offering at the market price ^{1,2}	€625.5 million
AIM and Euronext Symbol	AXS
ISIN code	GB00B0LMC530
Common Code	023381559
Amsterdam Security Code (<i>fondscode</i>)	603403

¹ Based on the Closing Price on 31 August 2007, being the last business day prior to the date of this prospectus.

² Assuming (i) the maximum number of New Ordinary Shares are issued pursuant to the Offering; and (ii) no exercise of the Over-Allotment Option.

³ This figure includes 1,399,520 Ordinary Shares to be allotted on 4 September 2007 which will arise from the exercise of certain options.

⁴ Assuming an Offer Price of €4.03, being the Closing Price on 31 August 2007.

PART IV

DIRECTORS, SECRETARY AND ADVISERS

Directors	William Paterson-Brown (<i>Chairman and Chief Executive Officer</i>) Glyn Collen Lewis Thomas (<i>Chief Financial Officer</i>) Gordon Arden Campbell (<i>Non-Executive Director</i>) Stefan Paul Allesch-Taylor (<i>Non-Executive Director</i>) Timothy Paterson-Brown (<i>Non-Executive Director</i>) Lord Charles Russell Sanderson of Bowden (<i>Non-Executive Director</i>)
Registered Office	7 Queen Street Mayfair London W1J 5PB United Kingdom
Company Secretary	Christopher Charles Morse FCIS
Lead Manager, Sole Bookrunner, Euronext Listing Agent & Paying Agent	Fortis Bank (Nederland) N.V. Rokin 55 1012 KK Amsterdam The Netherlands
UK Solicitors to the Company	Lawrence Graham LLP 4 More London Riverside London SE1 2AU United Kingdom
Dutch Legal Counsel to Fortis	Houthoff Buruma N.V. Weena 690 3012 CN Rotterdam The Netherlands
Auditors and Reporting Accountants	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL United Kingdom
Principal Bankers	Barclays Bank PLC 180 Oxford Street London W1D 1EA United Kingdom
Registrars	SLC Registrars Limited 42-46 High Street Esher Surrey KT10 9QY United Kingdom

PART V

INFORMATION ON THE ACCSYS GROUP

1. Introduction

Accsys is an environmental science and technology company focused on the development, commercialisation and licensing of technologies for use in a wide range of everyday materials. The primary focus is on the production and licensing of Accoya™ wood, manufactured through the Company's proprietary acetylation process, which exhibits superior dimensional stability and durability compared with other natural and treated timber. The Group is also developing technology to modify wood fibre 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

Accsys 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 manufacturing plant for the production of Accoya™ wood. The Group designed and developed the facility drawing upon extensive experience gained from operating a pilot plant over a period of several years. The commercial scale plant provides technical validation of the processes and technology at a commercial scale, providing both a platform from which to launch the Group's licensing activities and a manufacturing business which is planned to be profitable in its own right. Physical construction of the plant commenced in April 2006 and the first batch of Accoya™ was produced in March 2007. During the current financial year, the Group expects to refine the operating protocols and production processes to optimise materials consumption and capacity utilisation in order to manufacture Accoya™ on commercially viable terms 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*

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

(c) *Technology licensing*

Licensing activity is developing into a global effort with interest being expressed by potential licensees from six continents and licence option agreements have been signed with various potential licensees in Europe, the Far East and the Middle East. Initial production batches from the Group's Arnhem facility are refining the operating protocols for each dimension, moisture content, and subsequently for different wood species.

The Company is developing licensing packs covering all aspects of the support and fulfilment of licensing the technology, covering:

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

and on an optional basis, introducing two additional facilities to which the Group will not itself be a party, but a licensee might wish to enter into on the basis of either or both:

- the potential provision of debt finance by third parties; and
- the potential provision of equity support to finance an SPV in partnership with the potential licensee.

The Company’s subsidiary, ICC, also has the potential to engage in technology licensing of its proprietary technologies. ICC has granted a license to another of the Company’s subsidiaries, Titan Wood B.V., to use its high temperature cracking technology for the purpose of producing acetic anhydride for wood acetylation. The Group is entering into discussions with Celanese under the terms of an option granted to Celanese which may lead to a technology license or outright sale of technology rights relating to high temperature cracking technology for non-wood-related uses. This technology is not currently being used by the Group to manufacture Accoya™.

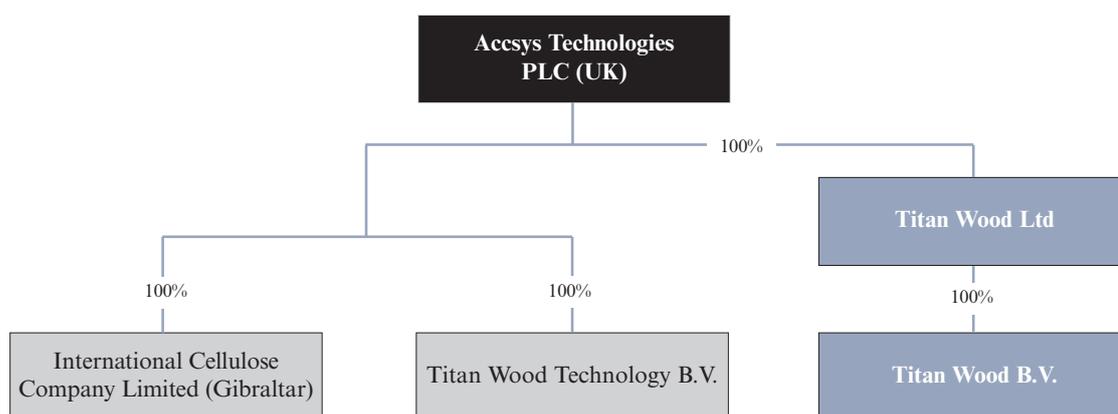
Group Structure

The Accsys Group comprises the holding company and four 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;
- International Cellulose Company Limited (“**ICC**”) – the owner of various technologies relating to cellulose modification and cracking technology.

Accsys was formed on 11 August 2005, for the purpose, *inter alia*, of acquiring the Company’s former subsidiary Accsys Chemicals PLC. Accsys Chemicals PLC was incorporated on 21 January 2003 and itself acquired the trading subsidiaries Titan, TWBV, TWTBV and ICC. Following an offer made on 14 September 2005, the Company acquired the entire share capital of Accsys Chemicals PLC, the holding company of the subsidiaries, in a share-for-share exchange. The Company determined to liquidate the intermediate holding company, Accsys Chemicals, in order to simplify the Group structure and subsequently, on 15 August 2006, Accsys Chemicals was struck off.

The Group structure is illustrated in the diagram below:



2. Group Strategy

The Group’s strategy is focused on maximising the global use of Accoya™ as a wood species 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 plans to charge licensees certain upfront technology licensing fees based on annual production capacity and royalty fees based on the amount of Accoya™ produced. There are, and it is expected that there will continue to be, exceptions to having a pure licensing model. The Group’s philosophy is to occupy the high ground, where specialist knowledge secures above average financial returns. This may lead to a degree of vertical

integration in the supply chain. Equally there will be exceptions where the Group acknowledges superior economics vest with a third party and will seek to build comparative advantage through an alternative mechanism, as with the Group's strategic partnership agreement with Celanese. In all instances, the Group intends to make strenuous efforts to protect its intellectual property.

The Group is actively developing large scale potential demand for Accoya™ by working with selected 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. With national level product testing and certification affecting many end use applications, the Group is focusing efforts on the larger national markets. Demand for the significant external appearance grade products, primarily external doors, windows, decking and cladding, in these markets is very substantial. As this end use demand begins to emerge, it will reinforce the Group's ability to license the Accoya™ technology by delivering substantial demand ahead of licensee facilities coming on-stream.

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 intends to contract with licensees on the basis that provides for payment of: (i) a technology fee for the intellectual property licensed; (ii) technical assistance fees in respect of assistance provided during development and subsequently whilst the licensee is operating the plant; and, (iii) royalties on volumes of Accoya™ produced by the licensee.

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.info' 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 into the application of its proprietary technology to wood fibre 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 work is underway and is likely to involve significant capital expenditure to create a commercial scale technology demonstration plant. Such a plant may be developed in conjunction with a major manufacturer of engineered wood products.

3. Titan Wood

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

Until now, the main approach to wood preservation has been to thwart the natural decaying process by creating toxic environments. These manipulations began in the 1830s by the preservation of crossties with creosote. The main chemicals used for preservation are still highly toxic, with serious disposal and health implications due to copper, arsenic and chromium content. The current American Wood Preservers Association website notes that more than 20 million cubic metres of wood was chemically treated in the US alone every 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, creating, in effect a new type of wood species. None of this is new or revolutionary, but is encased in a well-established body of knowledge developed over the last half century.

(b) *Accoya™ Production and Performance Attributes*

Although the process of acetylation of wood has been known for many decades, to the best of the Directors' knowledge, no other company in the world apart from Accsys is in a position to be able to develop an economically viable method of producing acetylated wood on an industrial scale. The new species of wood created by the process of acetylation has been branded Accoya™ by Titan. Titan owns 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 cheaper woods available.

Perhaps most importantly, acetylation does not damage the wood nor, unlike other wood treatments, dramatically increase its weight or raise its toxicity. A summary of the main effects of acetylation is provided below:

(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 achieves resistance to virtually all rot, water and insect degradation. Accoya™ is more durable than teak wood or meranti. Research by SHR over the past 10 years reveals the extent of improvements in durability for beech, a low durability hardwood, and radiata pine.

(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. Accoya™ is over six times more stable than Southern Yellow Pine.

(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), with a doubling of expected harvestable wood in both New Zealand and Chile over the coming thirteen years. Reliability of supply is increasingly a challenge for importers of tropical hardwoods, such as meranti and merbau.

(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. Furthermore, it has been observed that water uptake does not affect coatings, which the Group considers to be a significant competitive benefit. 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 species is affected by the wood density and the wood moisture content. The equilibrium moisture content of Accoya™ is significantly reduced. This results in far better thermal resistance (lower heat conductivity). An initial investigation (*source: MPA Prüfung der Wäemleitfähigkeit von ‘Accoya™’ 26 January 2007*), with two samples, showed an improved thermal resistivity compared to unmodified softwood and hardwoods in terms of ‘U’ value, which is a measure of thermal conductivity. An average ‘U’ value of 0.097 W/mK was found for Accoya™. This is considerably better than values given for other wood: in ISO 10456 it is shown that wood with a density of 500 kg/m³ (like many softwoods) has a ‘U’ value of 0.13 W/mK; with “hardwood” type density of 700 kg/m³ the conductivity is even higher, at 0.18 W/mK. At this moment a larger test (according to European Committee testing standard EN 12667) is being conducted so that these figures can be used to make official U-value calculations.

(vii) *Ultra-Violet Stability*

CIBA is a producer of additives from the coatings industries and is specialised in UV blockers and wood ‘stabilisator’ compounds. CIBA investigated the UV stability of unfinished Accoya™ and noted that although the wood is still susceptible to UV breakdown, the process actually lightens the wood, rather than the usual dark (brownish) discoloration (*source: CIBA Technical Service Request Report by Raphael Meyer, 8 February 2006*).

(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™ greatly improves hardness of such soft species, without meaningful loss of strength. Testing showed 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 (*sources: SHR report on the Janka hardness of ‘Accoya™’ wood, 21 December 2006; (Report code: 6.352) Hout-Vademecum report by S. I. Wiselius, 2005*).

These improvements are not at the expense of other properties of the wood as the treatment has no negative impact on the strength properties of the material, the appearance of the material, or impact on 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 interesting to potential consumers. Many, if not, all wood modifications and treatments either significantly reduce the wood’s strengths, harm the appearance or have harmful environmental impacts (see further under the heading ‘(j) Competition’ in this section 3. ‘Titan Wood’ below). This is not true for acetylation.

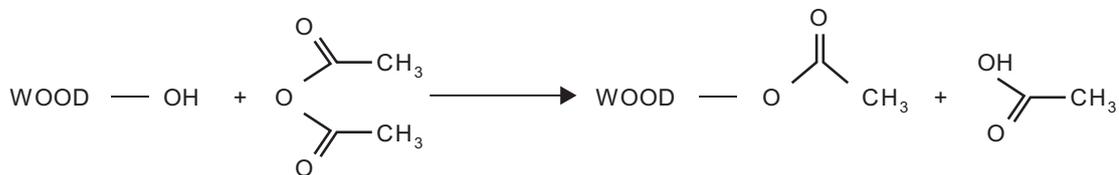
Acetylation alters the actual chemical structure, rather than the simple ‘chemical content’, of the wood. By contrast, to achieve similar benefits to those offered by acetylation, virtually all other treatments merely insert chemicals (such as oils, ammonia or metal compounds) into the cell walls of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

Unlike preservative treatments, acetylation introduces no chemicals 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 those 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. Research in Europe, the Americas and Australasia has indicated 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**

Titan Wood 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 Titan Wood's business depends on its ability to protect its intellectual property portfolio, including proprietary technology, know-how, trade secrets and obtain patents without infringing the proprietary rights of others.

Included in Titan Wood's intellectual property are rights relating to:

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

Titan Wood incorporates more than 15 years of development work in acetylation technology.

(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 the 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 production of the first batch of Accoya™ to be produced in March 2007.

It is expected that a period of about twelve months will be required to optimise operating protocols, define detailed recipes for each dimension of radiata pine (the preferred timber), refine pre production drying and post production conditioning and optimise utilisation of acetyls and utilities. The prolonged testing and refinement is expected to allow capacity utilisation to gradually increase over the first 12 months so as to bring the plant up to a level of high utilisation – around 95 per cent. based upon a standard operating year of 8,000 hours. So far, after four months, testing and refinement is progressing largely as expected. As a fundamental tenet of the Group's business, it will not release Accoya™ that does not meet the Group's stringent quality controls for complete and even acetylation. This commits the business to a slow start as exhaustive testing is required that takes time for analysis to be undertaken and the results evaluated.

The Company is in its Arnhem plant 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 not yet been concluded but the Directors believe that economic viability will be achieved in the near future, although it can never be excluded that the testing process will encounter set backs which could materially extend the timescale required to optimise the economic viability of the process.

The level of interest expressed by third parties in potentially licensing the Group's Accoya™ technology has led the Company to consider immediate expansion of its production capacity. The design of the plant in Arnhem anticipated future expansion once the novel design had been validated. Accordingly, following completion of the first phase of the Arnhem plant and the successful production of the first selection of batches, the Company has internally approved an expansion that will double production capacity from approximately 25,000 m³ per annum to approximately 50,000 m³ per annum, with actual production dependent upon the dimensions, density, species and moisture content of the wood acetylated.

(g) ***Long term supply agreement with Celanese***

On 28 March 2007, Accsys signed a long term exclusive supply agreement with Celanese Corporation ("Celanese"), one of the global leaders in acetyls production.

This agreement, extending for 20 years (only terminable in the case of a repudiatory breach by either party), is of major significance to the Group since acetyls represent the largest cost component in manufacturing Accoya™, apart from the cost of the wood. Furthermore, the recycling of spent acid is the principal (reusable) waste. Accordingly, this agreement provides a number of benefits to Accsys:

- security of supply of acetyls for the Group's production facilities;
- a reliable partner for the off-take and recycling of spent acid from the Group's production facilities;
- a partner committed to provide similar supply and recycling services to future licensees of the Accoya™ wood production process, wherever they are in the world. This will enable Accsys'

licensees to concentrate their investment spending on the core wood modification business and is expected to accelerate the uptake of Accoya™ technology around the world; and

- previously, the Group's licensing proposition envisaged licensees investing in acetic acid cracking and recycling capacity as well as Accoya™ wood modification capacity. The Celanese commitment to supply acetyls to future licensees of the Company enables such licensees to focus their capital expenditure of Accoya™ wood modification capacity – potentially increasing the scale of such licensed plants and the Group's licensing revenues.

In addition, Celanese has taken an option to evaluate and acquire Accsys' proprietary acetic anhydride production technology – see further under the heading '(b) Proprietary Technology' in section 4 'ICC' below.

Celanese also took an equity stake in Accsys:

- Celanese subscribed for 8,115,883 new shares in Accsys at a price of €2.72 representing approximately 5.5 per cent. of the Company's issued share capital;
- whilst Celanese maintains its stake in the Company, it may, under the terms of the agreements, appoint a representative to the Board of Directors of the Company, and has Board observer rights; and
- Celanese entered into an option agreement under which it may subscribe to further additional new Ordinary Shares, at the then prevailing market price, such as to increase its ownership of Accsys to 29.9 per cent. of the then enlarged issued share capital. This option is exercisable between 26 May 2008 and 26 May 2010. The option agreement also provides that, upon the issue of new Ordinary Shares, Celanese has the right to subscribe for new Ordinary Shares to enable the Celanese Group to maintain its 5.5 per cent. interest in Accsys' enlarged ordinary share capital at a subscription price equal to the average mid-market closing price of an Ordinary Share on AIM for the 30 days prior to the exercise date.

(h) ***Sales and Marketing Strategy***

Titan'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™ 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 large scale demand for the use of Accoya™, particularly for key end-product applications (external doors, windows, decking and cladding) in large national markets;
- (iii) providing samples 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.

Consequently, the Group's business strategy informs the sales policy for Accoya™ production:

- (i) the clear first priority is to support technology licensing activities through testing and sampling programmes for, and of, potential licensees' timber and the provision of Accoya™ to facilitate development of their distribution channels;
- (ii) the second priority is the development of national market acceptance in major markets for key end-user applications, including external doors, windows, decking and cladding and bridges; and
- (iii) to absorb any spare capacity, other local and adjacent market sales may be agreed so long as they do not conflict with other priorities and ideally where they provide additional benefits from PR and market awareness.

Focusing on the most developed markets of Western Europe and North America, the Directors expect that over a 10 year period a licensing volume for Accoya™ solid wood in the region of 1 million to 1.5 million m³ is feasible while globally volumes could be more than double this, with 3 to 4 million m³ potentially achievable over a 10-15 year period. Actual licence volumes will be a function

of early 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 fibre acetylation technology under development.

The Group's own plant is budgeting to provide material to support market penetration by joinery companies focusing on key product groups in major markets and to licensees seeking initial seed volumes in order to develop their markets. Contact with potential endusers for Accoya™ has already confirmed significant appetite for the product.

Branding

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

The word Accoya™ trade mark has been confirmed as unique in the selected classifications in Europe and is in the final search stages in the US, pending registration there, and in several other target markets including Asia, Australasia and South America.

(i) **Markets**

Market size

Approximately 3.0 billion m³ of round wood were harvested in 2005, of which 1.3 billion m³ was consumed as fuel and 1.7 billion m³ classified as industrial round wood (*source: Forest Product Statistics 2001-2005, UNECE Trade and Timber Division*). Approximately 450 million m³ of sawn wood were manufactured in 2005 (*source: ABARE conference paper 99.12 – Asia Pacific Supply and Demand Outlook*). Using a conversion factor 0.6 m³ of sawn wood per m³ of round wood, some 0.75 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 670 million m³ of panel products and sawn wood, Accoya™ is expected to capture market share in those applications which require rot and water resistance, i.e. primarily outdoor products. Titan is focused on the higher-value end of these applications, where the dual qualities of durability and dimensional stability offered by Accoya™ are most highly valued. Key market segments include windows, doors, exterior plywood, veneers, recreational products (play-frames, decking and garden furniture) and cladding (known in the 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 prospectus is based upon information gathered by Titan's sales and marketing team through primary market contacts and published literature research, combined with commissioned work provided by BRE, SHR and InnoStart.

Market research conducted by BRE and InnoStart (*sources: BRE: High value wood products – a market study for acetylation, June 2003; InnoStart BV: Titan Wood timber acetylation market assessment, 2005*) indicates strong potential demand throughout the world, and an immediate market opportunity in Northern Europe, where the product has been widely tested by both scientific experts and manufacturers and confirmed as an extremely desirable new product in the wood and timber industry. The total market volume in the principal applications in which Titan's product is expected to successfully compete in Europe and North America is estimated to be equivalent to more than 40 million m³ 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.

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

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

Potential Applications

The development of further derivative products is of considerable interest to Titan. Major potential applications and product enhancements presently being researched or planned for future research by Titan include the use of Accoya™ fibres in the production of MDF or other engineered wood 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 Directors believe that it could equal or even exceed that of solid wood applications.

(j) **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 the wood colour is much darker than the original wood. Depending on the WPG-increase the colour of furfurylated wood turns darker. According to a leading wood research institute, the process costs for furfurylation are the same or a little higher compared to acetylation.

Other Modifications

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). Titan Wood 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 last few years there has been considerable investigation into composite materials as alternatives for solid wood. Many different mixtures have been developed. These products approach mainly the cladding and decking 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 alternatives often have a higher cost price and the durability is typically poorer, with higher chemical leaching. This type of chemical preservation does not improve the dimensional stability and UV resistance, limiting usage generally to lower value applications. There will continue to be a place for such materials, largely due to their low costs of production. Since, however, these treatments rely on toxicity to provide the preservative effect, it is expected that increasing legislation will continue to erode the share of markets occupied by basic chemical treatments.

Quality Measurement

One of the significant advantages of Accoya™ is that its quality can be readily measured. The quality of other woods, and other modified woods (such as thermally modified wood), is not measurable. Actual durability performance only becomes clear during service, creating significant risk for suppliers. The quality of these species varies considerably and can only be assessed superficially through colour and weight, such that users of such wood are unsure that the wood will perform to the standards required.

4. ICC

(a) *History and Background*

Originating in 1999, ICC was initially formed to pursue technologies which exploit the beneficial material properties of cotton pulp, the purest source of high-performance chemical-grade cellulose. Research was undertaken to develop technologies for the acetylation of cellulose and the cracking of acetic acid to make acetic anhydride needed for the acetylation reaction. Today, with the focus of the Group firmly prioritised on exploiting the opportunities from acetylated wood and, subsequently, acetylated fibre board the Group has all but ceased work on any other technology applications. Proprietary rights to these other technologies vest with ICC.

ICC's technologies aim to create the platform for a series of further technologies having related reaction conditions, in particular in the field of cellulose modification and high temperature cracking. The technologies were subject to extensive independent reviews by qualified experts and offer the ability to manufacture competitively on a smaller scale than has hitherto been possible or, at larger scale, the Group may invest in these technologies in the future.

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

(b) *Proprietary Technology*

In addition to the technology owned by Titan, ICC has proprietary rights to three separate technologies. Whilst the Group is not currently allocating resources to exploit these technologies, they have prospective applications from which future profits may be derived.

- *Proprietary high temperature cracking* – this is a process which converts lower-value, heavier molecular structures into higher value, shorter molecules, typically in the presence of a catalyst. ICC's expertise lies in dehydrogenation reaction technology.
- *Cellulose modification processes* – these are processes for combining molecules of cellulose (from wood or cotton pulp) with molecules from acids and water to deliver materials with beneficial properties. ICC's focus is in polymers combining higher molecular weights with lower polydispersity, and its technology can be used to produce materials with a wide variety of end-uses.
- *Patent applications have been made for ICC's high temperature cracking process and cellulose modification technology.*

Ketene (for acetic anhydride)

The existing use is primarily in situations where spent acetic acid is recovered from activities consuming acetic anhydride, mainly in the acetylation of cellulose to produce cellulose acetate. Annual production of ketene in the US, Western Europe and Japan has not changed greatly in recent times (approximately 423,000 MT over the past decade) (*source: SRI Consulting Ketene Report, 2004*). The owner of intellectual property rights offering cost savings to a global industry would expect to extract a significant royalty flow based upon a share of the total benefit to licensees of its technology. In addition, the developing market for Accoya™ by Titan is likely to generate a substantially greater demand for acetic anhydride.

The Group has entered into an agreement with Celanese, under which Celanese has the right, during the period of 12 months from the date of receipt by Celanese of certain specified information to submit a formal offer to acquire the Company's (and/or such subsidiaries') interests in the proprietary ketene/acetic anhydride technology and related intellectual property. Further details of such right is set out in Part XI of this prospectus.

Potential applications

Styrene. One application is in the cracking of ethyl benzene to produce styrene, a product which is used in the manufacture of thousands of everyday items. Some examples of its derivative products are polystyrene, acrylonitrile-butadiene-styrene (e.g. for telephones, helmets, automotive uses), and the styrene-butadiene rubber (car tyres). Styrene is one of the most important plastics by volume in the world.

Carboxymethyl Cellulose ("CMC"). Other potential applications identified by Chemsystems (a business division of Nexant, Inc.) in which ICC's technologies could deliver significant cost improvements include cellulose derivatives, such as CMC and hydroxy ethyl cellulose ("HEC"). These chemicals are used in many consumer and industrial applications, including building and industrial products (drilling muds and paints), food products (syrups and sauces), pharmaceuticals and personal care products (pills, shampoo and shaving creams).

5. Summary of financial information on the Accsys Group

The following financial information should be read solely as an introduction to the financial information relating to the Accsys Group set out in Part VI of this prospectus from which it has been extracted without material adjustment. Any decision to invest in Offer Shares and Additional Shares should be based on the consideration of this prospectus as a whole.

	Year ended 31 March 2005 €000	Year ended 31 March 2006 €000	Year ended 31 March 2007 €000
Consolidated income statements			
Revenue	–	80	50
Administrative expenses			
General administrative expenses	(2,965)	(5,329)	(9,853)
Impairment of tangible fixed assets	–	–	(6,569)
Impairment of intangible fixed assets	(24,514)	–	(5,850)
Loss from operations	<u>(27,479)</u>	<u>(5,249)</u>	<u>(22,222)</u>
	Year ended 31 March 2005 €000	Year ended 31 March 2006 €000	Year ended 31 March 2007 €000
Consolidated balance sheets			
Non-current Intangible Assets	14,246	14,246	8,380
Non-current Tangible Assets	2,842	10,693	21,611
Cash and cash equivalents	4,564	4,577	10,825
Other current assets	6,224	23,924	1,995
<i>Less:</i> Trade and Other Payables	(1,922)	(1,984)	(3,102)
Equity attributable to equity holders of the parent	<u>25,954</u>	<u>51,456</u>	<u>39,709</u>

6. Current trading and future prospects

The financial information for the three years ended 31 March 2005, 2006 and 2007 is set out in Part VI of this prospectus.

Since 31 March 2007, current trading activity has seen progress on a number of fronts:

- Refining the technology design and operating protocols from the operation of the Group's facility in Arnhem, has established the fundamental suitability of the novel acetylation reactor design and steady progress is being achieved in streamlining manufacturing procedures to optimise consumption of materials and productive capacity.
- Increasing production as quickly as operating protocols appear to be approaching optimisation – to feed demand and introduce the use of Accoya™ as widely as possible in target applications.
- Developing the draft licensing package to incorporate learning from commercial scale production of Accoya™.
- A significant licensing agreement has been signed with Skanfore SA, under which a premium of €10 million has been paid to the Group in return for certain rights to license 500,000 m³ per annum capacity of Accoya™ technology.

The Directors believe the Company is well positioned for the challenges in the year ahead.

7. Dividend policy

The Company has not paid a dividend since its incorporation. However, the Company's general dividend policy following the Offering is to pay dividends at levels consistent with factors such as future earnings, financial condition, capital adequacy and liquidity.

8. Existing AIM quotation

The Ordinary Shares are currently traded on AIM in London. 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 such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required for the purposes of the AIM Rules for Companies to have a nominated adviser. The Company's nominated adviser is Collins Stewart Europe Limited of 9th Floor, 88 Wood Street, London EC2V 7QR. The nominated adviser is required to make a declaration to the London Stock Exchange on admission of its shares to trading on AIM in the form set out in Schedule Two of the AIM Rules for Nominated Advisers. The AIM Rules for Companies are less demanding than those which apply to companies whose shares are listed on the Official List.

The table below sets out the high and low closing prices of the Ordinary Shares on AIM for certain periods since the Company's flotation on AIM in October 2005. The table also includes aggregate trading volume for the Ordinary Shares in the periods indicated. The Ordinary Shares are quoted in Euros on AIM.

	High (€)	Low (€)	Aggregate volume (Shares)
2005 (from 26 October)	1.195	1.060	8,662,791*
2006	1.760	1.170	61,282,665
January 2007	2.085	1.695	10,062,229
February 2007	2.475	2.098	6,854,549
March 2007	2.750	2.260	6,110,229
April 2007	3.165	2.600	7,028,882
May 2007	3.905	3.150	29,807,414
June 2007	4.430	3.755	10,177,253
July 2007	4.580	3.725	4,462,401
August 2007	3.660	4.100	5,821,816

(Source: Bloomberg)

*The Ordinary Shares were admitted to trading on AIM on 26 October 2005.

9. Reasons for Euronext Listing

The Ordinary Shares are currently traded on AIM and Accsys will maintain its AIM admission following completion of the Offering. Simultaneously with the Offering, the Company will have a listing on Euronext Amsterdam by NYSE Euronext. The Company's Ordinary Shares, already quoted in Euros, will be completely fungible.

The Directors believe that it is in the Company's best interest to seek an additional listing of the Ordinary Shares on Euronext Amsterdam by NYSE Euronext for the following reasons:

- shareholder value may be improved by listing on a regulated market;
- liquidity in the Ordinary Shares may be improved by additional market coverage;
- various potential investors will now be able to take a position due to the senior market nature of Euronext; and
- the operations of the Group are based in The Netherlands, with a strong Dutch flavour to the business.

10. Use of Proceeds

Accsys expects to raise approximately €20.15 million of gross proceeds from the issue of New Ordinary Shares in the Offering, based on an Offer Price of €4.03, being the Closing Price of the Ordinary Shares on AIM on 31 August 2007. The net proceeds which the Company will receive from the issue of New Ordinary Shares in the Offering are estimated to be approximately €18.35 million after deducting the estimated underwriting commission and total expenses payable by the Company, based on an Offer Price of €4.03, being the Closing Price of the Ordinary Shares on AIM on 31 August 2007.

If the Over-Allotment Option is exercised in full, the Company will issue 2.25 million Additional Shares. The additional net proceeds that will be received in the event of a full exercise of the Over-Allotment Option are €9.07 million based on an Offer Price of €4.03, being the Closing Price of the Ordinary Shares on AIM on 31 August 2007.

The Company intends to allocate the majority of the proceeds of the New Ordinary Shares as follows:

- to double the capacity of the Arnhem manufacturing facilities;
- to increase warehousing, storage and office facilities in Arnhem;
- to create post acetylation finishing capability, including fingerjointing and lamination;
- to advance the wood fibre technology for panel products to a commercial scale;
- to increase licensing activity and support, increasing staffing levels;
- to increase brand and product marketing and exploring additional product applications;
- to maximise the potential of Accoya™ by exploring and developing additional product applications including, for example, civil and structural uses; and
- to allow for strategic investments where appropriate.

The expected use of the net proceeds from the Offering represents Accsys' current intentions based upon its present plans and business conditions. The amounts and timing of the Company's actual expenditures depend on numerous factors beyond the Company's control. The Board will therefore retain broad discretion over the allocation of the net proceeds from the Offering.

Pending use of the net proceeds of the Offering, the Board intends to invest the net proceeds in cash equivalents, government obligations, high grade and corporate notes and commercial paper.

The Company will not receive any proceeds from the sale of the Sale Shares in the Offering, all of which will be paid to the Selling Shareholders.

11. Directors, Advisors, 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 fibre technology, and new products made from cellulosic materials.

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

Directors

William Paterson-Brown – (aged 42) is Chairman and Chief Executive Officer.

Willy has been Chairman of the Group since inception. His focus has been on the shareholders, shareholder value, investor relations, the structure of the Company, strategic partnerships, licensing relationships and corporate opportunities. 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 1988, 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 fifteen 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 paragraph 7(j) of Part XI of this prospectus). Willy is based in Switzerland.

Glyn Thomas – (aged 56) is Chief Financial Officer.

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

Gordon Campbell – (aged 60) is a Non-Executive Director.

Gordon is Chairman of British Nuclear Fuels plc. He is part-time Chairman of Babcock International Group plc and former Chief Executive of Courtaulds plc. Gordon was a Vice-President of the Royal Academy of Engineering, the Non-Executive Chairman of ITI Scotland and a Non-Executive Director of Senior plc. He was formerly Chairman of the Acordis Group, which was formed by the combination of the fibres operations of Akzo Nobel and Courtaulds. He is the Non-Executive Chairman of Jupiter Second Split Trust plc. Gordon is also a member of the British Heart Foundation Council as well as a Companion of the British Institute of Management. He continues to be a visiting professor at Strathclyde University.

Stefan Allesch-Taylor – (aged 38) is a Non-Executive Director.

Stefan is Chairman of Fairfax Group PLC and the Chief Executive of Fairfax I.S. PLC, a UK based investment bank. He also serves as Chairman of Tactica Fund PCC PLC, an asset management company and is Chairman of Tactica Partners PLC. He is the Non-Executive Chairman of Global Evolution Fund A/S. He served as a founder-director of Semley Group, a UK property company, between 1993 and 1996 which was sold to Moorfield Estates PLC in 1996. Between 1997 and 2003 he served as Executive Chairman of STG Holdings PLC (now called MacNiven and Cameron Equity Holdings Limited) and oversaw the firm's transition from a small property company into a generic investment business. During his tenure he oversaw the creation of a number of new businesses now listed in the UK and the United States. In 2003, he co-founded the Develica I LLP property fund. Over the last 13 years, Stefan has held senior management positions in the property, technology, industrial and financial services sectors and has served on the boards of a wide variety of companies. He remains an advisor to a number of substantial international trusts.

Timothy Paterson-Brown – (aged 47) is a Non-Executive Director.

Tim is currently Chairman and CEO of MGT Capital Investments an American public company (AMEX, Ticker Symbol: 'MGT') specialising in medical imaging. He is also Chairman of both its subsidiaries, Medicexchange plc and Medicsight plc, the latter of which was recently listed on AIM (Ticker Symbol: MDST). 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 – (aged 74) 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. Until recently, he was also a 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. and a director of Develica Deutschland PLC and Develica I LLP. Lord Sanderson has received Honorary Degrees from both Glasgow University and Napier 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:

- Professor Roger Rowell, Senior Technical Pioneering Scientist with the United States Department of Agriculture's Forest Products Laboratory and Professor in the Department of Biological Systems Engineering at the University of Wisconsin-Madison;
- Hellmut Herrmann, former Chairman of the Management Board, Alstom Power Energy Recovery (Stuttgart) GmbH;
- Prof. Dr. Hans Derksen, President, InnoStart Consulting B.V holder of the Mercator chair for Science and Entrepreneurship at the University of Nijmegen; and
- Thomas Nysten, Non-Executive Director, Sonae Industria S.G.P.S., S.A., Chairman of the Supervisory Board of Glunz A.G.

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

Senior Management

Rombout van Herwijnen – (age 47) Managing Director, Titan Wood B.V.

Rombout is responsible for all activities in Arnhem. As a serial entrepreneur, his experience will drive the expansion of the productive capacity, 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 3 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 Titan Wood in May 2007.

Kapil Girotra – (age 33) Technology Director, Titan Wood B.V.

Kapil is responsible for the execution of capital projects, co-ordinating engineering needs and development of related technologies. He graduated as a Chemical Engineer in 1995 from the University of Pune, India, and gained a Masters degree in Chemical Engineering from Bombay University Institute of Chemical Technology in 1998. In between and after he worked at the National Chemical Laboratory, Pune, India, on development projects and Ranbaxy Fine Chemicals Ltd, Mumbai, as a supply chain co-ordinator. In 1999, he was selected as a Post Doctoral Fellow at the University of Twente, The Netherlands, which was an achievement in light of the fact that such a fellowship requires a Doctoral degree. Since then, he has been directly or indirectly working for the Group, working full time since 2000. In the last seven years, he has worked on the development of various technologies in the Company and has led efforts to commercialise

acetylation technology. Kapil was responsible for managing the capital project to construct and commission the Group's first commercial scale wood modification plant. He is a keen follower of environmental policy initiatives.

Robert Schoolkate – (age 43) Operations Director, Titan Wood B.V.

Robert is responsible for all operational activities on the Group's Arnhem site, including production, maintenance health and safety and logistics. After graduating with a BSc in Physics and Process Control from Hogeschool Enschede in The Netherlands in 1988, Robert joined BASF Nederland B.V. He was involved in engineering, implementation and maintenance of all production equipment and site facilities. Later on, he held jobs as technical manager and production manager for the BASF site where polymers were produced. From 2003 until 2005, Robert was Production Manager for the Dutch site of JohnsonDiversey where he led production, staff supervision, budgeting, cost control, process improvement and maintenance. He has extensive experience in the design of electrical, process control and safety equipment and in operational efficiency.

Edward Pratt – (aged 43) Senior Advisor, Projects.

Eddie spent his early career in investment banking, receiving his corporate finance training at J.P. Morgan before becoming a founding member of its affiliate, Saudi International Bank's highly successful Oil and Petrochemical advisory group (later becoming the bank's Investment Banking Division). Eddie has broad experience in a range of sectors, from manufacturing companies to shipping, public finance, defence and the chemicals sector, in which he has advised a number of companies on their financial and corporate strategies, including leading and successfully concluding both debt and equity financings for start-up companies employing new technologies. Eddie joined the Group in March 2000, becoming CEO of ICC in 2002, and subsequently led the development and launch of the Titan Wood business in April 2003. He stepped down from the position as the Group's Chief Executive Officer on medical grounds effective 26 June 2007.

Further information on the Directors and Senior Management is set out in Part XI of this prospectus.

12. Corporate Governance

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

- the Company combines the role of Chairman and Chief Executive; and
- the Company's Non-Executive Directors have not been appointed for specific terms.

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

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. The Company holds a minimum of four Board meetings every year.

The Company has established properly constituted Audit and Nominations & Remuneration Committees of the Board with formally delegated duties and responsibilities.

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

The Remuneration & Nominations Committee meets as and when necessary to assess the suitability of candidates proposed for appointment by the Board. In exercising this role, the Directors shall have regard to the recommendations put forward in the Combined Code. It will also review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. Engagement of the Company with its Directors regarding the terms of their

remuneration, including in other capacities in the Company, require approval of the Remuneration & Nominations Committee and then the Board of Directors. The Remuneration & Nomination Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. Currently, the members of the Remuneration & Nominations Committee are Lord Sanderson (chairing) and Messrs Campbell, Allesch-Taylor and Tim Paterson-Brown.

The Company has adopted the Model Code for share dealings by Directors and key employees, as required for listed companies.

13. Takeovers and Mergers

Dutch Bidding Rules

The Dutch takeover rules (as set out in The Netherlands Act on the Supervision of the Securities Trade 1995 (*Wet toezicht effectenverkeer* 1995), as amended, and the Netherlands Decree on the Supervision of the Securities Trade 1995 (Besluit toezicht effectenverkeer 1995), as amended) will apply to the Company once Euronext Admission has occurred and for as long as the Ordinary Shares are listed on Euronext Amsterdam by NYSE Euronext.

On 24 October 2006, the Dutch Parliament passed the Takeover Act (*Wet openbaarbod overnamebod*) implementing EU Directive 2004/25/EC of 21 April 2004 on public takeovers (the “**Takeover Directive**”). The Takeover Act is expected to come into force by the end of 2007 and will, subject to certain exemptions, (as the Company is not a company incorporated under the laws of The Netherlands) apply to the Company as its Ordinary Shares are listed on the regulated market of Euronext Amsterdam. The Takeover Directive provides that member states should ensure protection of the minority shareholders by *inter alia*, obliging person, or persons acting in concert, that acquire control of a listed entity to make an offer to all holders of that entity’s securities for all their holdings at an equitable price. According to the Takeover Directive the laws of the member state in which the entity has its registered office will determine the percentage that is regarded as conferring control over the entity and for the Company, in this respect, the UK City Code on Takeovers and Mergers therefore applies.

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**”) and applies to all public companies, incorporated and resident in the United Kingdom, the Channel Islands or the Isle of Man. The City Code only however applies to Accsys to a limited extent due to it being principally subject to the Dutch Bidding Rules as described above.

The City Code, on Euronext Admission, will only apply 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 confer control and any derogation from the obligation to launch an offer, as well as the conditions under which the Directors may undertake any action which might result in the frustration of an offer). This includes, pursuant to Rule 9, that where a person acquires, whether by a series of transactions over a period of time or not, interests in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company, that person is normally required by the Takeover Panel to make a general offer to the shareholders of the company to acquire the balance of the equity share capital of the Company at the highest price paid by that person or any other person acting in concert with him in the 12 months prior to the announcement of the offer.

Persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of that company or to frustrate the successful outcome of an offer for a company.

For the purpose of the City Code, “**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 the interest or interests gives *de facto* control.

The Dutch Bidding Rules, as described above, would apply to matters relating to the consideration offered and the offer procedure.

14. Disclosure of Information

Euronext

As a company listed on Euronext Amsterdam by NYSE Euronext, the Company will be required to make its annual accounts (including the annual report) and its six month interim report available to the public within five months and four months respectively of the end of the period to which the information relates. The Company will be required to publish its annual accounts within four months after the end of each financial year and its half-yearly figures within two months after the end of the first six months of each financial year, following the implementation of the EU Directive 2004/109/EC. In addition, the Company will also become obliged to publish interim management statements following the implementation of the aforementioned Directive.

The Company must make public certain inside information by means of a press release. Pursuant to the Dutch Financial Supervision Act (*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.

UK Disclosure and Transparency Rules

A shareholder in a public company incorporated in the UK whose shares are admitted to trading on AIM is required, pursuant to rule 5 of the Disclosure and Transparency Rules, to notify the Company of the percentage of his voting rights if the percentage of voting rights which he holds as a shareholder or through his direct or indirect holding of financial instruments (or a combination of such holdings) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., and each 1 per cent., threshold thereafter up to 100 per cent. as a result of an acquisition or disposal of shares.

In addition, because Euronext Amsterdam by NYSE Euronext is a regulated market (as defined in Article 4.1(14) of the Markets in Financial Instruments Directive (2004/39/EC), following the Euronext Admission application, Accsys must also comply with rules 1 (Introduction), 2 (Disclosure and control of inside information by issuers), 3 (Transactions by persons discharging managerial responsibilities and their connected persons), 4 (Periodic financial reporting) and 6 (Continuing obligations and access to information) of the Disclosure and Transparency Rules.

15. 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 advisors. 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.

16. UK and Dutch Taxation

Your attention is drawn to paragraph 15 of Part XI of this prospectus. If you are in any doubt as to your tax position, you should consult an appropriate professional adviser without delay.

17. Additional Information

Your attention is drawn to the additional information set out in the remainder of this prospectus.

PART VI

FINANCIAL INFORMATION RELATING TO THE ACCSYS GROUP

A. ACCOUNTANT'S REPORT ON THE ACCSYS GROUP



BDO Stoy Hayward LLP
Chartered Accountants

BDO Stoy Hayward LLP
8 Baker Street
London
W1U 3LL

The Directors
Accsys Technologies PLC
Kensington Centre
66 Hammersmith Road
London W14 8UD

Fortis Bank (Nederland) N.V.
Rokin 55
1012 KK Amsterdam
The Netherlands

3 September 2007

Dear Sirs

Accsys Technologies PLC (the “Company”) and its subsidiary undertakings (together, the “Group”)

Introduction

We report on the financial information set out in Section B of Part VI. This financial information has been prepared for inclusion in the prospectus dated 3 September 2007 of Accsys Technologies PLC (the “**Prospectus**”) on the basis of the accounting policies set out in note 1. This report is required by item 20.1 of Annex I of the Commission Regulation (EC) No. 809/2004 (the “**PD Regulation**”) and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

As described in note 1, the Directors of the Company are responsible for preparing the financial information on the basis of preparation set out below and in accordance with International Financial Reporting Standards (“**IFRSs**”) as adopted by the European Union.

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

Save for any responsibility under item 1.2 of Annex I of the PD Regulation to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I of the PD Regulation consenting to its inclusion in the Prospectus.

Basis of opinion

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

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group as at the dates stated and of its consolidated losses, cash flows, and changes in equity for the years then ended in accordance with the basis of preparation set out in note 1 and in accordance with IFRSs as adopted by the European Union as described in note 1.

Declaration

For the purposes of rule 5.5.3R(2)(f) of the Prospectus Rules, we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of the PD Regulation.

Yours faithfully

BDO STOY HAYWARD LLP
CHARTERED ACCOUNTANTS

B. HISTORICAL FINANCIAL INFORMATION ON THE ACCSYS GROUP FOR THE THREE YEARS ENDED 31 MARCH 2005, 2006 AND 2007

Consolidated Income Statements

	Year ended 31 March 2005 €000	Year ended 31 March 2006 €000	Year ended 31 March 2007 €000
Revenue	–	80	50
Administration expenses			
General administration expenses	(2,965)	(5,329)	(9,853)
Impairment of tangible fixed assets	–	–	(6,569)
Impairment of intangible fixed assets	(24,514)	–	(5,850)
	4	(27,479)	(5,329)
		(27,479)	(5,249)
Loss from operations		(27,479)	(5,249)
Investment revenue	5	18	782
		(27,461)	(4,467)
Loss before tax		(27,461)	(4,467)
Tax expense	6	–	–
Loss for the year		(27,461)	(4,467)
Attributable to:			
Equity holders of the parent		(26,620)	(4,467)
Minority interest		(841)	–
		(27,461)	(4,467)
Loss per share			
Basic and diluted	7	€(0.43)	€(0.04)
			€(0.16)

All amounts relate to continuing activities.

Consolidated Balance Sheets

		As at 31 March 2005 €000	As at 31 March 2006 €000	As at 31 March 2007 €000
NET ASSETS				
Non-current assets				
Property, plant, and equipment	10	2,842	10,693	21,611
Intangible assets	9	14,246	14,246	8,380
		<u>17,088</u>	<u>24,939</u>	<u>29,991</u>
Current Assets				
Inventories	11	–	–	910
Trade and other receivables	12	6,224	8,411	1,085
Other financial assets	13	–	15,513	–
Cash and cash equivalents	19	4,564	4,577	10,825
		<u>10,788</u>	<u>28,501</u>	<u>12,820</u>
Current Liabilities				
Trade and other payables	14	(1,922)	(1,984)	(3,102)
Net current assets		<u>8,866</u>	<u>26,517</u>	<u>9,718</u>
Total net assets		<u>25,954</u>	<u>51,456</u>	<u>39,709</u>
EQUITY				
Equity and reserves				
Share capital – Ordinary shares	15	1,055	1,325	1,406
Share capital – Deferred shares	15	148	148	148
Share premium account		–	25,504	35,689
Other reserves		102,512	106,707	106,707
Retained earnings		(77,761)	(82,228)	(104,241)
Equity attributable to equity holders of the parent		<u>25,954</u>	<u>51,456</u>	<u>39,709</u>

Statement of Changes in Equity for the Group

	Share Capital €000	Share Premium €000	Merger Reserve €000	Retained Earnings €000	Attribut- able to equity holders of the parent €000	Minority Interests €000	Total €000
Balance at 31 March 2004	1,203	–	83,169	(52,296)	32,076	3,195	35,271
Translation differences	–	–	(2,251)	1,155	(1,096)	(85)	(1,181)
<i>Net income/(expense) recognised directly in equity</i>	–	–	(2,251)	1,155	(1,096)	(85)	(1,181)
Loss for the period	–	–	–	(26,620)	(26,620)	(841)	(27,461)
<i>Total recognised income and expense</i>	–	–	(2,251)	(25,465)	(27,716)	(926)	(28,642)
Investment by minority	–	–	–	–	–	800	800
Acquisition of minority interest	–	–	7,386	–	7,386	(3,069)	4,317
Capitalisation of interest-free advances	–	–	3,000	–	3,000	–	3,000
Placing and open offer by former parent company	–	–	11,208	–	11,208	–	11,208
Balance at 31 March 2005	1,203	–	102,512	(77,761)	25,954	–	25,954
Loss for the period	–	–	–	(4,467)	(4,467)	–	(4,467)
<i>Total recognised income and expense</i>	–	–	–	(4,467)	(4,467)	–	(4,467)
Shares issued by former parent company	–	–	4,195	–	4,195	–	4,195
Shares issued in the period	270	–	–	–	270	–	270
Premium on shares issued	–	26,730	–	–	26,730	–	26,730
Share issue costs	–	(1,226)	–	–	(1,226)	–	(1,226)
Balance at 31 March 2006	1,473	25,504	106,707	(82,228)	51,456	–	51,456
Loss for the period	–	–	–	(22,185)	(22,185)	–	(22,185)
<i>Total recognised income and expense</i>	–	–	–	(22,185)	(22,185)	–	(22,185)
Share based payments	–	–	–	172	172	–	172
Shares issued in the period	66	–	–	–	66	–	66
Share options exercised	15	–	–	–	15	–	15
Premium on shares issued	–	10,437	–	–	10,437	–	10,437
Share issue costs	–	(252)	–	–	(252)	–	(252)
Balance at 31 March 2007	1,554	35,689	106,707	(104,241)	39,709	–	39,709

Share capital is the amount subscribed for shares at nominal value (note 15).

Share premium represents the excess of the amount subscribed for share capital over the nominal value of these shares, net of share issue expenses. Share issue expenses comprise the costs incurred in respect of the issue by the group of new shares. Costs allocated against the share premium account include all of the fees relating to the issue of new shares.

Merger reserve is the reserve that arises when merger accounting is adopted, and represents the difference between the nominal value of the shares issued by the acquirer and the nominal value of the shares and share premium of the company acquired.

Retained earnings represents the cumulative loss of the Group attributable to the equity holders of the parent.

Consolidated Cash Flow Statements

	Year ended 31 March 2005 €000	Year ended 31 March 2006 €000	Year ended 31 March 2007 €000
Cash flows from operating activities			
Loss for the year	(27,461)	(4,467)	(22,185)
<i>Adjustments for:</i>			
Amortisation of intangible assets	–	–	216
Depreciation of property, plant and equipment	838	21	733
Impairment of property, plant and equipment	–	–	6,569
Impairment of intangible assets	24,514	–	5,850
Investment revenue	(18)	(782)	(37)
Equity-settled share-based payment expenses	–	–	172
Cash flows from operating activities before changes in working capital	(2,127)	(5,228)	(8,682)
(Increase)/decrease in trade and other receivables	(476)	(497)	20
(Increase)/decrease in inventories	–	–	(910)
Increase in trade and other payables	90	1,257	1,118
Cash (absorbed by)/generated from operating activities	(2,513)	(4,468)	(8,454)
Cash flows from investing activities			
Interest received	18	269	284
Purchase of financial assets carried at fair value	–	(15,000)	–
Disposal of financial assets carried at fair value	–	–	15,266
Increase in other loans and deposits	(5,616)	(1,690)	–
Decrease in other loans and deposits	–	–	7,306
Purchase of intangible assets	–	–	(200)
Purchase of property, plant, and equipment	(2,210)	(7,925)	(18,220)
Proceeds from the disposal of non-current assets	–	53	–
Net cash from investing activities	(7,808)	(24,293)	4,436
Cash flows from financing activities			
Proceeds from the issue of share capital	11,773	27,000	10,518
Shares issued by subsidiary	800	3,000	–
Share issue costs	(565)	(1,226)	(252)
Increase in loans	1,434	–	–
Net cash from financing activities	13,442	28,774	10,266
Net increase in cash and cash equivalents	3,121	13	6,248
Opening cash and cash equivalents	1,443	4,564	4,577
Closing cash and cash equivalents	19 4,564	4,577	10,825

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation and significant accounting policies

Basis of preparation

The Directors of the Company are responsible for preparing the financial information set out below in accordance with applicable law and International Financial Reporting Standards (“IFRSs”) adopted by the European Union.

The financial information is based upon the audited consolidated financial statements of the Group for the three years ended 31 March 2007 restated as necessary to comply with IFRSs adopted by the EU.

Significant accounting policies

The Group financial information consolidates that of the Company and of its subsidiaries. This financial information has been prepared in accordance with IFRSs and IFRIC interpretations as adopted by the EU. This is the first time the Group has prepared financial information in accordance with IFRSs, having previously prepared its financial statements in accordance with UK GAAP. Details of the transition are given in note 20.

The accounting policies set out below have, unless otherwise stated, been applied consistently in these financial statements.

Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Group as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method other than as disclosed below. In the consolidated balance sheet, the acquiree’s identifiable assets, liabilities, and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

On 22 November 2005, the Group carried out a corporate re-structuring, including the introduction of a new holding company, Accsys Technologies PLC. The corporate restructuring was accounted for as a merger in accordance with Financial Reporting Standard 6 ‘Acquisitions and Mergers’ (FRS 6). This treatment has been adopted within these adjusted financial statements as it does not meet the definition of a business combination as defined in IFRS3 “Business Combinations”. In the Group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the Group. The results of such a subsidiary are included for the whole period in the year it joins the Group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date, and the shares issued by the Company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to a merger reserve.

Goodwill

Goodwill arising on the acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the identifiable assets and liabilities acquired. It is capitalised, and is subject to annual impairment reviews by the directors. Any impairment arising is charged to the income statement.

Intangible assets

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

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and any impairment charged. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset, except freehold land, over its expected useful life on a straight line basis, as follows:

Plant and machinery	These assets comprise pilot plants and production facilities. The pilot plants are designed to validate technology designs and generally have short lives, with depreciation rates between 33% and 50%. Production facilities are depreciated from the date they become available for use at rates applicable to the average asset lives expected for each class of asset, with rates between 5% and 20%.
Office equipment	Between 20% and 50%.
Motor vehicles	20%.

Impairment

The carrying amount of the non-current assets of the Group is compared to the recoverable amount of the assets whenever events or changes in circumstances indicate that the net book value may not be recoverable. The recoverable amount is the higher of value in use and the fair value less cost to sell. In assessing the value in use, the expected future cash flows from the assets are determined by applying a discount rate to the anticipated pre-tax future cash flows. An impairment is recognised in the income statement to the extent that the carrying amount exceeds the assets' recoverable amount. The revised carrying amounts are amortised in line with Group accounting policies. A previously recognised impairment loss, other than on goodwill, is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years. Assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units) for purposes of assessing impairment. The estimates of future discounted cash flows are subject to risks and uncertainties. It is therefore reasonably possible that changes could occur which may affect the recoverability of assets.

Financial assets

Other financial assets

Other financial assets in the scope of IAS 39 comprise financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date on which the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables, which comprise non-derivative financial assets with fixed and determinable payments that are not quoted on an active market and which arise principally through the provision of goods and services to customers (trade debtors) and company loans to subsidiary undertakings, are stated at cost less any provision for impairment

Financial assets classified as held for trading are categorised as financial assets at fair value through profit or loss. Financial assets are held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on investments held for trading are recognised in income.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement, and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the

finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Inventories

Raw materials, which consist of unprocessed timber, chemicals and various materials used in manufacturing operations are valued at the lower of cost and net realisable value. The basis on which cost is derived is a first-in, first-out basis.

Finished goods, comprising processed timber, are stated at the lower of weighted average cost of production or net realisable value. Costs include direct materials, direct labour costs and production overheads (including the depreciation/depletion of relevant property and plant and equipment). Net realisable value represents the estimated selling price less all expected costs to completion and costs to be incurred in selling and distribution.

Trade and other receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise principally from the provision of goods and services to customers.

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the group will not be able to collect debts. Bad debts are written off when identified.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and that the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

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

Royalty and licence fee income

Royalty and licence fee income is recognised over the period of the relevant agreements according to the specific terms of each agreement or the quantities and/or values of the licensed product sold. Initial “up front” income received, which is non-refundable, is recognised on a straight line basis over the period of the

agreement or pro-rata to the volume or value of sales according to the specific terms of the agreement. The amount of income not recognised is included in the financial statements as deferred income and shown as a liability.

The accounting policy for the recognition of technology license fees is based upon an assessment of the work required before the licence is signed and subsequently during the construction and commissioning of the licensees' plant, with an appropriate proportion of the fee recognised upon signing and the balance recognised as the project progresses to completion. Similarly, the Skanfore premium is recognised upon signing of a technology licence negotiated by Skanfore, pro rata to the capacity signed and the capacity under the agency agreement. Where a Skanfore negotiated licensee signs a licence option agreement in advance of the technology licence, an assessment of the work completed is undertaken to determine the proportion of the Skanfore premium that may be recognised in respect of such licence options. Currently, the proportion of the technology licence assessed as recognisable upon signing a licence option is 20 per cent.

Interest income

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

Share based payments

The Company awards share options to certain directors and employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and is spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using modified Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest only where vesting is dependent upon the satisfaction of service and non-market vesting conditions.

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options which eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Pensions

Defined contribution plans

The Group contributes to certain defined contribution pension and employee benefit schemes on behalf of its employees. These costs are charged to the income statement on an accruals basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date together with any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Foreign currency translation

The consolidated financial statements are presented in Euro, which is also the Group's functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Following the change of reporting currency to Euro from sterling on 17 December 2004, the Group balance sheet at 31 March 2004 was restated into Euro at the rate of exchange ruling at that date. All balances denominated in sterling at 17 December 2004 were translated into Euro using the exchange rate at that date. Any translation differences arising from the conversion to Euro were taken directly to equity.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Standards in issue in 2007 but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IAS 23 'Borrowing costs' (issued March 2007 and effective for periods beginning on or after 1 January 2009)
- IFRS 8 'Operating segments' (effective for periods beginning on or after 1 January 2009)
- IFRIC 12 'Service Concession Agreements' (effective for periods beginning on or after 1 January 2008)
- IFRIC 13 'Customer Loyalty Programmes' (effective for periods beginning on or after 1 July 2008)
- IFRIC 14 'IAS 19 – Defined Benefit assets and minimum funding requirements' (effective for periods beginning on or after 1 January 2008)

Entities in EU Member States can only apply IFRSs or IFRICs that have been endorsed by the European Union. Of the standards and interpretations listed above IAS 23, IFRS 8, IFRIC 10, IFRIC 11, IFRIC 12, IFRIC 13, and IFRIC 14 had not yet been endorsed by the European Union at the date these financial statements were authorised for issue. They are largely expected to be endorsed during 2007.

Accounting estimates and judgments

In preparing the Consolidated Financial Statements, management has to make judgments on how to apply the Group's accounting policies and make estimates about the future. The critical judgments that have been made in arriving at the amounts recognised in the Consolidated Financial Statements and the key sources of estimation and uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year, are discussed below:

Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates (note 9).

Other non current assets

In accordance with the accounting policy above, the Group tests carrying amount of non current assets for impairment whenever events or changes in circumstances indicate that net book value may not be recoverable. These calculations require the use of estimates in respect of future cash flows from the assets by applying a discount rate to the anticipated pre-tax future cash flows.

Useful economic lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the year ended 31 March 2007, the directors determined that certain items of property, plant and equipment should be impaired (note 10).

2. Segmental reporting

The Group operates in one business segment – the development and commercialisation of proprietary technology for the manufacture of Accoya branded acetylated wood and related process technologies with potential applications in the wood and chemical industries. The Group's operations, assets, and liabilities are located within the European Union.

3.A Employees

The average number of employees, including Executive Directors, during the years was as follows:

	Year ended 31 March 2005 No.	Year ended 31 March 2006 No.	Year Ended 31 March 2007 No.
Administration	8	11	17
Operating	8	10	18
	<u>16</u>	<u>21</u>	<u>35</u>

Staff costs for all employees, including Executive Directors, during the years consist of:

	€000	€000	€000
Wages and salaries	691	1,609	2,392
Social security costs	73	189	606
Other pension costs	30	122	89
	<u>794</u>	<u>1,920</u>	<u>3,087</u>

3.B Directors' Remuneration

	Year ended 31 March 2005 €000	Year ended 31 March 2006 €000	Year Ended 31 March 2007 €000
Directors' remuneration consists of:			
Directors' emoluments	307	743	725
Gains on exercise of share options	–	–	2,556
Company contributions to money purchase pension schemes	21	71	64
Amounts paid to third parties in respect of directors' services	–	362	407
	<u>328</u>	<u>1,176</u>	<u>3,752</u>

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

Emoluments for qualifying services	211	419	1,903
Company contributions to money purchase pension schemes	21	21	21

The Group makes contributions to 2 (2005:1, 2006:2) directors' personal pension plans.

Out of the share based payments charge (note 6) €107,000 (2006:€0, 2005:€0) relates to the Directors.

4. Administration Expenses

	Year ended 31 March 2005 €000	Year ended 31 March 2006 €000	Year Ended 31 March 2007 €000
Staff costs	794	1,920	3,087
Other administration expenses	1,675	2,257	5,240
Depreciation of property, plant, and equipment	838	21	733
Impairment of property, plant, and equipment (note 10)	–	–	6,569
Amortisation of intangible assets	–	531	216
Impairment of intangible assets (note 9)	24,514	–	5,850
Operating lease rentals	252	286	361
Auditors' remuneration for audit services	40	54	80
Remuneration of auditors for other services – accounting services	22	–	–
Admission to AIM expenses	–	565	–
Foreign exchange costs	(308)	3	7
Share based payments	–	–	172
Research subsidies from governmental agencies	(348)	(308)	(43)
	<u>27,479</u>	<u>5,329</u>	<u>22,272</u>

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

5. Investment Revenue

	Year ended 31 March 2005 €000	Year ended 31 March 2006 €000	Year Ended 31 March 2007 €000
Interest receivable on bank and other deposits	18	269	284
Increase/(decrease) in market value of other financial assets	–	513	(247)
	<u>18</u>	<u>782</u>	<u>37</u>

6. Tax Expense

	Year ended 31 March 2005 €000	Year ended 31 March 2006 €000	Year Ended 31 March 2007 €000
<i>Current tax</i>			
UK corporation tax on loss for the year	–	–	–
Adjustment in respect of previous years	–	–	–
Total current tax	<u>–</u>	<u>–</u>	<u>–</u>
Factors affecting the corporation tax expense for the year			
Loss for the year before tax	<u>(27,461)</u>	<u>(4,467)</u>	<u>(22,185)</u>
Loss for the year at the standard rate of corporation tax in the UK of 30% (2006 and 2005: 30%)	(8,238)	(1,340)	(6,656)
Effects of:			
Expenses not deductible for tax purposes	7,355	186	1,860
Capital allowances in excess of depreciation (2006 and 2005: depreciation in excess of capital allowances)	223	(125)	(599)
Increase in tax losses carried forward	660	1,279	5,395
Current tax charge for year	<u>–</u>	<u>–</u>	<u>–</u>

Deferred taxation

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

Tax losses carried forward	1,426	2,793	8,939
Excess of depreciation over capital allowances	223	264	179
	<u>1,649</u>	<u>3,057</u>	<u>9,118</u>

7. Loss per Share

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

	Year ended 31 March 2005	Year ended 31 March 2006	Year Ended 31 March 2007
Weighted average number of ordinary shares in issue	61,596,033	116,975,026	135,217,231
Loss for the year attributable to equity holders of the parent €000	(26,620)	(4,467)	(22,185)
Loss per share	€(0.43)	€(0.04)	€(0.16)

Since none of the Accsys Technologies PLC's potential ordinary shares are dilutive, there is no difference between basic and diluted loss per share. At 31 March 2007, the Company had 9,660,500 (2006 and 2005: 5,688,000) options over ordinary shares which are potentially dilutive in the future.

8. Share Based Payments

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

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

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

Options granted on 28 March 2007 at an exercise price of €2.59 per Ordinary share vest as to one third of the options granted upon achievement of each of the following:

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

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

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

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

Date of grant	Number of outstanding options at 31 March			Weighted average remaining contractual life, in years			Option price
	2005	2006	2007	2005	2006	2007	
31 March 2005	5,688,000	5,688,000	4,129,000	9.0	8.9	7.9	€0.46
14 June 2006	–	–	438,500	–	–	9.2	€1.20
28 March 2007	–	–	5,093,000	–	–	10.0	€2.59

Movements in the weighted average values are as follows:

	2005	2005	2006	2006	2007	2007
	Weighted		Weighted		Weighted	
	average		Average		average	
	exercise		Exercise		exercise	
	price	Number	Price	Number	price	Number
Outstanding at 1 April	–	–	€0.46	5,688,000	€0.46	5,688,000
Granted during the year	€0.46	5,688,000	–	–	€2.48	5,531,500
Exercised during the year	–	–	–	–	€0.46	(1,559,000)
Outstanding at 31 March	€0.46	5,688,000	€0.46	5,688,000	€1.62	9,660,500

The exercise price of options outstanding at 31 March 2007 ranged between €0.46 and €2.59 (2005 and 2006: €0.46) and their weighted average contractual life was 9.1 years (2005: 9.0 years, 2006: 8.9 years).

Of the total number of options outstanding at 31 March 2007, 1,285,000 (2005 and 2006: 2,844,000) had vested and were exercisable at the end of the year.

The weighted average share price (at the date of exercise) of options exercised during the year ended 31 March 2007 was €2.37 (2005 and 2006: not applicable).

The weighted average fair value of each option granted during the year ended 31 March 2007 was €0.33 (2005 and 2006: not applicable).

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

Grant date	1 March 2005	14 June 2006	28 March 2007
Share price at grant date	€0.46	€1.20	€2.59
Exercise price	€0.46	€1.20	€2.59
Expected life	3	3	3
Contractual life	10	10	10
Risk free rate	4.37%	4.63%	4.92%
Expected volatility	15%	15%	15%
Expected dividend yield	0%	0%	0%
Fair value of option	€0.044	€0.120	€0.346

Volatility has been estimated by reference to the historic volatility since October 2005 when the Company's shares were admitted to trading on AIM. The resulting fair value is expensed over the vesting period of the options on the assumption that a proportion of options will lapse over the service period as employees leave the Group.

9. Intangible Assets

	Intellectual property rights €000	Goodwill on consolidation €000	Total €000
Cost			
As at 31 March 2004	75,000	18	75,018
Exchange Adjustments	(2,000)	–	(2,000)
Additions	–	4,231	4,231
As at 31 March 2005	73,000	4,249	77,249
Movements	–	–	–
As at 31 March 2006	73,000	4,249	77,249
Additions	200	–	200
As at 31 March 2007	73,200	4,249	77,449
Amortisation			
As at 31 March 2004	39,525	18	39,543
Impairment charge	24,514	–	24,514
Exchange adjustments	(1,054)	–	(1,054)
As at 31 March 2005	62,985	18	63,003
Charge for the year			
As at 31 March 2006	62,985	18	63,003
Amortisation	216	–	216
Impairment	5,850	–	5,850
As at 31 March 2007	69,051	18	69,069
Net book value			
As at 31 March 2005	10,015	4,231	14,246
As at 31 March 2006	10,015	4,231	14,246
As at 31 March 2007	4,149	4,231	8,380

The Directors have undertaken an impairment review (using the value in use method) of the carrying value of the intellectual property rights. These rights relate to a number of potential technology applications. Following the most recent impairment review, the directors resolved that the carrying value in respect of potential applications which are no longer being actively pursued, nor are likely to be resourced in the foreseeable future, should be treated as fully impaired. The carrying value of applications currently being developed and goodwill on consolidation have been allocated for impairment testing purposes to one cash generating unit being the Group's wood operations. The recoverable amount of intellectual property rights and goodwill relating to this operation is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a three year period and a post tax discount rate of 25 per cent. per annum to reflect the high level of risk and uncertainty. The key assumption used in the value in use calculations are the level of future licence fees estimated by management over the budget period.

10. Property, Plant and Equipment

	Freehold Land €000	Production Facilities €000	Office Equipment €000	Motor Vehicles €000	Total €000
Cost					
As at 31 March 2004		8,006	181	50	8,237
Additions	–	2,287	11	–	2,298
Disposals	–	(210)	(179)	–	(389)
Exchange Adjustment	–	–	–	3	3
As at 31 March 2005	–	10,083	13	53	10,149
Additions	950	6,948	27	–	7,925
Disposals	–	(6,542)	–	(53)	(6,595)
As at 31 March 2006	950	10,489	40	–	11,479
Additions	329	17,774	117	–	18,220
Disposals	–	(134)	(4)	–	(138)
As at 31 March 2007	1,279	28,129	153	–	29,561
Depreciation					
As at 31 March 2004	74	6,448	153	41	6,716
Charge for the year	12	800	17	9	838
Disposals	(86)	–	(164)	–	(250)
Exchange Adjustment	–	–	–	3	3
As at 31 March 2005	–	7,248	6	53	7,307
Charge for the year	–	9	12	–	21
Disposals	–	(6,489)	–	(53)	(6,542)
As at 31 March 2006	–	768	18	–	786
Charge for the year	–	683	50	–	733
Impairment	–	6,569	–	–	6,569
Disposals	–	(134)	(4)	–	(138)
As at 31 March 2007	–	7,886	64	–	7,950
Net book value					
As at 31 March 2005	–	2,835	7	–	2,842
As at 31 March 2006	950	9,721	22	–	10,693
As at 31 March 2007	1,279	20,243	89	–	21,611

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

11. Inventories

	As at 31 March 2005 €000	As at 31 March 2006 €000	As at 31 March 2007 €000
Raw materials	–	–	898
Finished goods	–	–	12
	–	–	910

12. Trade and Other Receivables

	As at 31 March 2005 €000	As at 31 March 2006 €000	As at 31 March 2007 €000
Trade receivables	3	–	–
Other receivables	457	943	906
Other deposits	5,616	7,306	–
Prepayments and accrued income	148	162	179
	<u>6,224</u>	<u>8,411</u>	<u>1,085</u>

All amounts fall due for payment within one year. Other deposits at 31 March 2005 and 2006 included €5,616,000 and €7,306,000 of interest bearing deposits respectively.

13. Other Financial Assets

	As at 31 March 2005 €000	As at 31 March 2006 €000	As at 31 March 2007 €000
Financial assets carried at fair value through profit or loss	–	15,513	–

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

14. Trade and Other Payables

	As at 31 March 2005 €000	As at 31 March 2006 €000	As at 31 March 2007 €000
Trade payables	547	1,777	1,938
Amounts owed to former parent undertakings	1,195	–	–
Taxes and social security costs	70	55	470
Accruals and deferred income	110	152	694
	<u>1,922</u>	<u>1,984</u>	<u>3,102</u>

15. Share Capital

	As at 31 March 2005 €000	As at 31 March 2006 €000	As at 31 March 2007 €000
Authorised			
<i>Equity share capital</i>			
200,000,000 ordinary shares of €0.01 each	2,000	2,000	2,000
1,000,000 deferred shares of 10p each	148	148	148
	<u>2,148</u>	<u>2,148</u>	<u>2,148</u>
Allotted			
<i>Equity share capital</i>			
140,645,619 (2006: 132,463,447, 2005: 105,463,447) ordinary shares of €0.01 each	1,055	1,325	1,406
1,000,000 deferred shares of 10p each	148	148	148
	<u>1,203</u>	<u>1,473</u>	<u>1,554</u>

Accsys Technologies PLC was incorporated on 11 August 2005. Under merger accounting, the issued share capital shown in the consolidated balance sheet at 11 August 2005 of £1,203,000 is the nominal value of shares of Accsys Technologies PLC subsequently issued to effect the acquisition of the former parent company Accsys Chemicals PLC.

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

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

	As at 31 March 2005	As at 31 March 2006	As at 31 March 2007
	Ordinary shares of €0.01 each €000	Ordinary shares of €0.01 each €000	Ordinary shares of €0.01 each €000
Opening Balance	1,055	1,055	1,325
Placing	–	270	66
On exercise of share options	–	–	15
Closing Balance	<u>1,055</u>	<u>1,325</u>	<u>1,406</u>

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

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

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

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

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

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

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

Options over 1,559,000 Ordinary shares were exercised during the year at a price of €0.46 each. Details of outstanding options granted over Ordinary shares in the Company are set out in Note 11.

16. Commitments under Operating Leases

The Group had commitments under non-cancellable operating leases due as follows:

	As at 31 March 2005 €000	As at 31 March 2006 €000	As at 31 March 2007 €000
Land and buildings			
Operating leases expiring later than 1 year and not later than 5 years	1,311	1,139	1,053

17. Financial Instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balances.

The capital structure of the Group currently consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising share capital, reserves and retained earnings.

The Board reviews the capital structure on a regular basis. As part of that review, the Board considers the cost of capital and the risks associated with each class of capital. Based on the review, the Group will balance its overall capital structure through new share issues and raising of debt if required.

Categories of financial instruments:

	As at 31 March 2005 €000	As at 31 March 2006 €000	As at 31 March 2007 €000
<i>Financial Assets</i>			
Gross financial assets comprise:			
Redeemable preference shares	–	15,513	–
Other financial assets:			
Other deposits	5,616	7,306	–
Money market deposits	4,000	4,000	9,580
Money at call	476	540	1,220
Money at call in sterling	88	37	25
	<u>10,180</u>	<u>27,396</u>	<u>10,825</u>

Redeemable preference shares were redeemable at the holder's option on one month's notice.

All other financial assets have interest rates fixed for less than nine (2005 and 2006: three) months at a weighted average of 3.12 per cent. (2005: 2.44 per cent. – 2006: 2.55 per cent.). Apart from minimal amounts denominated in sterling currency, all financial assets are denominated in euro.

	As at 31 March 2005 €000	As at 31 March 2006 €000	As at 31 March 2007 €000
<i>Financial Liabilities</i>			
Gross financial liabilities comprise:			
Trade payables	547	1,777	1,938
Loans from a third party	1,195	–	–
	<u>1,742</u>	<u>1,777</u>	<u>1,938</u>

Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Financial Risk Management Objectives

The Group's treasury policy is structured to ensure that adequate financial resources are available for the development of its business whilst managing its currency, interest rate and counterparty credit risks. The group's treasury strategy and policy are developed centrally and approved by the board.

Foreign Currency Risk Management

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

Interest Rate Risk Management

The Group has no borrowings therefore it is not exposed to interest rate risk in relation to financial liabilities. Surplus funds are invested in short term fixed interest rate deposits to reduce exposure to changes in interest rate.

Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group.

Counterparty credit risks arise principally in relation to the Group's short term liquid resources of €9,580,000 (2005: €9,616,000 – 2006: €26,819,000). These have been placed directly or indirectly with high quality financial institutions or are represented by a diversified portfolio managed within clearly defined investment guidelines by a highly reputable investment manager.

Liquidity Risk Management

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

Fair value of financial instruments

Redeemable preference shares were redeemable at the holder's option on one month's notice and are carried at fair value through profit or loss. This has been determined as the net asset value reported by the investment manager at the balance sheet date. In the opinion of the directors, there is no material difference between the book value and the fair value of other financial assets and financial liabilities.

18. Capital Commitments

	As at 31 March 2005 €000	As at 31 March 2006 €000	As at 31 March 2007 €000
Contracted but not provided for	2,085	8,936	1,776

In the opinion of the Directors, there were no contingent liabilities at 31 March 2007, 2006 and 2005.

19. Cash and Cash Equivalents

	As at 31 March 2005 €000	As at 31 March 2006 €000	As at 31 March 2007 €000
Cash in hand and at bank	4,564	4,577	1,245
Short-term deposits	–	–	9,580
	<u>4,564</u>	<u>4,577</u>	<u>10,825</u>

20. Reconciliation of UK GAAP to IFRS

The Group's transition date for the adoption of IFRS is 1 April 2004. This transition date has been selected in accordance with IFRS 1 'First-time adoption of International Financial Reporting Standards'. The

Group has also adopted IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' from 1 April 2004.

The principal difference between reporting under IFRS as compared to UK GAAP as at 31 March 2007 is not to amortise goodwill but instead test for impairment.

The application of IFRS has also changed the presentation of the cash flow statement which now shows cash flows derived from three types of activities – operating, investing and financing. In addition, under IFRS, the cash flow statement includes all cash flows in respect of cash and cash equivalents. This is a broader definition of cash than under UK GAAP.

As a general rule, the Group is required to establish its IFRS accounting policies for the year ended 31 March 2007 and apply these retrospectively to determine its opening IFRS balance sheet at the transition date of 1 April 2004 and the comparative information for the year ended 31 March 2006 and 31 March 2005. However, advantage has been taken of certain exemptions afforded by IFRS 1 'First-time adoption of International Financial Reporting Standards' as follows:

- Business combinations prior to 1 April 2004 have not been restated.
- The Group has applied IFRS 2 'Share-based Payment' retrospectively only to awards made after 7 November 2002 that had not vested at 1 April 2004.
- The cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to IFRS. The gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to IFRS and shall include later translation differences.

In preparing the IFRS accounts, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with UK GAAP. An explanation of how the transition has affected the Group's financial performance and position is set out in the following tables:

Reconciliation of equity

	As at 1 April 2004 €000	As at 31 March 2005 €000	As at 31 March 2006 €000	As at 31 March 2007 €000
Total net assets/Shareholders' funds under UK GAAP	32,076	25,954	50,925	38,766
Goodwill amortisation added back	–	–	531	943
Total equity under IFRS	<u>32,076</u>	<u>25,954</u>	<u>51,456</u>	<u>39,709</u>

Reconciliation of loss

	As at 31 March 2005 €000	As at 31 March 2006 €000	As at 31 March 2007 €000
Loss for the year under UK GAAP	(27,461)	(4,998)	(22,597)
Goodwill amortisation added back	–	531	412
Loss for the year under IFRS	<u>(27,461)</u>	<u>(4,467)</u>	<u>(22,185)</u>

21. Related Party Transactions

As part of the acquisition of the minority interests in Titan Wood Limited in the year ended 31 March 2005, the former parent company issued 48,172, 412 and 412 ordinary shares of €0.25 to Mr. Brian Buckley, Mr. Edward Pratt and Mr. Glyn Thomas respectively in exchange for their shareholdings. All three individuals were directors of Titan Wood Limited at the date of acquisition of the minority interest.

Mr. William Paterson-Brown is a director of Khalidiya Investments SA. During the year ended 31 March 2007, the Company paid €406,795 (2006: €425,376, 2005: €52,320) in respect of directors services provided by Khalidiya Investments SA. Mr. William Paterson-Brown is also a director of Asia I.T. Capital Investments Limited. During the year ended 31 March 2005, the Company paid €565,094 to Asia I.T. Capital Investments Limited in relation to the Placing of 25,593,030 new Ordinary shares. At 31 March 2006, the Group had interest bearing deposits of €7,305,932 (2005: €5,616,000) held with Asia I.T. Capital Investments Limited.

Mr. Stefan Allesch-Taylor and Mr. Glyn Thomas are Directors of Tactica Fund PLC, Gibraltar, in one of whose funds the Company had invested €15,000,000. This investment in non equity securities had a market value of €15,513,000 at 31 March 2006, see Note 17. This investment was disposed of in the year ended 31 March 2007.

22. Post Balance Sheet Events

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

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

23. Subsidiaries

Details of the Company's subsidiaries are as follows:

Subsidiary undertakings	Country of registration or incorporation	Class	% shares held
International Cellulose Company Limited	Gibraltar	Ordinary	100
Titan Wood B.V.	The Netherlands	Ordinary	100
Titan Wood Limited	England and Wales	Ordinary	100
Titan Wood Technology B.V.	The Netherlands	Ordinary	100

The shares in Titan Wood B.V. are held indirectly by the Company.

24. Acquisitions

Acquisition of minority interest in Titan Wood Limited

On 17 December 2004, the former parent company, Accsys Chemicals PLC issued 16,057,179 new €0.25 Ordinary shares in exchange for the entire 40 per cent. holding of the minority investor in its subsidiary undertaking Titan Wood Limited, which thereupon became a wholly owned subsidiary of the Group.

In calculating the fair value of the goodwill arising on acquisition, the fair value of the net assets of Titan Wood Limited were assessed and no adjustments to book value were considered necessary. The goodwill arising on this acquisition was computed as follows:

	€000
Share consideration	7,386
Minorities share of net assets	(3,155)
	<hr/>
Goodwill arising on acquisition	4,231
	<hr/>

Acquisition of Accsys Chemicals PLC

On 22 November 2005, the Company completed its acquisition of the entire issued share capital of Accsys Chemicals PLC on the basis of one new Ordinary share of €0.01 for each existing Ordinary share and of one new Deferred share of 10p for every 48.1715 existing Deferred shares. A total of 105,463,445 Ordinary shares and 1,000,000 Deferred shares were issued in consideration.

The acquisition does not meet the definition of a business combination as defined in IFRS 3 'Business Combinations'. However, in accordance with IAS 8 'Accounting Policies, Change in Accounting Estimates and Errors' guidance has been sought from other sources and as the acquisition meets the criteria of a group reconstruction under UK GAAP FRS 6 'Acquisitions and Mergers', merger accounting has been used to account for the acquisition. A merger reserve arises on the accounting being the difference between the nominal value of the shares issued and the nominal value of the shares acquired and the share premium and merger reserve in the acquiree as set out below:

	€000
Nominal value of shares acquired	49,575
Share premium account of Accsys Chemicals PLC	18,203
Merger reserve in Accsys Chemicals PLC	40,132
	<hr/>
	107,910
Share consideration	(1,203)
	<hr/>
Merger reserve arising on acquisition	106,707
	<hr/>

C. OPERATING AND FINANCIAL REVIEW

The Group's financial information in respect of the financial years ended 31 March 2005, 31 March 2006 and 31 March 2007 has been extracted from the historical financial information on the Group prepared in accordance with International Financial Reporting Standards and set out in section B of Part VI of this prospectus.

Investors should read the whole of this prospectus and should not just rely on the summary information contained in this Operating and Financial Review.

Principal activities and business review

The past three years have seen the Group evolve from a focus on technology development, through the construction and commissioning of full scale commercial validation of its wood acetylation technology, commence commercial production of Accoya™ and prepare for significant licensing of its technologies.

Accsys 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 manufacturing plant for the production of Accoya™ wood. The Group designed and developed the facility drawing upon extensive experience gained from operating a pilot plant over a period of several years. The commercial scale plant provides technical validation of the processes and technology at a commercial scale, providing both a platform from which to launch the Group's licensing activities and a manufacturing business which is planned to be profitable in its own right. Physical construction of the plant commenced in April 2006 and the first batch of Accoya™ was produced in March 2007. During the current financial year the group expects to refine the 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*

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

(c) *Technology licensing*

Licensing activity is developing into a global effort with interest being expressed by potential licensees from six continents. Initial production batches from the Group's Arnhem facility are refining the operating protocols for each dimension, moisture content, and subsequently for different wood species.

Over the past few years, discussions have been held with a number of parties who the Directors believe may become interested in becoming licensees of the Group's technology. With the Group's commercial scale facility coming into operation and Accoya™ product becoming available to joinery companies and end-users, the Group is ready to respond to elevated enquiries from potential licensees.

Further details of the Group's history, technologies and products are included in Part V of this prospectus under the heading 'Information on the Accsys Group'.

1. Consolidated Income Statements

Consolidated income statements

	Year ended 31 March 2005 €000	Year ended 31 March 2006 €000	Year ended 31 March 2007 €000
Revenue	–	80	50
Administrative expenses			
General administrative expenses	(2,965)	(5,329)	(9,853)
Impairment of tangible fixed assets	–	–	(6,569)
Impairment of intangible fixed assets	(24,514)	–	(5,850)
Loss from operations	<u>(27,479)</u>	<u>(5,249)</u>	<u>(22,222)</u>

Revenue

Revenue reported arose from sums received from granting geographic and, in some cases, product specific exclusivity to license Accoya™ technology for a defined future period.

General administrative expenses

The income statements reflect the growth of expenditure on development and commercialisation of the Group's technologies. Administrative expenditures rose from €3.0 million in the year to 31 March 2005, to €5.3 million in the year to 31 March 2006 and to €9.9 million in the year to 31 March 2007. This increase in administrative expenses reflects the expansion of manpower resources, product development and test programmes, market research and customer sampling and evaluation. A detailed analysis is set out below.

	Year ended 31 March 2005 €000	Year ended 31 March 2006 €000	Year ended 31 March 2007 €000
Employee costs	794	1,920	3,087
Other staff	957	1,079	1,079
Property occupation costs	322	514	729
Safety and training	–	–	152
Pilot plant and commissioning costs	478	52	2,154
Product development	–	380	277
Marketing	6	178	549
Legal, regulatory, etc	130	211	431
Insurance	40	99	168
Patents and trademarks	16	30	62
Auditors' remuneration for audit services	40	54	80
Depreciation of property, plant, and equipment	838	21	733
Amortisation of intangible assets	–	531	216
Share based payments	–	–	172
Admission to AIM expenses	–	565	–
Foreign exchange costs	(308)	3	7
<i>Less: research subsidies from governmental agencies</i>	(348)	(308)	(43)
General administrative expenses	<u>(2,965)</u>	<u>(5,329)</u>	<u>(9,853)</u>

Impairment charges

The impairment of tangible assets resulted from a financial evaluation of the value in use of the Group's commercial scale acetic acid cracker. Following efforts to successfully commission the cracker, it was found that certain items of ancillary equipment required remediation. As this was being evaluated, discussions with Celanese Corporation came to a conclusion and provided the Group with an alternative sourcing solution offering resilience and greatly simplifying the business model, particularly for potential licensees. With engineering resources fully committed to the commissioning of the new wood acetylation plant it was decided to mothball the cracker and in this state, whilst requiring remediation work to bring back to potential operation, it was concluded that its carrying value was fully impaired.

The impairment of intangible assets arose from the annual impairment reviews undertaken by the Directors. The 2005 impairment followed the decision to focus development resources on the wood modification opportunity and abandon work on the development of new technologies for the acetylation of wood pulp. The 2007 impairment followed the decision to suspend work on bringing the Group's cracking technology into operation following the announcement of the strategic partnership with Celanese. 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.

2. Tax

The Company and its subsidiaries in the UK and The Netherlands have each filed claims for tax losses in each year since incorporation. The Directors believe that tax losses disclosed in the audited accounts are available to be carried forward and utilised to offset future taxable profits when they arise. Tax authorities in both the UK and The Netherlands defer agreement of tax losses until taxpayers seek to utilise such losses, hence there is no certainty such losses will be admitted against profits of future years.

3. Dividends

The Company has not paid any dividends.

4. Consolidated Balance Sheets

Consolidated balance sheets

	As at 31 March 2005 €000	As at 31 March 2006 €000	As at 31 March 2007 €000
Goodwill	4,231	4,231	4,231
Other intangible assets	10,015	10,015	4,149
Tangible assets	2,842	10,693	21,611
Non-current assets	<u>17,088</u>	<u>24,939</u>	<u>29,991</u>
Inventories	–	–	910
Trade and other receivables	6,224	8,411	1,085
Financial Assets carried at fair value through profit or loss	–	15,513	–
Cash and cash equivalents	4,564	4,577	10,825
Less: Trade and other payables	<u>(1,922)</u>	<u>(1,984)</u>	<u>(3,102)</u>
Net current assets	<u>8,866</u>	<u>26,517</u>	<u>9,718</u>
Equity attributable to equity holders of the parent	<u>25,954</u>	<u>51,456</u>	<u>39,709</u>

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 has been fully impaired. 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 are primarily the freehold land at Arnhem together with the Group's wood modification plant, which came into service in March 2007, and the new technology cracker, which has been decommissioned and its carrying value reduced to zero.

Inventories

These comprise stocks of timber and acetyls to be used to manufacture Accoya™, together with a small quantity of finished Accoya™ held at 31 March 2007.

Trade and other receivables

During the periods reported, these balances primarily consisted of interest bearing deposits with the Group's former brokers, whom did not meet the criteria to be classified as a bank. Other amounts comprised mainly VAT recoverable and pre-payments.

Financial assets carried at fair value through profit or loss

This amount consists of redeemable preference shares in an investment fund held as a short term treasury investment pending cash requirements for the construction of the wood modification plant.

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 for plant construction and also, in respect of 2007, for production materials.

5. Share capital

Changes to the Company's ordinary share capital over the period can be analysed as follows:

- (i) The Company was incorporated as a limited company on 11 August 2005 under the name of Accsys Technologies PLC with an authorised share capital of €2,000,000 divided into 200,000,000 ordinary shares of €0.01 each ("**Ordinary Shares**") and £100,000 divided into 1,000,000 deferred shares of £0.10 each ("**Deferred Shares**").
- (ii) Between 3 October 2005 and 19 October 2005, 103,710,178 Ordinary Shares were allotted at par, credited as fully paid up, in consideration of the acquisition of 103,710,180 Accsys Chemicals ordinary shares and 996,069 Deferred Shares were allotted at par to shareholders in Accsys Chemicals PLC, credited as fully paid up, in consideration of the acquisition of 47,982,161 Accsys Chemicals PLC deferred shares.
- (iii) On 26 October 2005, 27,000,000 Ordinary Shares were allotted at €1.00 per Ordinary Share to investors in a placing of shares.
- (iv) On 11 October 2005, the Company exercised the compulsory acquisition powers to acquire the outstanding Accsys Chemicals ordinary shares and the outstanding Accsys Chemicals deferred shares, which resulted in the Company issuing 1,753,267 Ordinary Shares and 3,931 Deferred Shares between 31 October 2005 and 22 November 2005 to acquire the outstanding Accsys Chemicals ordinary shares and deferred shares (respectively).
- (v) On 8 November 2006, 6,623,172 Ordinary Shares were allotted at €1.48 per Ordinary Share to investors in a placing of shares.
- (vi) On 11 December 2006, 359,000 Ordinary Shares were allotted to two option holders exercising options.
- (vii) 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.
- (viii) 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.
- (ix) On 21 May 2007, 8,115,883 Ordinary Shares were allotted at €2.72 per Ordinary Share to Celanese Chemicals Europe GmbH pursuant to the Subscription & Option Deed described in Part XI of this prospectus.
- (x) On 31 July 2007, 47,920 Ordinary Shares were allotted to option holders exercising their options.
- (xi) On 4 September 2007, 1,399,520 will be allotted to option holders exercising their options.

(xii) As at the date of this prospectus, the Company's share capital is as follows:

- authorised share capital: 250,000,000 Ordinary Shares and 1,000,000 Deferred Shares;
- issued share capital: 148,809,422 Ordinary Shares and 1,000,000 Deferred Shares;

The analysis of equity attributable to shareholders is set out below:

	As at 31 March 2005 €000	As at 31 March 2006 €000	As at 31 March 2007 €000
Share Capital – Ordinary Shares	1,055	1,325	1,406
Share Capital – Deferred Shares	148	148	148
Share Premium Account	–	25,504	35,689
Other Reserves	102,512	106,707	106,707
Retained Earnings	(77,761)	(82,228)	(104,241)
Equity attributable to shareholders	<u>25,954</u>	<u>51,456</u>	<u>39,709</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.

6. Liquidity and Capital Resources

Cash flow

Consolidated cash flow

	Year ended 31 March 2005 €000	Year ended 31 March 2006 €000	Year ended 31 March 2007 €000
Cash flows absorbed by operating activities before changes in working capital	(2,127)	(5,228)	(8,682)
Cash flow from changes in working capital, excluding deposits	(386)	(760)	228
Cash flows absorbed by operating activities after changes in working capital, excluding deposits	(2,513)	(4,468)	(8,454)
Cash flow from changes in other loans and deposits and financial assets carried at fair value	(5,616)	(16,690)	22,572
Cash (absorbed by)/generated from operating activities	(8,129)	(21,158)	14,118
Net remaining cash flow from investing activities	(2,192)	(7,603)	(18,136)
Net cash flow from financing activities	13,442	28,774	10,266
Net increase in cash and cash equivalents	<u>3,121</u>	<u>13</u>	<u>6,248</u>

Cash flow from operating activities

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

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, together with the acquisition of the minority interest in Titan.

In the year ended March 2005, three tranches of shares were issued by the parent company and one by Titan:

- On 7 July 2004, Titan issued 2,000,000 'A' Ordinary shares at par for cash, to which the Accsys Chemicals PLC subscribed €1,200,000.
- On 17 December 2004, Accsys Chemicals PLC issued 16,057,179 new €0.25 Ordinary shares in exchange for the 3,900,000 shares tendered by the minority interests in Titan Wood Limited, which thereupon became a wholly owned subsidiary.
- On 22 December 2004, Accsys Chemicals PLC entered into a placing agreement with MacNiven & Cameron Equity Holdings Limited, formerly STG Holdings PLC ("M&C") under which M&C agreed to subscribe for 6,521,739 new Ordinary shares of €0.25 at a price of €0.46 each, in capitalisation of part of the outstanding interest free advances previously made to Accsys Chemicals PLC.
- On 22 December 2004, Accsys Chemicals PLC entered into a conditional Placing Agreement with Asia IT under which Asia IT agreed to subscribe for 25,593,030 new Ordinary shares of €0.25 at a price of €0.46 each. This Placing Agreement was subject to clawback provisions under which existing shareholders, except M&C, could subscribe for New Ordinary Shares on the basis of one New Ordinary Share for every two already held.

In the year ended March 2006, the Company placed 27,000,000 new Ordinary shares at a price of €1.00 and its Ordinary shares were admitted to AIM.

In the year ended March 2007, the Company placed 6,623,172 new Ordinary shares at a price of €2.72 each.

Cash resources

	Year ended 31 March 2005 €000	Year ended 31 March 2006 €000	Year ended 31 March 2007 €000
Deposits with non bank financial institutions, reported under receivables in the consolidated balance sheets	5,616	7,306	–
Unlisted securities available for resale	–	15,513	–
Cash and cash equivalents	4,564	4,577	10,825
Total cash resources	<u>10,180</u>	<u>27,396</u>	<u>10,825</u>

7. Capital expenditure

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

Capital expenditure

	Year ended 31 March 2005 €000	Year ended 31 March 2006 €000	Year ended 31 March 2007 €000
Intangible assets			
Patents and know-how	–	–	200
Property, plant and equipment			
Freehold land	–	950	329
Pilot wood modification plant	182	150	501
Commercial scale wood modification plant	16	3,000	16,885
Experimental acid cracking plant	2,089	3,798	388
Office equipment	11	27	117
Total capital expenditure	<u>2,298</u>	<u>7,925</u>	<u>18,420</u>

8. Indebtedness

The former holding company, Accsys Chemicals PLC, had a loan from its former parent company amounting to €1,195,000, which was repaid in full during April 2005. Since that date, the Group has not incurred any indebtedness and currently has no borrowings and no debt facilities of any kind.

9. Post balance sheet events

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

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

PART VII

PROFIT FORECAST FOR THE YEAR ENDING 31 MARCH 2008

On 28 June 2007, Accsys announced its preliminary results for the twelve months ended 31 March 2007. In that announcement the Directors commented that they had “confidence of profitability in [the] current financial year” and that they “expect to see significant revenue during the course of the year ahead and hope to be able to report a profit for the year”. This wording constitutes a profit forecast for the purposes of the Prospectus Rules and, following the re-evaluation by the Directors of the Group’s accounting policies for revenue recognition, the profit forecast included in the announcement on 28 June 2007 is no longer correct and therefore the Directors have prepared an updated forecast of the result of the Group for the year ending 31 March 2008. This forecast, now comprises a range and, together with the assumptions on which it is based and the report thereon prepared by BDO Stoy Hayward LLP, are set out below in accordance with paragraph 13 of Annex 1 to the Prospectus Rules.

The range of the Group’s forecast result is largely determined by uncertainty as to timing and amounts of potential receipts from technology licensing and the application of revenue recognition policies appropriate to the circumstances of each transaction. The range is determined by the size of potential transactions already being discussed by the Company, (one of which could lead to a total consideration of up to €60 million (recognised over more than one year), the precise timing of which is uncertain). The lower end of the forecast range assumes that no income from licensing activity is recognised during the current financial year, but all related costs are expensed.

Forecast of the Group’s result before tax for the year ending 31 March 2008

The Directors forecast that the Group’s consolidated result before taxation for the year ending 31 March 2008 will fall in a range of between a €15 million profit and a €15 million loss.

Basis of preparation

This profit forecast for the year ending 31 March 2008 has been prepared using the accounting policies adopted by the Group which are set out in the historical financial information of the Group for the three years ended 31 March 2007 as set out in Part VI of this prospectus. The forecast takes into account the results shown by unaudited management information for the three months ended 30 June 2007 and a forecast for the nine months ending 31 March 2008. The forecast is a ‘result before tax’ and not a ‘profit before tax’ because the forecast contains a range that covers a potential profit and a potential loss.

Assumptions

The principal assumptions upon which the profit forecast is based are set out below:

The assumptions that are within the Directors’ control are:

- there will be no acquisitions or disposals by the Group prior to 31 March 2008 which will have a material impact on profit; and
- there will be no material restructurings announced by the Group prior to 31 March 2008.

The assumptions that are not within the Directors’ control are:

- the Offering is successful – accordingly the profit forecast does not include any adjustments which would result from the Offering not proceeding, and as such does not include any impairment of goodwill or accelerated amortisation and depreciation of intangible fixed assets and tangible fixed assets respectively;
- forecast revenues from sales of Accoya™ are based upon prices currently being achieved, making no allowance for margin management or the impact of potential product scarcity value;
- the volume sales of Accoya™ (which are based upon prudent estimates of continuing progress being made in process improvements to increase production rates in line with rated production capacities) being achieved;
- there will be no material changes in interest rates;
- there will be no material changes in market prices of wood and acetic anhydride;
- there will be no material changes in energy prices;

- there will be no severe weather conditions which adversely affect the Group;
- there will be no business interruptions that materially affect the Group, its key customers or key suppliers; and
- there will be no fundamental changes in the political and/or economic environments or natural disasters in the territories in which the Group operates that would materially affect the Group.



BDO Stoy Hayward LLP
Chartered Accountants

BDO Stoy Hayward LLP
8 Baker Street
London
W1U 3LL

The Directors
Accsys Technologies PLC
Kensington Centre
66 Hammersmith Road
London W14 8UD

Fortis Bank (Nederland) N.V.
Rokin 55
1012 KK Amsterdam
The Netherlands

3 September 2007

Dear Sirs

Accsys Technologies PLC (the “Company”) and its subsidiary undertakings (together, the “Group”)

Introduction

We report on the profit forecast comprising the statement of the result before tax by the Group for the year ending 31 March 2008 (the “**Profit Forecast**”). The Profit Forecast and the material assumptions upon which it is based, are set out in Part VII of the prospectus issued by the Company dated 3 September 2007 (the “**Prospectus**”).

This report is required by item 13.2 of Annex I of the Commission Regulation (EC) No. 809/2004 (the “**PD Regulation**”) and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Profit Forecast in accordance with the requirements of the PD Regulation.

It is our responsibility to form an opinion as required by item 13.2 of Annex I of the PD Regulation as to the proper compilation of the Profit Forecast and to report that opinion to you.

Save for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report, or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I of the PD Regulation consenting to its inclusion in the Prospectus.

Basis of Preparation of the Profit Forecast

The Profit Forecast has been prepared on the basis stated on pages 70 to 71 of the Prospectus and is based on the results shown by the unaudited management information for the three months ended 30 June 2007 and a forecast for the nine months ending 31 March 2008. The Profit Forecast is required to be presented on a basis consistent with the accounting policies of the Group.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information for the three months to 30 June 2007 included in the Profit Forecast has been prepared and considering whether the Profit Forecast has been accurately computed based upon the disclosed assumptions and the accounting policies of the Group. Whilst the assumptions upon which the Profit Forecast are based are solely the responsibility of the Directors, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the Directors which, in our opinion, are necessary for a proper understanding of the Profit Forecast have not been disclosed and whether any material assumption made by the Directors appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Profit Forecast has been properly compiled on the basis stated.

Since the Profit Forecast and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the Profit Forecast and differences may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Profit Forecast has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Group.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of the PD Regulation.

Yours faithfully

BDO STOY HAYWARD LLP
CHARTERED ACCOUNTANTS

PART VIII

THE OFFERING

Introduction

The Offering consists of a public offering in the Netherlands and a private placement with certain institutional investors outside The Netherlands of up to 5,000,000 New Ordinary Shares and up to 2,250,000 Additional Shares being issued and sold by the Company and up to 10,000,000 Sale Shares being sold by the Selling Shareholders. The Offering will be made outside the US in reliance on Regulation S of the US Securities Act 1933.

The Company has requested that the FSA provide the competent authority in The Netherlands, the AFM, with certificates of approval attesting that this prospectus has been drawn up in accordance with the Prospectus Directive. The Company has applied for all of the New Ordinary Shares issued and sold under the Offering (together with all of the existing Ordinary Shares) to be listed on Euronext Amsterdam by NYSE Euronext. The Company expects that trading in the Ordinary Shares on Euronext Amsterdam will commence on or about 18 September 2007 (the “**Listing Date**”) on an ‘as-if-and-when issued’ basis and that delivery will take place on or about 21 September 2007 (the “**Settlement Date**”). The Company expects the New Ordinary Shares to be admitted to AIM on or about 21 September 2007.

Accsys has granted Fortis an option, exercisable within 30 calendar days after the Listing Date, and pursuant to which Fortis may, subject to the Company’s approval, require Accsys to issue Additional Shares at the Offer Price for an amount up to 15 per cent. of the aggregate number of Offer Shares, to cover over-allotments made in connection with the Offering and short positions arising from stabilisation transactions. For more information on the Over-Allotment Option, see under the heading ‘Plan of Distribution – Over-Allotment Option’ in Part IX of this prospectus.

A full list of the Selling Shareholders, their business addresses and the maximum numbers of Sale Shares being sold by them in the Offering is set out below:

Selling Shareholder	Business Address	Maximum number of Sale Shares
Mont Blanc Pharmaceuticals S.A.	Arango-Orillac, PO Box 832, Panama City 7, Republic of Panama	4,460,000
David Instance	Villa Plein Soleil, 21 Blvd. du Jardin Exotique, Monaco, MC 98000	4,000,000
Giancarlo de Filippo	27, av. Princesse Grace, Monaco, MC 98000	820,000
Edward Pratt*	Kensington Centre, 66 Hammersmith Road, London W14 8UD	720,000

*Mr. Pratt will acquire the Sale Shares being sold by him through the exercise of certain options issued to him under the Company’s Unapproved Option Scheme (as set out in paragraph 7 of Part XI of this prospectus).

Expected Timetable for the Offering

Event	2007
Start of Application Period (during which applications for the Offer Shares can be made)	4 September
Deadline for receipt of application forms	17:30 CET on 17 September
Pricing Date	17 September
Date of allocation of the Offer Shares	18 September
Listing Date	18 September
Settlement Date and AIM Admission	21 September

The timetable for the Offering is subject to acceleration and extension

Acceleration or Extension

Any acceleration or extension of the timetable for the Offering will be announced in a press release at least three (3) hours before the proposed expiration of the accelerated timetable for the Offering or, in the event of an extended timetable for the Offering, at least three (3) hours before the expiration of the original timetable for the Offering. Any extension of the timetable for the Offering will be for a minimum of one (1) full business day.

Change of number of Offer Shares being offered

The Company reserves the right to change the maximum number of Offer Shares being offered in the Offering prior to the end of the Subscription Period. Any such change on the last day of the Subscription Period will result in the Subscription Period in The Netherlands being extended by at least two (2) business days. Any change in the maximum number of Offer Shares being offered will be announced in a press release, in an advertisement in the Daily Official List of Euronext Amsterdam and in at least one national newspaper distributed daily in The Netherlands (together with any expected dates of pricing, allocation and closing).

Offer Price and the number of Offer Shares

The Offer Price and the actual number of Offer Shares offered in the Offering will be determined by Fortis in consultation with the Company on the basis of a book-building process taking into account market conditions, and criteria and conditions such as, but not limited to, those listed below:

- the share price of the Ordinary Shares as quoted on AIM prior to the Pricing Date;
- a qualitative assessment of demand for the Offer Shares.

Pricing Statement and RIS Announcement

The Offer Price and the actual number of Offer Shares will be announced by an advertisement in a national newspaper distributed daily in The Netherlands (*Het Financieele Dagblad*) and the Daily Official List of Euronext Amsterdam (*Officiële Prijscourant*) and via an RIS Announcement on or about 18 September 2007 and details thereof will be set out in a pricing statement which will be filed with the UKLA. The pricing statement will be placed on the Company's website at www.accsysplc.com. Investors should access this information as soon as it is available.

Subscription

Subscription Period

The subscription period for prospective investors (the "**Subscription Period**") is expected to begin on 4 September 2007 and end on 17 September 2007 at 17:30 CET, subject to acceleration or extension of the timetable for the Offering. The Subscription Period for the Offering will be for a minimum of six (6) business days.

Although there are no restrictions that would prevent prospective investors from making multiple subscriptions, Fortis (in consultation with the Company) retain full discretion in allocation of the Offer Shares. There is no minimum or maximum number of Ordinary Shares that can be subscribed for in one order. Subscriptions are not binding upon the Company as long as they are not accepted.

Subscriptions can be submitted to Fortis at no cost to the investor in accordance with the allocation rules described below.

Investors wishing to subscribe through intermediaries other than Fortis should request details of the costs which these intermediaries may charge and which they will have to pay themselves.

Retail investors

Retail investors must indicate in their orders the number of Offer Shares they commit to subscribe to. Retail investors can only subscribe for the Offer Shares at the Offer Price (*bestens*). Retail investors can submit their subscriptions to Fortis through their own admitted institution.

Institutional investors

Institutional investors must indicate in their orders the number of Offer Shares they commit to subscribe for, and the price at which they are making such orders. Institutional investors can submit their subscriptions to Fortis, either directly or through an intermediary.

Certain intermediaries will be invited to apply for Offer Shares on behalf of Eligible Persons. Fortis may, however, at its own discretion and without stating the reasons/grounds, reject any subscriptions from investors, whether retail or institutional investors, wholly or partly. In the event that the Offer Shares are over-subscribed, preferential treatment may be given to orders submitted by investors at the branches of Fortis rather than through other financial intermediaries. In making an application, each intermediary will be undertaking on its own behalf (and not on behalf of any other person) to make payment for the Offer Shares to which its application relates. Applications by intermediaries must be received by Fortis no later than 17:30 CET on 17 September 2007.

Investors are referred to the section on ‘Selling and Transfer Restrictions’ on page 81 which sets out sale and transfer restrictions applicable to selected jurisdictions.

Over-Subscription

In the event the Offering is over-subscribed, investors may receive a smaller number of Offer Shares than they applied to subscribe for. Fortis may, in its own discretion and without stating the grounds, reject any subscriptions in whole or in part.

Withdrawal rights

If, prior to the end of the Subscription Period, a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus arises or is noted, which is capable of affecting the assessment of the Ordinary Shares, including the Offer Shares, a supplementary prospectus will be published and investors who have already agreed to purchase Offer Shares may withdraw their subscriptions within two (2) business days following the publication of such supplementary prospectus.

Persons wishing to exercise statutory withdrawal rights pursuant to article 5:23 paragraph 6 of the Act on the Financial Supervision (*Wet op het financieel toezicht*) after the issue by Accsys of any prospectus supplementing this prospectus must do so by lodging a written notice of withdrawal within two (2) business days after the date on which the supplementary prospectus is published. The withdrawal notice must include the full name and address of the person wishing to exercise statutory withdrawal rights. The notice must be sent to Fortis by facsimile on +31 (0) 2052 71992. Notice of withdrawal given by any other means or which is deposited with Fortis after the expiry of such period will not constitute a valid withdrawal, provided that Accsys will not permit the exercise of withdrawal rights after payment by the relevant person for the Offer Shares applied for in full and the allotment of such Offer Shares to such person becoming unconditional. In such event, such persons are advised to seek independent legal advice.

Allocation

The Company and Fortis reserve the right to reject any application or scale back any or all applications in such manner as they, in their absolute discretion, consider appropriate. It is expected that allotment of the Offer Shares will take place on or about 17 September 2007, before the start of trading on Euronext Amsterdam on or about 18 September 2007, subject to acceleration or extension of the timetable of the Offering.

Investors will be informed by their intermediaries of the number of Offer Shares allotted to them shortly after the allotment.

Euronext Listing Agent and Paying Agent

Fortis is acting as listing agent with respect to the listing and trading of the Ordinary Shares on Euronext Amsterdam by NYSE Euronext. The address of Fortis is set out on page 20 of this prospectus. Fortis is also acting as paying agent for the Ordinary Shares in The Netherlands.

Security Codes

The following are the security codes for the Ordinary Shares:

ISIN: GB00B0LMC530

Common Code: 023381559

Amsterdam Security Code (*fondscore*): 603403

Payment, Delivery, Clearing and Settlement

Under the Offering, payment for the Offer Shares, and, if the Over-Allotment Option is exercised prior to the Settlement Date, payment for the Additional Shares, will take place on the Settlement Date.

Delivery of the Offer Shares and delivery of the Additional Shares which may be part of the Over-Allotment Option (if this is exercised prior to the Settlement Date) is expected to take place on the Settlement Date, which is the third business day following the Listing Date (T+3), through the book-entry facilities of Euroclear Nederland, against payment for such Ordinary Shares in immediately available funds.

Stamp duty/SDRT

The Selling Shareholders will agree in the Underwriting Agreement to pay stamp duty and/or stamp duty reserve tax (“SDRT”) at the rate of 0.5 per cent. on the aggregate of the Offer Price multiplied by the

number of Sale Shares being sold by them in the Offering. No stamp duty or SDRT is ordinarily payable on the New Ordinary Shares to be issued by the Company in the Offering.

However, Placees should note that the Offer Shares and, if the Over-Allotment Option is exercised, the Additional Shares subscribed for and/or purchased by them under the Offering will only be delivered into the accounts of such Placees (or their nominees) in the clearance system operated by Euroclear Nederland. On this basis, SDRT will generally be payable at the rate of 1.5 per cent. of the aggregate value at the Offer Price of the Offer Shares and Additional Shares so delivered, whether or not such Offer Shares or Additional Shares comprise Sale Shares being sold by the Selling Shareholders or New Ordinary Shares or Additional Shares being issued by the Company. Accordingly, on the basis that (i) the maximum numbers of Sales Shares and New Ordinary Shares are sold under the Offering; (ii) Fortis will allocate Sale Shares and New Ordinary Shares to Placees in the same proportions as the total numbers of Sale Shares and New Ordinary Shares sold under the Offering; and (iii) assuming that the Over-Allotment Option is not exercised, Placees will be liable to pay SDRT at an averaged rate of 1% per cent. (taking into account the 0.5 per cent. stamp duty/SDRT for which the Selling Shareholders are liable) of the aggregate value at the Offer Price of the Offer Shares allocated to them, in addition to the aggregate Offer Price for such Offer Shares. Placees will be notified of the amount of SDRT payable by them when informed via their intermediaries of the number of Offer Shares allocated to them (as referred to in the paragraph headed 'Allocation' above).

Listing and Trading of Ordinary Shares

The Company has applied for all of the Ordinary Shares to be listed and traded on Euronext Amsterdam by NYSE Euronext. The Company expects that listing and trading in the Ordinary Shares on Euronext Amsterdam by NYSE Euronext will commence on or about 18 September 2007 (the "**Listing Date**") on an 'as-if-and-when-issued' basis. The Company also expects the New Ordinary Shares to be admitted to trading on AIM on the Settlement Date.

Investors who wish to enter into transactions in the Ordinary Shares prior to the Settlement Date, whether such transactions are effected on Euronext Amsterdam or otherwise, should be aware that the closing of the Offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement and which are described under 'Plan of Distribution' are not satisfied or waived or occur on or prior to such date. If closing of the Offering does not take place on the Settlement Date or at all, the Offering will be withdrawn, all subscriptions for the Offer Shares and the Additional Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and all transactions in the Ordinary Shares on Euronext Amsterdam will be cancelled. All dealings in the Ordinary Shares on Euronext Amsterdam prior to settlement and delivery are at the sole risk of the parties concerned.

Euronext Amsterdam does not accept any responsibility or liability for any loss or damage incurred by any person as a result of a withdrawal of the Offering or the related annulment of any transaction on Euronext Amsterdam by NYSE Euronext.

Furthermore, neither the Company nor any of the Directors nor Fortis accepts any responsibility or liability for any loss or damage incurred by any person as a result of a withdrawal of the Offering or the related annulment of any transaction on Euronext Amsterdam by NYSE Euronext.

If the Offering is withdrawn, and at the time of withdrawal any New Ordinary Shares in the Offering have been sold short, such sales will not be unwound and any person so selling the Ordinary Shares will bear the risk of being unable to settle such sale by delivering the Ordinary Shares from the Offering.

There are certain restrictions on the transfer of the Ordinary Shares as detailed in the paragraphs under the heading 'Selling and Transfer Restrictions' in Part X of this prospectus.

PART IX

PLAN OF DISTRIBUTION

This Offering consists of a public offering in The Netherlands and a private placement to certain institutional investors outside The Netherlands of up to 15,000,000 Offer Shares and up to 2,250,000 Additional Shares if the Over-Allotment Option is exercised in full.

Fortis is the Sole Bookrunner and Euronext Listing Agent with respect to the listing of Ordinary Shares on Euronext Amsterdam by NYSE Euronext.

Subject to the right of the parties involved in the Underwriting Agreement (as defined below) not to sign such an agreement, the Company, the Selling Shareholders and Fortis are expected to enter into an underwriting agreement no later than the Pricing Date, which is expected to take place on 17 September 2007 (the “**Underwriting Agreement**”). The conclusion of the Underwriting Agreement may depend on various factors including, but not limited to, the market circumstances and the result of the bookbuilding procedure.

Subject to the terms and conditions of the Underwriting Agreement and following the signing of the Underwriting Agreement by the parties thereto, Fortis will agree to subscribe and purchase in its own name, but for the account of the retail and institutional investors, all Offer Shares and Additional Shares with a view to immediately distributing the Offer Shares and Additional Shares to the investors concerned.

The Underwriting Agreement will provide that the obligations of Fortis to procure purchasers or subscribers for, or failing which itself to purchase or subscribe for, the Offer Shares at the Offer Price are subject to certain conditions, such as the receipt by Fortis of Officers’ certificates and legal opinions.

In the Underwriting Agreement, the Company is expected to make certain representations and warranties. In addition, the Underwriting Agreement is expected to provide that the Company will reimburse Fortis in respect of certain expenses and indemnify Fortis against certain losses and liabilities arising out of or in connection with the Offering, including liabilities under applicable securities laws.

The Underwriting Agreement is also expected to provide that, upon the occurrence of certain events, such as a suspension or material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange, AIM or Euronext Amsterdam, a suspension or material limitation in trading in the Ordinary Shares on AIM, any change in the condition, earnings, business, affairs, solvency or credit rating of the Company or any of its subsidiaries in a material adverse way, or certain other conditions, Fortis will have the right to withdraw the Offering before the delivery of the Offer Shares and the Additional Shares.

Fees and Commissions

The Underwriting Agreement is expected to provide that the Company and the Selling Shareholders will pay to Fortis a fixed fee of €2 million, such fee to be payable by the Company and the Selling Shareholders in proportion to the number of Offer Shares being issued or sold (as the case may be) by them. In addition, the Underwriting Agreement provides that the Company will reimburse Fortis in respect of certain costs and expenses.

Collins Stewart has also agreed with the Company to procure subscribers and purchasers for Offer Shares, for which they will be paid an aggregate commission of up to €300,000 dependent on the number of Offer Shares for which they procure subscribers or purchasers, such commission to be payable by the Company and the Selling Shareholders in proportion to the number of Offer Shares being issued or sold (as the case may be) by them.

Other Relationships

In the ordinary course of its businesses Fortis, directly or through its affiliates, may have engaged, and in the future may engage, in commercial banking, investment banking, private banking, advisory and/or consulting services with the Company and its affiliates for which it has been or will be paid customary fees. In addition, Fortis may have held and in the future may hold the Company’s securities for investment purposes in the ordinary course of its businesses.

Fortis may in the future from time to time provide investment banking services to the Company for which it may in the future receive fees and commissions and may come to have interests that may not be aligned or could potentially conflict with the Company’s and the Placees’ interests.

In connection with the Offering, Fortis and any of its relevant affiliates acting as an investor for its own account, may take up Ordinary Shares in the Offering and in that capacity may retain, purchase or sell for

its own account such securities or related investments and may offer or sell such securities or other related investments otherwise than in connection with the Offering. Accordingly, references in this prospectus to Offer Shares being offered or placed should be read as including any offering or placement of securities to Fortis and any of its relevant affiliates acting in such capacity. Fortis does not intend to disclose any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Fortis does not accept responsibility to any potential investor for providing protections or for rendering advice in relation to the Offering, the contents of this prospectus or any transaction or arrangement or other matter referred to in this prospectus.

No Public Offering outside The Netherlands

No action has been or will be taken in any jurisdiction other than The Netherlands that would permit a public offering of the Offer Shares and Additional Shares, or the possession, circulation or distribution of this prospectus or any other material relating to the Company or the Offer Shares or the Additional Shares in any jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material or advertisements in connection with the Offer Shares and Additional Shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdictions.

Purchasers of the Offer Shares or Additional Shares may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the Offer Price.

Over-Allotment Option

In connection with the Offering, Fortis, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law and subject to the Company's approval, over-allot Additional Shares up to a maximum of 15 per cent. of the aggregate number of Offer Shares and effect other transactions with a view to stabilising or maintaining the market of the Ordinary Shares at a level higher than that which might otherwise prevail in the open market. Under applicable law, any short position resulting from over-allotments not covered by the Over-Allotment Option may not exceed 5 per cent. of the size of the original Offering.

Stabilisation

For the purposes of allowing Fortis to cover short positions resulting from any such over allotments by it during the stabilising period, the Company has granted to Fortis an Over-Allotment Option, pursuant to which Fortis may require the Company to issue Additional Shares up to (in aggregate) a maximum of 15 per cent. of the number of Offer Shares. The Over-Allotment Option is exercisable in respect of some or all of such Additional Shares, at any time on or after the date of commencement of trading on Euronext Amsterdam and will end no more than 30 days thereafter. Any Additional Shares issued by the Company pursuant to the Over-Allotment Option will be issued on the same terms and conditions as the Offer Shares and Additional Shares being issued under the Offering and will form a single class for all purposes with the New Ordinary Shares issued under the Offering.

In connection with the Offering, Fortis or its affiliates or agents, acting as stabilisation manager, may engage in stabilising transactions, over-allotment transactions, covering transactions and purchases to cover positions created by short sales.

- Stabilising transactions consist of various bids for any purchases of Ordinary Shares made by Fortis in the open market during the stabilisation period, and are engaged in for the purpose of preventing or retarding a decline in the market price of the Ordinary Shares while the Offering is in progress.
- Over-allotment transactions involve sales by Fortis of Ordinary Shares in excess of the number of Ordinary Shares which Fortis is obliged to purchase. This creates a syndicate short position which may be either a covered short position or a naked short position. In a covered short position, the number of Ordinary Shares over-allotted by Fortis is not greater than the number of Ordinary Shares that Fortis may purchase in the Over-Allotment Option. In a naked short position, the number of Ordinary Shares involved is greater than the number of Ordinary Shares in the Over-Allotment Option. Fortis may sell Ordinary Shares in excess of the Over-Allotment Option as referred to above up to a maximum of 5 per cent. of the number of Ordinary Shares initially purchased in the Offering, creating a naked short position. Fortis may close out any short position by exercising its Over-Allotment Option and/or purchasing Ordinary Shares in the open market.

- Covering transactions involve purchases of Ordinary Shares in the open market after the distribution has been completed in order to cover short positions. In determining the source of Ordinary Shares to close out the short position, Fortis will consider, *inter alia*, the price of Ordinary Shares available for purchase in the open market as compared with the price at which they may purchase Ordinary Shares through exercise of the Over-Allotment Option. If Fortis sells more Ordinary Shares than could be covered by exercise of the Over-Allotment Option and, therefore, has a naked short position, the position can be closed out only by buying Ordinary Shares in the open market. A naked short position is more likely to be created if Fortis is concerned that after pricing there could be downward pressure on the price of the Ordinary Shares in the open market that could adversely affect investors who purchase in the Offering.

These stabilising transactions and covering transactions may have the effect of raising or maintaining the market price of the Company's Ordinary Shares or preventing or retarding a decline in the market price of the Company's Ordinary Shares. As a result, the price of the Company's Ordinary Shares in the open market may be higher than it would otherwise be in the absence of these transactions. Neither the Company nor Fortis make any representation or prediction as to the effect that the transactions described above may have on the price of the Company's Ordinary Shares. These transactions may be effected on the Euronext Amsterdam, in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time.

Fortis is not required to enter into such stabilising transactions. Such stabilising measures, if commenced, may be discontinued at any time and may only be taken up at any time on or after the date of commencement of trading on Euronext Amsterdam and will end no more than 30 days thereafter. Save as required by law or regulation, neither Fortis nor any of its agents intend to disclose the extent of any over-allotments and/or stabilisation transactions under the Offering.

Lock-up Arrangements

The Company will undertake in the Underwriting Agreement to Fortis that it will not until the date being 180 days after Euronext Admission, except with the prior written consent of Fortis (such consent not to be unreasonably withheld) allot or attempt to allot, or solicit any offer to repurchase any Ordinary Shares, warrants or other securities or grant any option to purchase any Ordinary Shares (other than in respect of the Celanese Option or an employee share scheme) or enter into any contract (including derivative transactions) or commitment with like effect.

Each of the Directors has undertaken in separate lock-in deeds to the Company and Fortis that he will not sell or attempt to dispose of any Ordinary Shares held by him at the date of Euronext Admission or any Ordinary Shares issued to him on or after the Listing Date pursuant to the Share Option Scheme until the date being 180 days after Euronext Admission subject to certain exceptions including transfers or disposals made with the prior written consent of Fortis (such consent not to be unreasonably withheld).

PART X

SELLING AND TRANSFER RESTRICTIONS

Selling and Transfer Restrictions

This prospectus does not constitute, and may not be used for the purposes of, an offer or an invitation to subscribe for any Ordinary Shares by any person: (i) in any jurisdiction in which such offer or invitation is not authorised; or (ii) in any jurisdiction in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation. The distribution of this prospectus and the offering of Ordinary Shares in certain jurisdictions may be restricted and accordingly persons into whose possession this prospectus comes are required to inform themselves about and observe such restrictions.

Notice to prospective investors

The offer of Ordinary Shares to persons resident in, or who are citizens of, a particular jurisdiction may be affected by the laws of that jurisdiction. Investors should consult their professional advisers as to whether the investor requires any governmental or other consents or needs to observe any other formalities to enable the investor to purchase the Ordinary Shares.

Neither the Company nor Fortis are taking any action to permit a public offering of Ordinary Shares in any jurisdiction outside The Netherlands. Receipt of this prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus will be sent for information purposes only and should not be copied or redistributed. Except as otherwise disclosed in this prospectus, if the investor receives a copy of this prospectus, the investor may not treat this prospectus as constituting an invitation or offer to the investor of the Ordinary Shares being offered in the offering, unless, in the relevant jurisdiction, such an offer could lawfully be made to the investor, or the Ordinary Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if the investor receives a copy of this prospectus or any other offering materials or advertisements the investor should not distribute or send the same, to any person, in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If the investor forwards this prospectus or any other offering materials or advertisements into any such territories (whether under a contractual or legal obligation or otherwise) the investor should draw the recipient's attention to the contents of this section. Subject to the specific restrictions described below, investors (including, without limitation, any investor's nominees and trustees) wishing to subscribe for the Ordinary Shares being offered in the offering, must satisfy themselves as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The information set out in this section is intended as a general guideline only. Investors that are in any doubt as to whether they are eligible to subscribe for the Ordinary Shares being offered in the offering, should consult their professional adviser without delay.

United States of America

Terms used in this paragraph that are defined in Regulation S are used herein as defined therein. The Ordinary Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States. Accordingly, the Ordinary Shares may not be offered, sold, pledged or otherwise transferred in the United States or to or for the account of a US Person (as defined in Regulation S) except in accordance with Rule 903 or 904 of Regulation S or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in accordance with any applicable securities laws of any state or other jurisdiction of the United States.

This prospectus and any related offering materials are being distributed on a confidential basis only to persons outside the United States and do not constitute an offer to any US Person to subscribe for or purchase any of the Ordinary Shares. Distribution of this information to any person other than such non-US Persons or those persons, if any, retained to advise such non-US Persons with respect thereto is unauthorised, and disclosure of any such information without the prior written consent of the Company is prohibited.

Each investor of the Ordinary Shares will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

- (i) the investor, and the person, if any, for whose account it is acquiring such Ordinary Shares (a) is outside the United States and (b) is acquiring the Ordinary Shares in an offshore transaction meeting the requirements of Regulation S;
- (ii) the investor is aware that the Ordinary Shares have not been and will not be registered under the Securities Act and are being distributed and offered outside the United States in reliance on the exemption from registration provided by Regulation S; and
- (iii) the Ordinary Shares may not be offered, sold, pledged or otherwise transferred in the United States or to or for the account of a US person (as defined in Regulation S) except in accordance with Rule 903 or 904 of Regulation S or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in accordance with any applicable securities laws of any state or other jurisdiction of the United States; and
- (iv) the investor acknowledges that the Company, Fortis and others will rely upon the truth and accuracy of the foregoing representations and agreements and hereby consents to such reliance. Any certificate representing the Ordinary Shares or any depositary receipts representing the right to receive deposited Ordinary Shares shall bear a legend setting forth the foregoing transfer restrictions.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), Fortis has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Ordinary Shares to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Ordinary Shares to the public in that Relevant Member State:

- (i) in the period beginning on the date of publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (iii) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; and
- (iv) at any time in any other circumstances which do not require the publication by the Company of a prospectus pursuant to articles 3 or 4 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Shares to the public**” in relation to any Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive includes any relevant implementing measure in each Relevant Member State.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of Fortis has been obtained to each such proposed offer or resale. The Company, Fortis and its affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

France

Neither this prospectus nor any other offering material relating to the Ordinary Shares has been submitted to the clearance procedures of the *Autorité des marchés financiers* in France. The Ordinary Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither

this prospectus nor any other offering material relating to the Ordinary Shares has been or will be (i) released, issued, distributed or caused to be released, issued or distributed to the public in France or (ii) used in connection with any offer for subscription or sale of the Ordinary Shares to the public in France. Such offers, sales and distributions will be made in France only to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in and in accordance with articles L.411-2 and D.411-1 *et seq.* of the French Code *monétaire et financier* and French Decree No. 98-880 dated 1 October 1998. Such Ordinary Shares may be resold only in compliance with articles L.411-1, L.411-2 and L.412-1 of the French Code *monétaire et financier* and with the general regulations (*Reglément Général*) of the *Autorité des Marchés Financiers*. Investors in France and persons who come into possession of offering materials are required to inform themselves about and observe any such restrictions.

Germany

This prospectus is not a prospectus within the German Securities Prospectus Act (*Wertpapierprospektgesetz*) (“**WpPG**”) and no such prospectus has been or will be filed for approval by or notified to the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*). Therefore, this prospectus may not be distributed, and the Ordinary Shares may not be offered or sold, directly or indirectly, in the Federal Republic of Germany other than to persons who are qualified investors as defined in par. 2 no. 6 of the WpPG or to less than 100 non-qualified investors, or if otherwise permitted under the WpPG or other applicable German laws. Nothing in this prospectus should be construed as investment advice or as constituting a public offering within the meaning of the WpPG or any other German laws.

Italy

This prospectus and the Offering have not been cleared by CONSOB (the Italian Securities Exchange Commission) nor by the Bank of Italy and therefore no Ordinary Shares may be offered, nor may copies of this prospectus or any other documentation relating to the Ordinary Shares be distributed, in the Republic of Italy.

In particular the Ordinary Shares may be offered, and copies of this prospectus or any other documentation relating to the Ordinary Shares may be distributed, in the Republic of Italy, only if this prospectus and the offer of Ordinary Shares are cleared by the Bank of Italy and CONSOB in accordance with: (i) Legislative Decree No. 58 of 24 February 1998 and its implementing rules and regulations issued by CONSOB and the Bank of Italy; (ii) the Bank of Italy regulations of 14 April 2005; and (iii) any other applicable rules and regulations.

Denmark

This prospectus has not been filed with or approved by the Danish Financial Supervisory Authority as this prospectus has not been prepared in the context of (i) a public offering of securities in Denmark within the meaning of the Securities Trading etc. Consolidated Act no. 479 of 1 June 2006 as amended from time to time or any Executive Orders issued in connection thereto or (ii) an offering of a collective investment scheme comprised by the Consolidated Act no. 55 of 31 January 2006 on Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. as amended from time to time or any Executive Orders issued in connection therewith.

Any subsequent marketing, offer or resale of the Ordinary Shares will under Danish law be regarded as a separate offer of the Ordinary Shares which may entail a separate requirement to publish a prospectus if such marketing, offer or resale is deemed an offer of securities to the public as defined in Article 2(1)(d) of the Prospectus Directive.

Switzerland

No offer relating to the Ordinary Shares has been or shall be made to the public in Switzerland, within the meaning of Article 652a paragraph 11 of the Swiss Code of Obligations. The Company has not applied for a listing of the Ordinary Shares on the SWX Swiss Exchange or on any other regulated securities market in Switzerland. The Company and the Offering are not subject to supervision, and licensing, respectively, by the Swiss Federal Banking Commission.

Sweden

This prospectus is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Swedish Financial Instruments Trading Act (*lagen (1991:980) om handel med finansiella instrument*) nor any other Swedish enactment. Neither the Swedish Financial Supervisory Authority nor any other Swedish public body has examined, approved or registered this prospectus.

Canada

This communication does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for the Ordinary Shares and is not for distribution into Canada. The Ordinary Shares have not been and will not be qualified by a prospectus for sale to the public under applicable Canadian securities laws and, subject to certain exceptions, may not be, directly or indirectly offered or sold within Canada or to, or on behalf of, any national, resident or citizen, including any corporation or other entity, of Canada. Any failure to comply with these restrictions may constitute a violation of the Canadian securities laws.

Japan

The Ordinary Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948, as amended), and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (which term as used herein includes any corporation or other entity organised under the laws of Japan), or to others for offering or sale, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of the laws of Japan.

Australia

This prospectus has not been, and will not be, lodged with the Australian Securities and Investments Commission as a disclosure document for the purposes of the Corporations Act 2001. Any Ordinary Shares issued upon acceptance of the offering may not be offered for sale (or transferred, assigned or otherwise alienated) to investors in Australia for at least 12 months after their issue, except in circumstances where disclosure to investors is not required under Chapter 6D of the Corporations Act 2001 or unless a disclosure document that complies with the Corporations Act 2001 is lodged with the Australian Securities and Investments Commission.

Approval by FSA of this Prospectus

This prospectus has been approved by, and has been filed with, the UK Financial Services Authority (“FSA”) in accordance with Rule 3.2 of the Prospectus Rules. The Company has also requested the FSA to provide the AFM (being the ‘competent authority’ in The Netherlands) with a certificate of approval attesting that this prospectus has been drawn up in accordance with the Prospectus Rules.

Representations and Warranties

Each purchaser of or subscriber for the Offer Shares and Additional Shares will be deemed to have represented, acknowledged to and agreed with the Company and Fortis as follows (terms used below that are defined in Regulations S under the Securities Act have the meanings given to them in Regulation S) and each subsequent purchaser of shares will be deemed to have represented, acknowledged and agreed as follows:

1. The Company may require a certification from the transferee in support of any transfer, in form and substance satisfactory to the Company and agrees that the Company, the Registrar or any transfer agent may reasonably require additional evidence or documentation supporting compliance with applicable securities laws and prior to the registration of any transfer the Directors may require of a proposed transferee or transferor such certifications, notifications, agreements and warranties and legal opinions duly qualified counsel as they may reasonably require (including but not limited to that the transferees are not US Persons as defined in Regulation S) to ensure the proposed transferee would be entitled to hold the same in accordance with these provisions and that all applicable laws will be or would have been complied with.
2. It is entitled to subscribe for the Ordinary Shares comprised in the Offering under the laws of all relevant jurisdictions which apply to it, that it has fully observed such laws and obtained all governmental and other consents which may be required thereunder and complied with all the necessary formalities and it has paid any issue, transfer or other taxes due in connection with its acceptance in any jurisdiction and that it has not taken any action or omitted to take any action which will or may result in Fortis or the Company or any of its respective directors, officers, agents, employees or advisers acting in breach of the legal and regulatory requirements of any jurisdiction in connection with the Offering or its acceptance of participation in the Offering.
3. The Company, Fortis, the Registrar, any transfer agent, any distributors or dealers or their affiliates and other, will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements and agrees that if any of the acknowledgements, representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify the Company

and, if it is acquiring any Ordinary Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make such foregoing acknowledgements, representations and agreements on behalf of each such account.

PART XI

ADDITIONAL INFORMATION

1. Responsibility

The Directors, whose names are set out on page 20 of this prospectus, and the Company accept responsibility for the information contained in this prospectus. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this prospectus is in accordance with the facts and does not omit anything 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 Act with 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 is at 7 Queen Street, Mayfair, London W1J 5PB and its principal place of business and head office is at Kensington Centre, 66 Hammersmith Road, London W14 8UD (telephone no. +44 (0) 20 8114 2510).

3. Share Capital

- (a) The following table shows the authorised and issued share capital of the Company as at 31 August September 2007 (the last practicable date before the publication of this prospectus) and as it will be on Euronext Admission:

Authorised	Number	Present Nominal Amount	Following Euronext Admission (assuming the Over-Allotment Option is not exercised)		Following Euronext Admission (assuming the Over-Allotment Option is exercised in full)	
			Number	Nominal Amount	Number	Nominal Amount
Ordinary shares of €0.01 each	250,000,000	€2,500,000	250,000,000	€2,500,000	250,000,000	€2,500,000
Deferred shares of 10p each	1,000,000	£100,000	1,000,000	£100,000	1,000,000	£100,000
Issued and fully paid						
Ordinary shares of €0.01 each	148,809,422	€1,488,094.22	155,208,942	€1,552,089.42	157,458,942	€1,574,589.42
Deferred shares of 10p each	1,000,000	£100,000	1,000,000	£100,000	1,000,000	£100,000

- (b) Details of changes in the share capital of the Company since 1 April 2004 (being the date of commencement of the period for which the historical financial information of the Accsys Group is set out in Part VI of this prospectus) are set out below:
- (i) Between 3 October 2005 and 19 October 2005, 103,710,178 Ordinary Shares were allotted at par, credited as fully paid up, in consideration of the acquisition of 103,710,180 Accsys Chemicals ordinary shares and 996,069 Deferred Shares were allotted at par to shareholders in Accsys Chemicals, credited as fully paid up, in consideration of the acquisition of 47,982,161 Accsys Chemicals deferred shares.
- (ii) On 26 October 2005, 27,000,000 Ordinary Shares were allotted at €1.00 per Ordinary Share to investors in a placing of shares.
- (iii) On 11 October 2005, the Company exercised the compulsory acquisition powers to acquire the outstanding Accsys Chemicals ordinary shares and the outstanding Accsys Chemicals deferred shares, which resulted in the Company issuing 1,753,267 Ordinary Shares and 3,931 Deferred Shares between 31 October 2005 and 22 November 2005 to acquire the outstanding Accsys Chemicals ordinary shares and deferred shares (respectively).
- (iv) On 8 November 2006, 6,623,172 Ordinary Shares were allotted at €1.48 per Ordinary Share to investors in a placing of shares.

- (v) On 11 December 2006, 359,000 Ordinary Shares were allotted to two persons on exercise of options granted under the Company's Unapproved Share Option Scheme at an exercise price in each case of €0.46 per share.
 - (vi) 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.
 - (vii) On 21 May 2007, 8,115,883 Ordinary Shares were allotted at €2.72 per Ordinary Share to Celanese Chemicals Europe GmbH pursuant to the Subscription & Option Deed described in paragraph 10(a)(iv) of this Part XI of this prospectus.
 - (viii) On 31 July 2007, 47,920 Ordinary Shares were allotted to option holders on exercise of options granted under the Company's Unapproved Share Option Scheme at an exercise price of €0.46 per share.
- (c) Save as set out in paragraph 3(b) above, there have been no changes in the issued share capital of the Company since 1 April 2004 (being the date of commencement of the period for which the historical financial information of the Accsys Group is set out in Part VI of this prospectus).
 - (d) On 4 September 2007, 1,399,520 Ordinary Shares will be allotted to optionholders on exercise of options granted under the Company's Unapproved Share Option Scheme at an exercise price in each case of €0.46 per share.
 - (e) Under the terms of the Offering, a maximum of 5,000,000 New Ordinary Shares and a maximum 2,250,000 Additional Shares will be issued credited as fully paid to Placees. The New Ordinary Shares and, if applicable, the Additional Shares, will be allotted on the Pricing Date by resolution of the Board.
 - (f) As described further in paragraph 10(a)(iv) below the Company has granted to Celanese Europe:
 - (i) a right for Celanese Europe to subscribe for additional Ordinary Shares ("**Top-Up Shares**") to enable the Celanese Group to maintain a 5.5 per cent. interest in the issued ordinary share capital of the Company from time to time, which right will be exercisable in accordance with its terms as a result of completion of the Offering; and
 - (ii) an option for Celanese to subscribe for such number of new Ordinary Shares which, when aggregated with the 8,115,883 Ordinary Shares issued to Celanese on 21 May 2007 and any Top-Up Shares (if exercised), would equal not more than 29.9 per cent. of the Company's enlarged issued ordinary share capital immediately following admission of such new Ordinary Shares to trading on AIM, which option is exercisable at any time during the period commencing on 21 May 2008 and ending on 21 May 2010.
 - (g) Save as set out in this Part XI, since 1 April 2004 (being the date of commencement of the period for which the historical financial information of the Accsys Group is set out in Part VI of this prospectus):
 - (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.
 - (h) The provisions of section 89(1) of the Act (which, to the extent not disapplied, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than any allotments to employees under an employees' share option scheme) apply to the authorised but unissued share capital of the Company. Such provisions were disapplied at the Extraordinary General Meeting held on 15 May 2007 up to an aggregate nominal amount of €148,761.50 (14,876,150 Ordinary Shares).
 - (i) As at the date of this prospectus:
 - (i) the Directors are generally and unconditionally authorised to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate amount of €996,938.81, such authority to expire on 15 May 2012; and
 - (ii) the Directors are empowered to allot equity securities for cash pursuant to the authority conferred upon them as referred to in sub-paragraph (i) above provided that such power shall

be limited to the allotment of up to 55,994,716 new Ordinary Shares pursuant to the Celanese Option, in connection with or pursuant to a rights offer where such offer does not strictly comply with section 89(1) and otherwise up to a nominal amount of €148,761.50, such power to expire on 15 May 2012.

- (j) The authorised but unissued share capital of the Company amounts to approximately 60 per cent. of the existing authorised share capital of the Company. The Directors have no present intention to allot new Ordinary Shares other than pursuant to the Offering and the allotment of Ordinary Shares in the event of any share options or the Celanese Option being 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.	Manufacturer of Accoya™	18 June 2003	The Netherlands
Titan Wood Limited	Brand and market developing and licensing	17 April 2003	England and Wales
Titan Wood Technology B.V. (formerly International Chemical Company B.V.)	Technology validation	11 December 2000	The Netherlands

5. Memorandum and Articles 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 the memorandum of association, a copy of which is available for inspection at the address specified in paragraph 18 below.

The articles of association of the Company (the “Articles”) contain, *inter alia*, provisions 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 (other than Deferred Shares) 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 710 of the 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 2006 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***

Deferred Shares

The rights attaching to Deferred Shares are as follows:

- (i) the Deferred Shares shall carry no rights to dividends;
- (ii) the Deferred Shares shall not confer upon the holders any rights to attend and/or vote at general meetings of the Company; and
- (iii) on a winding up or other return of capital, holders of the Deferred Shares shall be entitled to receive the amount paid up on the Deferred Shares, after there has been paid to the Shareholders the capital paid up on the Ordinary Shares.

Ordinary Shares

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

(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 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 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 third 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 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 428 to 430F of the 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***

Age Limit for Directors

No Director shall or be or become incapable of being appointed or remaining a Director by reason of his having attained the age of 70 years or any other age.

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 or 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 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, but so not more than fifteen (15) months shall elapse between the date of one annual general meeting and the next.

The Directors may convene an extraordinary general meeting whenever they think fit, and shall on requisition in accordance with the 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.

For the purpose of determining which persons are entitled to attend and vote at any general meeting and how many votes such persons may cast, the Company may specify in the relevant notice of general meeting a time, not more than forty eight (48) hours before the time fixed for the meeting, by which a person must be entered on the register of members in order to have the right to attend and vote at the meeting. Changes to entries on the register of members after the time specified by the Company shall be disregarded in determining the rights of any person to attend and vote at the meeting, notwithstanding any provisions in the Act or in the Articles.

No business other than that appointment of the Chairman 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

- (a) On 6 September 2005, the Company adopted an Unapproved Share Option Scheme (the “**Unapproved Scheme**”), the principal provisions of which are as follows:

Eligibility

Options to acquire Ordinary Shares may be granted (at the discretion of the Remuneration Committee of the Board) to selected employees and other persons contracted to the Company or one of its subsidiaries who work not less than 20 hours per week or the directors of the Group.

Performance Targets

The exercise of an option may be made subject to the achievement of a fair and reasonable target set by the remuneration committee of the Board which relates objectively to the performance of the Company or the Group.

Exercise and Lapse of Options

An option is exercisable (in whole or in part) for so long as any applicable performance target has been fulfilled.

An option shall lapse on the earlier of (i) the tenth anniversary of the date of grant; (ii) upon the option holder ceasing to be an eligible person as described above (except in limited circumstances); or

(iii) in relation to a takeover, within six months of a person obtaining control of the Company as a result of making a takeover offer.

Non-transferability of Options

Options are not transferable or assignable.

Variation of Share Capital

In the event of a general offer to acquire the whole of the issued share capital of the Company as a result of which an offeror obtains control of the Company, an option holder may, with the consent of the acquiring company, release each subsisting and unexercised option for a new right which is equivalent to his option but relates to share in a different company (generally, the offeror). If another company obtains control of the Company, then options which are not exercised within a set period thereafter will lapse.

The number and/or class of shares and the subscription price of shares subject to an option may be varied by the Board in the event of a reorganisation of capital (such as a capitalisation or rights issue) subject to an opinion of the auditors of the Company that the variations are fair and reasonable.

Alterations

The Remuneration Committee of the Board may alter the Unapproved Scheme as it decides, provided that no amendment to the advantage of existing or future option holders will be made to the Unapproved Scheme (except for certain minor administration amendments to benefit its administrator for fiscal or regulatory benefit) without prior consent of the Company in a general meeting.

The Board may terminate the Unapproved Scheme at any time with the effect that no further options may thereafter be granted although in all other respects the Unapproved Scheme will remain in force.

No options may be granted under the Unapproved Scheme after the tenth anniversary of its adoption.

- (b) As at 31 August 2007 (being the latest practicable date prior to the publication of this prospectus), options have been granted, and remain unexercised, under the Unapproved Scheme to the Executive Directors to subscribe for an aggregate of 4,920,000 Ordinary Shares and to a further 55 other employees of the Group to subscribe for a further 5,921,580 Ordinary Shares, as follows:

Date of Grant	Exercise price per share	Number of Ordinary Shares	Date of expiry
14.11.05	€0.46	4,081,080	31.3.15
14.6.06	€1.20	438,500	14.6.16
28.3.07	€2.59	5,072,000	28.3.17
15.5.07	€3.84	1,250,000	15.5.17

Options granted on 14 November 2005 are now vested as all performance conditions have been met. They can be exercised up until the date of expiry.

Options granted on 14 June 2006 vest on the third anniversary of grant.

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.

7. Directors' and Other Interests

- (a) The interests of each Director (all of which are beneficial, except as shown below) in Ordinary Shares, as at 31 August 2007 (being the latest practicable date prior to the publication of this prospectus) and as they are expected to be on Admission, are as follows:

	At date of this prospectus		On Euronext Admission		
	Number of Existing Ordinary Shares	% of Issued Share Capital	Number of Ordinary Shares	% of Enlarged Ordinary Share Capital (assuming the Over-Allotment Option is not exercised)	% of Enlarged Ordinary Share Capital (assuming the Over-Allotment Option is exercised in full)
William Paterson-Brown	20,000,000 ¹	13.44	20,000,000 ¹	12.89	12.70
Glyn Thomas	618	0.00	618	0.00	0.00
Gordon Campbell	100,000	0.07	100,000	0.06	0.06
Stefan Allesch-Taylor	20,000,000 ¹	13.44	20,000,000 ¹	12.89	12.70
Timothy Paterson-Brown	20,000,000 ¹	13.44	20,000,000 ¹	12.89	12.70
Lord Sanderson	–	–	–	–	–

¹20,000,000 Ordinary Shares and 415,184 deferred shares are registered in the name of MacNiven and Cameron Equity Holdings Limited (“M&C”). Mr. W. Paterson-Brown, Mr. S. Allesch-Taylor and Mr. T. Paterson-Brown have beneficial interests in those shares as they are three of the beneficiaries of a trust which holds the majority of shares in M&C. None of Mr. W. Paterson-Brown, Mr. S. Allesch-Taylor and Mr. T. Paterson-Brown can exercise, or influence the exercise of, the voting rights or the Ordinary Shares held by M&C.

- (b) As at 31 August 2007 (being the latest practicable date prior to the publication of this prospectus), each of Mr. W. Paterson-Brown, Mr. S. Allesch-Taylor and Mr. T. Paterson-Brown are beneficially interested in 415,184 Deferred Shares registered in the name of M&C on the same basis as the note set out in paragraph 7(a) of this Part XI above.
- (c) The interests of each Senior Manager (all of which are beneficial, except as shown below) in Ordinary Shares which are known to the Company as at 31 August 2007 (being the latest practicable date prior to the publication of this prospectus) and as they are expected to be on Admission are as follows:

	At date of this prospectus		On Euronext Admission		
	Number of Existing Ordinary Shares	% of Issued Share Capital	Number of Ordinary Shares	% of Enlarged Ordinary Share Capital (assuming the Over-Allotment Option is not exercised)	% of Enlarged Ordinary Share Capital (assuming the Over-Allotment Option is exercised in full)
Rombout van Herwijnen	–	–	–	–	–
Kapil Girotra	–	0.03	170,000	0.11	0.11
Robert Schoolkate	–	–	–	–	–
Edward Pratt	618	0.00	618	0.00	0.00

- (d) In addition, options over Ordinary Shares have been granted to the Directors and the Senior Managers under the Company’s Unapproved Scheme (all of which were granted for no consideration) and remain exercisable as at 31 August 2007 (being the latest practicable date prior to the publication of this prospectus) are as follows:

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
Glyn Thomas	14.11.05	480,000	€0.46	31.03.15
	28.03.07	750,000	€2.59	28.03.17
	15.05.07	250,000	€3.84	15.05.17

Senior Manager	Date(s) of grant	Number of Ordinary Shares	Exercise price per share	Date(s) of expiry
Rombout van Herwijnen	–	–	–	–
Kapil Girotra ¹	14.11.05 28.3.07	382,400 375,000	€0.46 €2.59	31.03.15 28.03.17
Robert Schoolkate	14.06.06 28.03.07	140,000 315,000	€1.20 €2.59	14.06.16 28.03.17
Edward Pratt ²	14.11.05 28.03.07	720,000 1,000,000	€0.46 €2.59	31.03.15 28.03.17

¹Mr. Girotra will, on 4 September 2007, exercise options in respect of 170,000 ordinary Shares.

²Mr. Pratt will, on 4 September 2007, exercise options in respect of 720,000 Ordinary Shares which will then constitute his proportion of the Sale Shares.

The basis on which these options have vested or will vest is set out in paragraph 6(b) above.

- (e) Save as disclosed above and in paragraphs 7(a) – 7(d) (inclusive) above, none of the Directors nor any of the Senior Managers nor any member of their immediate families holds, or is beneficially or non-beneficially interested, directly or indirectly, in any shares or options in the Company.
- (f) Each of the Directors has undertaken in separate lock-in deeds to the Company and Fortis that he will not sell or attempt to dispose of any Ordinary Shares held by him until the date being 180 days after the Listing Date subject to certain exceptions including transfers or disposals made with the prior written consent of Fortis (such consent not to be unreasonably withheld).
- (g) Save as disclosed in paragraph 7(a) above and as set below, the Directors are not aware of any person, directly or indirectly, jointly or severally, who is interested in 3 per cent. or more of the issued ordinary share capital of the Company as at 31 August 2007 (being the latest practicable date prior to the publication of this prospectus):

	Ordinary Shares	% of Existing Shares Capital	% of Enlarged Ordinary Share Capital (assuming the Over-allotment Option is not exercised)*	% of Enlarged Ordinary Share Capital (assuming the Over-allotment Option is exercised in full)*
MacNiven and Cameron Equity Holdings Limited	20,000,000	13.44	12.89	12.70
Saad Investments Company Limited	13,730,000	9.23	8.85	8.72
Oak Foundation USA Inc./Oak Holdings Ltd	12,009,586	8.07	7.74	7.63
Rajhi Holdings	9,000,000	6.05	5.80	5.72
Celanese Chemicals Europe GmbH	8,115,883	5.45	5.23	5.15
Axa Framlington	7,226,087	4.86	4.66	4.59
UBS Wealth Management (UK) Limited	6,156,453	4.14	3.97	3.91
Rathbone Investment Management Limited	6,102,975	4.10	3.93	3.88

*Assuming that none of the above are Selling Shareholders. The Enlarged Ordinary Share capital includes 1,399,520 Ordinary Shares which will arise from the exercise of options on 4 September 2007.

- (h) None of the Directors nor any of the shareholders listed in paragraph 7(g) above have any different voting rights from any other shareholder in the Company.
- (i) So far as the Company is aware, the Company is not directly or indirectly owned or controlled by any person and there are no arrangements known to the Company, the operation of which may at a subsequent date result in a change in control of the Company.
- (j) In addition to their directorships in the Company and its subsidiaries, the Directors have been directors of the following companies and/or been partners in the following partnerships within the five years prior to the date of this prospectus:

Director	Current directorships/partnerships	Past directorships/partnerships
<i>William Paterson-Brown</i>	Asia IT Capital Investments Limited HipCricket, Inc. Khalidiya Investments SA Zica SA	ICC Properties Limited
<i>Glyn Thomas</i>	Rigi Limited Tactica Fund Management Limited Tactica Fund PCC PLC (Gibraltar) Tactica Management Limited (Gibraltar)	Chardy Limited Dawncloud Limited Develica Management Limited Fairfax Group Limited Fairfax I.S. PLC ICC Properties Limited Lifesyne UK Limited Medicsight, Inc Medicsight PLC Medicsight Asset Management Limited Pearl Corporation PLC Ravenscourt LS Limited Retec Europe Limited Xmonic Limited
<i>Gordon Campbell</i>	Babcock International Group PLC British Nuclear Fuels PLC JSST Securities Limited Jupiter Second Split Trust PLC	Jupiter Split Trust PLC Babcock2 Limited Babcock UK Finance Babcock Holdings Limited Babcock International Limited Babcock Investments Limited Babcock Management Limited Babcock Nominees Limited Babcock Overseas Investments Limited Babcock Engineering Services Limited Babcock Support Services(Investments) Limited British Heart Foundation British Nuclear Group Sellafield Limited Claudius Peters (UK) Limited Forth Ports Public Limited Company HSS Hire Service Holdings Limited Icheme Limited International Process Technologies Limited ITI Scotland Limited Jupiter Split Trust PLC Peel Ports (BIHL) Limited Senior PLC
<i>Stefan Allesch-Taylor</i>	Fairfax Group Limited Fairfax I.S. PLC Global Evolution (Denmark) Powerblue Pictures Limited Tactica Fund PCC PLC (Gibraltar) Tactica Management Limited (Gibraltar)	Asia Capital (UK) Limited Develica Management Limited HTTP Defence Limited HTTP Healthcare Limited HTTP Insights Limited HTTP Software PLC HTTP Statistics Limited IQ Capital HTTP Limited Landmark STG Limited Library of Life (Europe) Limited MDA (Central Europe) Limited Medicsight, Inc.

Director	Current directorships/partnerships	Past directorships/partnerships
<i>Stefan Allesch-Taylor (continued)</i>		Medicsight Finance Limited Medicsight Nominees Limited Medicsight PLC Metropolitan STG (Newry) Limited Miller (St Neots) Limited Monk Dunstone Associates (Bristol) Limited Paduak Holdings Limited Paduak Investments Limited Paduak Ventures Limited Semley Holdings Limited MacNiven & Cameron Equity Holdings Limited Savoy Asset Management PLC STG Management Limited S.T.G. Estates Limited TPRC Limited Worthing Premier Properties Limited Yang Technology Limited
<i>Timothy Paterson-Brown</i>	Chardy Limited Library of Life (USA), Inc. Medicexchange PLC Medicexchange (UK) Limited Medicsight Asset Management Limited Medicsight Finance Limited Medicsight Nominees Limited Medicsight (International) Limited Medicsight KK Medicsight USA, Inc. Medicsight PLC Medicsight Pty Ltd Medictrainer PLC MGT Capital Investments Inc Westminster Wellness Limited	ICC Properties Limited International Capital Corporation PLC (Gibraltar) MacNiven & Cameron Equity Holdings Limited Yang Cellulose Company Limited
<i>Lord Sanderson</i>	Develica Deutschland Limited Develica I LLP Hawick Cashmere Company Limited	Clydesdale Bank plc Yorkshire Bank plc National Australia Group Europe Limited Scottish Mortgage & Trust plc

(k) The Senior Managers, have been directors of the following companies and/or been partners in the following partnerships within the five years prior to the date of this prospectus:

Senior Manager	Current directorships/partnerships	Past directorships/partnerships
<i>Rombout van Herwijnen</i>	Sobriquet B.V. Lalesse Holding B.V.	Flexible Packaging Holding B.V. Avebe Lalesse Groep B.V.
<i>Kapil Girotra</i>	–	–
<i>Robert Schoolkate</i>	–	–
<i>Edward Pratt</i>	–	Accsys Technologies PLC Titan Wood B.V. Titan Wood Limited Titan Wood Technology B.V. ICC Properties Limited

- (l) Save as disclosed below, none of the Directors or the Senior Managers has (within the five years prior to the date of this prospectus) been:
- (i) convicted in relation to any fraudulent offences; or
 - (ii) been associated with any bankruptcy, receivership or liquidation in his capacity as a director, member of the administrative, management or supervisory bodies or member of senior management of any company; or
 - (iii) subject to any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies); or
 - (iv) disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or entity or from acting in the management or conduct of the affairs of any company or entity.
- (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 Gevelliften 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. The initial report on the status of the bankruptcies, filed on 12 May 2006, expects there to be a substantial shortfall to creditors.
- (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) Save as provided in the Subscription & Option Deed set out in paragraph 10(a)(iv) of this Part XI, 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	£175,000	12 months	Titan
Glyn Thomas	11.08.05	£130,000	6 months	Titan
Stefan Allesch-Taylor	22.09.05	€35,000	3 months	Accsys
Gordon Campbell	03.10.05	€35,000	3 months	Accsys
Timothy Paterson-Brown	22.09.05	€30,000	3 months	Accsys
Lord Sanderson of Bowden	16.08.07	€35,000	1 months	Accsys

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

- (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 2007 were €804,908 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	€256,795	€150,000	Nil	Nil	€406,795
Glyn Thomas	€154,875	€112,500	€43,010	€2,717	€313,103
Gordon Campbell	€30,055	–	–	–	€30,055
Stefan Allesch-Taylor	€30,055	–	–	–	€30,055
Tim Paterson-Brown	€25,046	–	–	–	€25,046

Senior Manager	Salary/Fee	Bonus	Pension	Other Benefits*	Total
Rombout van Herwijnen**	Nil	Nil	Nil	Nil	Nil
Kapil Girotra	€84,842	€10,000	€3,300	€4,200	€102,342
Robert Schoolkate	€82,614	€9,000	€6,935	€1,020	€99,569
Edward Pratt	€219,038	€150,000	€21,240	€705	€390,983

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

**Rombout van Herwijnen was appointed on 1 May 2007

- (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 2008 is expected to be approximately €1,161,653.
- (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

Save as set out in Part VI of this prospectus, the Company has not entered into any related party transactions (being those set out in the standards adopted according to the Regulation (EC) No. 1606/2002) in the last three financial years preceding the date of this prospectus and up to the date of this prospectus.

10. Material Contracts

- (a) 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 prospectus, 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 prospectus:
- (i) An agreement dated 31 August 2007 entered into between Collins Stewart (1) and the Company (2) pursuant to which Collins Stewart has agreed to use all reasonable endeavours to procure subscribers and purchasers for Offer Shares, for which they will be paid an aggregate commission of up to €300,000 depending on the number of Offer Shares for which they procure subscribers or purchasers, such commission to be payable by the Company and the Selling Shareholders in proportion to the number of Offer Shares being issued or sold (as the case may be) by them.
- (ii) A letter of engagement dated 25 June 2007 from Fortis to the Company pursuant to which the Company appointed Fortis to act as its lead manager and sole bookrunner in connection with the proposed Offering and listing of the Ordinary Shares on Euronext Amsterdam. The Company has agreed that a fixed fee of €2 million is payable to Fortis in respect of its services (deductible from the gross proceeds of the Offering) and to pay all Fortis' reasonable costs and expenses incurred in connection with the engagement irrespective of whether the Offering is completed. The engagement letter will terminate on the earlier of 1 March 2008 and Euronext Admission.
- (iii) A licence agency agreement dated 19 June 2007 between Titan (1) and Skanfore S.A. ("Skanfore") (2) pursuant to which Titan appointed Skanfore as agent to act in securing licences for Titan's proprietary technology for the manufacture of Accoya™ branded wood in certain markets, principally outside Europe and North America for which Skanfore is to pay Titan a premium of €10 million in respect of rights to negotiate nameplate capacity of up to 500,000 m³ per annum with licensees. Under the agreement, Titan shall pay Skanfore a commission in respect of all amounts of technology fees received from each licensee procured by Skanfore. Skanfore also take the rights for a nameplate capacity of 500,000 cubic metres of production of Accoya™.
- (iv) A subscription and option deed dated 27 March 2007 (the "Subscription & Option Deed") between the Company (1) Celanese Europe (2) and M&C (3) pursuant to which Celanese Europe subscribed for, and was issued, 8,115,883 Ordinary Shares (the "Subscription Shares") at a subscription price of €2.72 per share, which completed on 21 May 2007 ("Completion"), and Celanese Europe was granted the Celanese Option entitling Celanese to subscribe for such number of new Ordinary Shares which, when aggregated with the Subscription Shares, would equal not more than 29.9 per cent. of the Company's enlarged issued ordinary share capital

immediately following admission of such new Ordinary Shares to trading on AIM (the “**Option Shares**”), such option being exercisable at any time during the period commencing on the first anniversary of Completion and ending on the third anniversary of Completion (the “**Option Period**”) at a subscription price equal to the average mid-market closing price of an Ordinary Share on AIM for the 30 days prior to the exercise date.

Under the terms of the Subscription & Option Deed:

- (aa) Celanese Europe has agreed with the Company that it will not dispose of any of the Subscription Shares prior to the first anniversary of the date of admission of such Subscription Shares to trading on AIM (subject to certain limited exceptions); and
- (bb) Celanese Europe also has the right to appoint a Non-Executive Director to the Board of Directors of the Company (or alternatively a person to attend and observe at Board meetings), for so long as the Celanese Group owns or holds not less than 4.5 per cent. of the issued ordinary share capital of the Company from time to time (except where such shareholding is reduced as a result of further share issues by the Company).

In connection with the subscription by Celanese Europe, the Company gave certain representations and warranties to Celanese Europe in relation to the business and activities of the Group which the Directors considered appropriate to a transaction of this nature.

The Company also agreed to certain anti-dilution provisions during the period from the date of the Subscription & Option Deed up to the first anniversary of Completion, should the Company issue any further Ordinary Shares to any other person, including a right for Celanese Europe to subscribe for additional Ordinary Shares (“**Top-Up Shares**”) to enable the Celanese Group to maintain a 5.5 per cent. interest in the issued ordinary share capital of the Company from time to time. Celanese Europe will have the right to subscribe for Top-Up Shares if the Company issues new Ordinary Shares (“**New Shares**”) and the Company’s obligation to issue such Top-Up Shares will be triggered whenever the number of such New Shares exceeds 1,000,000 (or multiples thereof). If less than 1,000,000 new Ordinary Shares are issued in the 12 months after Completion, then at the end of that period, Celanese Europe will be able to subscribe for Top-Up Shares at the 30 day average mid-market price prior to such date calculated by reference to the New Shares issued in that period.

The Option will immediately lapse if the relevant member of the Celanese Group terminates the Exclusive Supply Agreement (other than on grounds of a breach by the Company of such Agreement) or is in breach of the Exclusive Supply Agreement (referred to in paragraph 10(a)(v) below) or if at any time during the Option Period the Celanese Group sells any Ordinary Shares (other than a sale permitted under the limited exceptions to the lock-in arrangements or otherwise with the consent of the Company) or purchases any Ordinary Shares (other than Option Shares or Top-Up Shares).

The representations and warranties in relation to the business and activities of the Group given by the Company to Celanese Europe in connection with the Subscription are repeated by the Company immediately before each exercise by Celanese of the Option and on the same basis.

The Company also agreed that it will, for so long as the Option remains exercisable, use its best endeavours to maintain sufficient share capital to satisfy the Option and to ensure that the Directors have sufficient share capital authorities for the purposes of the Option.

Under the terms of the Subscription & Option Deed, M&C (a substantial shareholder in the Company which owns 20,000,000 Ordinary Shares representing 13.4 per cent. of the Company’s issued ordinary share capital as enlarged on completion of the Subscription) agreed that if it proposes to sell or transfer Ordinary Shares held by it representing 10 per cent. or more of the Company’s issued share capital for the time being (whether in one or a series of connected transactions), it will give Celanese Europe at least 30 days’ notice of the proposed sale/transfer and Celanese Europe will be given the opportunity to sell/transfer the same proportion of its shareholding in the Company to such prospective purchaser at the same price and on the same terms. M&C has agreed to use its best efforts to obtain the agreement of the prospective purchaser to the participation of Celanese Europe in any such sale or transfer and that it will not sell or transfer any of its Ordinary Shares if the prospective purchaser declines to allow such participation by Celanese Europe.

- (v) A long term exclusive manufacture and supply framework agreement dated 27 March 2007 between Celanese Ltd (1) the Company (2) Titan (3) and TWBV (4) (the “**Exclusive Supply**”

Agreement”) pursuant to which the Company has appointed Celanese Ltd as its exclusive supplier of acetyl products to the Group’s licensees for the Accoya™ wood production process using the Group’s proprietary wood acetylation technologies and Celanese Ltd has committed to the exclusive supply to the Group’s global network of licensees to meet their entire requirements for acetyls in respect of the wood acetylation process. On this basis, Celanese Ltd has undertaken for a period of 20 years to enter into individual exclusive long term supply arrangements directly with each licensee.

(vi) A separate undertaking deed dated 27 March 2007 entered into (pursuant to the Exclusive Supply Agreement) between Celanese Ltd (1) the Company (2) International Cellulose Company Overseas Ltd (now ICC) (3) and International Chemical Company B.V. (now TWTBV) (4), Celanese Ltd has the right, during the period of 12 months from the date of receipt by Celanese of certain specified information to submit a formal offer to acquire the Company’s (and/or such subsidiaries’) interests in the proprietary ketene/acetic anhydride technology and related intellectual property (“**Ketene Technology**”). If the Company does not accept the offer, then it must negotiate in good faith the terms of the offer with Celanese. Accsys is not bound to accept any offer but is bound not to sell the Ketene Technology until such rights of Celanese in respect of the Ketene Technology have expired.

(vii) The placing agreement dated 2 November 2006 between Collins Stewart (1) and the Company (2) pursuant to which conditional upon, *inter alia*, admission of the 6,623,172 new Ordinary Shares in the Company being admitted to trading on AIM on or before 8:00am on 8 November 2006 (or such later time and/or date as the Company and Collins Stewart may agree, being not later than 3.00pm on 22 November 2006), Collins Stewart agreed to use reasonable endeavours to procure subscribers for 6,623,172 new Ordinary Shares at a placing price of €1.48 per share.

The placing agreement contained warranties and indemnities from the Company in favour of Collins Stewart together with provisions which enabled Collins Stewart to terminate the placing agreement in certain circumstances prior to admission, including where any warranties were found to be untrue or inaccurate in any material respect. Pursuant to the placing agreement, the Company paid Collins Stewart aggregate commission of €245,066.

(viii) The placing agreement date 19 October 2005 between Collins Stewart (1), the Company (2), the Directors (3) and M&C (then STG Holdings PLC) (4) pursuant to which conditional upon, *inter alia*, admission of all the 130,710,180 issued and to be issued ordinary shares to trading on AIM (“**Original AIM Admission**”) taking place on or before 8:30am on 26 October 2005 (or such later time and/or date as the Company and Collins Stewart might have agreed, being not later than 2 November 2005), Collins Stewart agreed to use reasonable endeavours to procure subscribers for 27,000,000 new Ordinary Shares at a placing price of €1.00 per share.

The placing agreement contained warranties and indemnities from the Company and from the Directors in favour of Collins Stewart together with provisions which enabled Collins Stewart to terminate the placing agreement in certain circumstances prior to Original AIM Admission including where any warranties were found to be untrue or inaccurate in any material respect. The liability of the Directors for breach of warranty was limited. Pursuant to the placing agreement, the Company paid Collins Stewart a corporate finance fee of £180,000 and aggregate commission of €507,455.

Under the terms of the placing agreement, each of the Directors undertook to the Company and Collins Stewart not to (and agreed to procure that persons connected to them would not) dispose of any interest in any Ordinary Shares held by them on or immediately following Original AIM Admission, other than in certain limited circumstances, for a period of 12 months following Original AIM Admission. In addition, each of the Directors agreed that, in the subsequent 12 month period, they and persons connected to them would only dispose of Ordinary Shares which they held on or immediately following the first anniversary of Original AIM Admission through Collins Stewart so as to ensure an orderly market in the share capital of the Company.

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

(ix) A nominated adviser and broker agreement dated 19 October 2005 between the Company (1) and Collins Stewart (2) pursuant to which the Company appointed Collins Stewart to act as its nominated adviser and broker for the purposes of the AIM Rules for Companies. The

Company has agreed to pay an annual fee (half-yearly in advance) of £30,000 (plus VAT) to Collins Stewart in respect of such appointment (as from Original AIM Admission) and all Collins Stewart's reasonable expenses incurred in connection with the appointment. The appointment of Collins Stewart as the Company's nominated adviser and broker was for an initial period of 12 months from the date of Original AIM Admission and thereafter is terminable by either Collins Stewart or the Company on 3 months' written notice.

- (x) A share for share exchange offer by the Company dated 14 September 2005 pursuant to which the Company offered one new Ordinary Share for each issued ordinary share of €0.25 each in Accsys Chemicals and an aggregate of 1,000,000 new deferred shares of 10p each in the Company for all the issued deferred shares of 33p each in Accsys Chemicals. As at 19 October 2005, acceptances had been received in respect of an aggregate of 103,710,180 issued ordinary shares in Accsys Chemicals and 47,982,161 issued deferred shares in Accsys Chemicals, resulting in the issue of 103,710,178 new Ordinary Shares and 996,069 new Deferred Shares in the Company between 3 and 19 October 2005. The Company utilised the compulsory acquisition provisions of section 429 of the Act to acquire compulsorily the then outstanding issued ordinary shares and deferred shares in Accsys Chemicals.

11. Working Capital

The Company is of the opinion that the Group has sufficient working capital for its present requirements, that is for at least for the next 12 months following the date of this prospectus.

12. Significant Change

Save for the proceeds received from the 8,115,883 Ordinary Shares issued to Celanese Europe on 21 May 2007 (as described in sub-paragraph 3(b)(vii) of Part XI of this prospectus) and the receipt of the €10 million Skanfore premium (as described in paragraph 6 of Part V of this prospectus), there has been no significant change in the trading or financial position of the Group since 31 March 2007, the date to which the financial information in Section B of Part VI is prepared.

13. Governmental, Legal and Arbitration Proceedings

- (a) TWBV, a subsidiary undertaking, of the Company, is in dispute with Cumae B.V. ("Cumae"), a firm of consulting engineers engaged to provide detailed structural specifications for the piping, steel superstructure and foundations of the acetic acid cracker which has now been completed at the Group's site in Arnhem. The original contract was for a total of €88,000. Cumae is seeking payment of outstanding invoices amounting to some €146,000 and has initiated arbitration proceedings before the Royal Institution of Engineers in The Netherlands (KIVI NIRIA) which TWBV is challenging. TWBV is claiming that the designs delivered by Cumae were effectively withdrawn because the design solution would have required redesign of the steel superstructure, changes to the foundations already prepared to an earlier Cumae specification and changes to certain unique vessels already manufactured and delivered to site. TWBV is accordingly claiming for repayment of amounts already paid to Cumae (€119,000); amounts paid (extra) to third parties to procure design solutions (€17,000); legal costs and fixed overheads for the period of the delay (rent and management overhead) (€1,000,000). TWBV has filed a counter claim in the aforementioned arbitration proceedings. The final judgment in the arbitration proceedings is expected in the second half of 2007.
- (b) Save as disclosed in paragraph 13(a) above, there are no, nor have there been any, governmental, legal or arbitration proceedings (and the Company is not aware of any governmental, legal or arbitration proceedings which are pending or threatened) which may have or have had, within the 12 months preceding the date of this prospectus, a significant effect on the financial position or profitability of the Accsys 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 €226,513 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 £101,662 is subject to review in December of each year.

15. Taxation

15.1 *United Kingdom Taxation*

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.

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.

Shareholders not resident (for tax purposes) in the UK 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*

(i) Acquisition of New Ordinary Shares

For the purposes of United Kingdom taxation of chargeable gains, the issue of New Ordinary shares under the Open Offer should be regarded as a reorganisation of the Company's share capital. Accordingly, to the extent that the Company issues New Ordinary Shares to a UK tax resident Qualifying Shareholder up to and including such Qualifying Shareholder's *pro rata* entitlement under the Open Offer, the Qualifying Shareholder should not be treated as having disposed of any part of his existing holding of Existing Ordinary Shares. Instead, each of his holdings of Existing Ordinary Shares and the New Ordinary Shares issued to him under the Open Offer in respect of that holding should be treated as a single asset (the "**New Holding**") acquired at the time he acquired the Existing Ordinary Shares. For the purpose of computing any gain or loss on a subsequent disposal by a UK tax resident Qualifying Shareholder of any shares comprised in his New Holding, the Offer Price paid for the New Ordinary Shares under the Open Offer will be added to the base cost of his Existing Ordinary Shares. New Ordinary Shares issued under the Offering will be treated as acquired at the time of the Offering and will have a base cost of the offer price paid.

(ii) *Indexation/taper relief*

For periods after April 1998, indexation allowance is available only for the purposes of corporation tax and is not available to individuals, personal representatives or trustees. The following paragraphs accordingly deal separately with the position of UK tax resident corporate and non-corporate Shareholders.

(c) *Corporate Shareholders*

Shareholders within the charge to corporation tax will continue to obtain the benefit of indexation allowance on the New Holding and New Ordinary Shares issued under the Offering, although in calculating the amount of any indexation allowance on any subsequent disposal the expenditure incurred in subscribing for the New Ordinary Shares will be treated as incurred only when the Shareholder made or became liable to make payment of the Offer Price.

(d) *Non-corporate Shareholders*

For Individuals, personal representatives and trustees, indexation allowance has been frozen as at April 1998 (although indexation relief for holding periods up to April 1998 has been preserved) and has been replaced by a system of taper relief. Taper relief operates by reducing the amount of any gain realised on the disposal of an asset (after taking into account indexation relief, if applicable) by a percentage dependant on the period of ownership of that asset since April 1998 and on whether the asset qualifies as a business or non-business asset for that period. Taper relief will be calculated according to the period of ownership of a Shareholder's holding of Existing Shares.

(e) *Stamp duty and SDRT*

General

Following completion of the Offering 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. 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. 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.

The above statements are intended as a general guide to the current stamp duty and SDRT position. 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 Offering, a holder of Ordinary Shares chooses to deliver its Ordinary Shares into Euroclear Nederland (including Euroclear Nederland's CREST account), SDRT will generally be payable at the rate of 1.5 per cent. of the value of the Ordinary Shares. The holder of such Ordinary Shares will bear the cost of this SDRT charge in practice.

No SDRT (or, in practice, stamp duty) should be payable on any transfers or agreements to transfer Ordinary Shares within Euroclear Nederland.

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

- an individual and for whom the income or capital gains derived from the Offer Shares are attributable to employment activities the income from which is taxable in The Netherlands;
- an individual and who holds, or is deemed to hold a substantial interest (as defined below) in the Company;
- an entity and that is not 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, Offer 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, 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 Offer 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 Offer Shares will generally be subject to Dutch income tax on the income and/or capital gains derived from the Offer 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 Offer 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 Offer Shares that exceed regular, active portfolio management (*normaal, vermogensbeheer*).

If conditions (i) and (ii) mentioned above do not apply, any holder of Offer 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 Offer 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 Offer Shares. The Dutch corporate income tax rate is 20 per cent. on the first €25,000 of taxable income and 23.5 per cent. over the taxable income exceeding €25,000 up to including €60,000, and 25.5 per cent. over the taxable income exceeding €60,000.

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 Offer 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 Offer 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 Offer 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 Offer 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 Offer Shares or with regard to distribution on the Offer 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 Offer Shares in respect of or in connection with the subscription, issue, placement, allotment or deliver of the Offer Shares.

16. Third party information

- (a) The Company confirms that the information in this prospectus 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.
- (b) InnoStart, SHR, CIBA and BRE have given and not withdrawn their respective written consents to the inclusion in this prospectus of their names and the references to their respective reports and names in the form and context in which they appear.

17. General

- (a) The total expenses of the Offering and the Euronext Admission payable by the Company are estimated to amount to approximately €1.8 million (exclusive of value added tax). The net proceeds of the Offering accruing to the Company are, assuming no exercise of the Over-Allotment Option, estimated to amount to approximately €18.35 million. Based on an Offer Price of €4.03 being the Closing Price of the Ordinary Shares on AIM on 31 August 2007.
- (b) BDO Stoy Hayward LLP has given and not withdrawn its written consent to the inclusion in this prospectus of its reports as set out in Parts VI and VII in the form and context in which they are included.

- (c) The auditors of the Company are BDO Stoy Hayward LLP, Chartered Accountants and Registered Auditors, of 8 Baker Street, London W1U 3LL who have audited the consolidated financial statements of the Company for the three financial years ended 31 March 2007 and issued unqualified reports thereon.
- (d) Fortis has given and not withdrawn its written consent to the inclusion in this prospectus of references to its name in the form and context in which they are included.
- (e) Collins Stewart has given, and has not withdrawn its written consent to the inclusion of its name in this prospectus in the form and the context in which it appears.
- (f) Fortis is incorporated in The Netherlands with commercial register number 30064791, its registered seat is in Rotterdam and its office at Rokin 55, 1012 KK Amsterdam. Fortis is regulated by the Dutch Central Bank (De Nederlandsche Bank).
- (g) The New Ordinary Shares will be in registered form and are capable of being held in uncertificated form.
- (h) Other than pursuant to the Offering, none of the New Ordinary Shares are being marketed or made available in whole or in part to the public in conjunction with the application for Euronext Admission or AIM Admission in respect of the New Ordinary Shares.

18. Availability of Documents

- 18.1 Copies of the following documents will be available for inspection at the offices of the Company's solicitors, Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU during normal business hours on any weekday (excluding Saturdays and public holidays) up to and including the date of Euronext Admission:
- (i) the memorandum and articles of association of the Company;
 - (ii) the report of BDO Stoy Hayward LLP on the historical financial information relating to the Group for the three financial years ended 31 March 2005, 31 March 2006 and 31 March 2007, as set out in section A of Part VI of this prospectus;
 - (iii) the report of BDO Stoy Hayward LLP on the profit forecast for the year ending 31 March 2008 for the Group as set out in Part VII of this prospectus;
 - (iv) the rules of the Share Option Scheme referred to in paragraph 6 of this Part XI;
 - (v) the written consents referred to in paragraphs 16(b), 17(b), 17(d) and 17(e) of this Part XI; and
 - (vi) this prospectus.
- 18.2 This prospectus will be available to investors at no cost upon request to Fortis, Rokin 55, 1012 KK Amsterdam, The Netherlands, telephone number +31 (0)20-5272467, 'prospectus@nl.fortis.com' or through the website of the Company at 'www.accsysplc.com' and Euronext at 'www.euronext.com'. The Euronext website is only available for Dutch residents.

Dated: 3 September 2007

DEFINITIONS

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

“Act”	the Companies Act 1985 (as amended);
“Additional Shares”	additional new Ordinary Shares of up to 15 per cent. of the Offer Shares which the Company may be required to issue pursuant to the Over-Allotment Option;
“AFM”	Stichting Autoriteit Financiële Markten (the Netherlands Authority for the Financial Markets);
“AIM”	AIM, a market operated by the London Stock Exchange;
“AIM Admission”	admission of the New Ordinary Shares of the Company to trading on AIM;
“AIM Rules for Companies”	the rules and guidance for companies whose shares are admitted to trading on AIM entitled ‘AIM Rules for Companies’ published by the London Stock Exchange, as amended from time to time;
“Application Period”	the period expected to begin on 4 September 2007 and end on 17 September 2007 at 17:30 CET during which applications may be submitted for the Offer Shares;
“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 prospectus;
“BRE”	Building Research Establishment of Garston, Watford, Hertfordshire WD25 9XX, a UK research institute owned by the Foundation for the Built Environment;
“business day”	a day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in the City of London;
“Celanese Corporation”	Celanese Corporation, a company organised and existing under the laws of Delaware, US;
“Celanese Europe”	Celanese Chemicals Europe GmbH, a company incorporated in Germany;
“Celanese Group”	Celanese Corporation and its subsidiaries and affiliated companies from time to time;
“Celanese Ltd”	Celanese Ltd., a limited partnership organised and existing under the laws of the State of Texas;
“Celanese Option”	the option granted by the Company to Celanese Europe to subscribe for such number of new Ordinary Shares which, when aggregated with the 8,115,883 Ordinary Shares issued to Celanese Europe on 21 May 2007, would equal not more than 29.9 per cent. of the Company’s enlarged issued ordinary share capital immediately following admission of such Ordinary Shares to trading on AIM, as further described in paragraph 10(a)(iv) of Part XI of this prospectus;
“CET”	Central European Time;
“CIBA”	Ciba Speciality Chemicals Inc. of Klybeckstrasse 141, CH-4002 Basel, Switzerland, a company incorporated in Switzerland;
“Closing Price”	the closing middle market quotation of a share as derived from the Daily Official List of the London Stock Exchange;
“Collins Stewart”	Collins Stewart Europe Limited;
“Combined Code”	the Combined Code on Corporate Governance issued by the Financial Reporting Council;
“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 (as defined in the Regulations);

“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
“CREST Rules”	the rules and regulations and practices of Euroclear UK & Ireland Limited;
“Deferred Shares”	deferred shares of 10p each in the capital of Accsys;
“Disclosure and Transparency Rules” or “DTRs”	the Disclosure and Transparency Rules made by the Financial Services Authority pursuant to Part VI of FSMA;
“EEA”	European Economic Area;
“Eligible Persons”	persons who are institutional investors or investment professionals in the EEA or to persons to whom it may otherwise be lawful to distribute this prospectus to and for the avoidance of doubt, a US person is not an Eligible Person;
“Enlarged Ordinary Share Capital”	the issued ordinary share capital of the Company immediately following completion of the Offering;
“EU”	the European Union;
“Euroclear Nederland”	Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.;
“Euronext Admission”	the admission of the existing Ordinary Shares and the New Ordinary Shares to trading on Euronext Amsterdam by NYSE Euronext;
“Euronext Amsterdam”	Euronext Amsterdam N.V.;
“Euronext Amsterdam by NYSE Euronext”	Euronext Amsterdam by NYSE Euronext, the regulated market of Euronext Amsterdam;
“Euros” or “€”	Euros;
“Executive Directors”	Willy Paterson-Brown and Glyn Thomas;
“Existing Ordinary Shares”	the existing Ordinary Shares in issue at the date of this prospectus;
“Existing Ordinary Share Capital”	the issued ordinary share capital of the Company prior to completion of the Offering;
“Fortis”	Fortis Bank (Nederland) N.V.;
“FSMA”	the Financial Services and Markets Act 2000 (as amended);
“Group”, “Accsys Group” or “Existing Group”	Accsys and its existing subsidiary undertakings (and, where the context permits, each of them);
“ICC”	International Cellulose Company Limited, a wholly-owned subsidiary of the Company incorporated in Gibraltar;
“IFRIC”	International Financial Reporting Interpretations Committee;
“IFRS”	International Financial Reporting Standards;
“InnoStart”	InnoStart Consulting B.V., a Dutch independent research institute;
“Listing Date”	the date of Euronext Admission (expected to be 18 September 2007);
“Listing Rules”	the Listing Rules of the UK Listing Authority made in accordance with section 73A(2) of FSMA;
“London Stock Exchange”	London Stock Exchange plc;
“M&C”	MacNiven & Cameron Equity Holdings Limited;
“New Ordinary Shares”	up to 5,000,000 new Ordinary Shares to be allotted by the Company pursuant to the Offering;
“Non-Executive Directors”	Gordon Campbell, Stefan Allesch-Taylor, Timothy Paterson-Brown and Lord Sanderson of Bowden;

“Offering”	the public offering of the Offer Shares in The Netherlands and the private placement of the Offer Shares with certain institutional investors outside of The Netherlands, on behalf of the Company in respect of New Ordinary Shares and on behalf of the Selling Shareholders in respect of Sale Shares;
“Offer Price”	the offer price in respect of the Offer Shares to be determined on the basis set out in Parts III and VIII of this prospectus;
“Offer Shares”	the New Ordinary Shares and the Sale Shares;
“Official List”	the Official List of the UK Listing Authority;
“Ordinary Shares”	ordinary shares of €0.01 each in the capital of Accsys;
“Over-Allotment Option”	the over-allotment option granted by the Company to Fortis as described on page 79 of this prospectus;
“Places”	the places procured by Fortis pursuant to the Underwriting Agreement;
“Pricing Date”	the date on which the Offer Price and the actual number of Offer Shares will be announced (expected to be 17 September 2007);
“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;
“Regulation S”	Regulation S promulgated under the US Securities Act;
“Regulatory Information Service” or “RIS”	any channel recognised as a channel for the dissemination of information as defined in the glossary of terms in the AIM Rules for Companies;
“RIS Announcement”	an announcement by the Company made through an RIS;
“Sale Shares”	the 10,000,000 Ordinary Shares to be sold by the Selling Shareholders pursuant to the Offering;
“Selling Shareholders”	the persons listed in Part VIII of this prospectus;
“Senior Managers”	Rombout van Herwijnen, Kapil Girotra, Robert Schoolkate and Edward Pratt;
“Settlement Date”	expected to be 21 September 2007;
“Shareholder” or “Accsys Shareholder”	a holder of Ordinary Shares;
“Share Option Scheme” or “Unapproved Scheme”	the Company’s unapproved share option scheme, further described in paragraph 6 of Part XI of this prospectus;
“SHR”	Stichting Hout Research of Nieuwe Kanaal 96, NL–6709 PA Wageningen, P.O. Box 497, The Netherlands, a Dutch independent research institute;
“subscription”	includes purchase or apply for;
“subsidiary”, “subsidiary undertaking”, “associated undertaking” and “undertaking”	shall be construed in accordance with the Act (but for this purpose ignoring paragraph 20(1)(b) of Schedule 4A of the Act);
“Takeover Code”	The City Code on Takeovers and Mergers;
“Titan”	Titan Wood Limited, a wholly-owned subsidiary of the Company incorporated in England & Wales;
“Titan Wood”	Titan, TWBV and TWTBV;
“TWBV”	Titan Wood B.V., a wholly-owned subsidiary of Titan incorporated in The Netherlands;
“TWTBV”	Titan Wood Technology B.V., a wholly-owned subsidiary of the Company incorporated in The Netherlands;

“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UK GAAP”	generally accepted accounting principles in the UK;
“UK Listing Authority” or “UKLA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA;
“Underwriting Agreement”	the underwriting agreement to be entered into between the Company (1) the Selling Shareholders (2) and Fortis (3) prior to or on the Listing Date, further details of which are set out in Part IX of this prospectus;
“United States of America”, “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;
“US Securities Act”	the United States Securities Act of 1933, as amended; and
“VAT”	value added tax.

GLOSSARY OF TECHNICAL TERMS

acetic acid	commodity chemical made from natural gas; used in food preservation, solvent manufacture and chemical derivatives;
acetic anhydride	a highly active form of acetic acid made by eliminating water from acetic acid; used in the manufacture of acetate fibres and dmt, a raw material for polyester;
acetylation	the chemical process where acetyl groups are chemically bonded to cellulose pulp and to chemical components in wood;
acrylonitrile butadiene styrene	copolymer derived from styrene having particular strength and shock absorbance properties that is used in broad range of plastics ranging from commodities to highly specialised plastics;
CCA	chromated copper arsenate, the leading wood preservative, use of which is subject to increasing restrictions due to its extreme toxicity;
cellulose acetate	a basis cellulose derivative made through the acetylation of cellulose pulp derived (typically) from wood or cotton (see cellulose materials, below);
cellulose materials	wood and cotton are the primary sources of cellulose materials, which are then mechanically or chemically converted to commercial products;
cladding	exterior boards and panels on buildings and houses (known as siding in the US); serve both as decorative materials and as weather barriers;
CMC	carboxymethyl cellulose, a water soluble derivative of cellulose used in food for texture and control of moisture loss, in cosmetics and pharmaceuticals as a suspending and thickening agent;
cracking	the thermal separation of relatively inert chemicals into two or more components where one is highly reactive;
creosote	a liquid coal-tar derivative used for the past century as a wood preservative via high-pressure impregnation;
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;
FAO	Food and Agricultural Organisation of the United Nations;
FSC	Forest Stewardship Council;
furfural alcohol	furfural is first extracted from natural sources, such as oat hulls and sugar cane, and then hydrogenated to yield furfural alcohol;
furfurylation	the process where furfural alcohol is chemically bonded to the components in wood;
HEC	hydroxyethyl, non-ionic water soluble polymers made from cellulose and ethylene oxide; used in water based paints, joint cements, drilling muds, etc.;
hydrophobic	water repellent;
ketene	a highly reactive gas derived from cracking acetic acid;
m³	cubic meters;
MDF	medium density fibreboard;
Meranti	tropical woods used for windows, door and external panels/trim;
MT	metric tonne;
OSB	orientated strand board;
polydispersity	the name given to the aspect of a polymer which describes the dispersity range of the individual molecules within the polymer;
polymerisation	the knitting together of monomers, either of like kind or with co-monomers, to create a long chain of the monomers in repeating groups;

polymers	materials which are composed of repetitions of the same chemical to form long chains;
PVC	polyvinyl chloride, a plastic used in building products made from vinyl acetate monomer and chlorine and blended with metals such as lead and cadmium to deliver particular physical properties;
styrene	styrene (also vinyl benzene, cinnamene, etc.) is an organic compound which is an aromatic hydrocarbon having the chemical formula C_8H_8 . its chemical derivatives, such as polystyrene and styrene butadiene, are used in thousands of everyday products;
UV	ultra violet light, a wavelength of light that is just slightly shorter than the visible spectrum;
'U' Value	a value representing overall thermal conductance from the outside to inside covering all modes of heat transfer;
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.

