

Regulatory Announcement

Company Accsys Technologies PLC
TIDM AXS
Headline Preliminary Results
Released 15 June 2016
Number 2046B



AIM: AXS
NYSE Euronext Amsterdam: AXS

15 June 2016

ACCSYS TECHNOLOGIES PLC (“Accsys” or “the Company”)

Preliminary Results for the year ended 31 March 2016

Accsys, the chemical technology group, focused on the acetylation of wood, today announces preliminary results for the twelve months ended 31 March 2016.

	Year to 31 March 2016	Year to 31 March 2015	Change
Total Group Revenue	€52.8m	€46.1m	+15%
Gross profit	€18.2m	€12.2m	+49%
Underlying EBITDA	€2.4m	(€2.4m)	
Underlying loss before tax	(€0.5m)	(€5.0m)	
Loss before tax	(€0.5m)	(€7.7m)	
Period end cash balance	€8.2m	€10.8m	

Financial highlights:

- Total revenue increased by 15% to €52.8m (2015: €46.1m), driven by higher prices and increased licensing income;
- Significant gross margin growth, up 700bps to 34% as a result of higher revenue;
- First full year of positive EBITDA since restructuring in 2010 and 2011;
- Loss before tax improved to almost break-even, to €0.5m from €7.7m in 2015;
- Manufacturing segment profitability continues to improve, recording EBITDA of €8.3m (2015: €6.9m); gross manufacturing profit margin increased from 25% to 27%;

Strategic and Operational Highlights:

- Significant steps taken to increase manufacturing capacity;
- Capacity utilisation successfully managed through process optimisation and pricing; expect to be operating at full capacity in run up to expanded plant being completed;
- 50% increase in capacity of Accoya plant in Arnhem on track for production in 2017 with pre-construction engineering and design work completed;
- Enhanced collaboration with Solvay; transition of Accoya customers completed; Solvay committed to Accoya with 76,000m³ off-take over five year period ahead of their own plant being constructed;
- Proposals announced for a consortium with BP and Medite to fund, construct and operate first dedicated Tricoya plant in Hull with pre-construction engineering and design work completed; significant

progress made towards full agreements and funding which is expected to be completed later in 2016 and which will have a substantial positive impact on the Group.

Paul Clegg, Chief Executive commented:

"I am pleased to report further progress, with improved profitability and significant steps towards our objectives of increasing manufacturing capacity in order to meet demand for our products. Our collaboration with Solvay has allowed us to commence work in respect of the expansion of our Accoya plant in Arnhem and we have made significant progress in forming the proposed consortium with BP and Medite in respect of the first Tricoya wood chip acetylation plant in Hull. All together, I believe the company is in a stronger and more exciting position than at any time in our history."

There will be a presentation relating to these results at 10:00 BST on Wednesday 15 June 2016. The presentation will take the form of a web based conference call, details of which are below:

Webcast link:

[Click here](http://edge.media-server.com/m/p/7z2wcprr) or copy and paste ALL of the following text into your browser:
<http://edge.media-server.com/m/p/7z2wcprr>

Conference call details for participants:

Participant Telephone Number: +44 (0)20 3427 1913 (UK Toll)
Confirmation Code: 5253246

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

For further information, please contact:

Accsys Technologies PLC	Paul Clegg, CEO Hans Pauli, COO Will Rudge, FD	via MHP Communications
Numis Securities	Nominated Adviser: Oliver Cardigan Corporate Broking: Christopher Wilkinson Ben Stoop	+44 (0) 20 7260 1000
MHP Communications	Tim Rowntree James White Tess Harris	+44 (0) 20 3128 8100
Off the Grid (The Netherlands)	Frank Neervoort Giedo Van Der Zwan	+31 681 734 236 +31 624 212 238

Accsys Technologies PLC

Chairman's Statement

This year has seen a significant step forward for the Group as EBITDA turned positive and we announced two significant developments towards fully exploiting our technology for both Accoya® and Tricoya®. We have worked closely with Solvay in establishing new arrangements which will allow us to double the Accoya capacity in Arnhem, the first phase of which will be on stream in 2017. In addition we announced in February, BP's participation as the proposed consortium partner to join with Medite and Accsys to fund, build and operate the world's first Tricoya® wood elements acetylation plant. These developments have been achieved as a result of the dedication and commitment of all of our employees who believe passionately in the value of our technology. I believe the Company is today in a strong position and on the cusp of something truly exciting and rewarding for all stakeholders.

Financial Summary

Total revenue for the year ended 31 March 2016 increased by 15% to €52.8m (2015: €46.1m). Within this total, Accoya® wood revenue increased by 7% to €43.5m (2015: €40.7m) largely as a result of pricing, while licence income increased from €0.4m to €2.8m reflecting the new arrangements with our Accoya licensee Solvay.

Gross profit margin improved from 27% to 34% due to the higher licence income, increased Accoya prices and continued operating efficiencies. Other operating costs (excluding exceptional items) increased by 15% to €18.5m (2015: €16.0m) due to the inclusion of €1.6m of costs relating to the Tricoya business which was equity accounted in the previous year, together with an increase in staff costs resulting from increased activity levels.

The above improvements resulted in a €4.8m increase in underlying Group EBITDA to €2.4m (2015: EBITDA loss of €2.4m). This is the first time we have been EBITDA positive since our restructuring in 2010 and 2011.

Accoya sales volumes increased by 1% as a result of our pricing strategy which enabled us to manage supply and demand ahead of additional manufacturing capacity becoming available at Arnhem, expected in calendar year 2017. This increase will initially add 50% to our production capacity, to be followed by a fourth reactor adding another 50% as demand requires. The improved pricing implemented in the second half of the previous financial year were complemented by operating efficiencies and together resulted in a 20% improvement in the manufacturing facility EBITDA, an increase from €6.9m to €8.3m.

The cash balance of €8.2m at 31 March 2016 (2015: €10.8m) reflects an improvement in the underlying operating cash flow, which improved by 22% to €3.5m cash inflow from operating activities before changes in working capital. We have also invested €4.1m principally for engineering work for the Arnhem expansion and proposed Tricoya plant in Hull, together with maintenance and improvements to the existing Arnhem plant.

Operational progress

The health and safety of our staff is our priority and we continue to seek improvements to ensure we do everything we can to exceed industry expectations by challenging our methods, improving our reporting and continuing to learn.

Accoya wood sales volumes remained relatively flat for the year (33,847m³), following price increases last year which we implemented to improve profitability and to help manage our capacity utilisation, with the result that some of our distributors, in particular in North America managed their inventory levels.

Demand for Accoya continues to be strong and we continue to believe the long term market opportunity remains substantial, with in excess of 1 million m³ of Accoya sales per annum being achievable in the long term. In light of recent improvements to our existing Accoya plant we would expect an increase in sales volumes in the new financial year, although recognising our short term manufacturing capacity is limited to approximately 40,000m³.

In November 2015 we agreed a number of important changes to our relationship with our Accoya licensee, Solvay. These will enable us to double the capacity of our manufacturing plant in Arnhem in stages, with a first new reactor adding 50% extra capacity, expected to be operational in calendar year 2017. Solvay remains committed to Accoya under a revised licence agreement, and has taken over responsibility for Accoya sales and marketing in a revised region covering most of central Europe and Scandinavia, committing to purchase a minimum of 76,000m³ over five years. The agreement provides a platform to help underpin the expansion of Arnhem through a combination of fees and a loan.

In February 2016 we were very pleased to announce BP's participation in the proposed consortium to fund, build and operate the world's first Tricoya® wood elements acetylation plant. BP Ventures acquired an initial 3% equity interest in our Tricoya business, implying a valuation of €35m. The investment was a first step in the formation of a consortium led by Accsys and with BP and Medite, expected to result in the creation of a new operating business in which Accsys will retain a substantial shareholding. Considerable progress has been made by the parties and we look forward to the full consortium being finalised later in 2016 with additional funding necessary to build the plant in Hull, UK.

The Tricoya plant is expected to have an initial capacity of 30,000 metric tonnes of acetylated Tricoya chips per annum, equivalent to approximately 40,000m³ of panel products. The acetylated chips will be used as feedstock for the production of high performance MDF or particle board panels in a market estimated to be approximately 200 million m³ annually. It is proposed that the plant in Hull will be built in such a way that further capacity can be added to the site as demand grows.

Accsys Technologies PLC

Chairman's Statement

Outlook

The agreements with Solvay will allow Accsys to expand our manufacturing capability leading to higher Accoya volumes and higher manufacturing EBITDA in the medium term. This increased capacity will also provide greater flexibility in order to target new markets as we continue to develop demand for Accoya globally as well as provide material for production of Medite Tricoya, ahead of the new Tricoya plant in Hull becoming operational.

The progress we have been able to make in respect of Tricoya is particularly exciting; with the proposed consortium providing the basis for the first step in exploiting a market which we believe is in excess of 1.6 million m³ per annum. Accsys will benefit from both the expected substantial manufacturing profits and licensing revenues.

The new financial year has started with demand for Accoya continuing to support the expansion of our manufacturing facilities as soon as we can.

I believe the progress we have made over the last two years has put the Company in a more financially stable position than ever before and I am confident that we will be able to build upon this in order to achieve our goals of increasing total manufacturing capacity over the next two to three years.

Patrick Shanley
Non-executive Chairman
14 June 2016

Accsys Technologies PLC

Chief Executive's Report

A steady year for Accoya® sales

Total revenue for the year ended 31 March 2016 increased by 15% to €52.8m (2015: €46.1m). Within this total, Accoya® wood revenue increased by 7% to €43.5m (2015: €40.7m) largely as a result of pricing, while licence income increased from €0.4m to €2.8m reflecting the enhanced relationship with our Accoya licensee Solvay.

Underlying demand for Accoya remains strong and I am pleased to report that Accoya continues to gain ever greater recognition and acceptance in the market place as the benefits of Accoya are recognised over those of hardwoods and other man-made materials. The smaller increase in sales volume compared to recent years was in part a result of our pricing strategy in order to manage demand as we near our existing capacity. In addition, sales in certain geographies were less than had been expected, with our customers in the Benelux taking longer to recover from the economic downturn and some customers in North America undergoing a period of destocking.

In January, Solvay assumed responsibility for sales and marketing in their exclusive region which includes Germany, France, Italy, Spain, Poland and Scandinavia and have committed to purchase a minimum of 76,000m³ of Accoya from Accsys over a five year period to help support the development of their region. We have continued to work closely with Solvay supporting the transition and will continue to develop marketing campaigns and strategy with them, building on our success over recent years. Sales volumes in their region marginally reduced in the period as a result of the transition and due to some de-stocking of key customers, however these are expected to increase in the new financial year.

The assumption of responsibility for sales in Solvay's region enables us to redeploy some of our resources. We will continue to focus on the UK, our largest and strongest market, as well as the Benelux which has underperformed as noted above. In addition, we have hired new, highly experienced staff to our North American sales team as we believe this market provides the greatest opportunity for growth in the longer term.

Sales in Asia Pacific grew steadily with growth in Japan, Australia and New Zealand. Sales also resumed to Diamond Wood and we continue to believe the entire region represents a significant long term opportunity for Accoya.

We continue to develop our sales and marketing methods which vary depending on market and preferences for particular applications. This has also enabled us to learn and we will continue to transfer knowledge and practices between markets in order to understand how best to take advantage of the market opportunity as new manufacturing capacity becomes available.

Accoya sold to Medite for the manufacture of Medite Tricoya® increased by 21% to €6.6m (2015: €5.5m). The margin for this material remains below that achieved for the majority of Accoya we sell, reflecting our investment in the Tricoya project and that the current manufacturing process is in place only until the first dedicated Tricoya plant is operational. We continue to expect volumes sold to Medite to increase marginally in the new financial year, given potential capacity limitations in Arnhem.

We have 59 Accoya distributor, supply and agency agreements in place covering most of Europe, Australia, Canada, Chile, China, India, Israel, Mexico, Morocco, New Zealand, South Africa, parts of South-East Asia and Middle-East and the USA.

The increase in revenue largely resulted from an approximate 5% price increase for our Accoya customers implemented during the third quarter of the previous financial year which improved our margin on a comparable basis in the first half of the new financial year. The second half of the year was impacted by our maintenance stop in October and a Christmas period which is quiet for the whole industry. In addition, the last quarter was impacted by lower sales prices to Solvay, following their assumption of sales and marketing responsibilities in their region and their related five year off-take agreement.

There were no significant Accoya price changes in the year, other than minor adjustments to reflect some regional foreign exchange variations. We have no imminent plans for significant price changes however we will continue to keep prices under review in the new financial year given the underlying demand for Accoya.

In November 2015, I was pleased that Accsys was recognised with the Cradle to Cradle Products Innovator Award, recognising leaders across industries that are designing for upcycling and making products with safe ingredients that are perpetually cycled and manufactured in ways that respect humans and the environment.

Another increase in Accoya® manufacturing plant profitability

The price increases and on-going improvements and efficiency gains enabled manufacturing gross profit to increase from 25% to 27% with manufacturing EBITDA increasing by 19% to €8.3m (2015: €6.9m).

We continue to believe our existing manufacturing is an illustration of the returns achievable when producing Accoya on a larger scale. We expect the economies of scale resulting from operating at full capacity to result in a higher gross margin. Further improvements in profitability are expected to result from the expanded plant as a result of economies of scale associated with operating our chemical plant. In turn these are expected to improve the profitability of the overall Group given the remainder of the Group's costs are less variable in nature.

Investing in our manufacturing process and developing improvements to equipment and the chemical process remains a core part of our business. Improvements are sought to increase capacity, reliability and efficiency, all of which will also help improve the profitability of our licensee's plants. We will continue to invest in the new financial year, and will be incorporating what we have learnt and improved so far into our new reactors and expanded plant.

Our significant research and development programme continues to identify future improvements to our process as well as product and application developments. We continue to carry out both research and development into additional species to be commercially acetylated

Accsys Technologies PLC

Chief Executive's Report

which we will believe will bring further market and supply opportunities. We are also seeking to increase the strength of our supply chain to enable our future growth and to support new manufacturing capacity as it becomes available.

Enhanced collaboration with Solvay

In November, we were pleased to announce a new arrangement with our Accoya licensee, Solvay Acetow GmbH ('Solvay'), providing the framework and funding for Accsys to significantly increase our manufacturing capacity in Arnhem.

Solvay will purchase a minimum of 76,000m³ of Accoya from our Arnhem plant over the period from 2016 to 2020 (the "offtake commitment") and has taken over full responsibility for sales and marketing for a reduced exclusive region in Europe from January 2016.

The arrangement enables Accsys to generate increased Accoya manufacturing capacity in a faster timescale than previously would have been possible and Solvay will review the optimal timing to construct its own 63,000m³ Accoya manufacturing plant. This also enables Accsys to generate higher returns from manufacturing a higher volume of Accoya over the next few years than was previously envisaged and in return Solvay will benefit from developing higher demand for Accoya to be manufactured from its own plant when it becomes operational.

We will double our existing manufacturing capacity in Arnhem in stages. Work has commenced in respect of the first stage of the expansion which will result in a third reactor, adding 50% additional capacity (to a total of in excess of 60,000m³). We have completed the pre-construction engineering and design work, which also includes the chemical backbone enabling a fourth reactor to be added separately. We expect the third reactor to be operational in mid-2017 calendar year. The fourth reactor will be added at a later date as demand requires.

The addition of the third reactor will be funded through a combination of loans and fees from Solvay, in addition to those due under the offtake commitment, with the balance expected to be met by our own resources, including the expected sale and leaseback of the remaining land at Arnhem, noting that our existing manufacturing site was subject to a similar agreement in 2011.

Proposed Tricoya[®] consortium

We have made a significant and exciting progress in the creation of a new consortium which is expected to result in Accsys holding a major stake in a valuable new business.

In February 2016 we announced BP's participation in the proposed consortium (the 'Consortium') to fund, build and operate the world's first Tricoya[®] wood elements acetylation plant. Accsys and BP Ventures ('BPV') agreed initial funding in respect of the Consortium, with BPV acquiring an initial 3% equity interest in Tricoya Technologies Limited ("TTL"), implying a valuation of TTL at €35 million today.

BPV's investment follows €1.3m already contributed by BP and Medite since April 2015. The pre-construction engineering and design work has been completed, engineering, procurement and construction (EPC) contractors have been shortlisted and detailed planning is continuing for the plant, which is expected to be located at the Saltend Chemicals Park in Hull, UK, adjacent to BP's existing acetyls facility. BPV's on-going participation in the Consortium remains conditional upon the full Consortium being finalised later this calendar year.

BP's involvement results from a historical interest in acetylation having conducted research and development into wood acetylation at its Hull site in the past. BP Chemicals has also been a key partner of Accsys, supplying acetic anhydride for its Accoya plant in Arnhem since it began operations and entering into a collaborative strategic relationship in 2012.

The Consortium is also expected to include Medite, part of the Medite Smartply group and Accsys's historic joint development partner. Medite has received board approval in principle to invest in the Consortium and to enter a long-term offtake commitment for up to nearly half of the Tricoya plant's initial annual capacity.

The Hull plant will have an initial capacity of 30,000 tonnes per annum (tpa) (sufficient to manufacture 40,000m³ of panels) with scope for expansion. Approximately 60% of the plant's output is expected to be sold under committed take-or-pay agreements with Medite and Masisa; cash flow break-even is at approximately 40% capacity. The plant is expected to cost approximately €61m, with a further approximately €15m required for continued market seeding, marketing, IP development and engineering functions to cash breakeven.

The global market for Tricoya panel products is estimated at between 1.6 million and 4.5 million m³ per annum, which would occupy around 1% of global MDF manufacturing capacity. Tricoya panels were introduced to the market by Medite in 2011, manufactured using chipped Accoya. Sales have roughly doubled each year since, and total panel sales to date exceed 13,000m³ (approximately 1,200,000m²), representing a sales value of approximately €18m. TTL intends to grow the market for Tricoya wood elements through a combination of own manufacture in key territories and licensing/partnering in other geographies.

BP and Medite are together expected to invest approximately €30m and up to €20m is expected to be provided from bank debt, which is possible as a result of a committed off-take agreement from Medite. Accsys's contribution is substantially in the form of intellectual property and the development of the Tricoya business to date such that our remaining contribution is expected to be limited to approximately €1m and our on-going provision of Accoya as market seeding material, as we have been since 2011.

The balance of approximately €25m is expected to be contributed by the final consortium members and TTL has engaged Opus Corporate Finance LLP to advise in this respect. As a result, Accsys is expected to retain a substantial interest in the consortium, reflective of the substantial investment we have made in respect of the Tricoya technology and market development over many years.

The formation of the Consortium remains conditional upon detailed agreements being finalised between the parties including the debt and equity finance. However we are confident that the substantial progress made over the last year by the Consortium will lead to the completion later this year, with the Tricoya plant being operational in 2018.

Accsys Technologies PLC

Chief Executive's Report

Intellectual Property

Accsys continues to focus on and invest heavily in the generation and protection of intellectual property relating to the innovation associated with its acetylation processes and products to ensure ongoing differentiation and competitive advantage in the market place. Whilst each new innovation is carefully considered, patenting and/or maintaining valuable know-how as a trade secret remains the typical route through which our innovation is protected.

Accsys currently has an extensive patent portfolio with over 40 granted patents in various countries throughout the world and over 120 pending patent applications across more than 20 patent families covering all major markets. Significant R&D resources are employed to maximise the scope of our patent rights to not only cover the products we and our distributors and licensees sell, and the processes by which these products are made, but also to prevent competitors from commercialising similar products and processes.

Management of Company know-how remains an essential element of safeguarding our innovation, with confidentiality protocols in place to prevent unauthorised access to such know-how and to place strict contractual obligations on third parties collaborating with Accsys. Increasing Company-wide awareness of the importance of protecting and controlling our know-how is a key initiative with particular focus on minimising risks when collaborating with third parties.

Our well established trade mark portfolio remains unchanged and covers the key distinctive brands Accoya[®], Tricoya[®] and the Trimarque Device under which products are marketed, alongside the corporate Accsys[®] brand, including transliterations in Arabic, Chinese and Japanese. All of our key brands have now been registered in over 50 countries, and have become valuable house-hold names in the timber and panel industries.

Accsys continues to maintain an active watch on the commercial and IP activity of third parties to monitor and take actions if its IP rights are being infringed, to identify potentially valuable third party IP which could be exploited via a strategic alliance, in-licence or purchase of third party IP and to obtain an early insight into third party IP which could potentially hinder our proposed commercial activity.

Both the patent and trade mark portfolios, together with other protected IP, including material under copyright and domain names, continue to be regularly reviewed to ensure alignment with the Company objectives and to confirm obligations to licensees are being fulfilled.

Careful IP management, effected via our qualified in-house IP manager working in close conjunction with our technology, engineering, product development, marketing and commercial groups, and supported where appropriate by external patent and trade mark attorneys, ensures our IP portfolio is not only maintained and protected, but is grown in a cost effective manner, adding value to our manufacturing and licensing businesses.

Outlook

Managing the demand for Accoya given our short term capacity constraints will continue to be a challenge in the shorter term. The progress we have made in the year towards securing additional manufacturing capacity provides certainty in the medium term such that I am confident that both Accoya and Tricoya sales will grow in the new financial year, although such growth will necessarily be more limited than in past years until the new capacity comes on stream.

The new agreement with Solvay provides us with an opportunity to generate higher returns than previously envisaged over the next few years and in the longer term also gives us more capability to develop the substantial market which we continue to believe exists for Accoya globally. The EBITDA level expected to be generated from the expanded Arnhem plant will reflect further economies of scale associated with operating a chemical plant. This is expected to result in significantly improved EBITDA for the Group as a whole given the level of costs incurred by the remainder of the Group which is focussed on business development.

The proposed Consortium for Tricoya and the detailed plans in place for the first dedicated chip acetylation plant in Hull are particularly exciting. When completed, it will result in a substantial new operating business for which Accsys will continue to have a substantial interest.

Our financial position remains good and despite the significant investment required to execute both the Arnhem expansion and the Tricoya plant, I am confident we have or are putting in place appropriate financing arrangements to ensure that maximum possible financial returns are achieved for shareholders.

The new financial year has continued to demonstrate strong underlying demand for Accoya. On an operating activities basis, we expect to remain cash flow positive over the year ahead as we look towards the next key milestone in our development. I am confident that our overall position is stronger than at any point in our history and I am excited about our long term growth prospects.

Paul Clegg
Chief Executive Officer
14 June 2016

Accsys Technologies PLC

Our market

The superior qualities that our technology brings are driving customers to choose our materials over established wood products giving enormous scope to increase our penetration of this vast global market.

Our technology

Accoya is based upon acetylated wood technology, a process that has been studied by scientists around the world for more than 80 years.

The physical properties of any material are determined by its chemical structure. Wood contains an abundance of chemical groups called "free hydroxyls". Free hydroxyl groups absorb and release water according to changes in the climatic conditions to which the wood is exposed. This is the main reason why wood swells and shrinks. It is also believed that the digestion of wood by enzymes initiates at the free hydroxyl sites – which is one of the principal reasons why wood is prone to decay.

Acetylation effectively changes the free hydroxyls within the wood into acetyl groups, which already naturally exist in wood at lower levels. This is done by reacting the wood with acetic anhydride, which comes from acetic acid (known as vinegar when in its dilute form). When the free hydroxyl group is transformed to an acetyl group, boosting the acetyl level, the ability of the wood to absorb water is greatly reduced, rendering the wood more dimensionally stable and, because it is no longer digestible, extremely durable.

Our Products

Accoya

Overview

Accoya® is the world's leading high technology long life wood (www.accoya.com). Created via acetylated wood modification, a highly sustainable process which also uses sustainably grown timber, the Accoya® process creates a modified wood that matches or exceeds the durability, stability and beauty of the very best tropical hardwoods and other man-made materials.

Applications

Accoya® wood is ideal for windows, external doors, cladding, siding, decking, structural and civil engineering projects due to world class dimensional stability and class 1 durability.

Tricoya

Overview

Tricoya® Wood Elements (www.tricoya.com) are produced using Accsys's proprietary technology for the acetylation of wood chips, and particles for use in the fabrication of panel products such as medium density fibreboard and particle-board. These products demonstrate enhanced durability and dimensional stability which allow them to be used in a variety of applications that were once limited to tropical hardwood or man-made products.

Applications

The potential applications for Tricoya® are far ranging and will inspire creativity and discovery, particularly in environments where humidity and weather are usually concerns. Typical applications include: Façade cladding/siding and other secondary exterior applications, window components, door components and door skins and wet interiors, including wall linings.

Market

We believe the potential market for Accoya and Tricoya is in excess of 2.5 million m³ annually.

Last year we sold 33,847 m³ of Accoya, however the total global solid wood market is understood to exceed 400 million m³ annually and we believe sales in excess of 1 million m³ annually are ultimately achievable. While it may take some time for Accoya to reach its full market potential, we are confident that continued strong sales growth can be generated. The majority of our Accoya sales is to a network of timber distributors which in turn supply a variety of industries, principally for joinery (windows and doors) and for decking and cladding. As we expand, we expect that new opportunities will also be developed as we become able to meet the demands of larger scale manufacturers and also as we continue to develop our product and its applications.

Tricoya panels' enhanced performance and moisture resistance makes them particularly suited to external applications including facades and cladding, soffits and eaves, exterior joinery, wet interiors, door skins, flooring, signage and marine uses. Tricoya displaces alternative more expensive or less easily handled products and opens up major new market opportunities in the construction sector.

The global market for Tricoya panel products is estimated in excess of 1.6 million m³ and up to approximately 4.5 million m³ per annum. This would occupy around 1% of global MDF manufacturing capacity. Tricoya panels were introduced to the market by Medite in 2012, manufactured using chipped Accoya. Sales have roughly doubled each year since, and total panel sales to date exceed 12,500m³ / 1,000,000m², representing a sales value of approximately €18m.

Accsys Technologies PLC

Business model

We leverage our unique capabilities to create value for our stakeholders from our proprietary platform technology, enabling a cycle of reinvestment. Sustainability is at the heart of everything we do.

Sustainability

Our products are the most environmentally friendly building solutions over their full life cycle, made from abundantly available, fast growing, sustainably sourced, renewable resources, yet with durability and dimensional stability exceeding the best performing tropical hardwoods. They are natural building materials with low maintenance and consistent qualities of the highest performing non-sustainable man-made materials; while benefitting from all positive attributes of wood (sustainability, strength, beauty) without the downfalls (poor durability & stability).

Our Key Strengths

Intellectual property, expertise and innovation

Our acetylation technologies have been developed over many years and enabled us to develop the unique Accoya® and Tricoya® products. Our IP exists on a number of different levels and is exploited in different ways.

Accsys has developed a number of families of registered and pending patents relating to our products and processes which provide robust protection and enable us to market our products and processes to third parties. Equally important is extensive know-how and trade secrets covering our process, raw materials, equipment and products which provide commercial protection, the ability to generate value from third parties and a basis for on-going innovation.

Branding

Under our trademarked brands Accoya® wood and Tricoya® wood elements.

Strong branding and trade mark protection is vital and has enabled our products to generate a significant presence in a relatively short time in what is otherwise a fragmented market place. We portray that our products are revolutionary, class leading and sustainable while offering value for money when considering performance benefits and the product lifecycle.

Business partners

Relationships with third parties have contributed to our success and help us meet our long term strategic targets.

Development of third party relationships is important at every level of the business. Particular importance is placed upon those which help develop our technology, products and their place in the market including equipment manufacturers, wood suppliers, the acetyls industry, testing and certification bodies as well as wood coating, adhesives and other system supply specialists. Our product development team seeks to co-develop new applications directly with other companies. In addition, we will continue to work with others to ensure we develop larger scale manufacturing capacity.

Our people

Our people are key to our success, with high staff retention and a commitment to the future of the Company.

Our focus on R&D, innovation and fulfilling the full potential of our products and technologies is dependent on our employees. A significant amount of value is generated from know-how; working with wood products, understanding our brand on a global basis, to optimising the acetylation process. Therefore we have focussed on developing, motivating and retaining a committed team with the necessary skills and experience to help the Group meet its objectives.

Our Technology

Our wood acetylation technology is a platform that has application to be used on several different solid woods and multiple different panel products.

Our commitment to R&D and innovation is based on the belief that wood acetylation is applicable to multiple wood products and species and that we have established a platform technology that can be developed to generate additional products and uses. For example, different species of wood will enable Accoya to be used for even more purposes while opening up greater supply chain opportunities. Our Tricoya process, which is initially expected to be used by manufacturers of MDF boards, also has the potential to be used for particle board manufacture.

Accsys Technologies PLC

Business model

How we Create Value

Manufacturing

Accsys's manufacturing plant in Arnhem was built as a proof of concept facility and has since been improved and capacity increased through constant process improvements. It has demonstrated that our acetylation process works on an industrial scale and confirmed the commercial viability of Accoya and Tricoya.

The plant generates a substantial profit on a standalone basis being break even at only approximately 50% of its current capacity. The returns will be further improved as capacity is improved and expanded. In addition it is a centre for carrying out commercial level R&D and a tool for evaluating further improvements to our processes.

Working with third parties

Working with third parties provides the greatest prospect for taking advantage of a substantial global market opportunity.

Manufacturing our products provides the greatest opportunity for generating profit given the value that is added via our process, and manufacturing directly ourselves, offers significant long term rewards. However, we have and will continue to work with appropriate third parties in order to help us achieve our long term objective of expanding the production footprint globally and in particular where such parties have resources or technologies which complement our own.

Our ambition to retain a direct interest in manufacturing is characterised by our relationship with our licensee Solvay in Europe and in respect of Tricoya, where our proposed consortium builds upon a broader level of experience and capabilities in the acetyls and panel industries.

Outcome

Increasing revenue and returns enable continued investment in R&D, people and partnerships in order to take advantage of the substantial opportunity which we believe exists.

Our strategy

Strategic Priority	Ambition	Progress in 2016	Priorities for 2017	Risks
Manufacturing	<p>Increased production of Accoya® at our Arnhem plant to supply our clients, develop new markets and drive demand for Accoya as well as for use as a feedstock in the production of Tricoya®.</p> <p>Continued focus on reducing cycle time to increase Arnhem capacity and profitability.</p> <p>Desire to retain equity interest in manufacturing of our products where possible.</p>	<p>Production remained relatively flat at 33,431m³ following price increases implemented in part to manage demand given short term capacity is limited to approximately 40,000m³, and as a result of lower than expected sales in some regions.</p> <p>Equipment and other process improvements implemented increasing reliability and potential for incremental additional capacity increases.</p> <p>Proposed Tricoya consortium enables our direct involvement as lead in proposed Hull wood chip acetylation plant.</p>	<p>Expansion of Arnhem plant by addition of third reactor with chemical backbone to be put in place for future fourth reactor at later date.</p> <p>Reliability and maximising of output from existing Arnhem facilities in order to meet demand.</p> <p>Formation of full consortium to build, operate and run Tricoya plant, with ambition of Accsys retaining largest shareholding.</p>	<p>Sales impacted by inability to meet or manage demand given our relatively small current capacity compared to potential demand.</p> <p>Process improvements likely to be ever harder to achieve with no certainty that capacity from existing plant will be increased further.</p> <p>The Tricoya process is based on our core acetylation knowledge but may present unexpected design issues requiring more complex engineering.</p>
Meeting global demand	<p>Ongoing licensing of Accoya® acetylation technology to achieve multiple licence agreements, including Solvay, to satisfy global demand for solid wood.</p> <p>Development of extended global distributor network.</p> <p>Establishing and further development of detailed engineering documents, engagement of third party engineering experts.</p> <p>Development of model to benefit from our expertise by assisting 3rd parties in areas including sales, marketing, product and technical development, operations and maintenance.</p> <p>Continued close cooperation between Accsys and third parties to further develop and facilitate the licensing of Tricoya®.</p>	<p>Solvay licence renegotiated providing support for expansion of Arnhem plant but increasing time expected until Solvay's plant is operational, while ensuring Solvay's commitment to Accoya via five year Accoya purchase commitment.</p> <p>59 distribution agreements in place around the globe.</p> <p>Pre-construction engineering and Design work completed for planned expansion in Arnhem and the proposed Tricoya plant in Hull.</p> <p>Formally working with Solvay on sales and marketing activities in their exclusive region.</p> <p>Accsys leading formation of proposed Tricoya consortium ensuring full involvement in all business areas including sales, marketing, product development, operations and maintenance.</p> <p>Working with Masisa towards execution of full Tricoya licence agreement in respect of Latin America.</p>	<p>Working with Solvay to develop new opportunities in their exclusive region in Europe.</p> <p>Limited new agreements expected given short term capacity restrictions. Focus is on working closely with existing distributor base and optimising sales and marketing methods.</p> <p>Finalisation of Tricoya consortium essential in order to allow Tricoya to develop in market place at expected growth rates.</p> <p>Further market development work expected to be undertaken by Masisa ahead of decision to execute Tricoya licence for Latin America.</p>	<p>Manufacturing capacity in short term is limited and our ability to manage demand at near capacity levels could result in negative market reaction.</p> <p>European economic climate may reduce the number of new sales opportunities resulting in lower than expected sales.</p> <p>A delay in expansion of Arnhem plant or the proposed Tricoya plant in Hull may result in uncertainty with our customers impacting sales in the shorter term.</p>

Our strategy

Strategic Priority	Ambition	Progress in 2016	Priorities for 2017	Risks
<p>Research and Development</p>	<p>Continued R&D and product development activities to generate future value via development of additional and enhanced applications.</p> <p>Further development of new species to aid licensing discussions and maximise value through reduced costs as well as generate new applications and increased revenue.</p> <p>Strengthened protection of intellectual property.</p>	<p>Progress included meeting US building code requirements for decking, working with coating companies to lengthen their warranties, through to validation of Accoya for use within velodromes.</p> <p>On-going programme of R&D, included progression of acetylated Beech which has been used a number of projects around the world.</p> <p>Now over 40 granted patents and over 120 pending patent applications.</p>	<p>Further product specifications to be completed, working with Solvay, including for decking and structural applications. Development of selective engineered timber options.</p> <p>Development of supplemental species to increase supply options as manufacturing capacity increases.</p> <p>See CEO's report for further details.</p>	<p>Additional applications and new species development remains uncertain given the inherent nature of R&D. An element of the Group's strategy for growth envisages existing or new products being sold into new markets such that slower development could impact longer term growth.</p>
<p>Brand</p>	<p>Continued development, advancement and protection of globally established Accoya® and Tricoya® brands.</p>	<p>In country marketing campaigns, tailored for select audiences to increase brand loyalty.</p> <p>Established a network of joinery manufacturers and architects in North America to align with marketing focus and commenced a fully integrated programme of marketing activities.</p>	<p>Introduce consumer facing online presence to target homeowners.</p> <p>Accoya digital campaign to reach new audiences and establish online presence to Accoya accredited joinery manufacturers through identified digital marketing channels.</p> <p>Develop new markets for Accoya and Tricoya brands.</p> <p>Continue work with Solvay to accelerate marketing in their 13 countries.</p>	<p>Our brands are increasingly valuable asset for the Group however as we operate on a global basis the risk of damage to our brand also increases. As with our technical IP, our brands are carefully managed via our qualified in house IP manager working with external trade mark attorneys where appropriate.</p>

Further considerations of Risks can be found in the Directors report.

Accsys Technologies PLC

Financial review

Income statement

Revenue

Total revenue for the year ended 31 March 2016 increased by 15% to €52.8m (2015: €46.1m). Within this total, Accoya® wood revenue increased by 7% to €43.5m (2015: €40.7m) largely as a result of pricing. Accoya® revenue includes €6.6m of sales to Medite for the manufacture of Tricoya, a 21% increase (2015: €5.5m). Licence income increased from €0.4m to €2.8m reflecting the new agreements with our Accoya licensee Solvay in the period.

Other revenue of €6.5m (2015: €5.0m) included €1.3m in respect of the Global Marketing agreement with Solvay which expired in the period. €0.9m of other revenue was recorded in respect of the monies received attributable to the Tricoya® project with the remainder of Other income largely attributable to sales of acetic acid, a by-product from the acetylation process.

Gross margin

Gross profit margin improved from 27% to 34%, resulting from higher licence revenue, price increases and improved operating efficiencies. The gross manufacturing margin increased from 25% to 27% largely as a result of price increases implemented part way through the previous financial year.

Other operating costs

Other operating costs increased by 15% to €18.5m (2015: €16.0m). This increase includes €1.6m of fully consolidated operating costs from Tricoya Technologies Limited ('TTL'), which were previously equity accounted and shown separately under share of joint venture loss. In addition, payroll and sales and marketing costs increased largely as a result of higher activity levels. Headcount increased to an average of 121 (2015: 111), with staff costs increasing by 9.8% to €11.1m. This included a share based payment charge of €1.0m (2015: €1.4m). €0.3m of the increase in staff costs is attributable to foreign exchange, with a further €0.4m of the increase in other operating costs also attributable to foreign exchange (see note 4).

An exceptional item of €2.9m was also recorded in the prior period, in respect of the arbitration with Diamond Wood which concluded in the prior period (see note 5).

Loss from operations

The loss from operations decreased by 96% to €0.3m (2015: loss of €6.7m) due to the improvement in gross margin described above, offset by the increase in operating costs and exceptional costs of €2.9m in the prior period, as explained above. Excluding exceptional costs, the loss from operations decreased by 92% to €0.3m (2015: €3.8m).

Share of joint venture loss and gain on acquisition of subsidiary

During the previous period TTL had been accounted for in the Accsys Group accounts using the equity method. In the year ended 31 March 2015 TTL recorded revenue of €0.5m and total costs of €2.7m resulting in Accsys' share of loss of €1.1m.

On 31 March 2015, Accsys acquired the remaining 50% equity interest in TTL held by Ineos and as a result owned 100% at the end of the prior period and TTL was consolidated throughout the year ended 31 March 2016. The acquisition was accounted for as an acquisition of a subsidiary and the assets and liabilities recorded at fair value. A gain of €0.3m was recorded as a result of the difference between the consideration paid, the investment in joint venture immediately prior to the acquisition and the fair value of the net assets acquired (see note 9).

Finance income

Finance income of €0.01m (2015: €0.07m) represents interest receivable on bank deposits.

Finance expense

The finance expense of €0.2m (2015: €0.2m) is primarily due to interest element arising on the payments attributable to the sale and leaseback of part of the Group's land and buildings in Arnhem, together with interest arising on the new leases for office equipment in the London office. This also includes any interest payable upon the group's finance facilities.

Research & Development expenditure

€2.0m was incurred on research and development activities in the period (2015: €1.4m). €0.1m (2015: €0.2m) has been capitalised as an intangible asset (see note 16).

Taxation

The net tax charge of €0.4m (2015: €0.6m) primarily represents a tax charge arising from manufacturing offset by R&D tax credits of €0.2m (2015: €0.2m) attributable to activities carried out in the current year.

Accsys Technologies PLC

Financial review

Dividends

No final dividend is proposed in 2016 (2015 final dividend: €Nil). The Board deems it prudent for the Company to maintain as strong a balance sheet as possible during the current phase of the Company's growth strategy.

Earnings per share

Basic and diluted loss per share was €0.01 (2015 basic and diluted loss per share was €0.09).

Balance sheet

Intangible assets

Intangible asset additions of €1.5m (2015: €0.2m) include €1.0m relating to the Front End Engineering Design ("FEED") document for the construction of the world's first Tricoya[®] plant. In addition €0.5m relates to capitalised internal development costs for both Accoya and Tricoya related activities.

Property, plant and equipment

Property, plant and equipment net additions of €2.8m (2015: €0.9m) includes €1.2m relating to the expansion of our existing plant in Arnhem, predominantly relating to engineering work. In addition €1.0m relates to technology improvements and items of maintenance equipment at our Arnhem production facility, and €0.4m relate to office equipment in London, including in respect of the move to our new head office in London.

Available for sale investments

Accsys Technologies PLC has previously purchased a total of 21,666,734 unlisted ordinary shares in Diamond Wood China Limited. The historical cost of the unlisted shares held at 31 March 2016 is €10m (2015: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded as at 31 March 2016 (see note 18).

Inventory

The Group had total inventory balances of €8.3m (2015: €7.9m). Finished goods consisting of Accoya represented €5.8m (2015: €4.8m) and raw materials and work in progress, primarily consisting of unprocessed lumber, being €2.5m (2015: €3.1m). The increase is attributable to the planned increase in sales in the new financial year together with the previously reported overstocking of certain items. The utilisation of these items commenced in the second half of the financial year and will continue in the new financial year.

Cash and cash equivalents

The Group had cash and bank deposits of €8.2m at the end of the period (2015: €10.8m). The decrease in the year is mainly due to the changes in working capital of €3.0m (2015: €1.0m), which includes €1.7m revenue released from deferred income, plus increases of €0.7m in trade and other receivables, and €0.4m in inventories.

€3.5m of cash in-flow was attributable to cash flows from operating activities before changes in working capital (2015: €0.2m excluding exceptional items), as a result of the reduction in operating loss to €0.3m (2015: €3.6m excluding exceptional items). This was offset by a total of €4.0m of investing activities (2015: €0.7m), including €0.4m in respect of capitalised development costs (2015: €0.2m) and €2.6m in respect of tangible fixed assets (2015: €0.9m) including in respect of the expansion of plant in Arnhem. In addition €1.1m of cash out-flow was in respect of intangible fixed assets (2015: €nil) in TTL, relating to the completed FEED study for the new Tricoya plant.

Trade and other receivables

Trade and other receivables have increased to €5.6m (2015: €5.0m). Within this, trade receivables increased from €3.0m to €4.0m due to higher sales in March 2016.

Trade and other payables

Trade and other payables decreased to €8.1m (2015: €9.6m). Included within this, trade payables increased to €4.3m (2015: €3.8m). In addition accruals and deferred income decreased from €4.6m to €3.0m due to the release of €1.3m of deferred income relating to the Global Marketing Agreement with Solvay and €0.1m of revenue in TTL which reflect funding received from the EC in respect of a Life+ subsidy relating to the Tricoya project. Other Payables decreased from €1.0m to €0.4m, reflecting the recognition of income associated with licensing activities referred to above.

Finance lease creditor

The Group has previously entered into a sale and leaseback agreement for part of the Arnhem land and buildings. The first phase was resulted in proceeds of €2.2m which has been accounted for as a finance lease. At 31 March 2016 there are €2.0m of payments committed to over the remaining life of the lease (2015: €2.1m) (see note 28). The second part of the sale and leaseback of the land in Arnhem was completed in February 2013, however this has been accounted for as an operating lease (see note 27). In addition the Group entered into a finance lease arrangement in respect of the fit out and furniture in respect of the London office resulting in a liability of €0.3m at year end (2015: €nil) (see note 28).

Accsys Technologies PLC

Financial review

Capital structure

Details of the issued share capital, together with the details of the movements in the Company's issued share capital in the year are included in note 24. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. Details of non-controlling interests associated with Tricoya Technologies Limited are set out in note 9.

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

Details of employee share schemes are set out in note 15. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Going concern

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

As part of the Group's going concern review, the Directors have reviewed the Group's trading forecasts and working capital requirements for the foreseeable future. These forecasts indicate that, in order to continue as a going concern, the Group is dependent on the achievement of certain operating performance measures relating to the production and sales of Accoya wood from the plant in Arnhem and the collection of ongoing working capital items in line with internally agreed budgets.

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

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

William Rudge
Finance Director
14 June 2016

Accsys Technologies PLC

Directors Report for the year ended 31 March 2016

The Directors present their report together with the audited consolidated financial statements for the year ended 31 March 2016.

Results and dividends

The consolidated statement of comprehensive income for the year shows the loss for the year.

The Directors do not recommend the proposal of a final dividend in respect of the current year, consistent with the prior year.

Principal activities and review of the business

The principal activity of the Group is the production and sale of Accoya® solid wood and licensing of technology for the production and sale of Accoya wood and Tricoya® wood elements via the Company's subsidiaries, Titan Wood Limited, Titan Wood B.V., Titan Wood Technology B.V., Titan Wood Inc, Tricoya Technologies Limited and Tricoya Ventures UK Limited (collectively the 'Group'). Manufactured through the Group's proprietary acetylation processes, these products exhibit superior dimensional stability and durability compared with alternative natural, treated and modified woods as well as more resource intensive man-made materials. A review of the business is set out in the Chairman's statement and the Chief Executive's report. Accsys Technologies PLC is incorporated in the United Kingdom.

Business model and Strategy

The Business model and Strategy section sets out the Company's strategy, business model and key performance indicators.

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are set out in Note 29 of the financial statements.

Share issues

On 6 July 2015, a total of 891,044 of €0.05 Ordinary shares were issued to an Employee Benefit Trust ('EBT').

On 6 July 2015, a total of 20,000 of €0.05 Ordinary shares were released to an employee following the exercise of options granted in a prior year.

On 14 August 2015, a total of 63,909 of €0.05 Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan.

On 14 August 2015, a total of 27,825 of €0.05 Ordinary shares were issued and released to employees together with 27,825 of €0.05 Ordinary shares issued to trust on 18 August 2014.

On 10 December 2015, a total of 16,123 of €0.05 Ordinary shares were issued to an Employee Benefit Trust ('EBT').

On 11 December 2015, a total of 16,302 of €0.05 Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan.

On 20 January 2016, a total of 53,922 of €0.05 Ordinary shares were issued and released to employees together with 53,922 of €0.05 Ordinary shares issued to trust on 19 January 2015.

Principal risks and uncertainties

The business, financial condition or results of operations of the Group could be adversely affected by any of the risks set out below. The Group's systems of control and protection are designed to help manage and control risks to an appropriate level rather than to eliminate them.

The Directors consider that the principal risks to achieving the Group's objectives are those set out below.

(a) Economic and market conditions

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

An element of the Group's strategy for growth envisages the Group selling new or existing products and services into other countries or into new markets. However, there can be no assurance that the Group will successfully execute this strategy for growth. The development of a mass market for a new product or process is affected by many factors, many of which are beyond the control of the Group, including the emergence of newer and more competitive products or processes and the future price of raw materials. If a mass market fails to develop or develops more slowly than anticipated, the Group may fail to achieve sustainable profitability.

Accsys Technologies PLC

Directors Report for the year ended 31 March 2016 continued

(b) Regulatory, legislative and reputational risks

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

(c) Employees

The Group's success depends on its ability to continue to attract, motivate and retain highly qualified employees. The highly qualified employees required by the Group in various capacities are sometimes in short supply in the labour market. There are risks associated with operating a chemical plant and accordingly the health and safety of our staff is made a priority. We continuously seek improvements to exceed industry expectations by challenging our methods, improving our reporting and continuing to learn

(d) Intellectual property

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

Further details of how risks and uncertainties relate to our strategy and performance in the year are shown in the strategy section.

Greenhouse gas ('GHG') emissions

The table below represents all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 for our manufacturing facility in Arnhem, the Netherlands.

Global GHG emissions data for period 1 April 2015 to 31 March 2016

	2016	2015	2014
	kg CO ₂ eq	kg CO ₂ eq	kg CO ₂ eq
Electricity, heat, steam and cooling for own use - GROSS	3,309,630	3,135,167	2,800,294
Electricity, heat, steam and cooling for own use - NET (including Renewable Energy Credits)	1,651,470	88,714	40,211
Combustion of fuel & operation of production facility (MP4), in Arnhem, the Netherlands	2,726,868	2,939,167	2,263,107
Total - Gross	6,036,498	6,074,334	5,063,401
External carbon offsets (VCS 2015)	-1,420,000	-	-
TOTAL - NET (including Renewable Energy Credits)	2,958,338	3,027,882	2,303,318
Chosen intensity measurement: Emissions per cubic meter Accoya produced - GROSS	181	178	210
Chosen intensity measurement: Emissions per cubic meter Accoya produced - NET (including Renewable Energy Credits)	88	89	95

Accsys Technologies PLC

Directors Report for the year ended 31 March 2016 continued

Notes:

- We have reported on all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 for our manufacturing facility in Arnhem, the Netherlands.
- Due to unavailability of data, GHG emissions related to our offices and staff travel are not included in the figures above.
- Emissions have been calculated following the GHG Protocol - Corporate Accounting and Reporting (revised edition) using the following databases: IPCC 2006 Guidelines for National Greenhouse Gas Inventories, 2007 IPCC Fourth Assessment Report and Eco-Invent v3.3.
- Note that following Environmental Reporting Guidelines of Defra (2013), carbon offsets may be accounted for separately as a "NET" figure, while the original electricity consumption figures should be presented as a "GROSS" figure.
- Following the same (Defra 2013) guidelines, the emissions associated with our supply chain (inputs and outputs) are not included in the figures above, for readers that are interested in the supply chain related figures we refer to our publicly available carbon footprint report: <http://www.accoya.com/wp-content/uploads/2013/09/Verco-Cradle-to-gate-carbon-footprint-update-2012.pdf> and Environmental Product Declaration (EN 15804): <https://www.accoya.com/wp-content/uploads/2015/06/NEPD-376-262-EN-Accsys-Technologies-Accoya-Wood.pdf>.
- For prior years, following Environmental Reporting Guidelines of Defra (2013), carbon offsets due to e.g. purchase of Renewable Energy Credits may be accounted for separately as a "NET" figure, while the original electricity consumption figures are presented as a "GROSS" figure.
- In the current year, Accsys has offset its CO₂ emissions mainly through investing in verified carbon offset projects instead of through Renewable Energy Credits (see external carbon offsets) resulting in an amended presentation as recommended under the Defra guidelines.

Further details concerning the environmental impact of our products as a whole are detailed in the Sustainability Report, including an assessment of the overall life cycle of Accoya.

Directors

The Directors of the Company during the year and up to the date of signing the financial statements were:

Sean Christie
Paul Clegg
Sue Farr
Montague John 'Nick' Meyer
Hans Pauli
William Rudge
Patrick Shanley

Directors' indemnities

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

Employment policies

The Group operates an equal opportunities policy from recruitment and selection, through training and development, appraisal and promotion to retirement. It is our policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status or sexual orientation. All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit.

18% of employees in the period were female. 10% of the senior management team were female and one of the Board of Directors was female.

Health and safety

Health and safety is the priority at all levels of the Group, in particular taking into account the chemical industry in which Accsys operates. Group companies have a responsibility to ensure that all reasonable precautions are taken to provide and maintain working conditions for employees and visitors alike, which are safe, healthy and in compliance with statutory requirements and appropriate codes of practice.

The avoidance of occupational accidents and illnesses is given a high priority. Detailed policies and procedures are in place to minimise risks and ensure appropriate action is understood in the event of an incident. A dedicated health and safety officer is retained at the Group's manufacturing facility.

Accsys Technologies PLC

Directors Report for the year ended 31 March 2016 continued

Significant shareholdings

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

• Henderson Group PLC	5.94%
• Royal Bank of Canada	5.73%
• OP-Pohjola Group Central Cooperative	5.55%
• INEOS	5.43%
• Majedie UK Equity Fund	5.06%
• FIL Limited (formerly known as Fidelity International Limited)	4.93%
• Invesco Limited	4.87%
• The London & Amsterdam Trust Company Limited	4.51%
• Saad Investments Company Limited	3.92%
• Zurab Lysov	3.71%

There are no restrictions in respect of voting rights.

Going concern

The Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has access to adequate resources to continue in operational existence for at least the next 12 months. Further details are set out in note 1 to these financial statements.

Corporate Governance

The company's statement on corporate governance can be found in the corporate governance report. The corporate governance report forms part of this directors' report and is incorporated into it by cross-reference.

Disclosure of information to auditors

Each of the persons who is a Director at the date of the approval of the Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent Auditors

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

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

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

By order of the Board

Angus Dodwell
Company Secretary
14 June 2016

Accsys Technologies PLC

Corporate Governance

Details of the Company's corporate governance arrangements are set out below. The Board of Directors acknowledges the importance of the Principles set out in The UK Corporate Governance Code issued by the Financial Reporting Council. Neither the 2010 or 2012 UK Corporate Governance Code are compulsory for AIM listed or Euronext listed companies. The Board has applied the principles as far as practicable and appropriate for a relatively small public company.

The Board of Directors

During the period the Board comprised a Non-executive Chairman, three Non-executive Directors and three Executive Directors.

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

During the year, all serving Directors attended the quarterly Board meetings that were held. In addition to the scheduled meetings there is frequent contact between all the Directors in connection with the Company's business including Audit and Nomination and Remuneration committee meetings which are held as required, but as a minimum twice per annum.

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

Day to day operating decisions are made by the Senior Management Team of which the Chief Executive Officer, the Executive Director, Corporate Development and Finance Director are members.

Audit Committee

The Audit Committee consisted of Sean Christie (Chairman), Patrick Shanley, Nick Meyer, Sue Farr and Sean Christie. The Audit Committee meets at least twice a year and is responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements prior to their submission for approval by the Board. The Committee also discusses the scope of the audit and its findings and considers the appointment and fees of the external auditors. The Audit Committee continues to believe that it is not currently appropriate for the Company to maintain a dedicated internal audit function due to its size.

The Audit Committee considers the independence and objectivity of the external auditors on an annual basis, with particular regard to non-audit services. The non-audit fees are considered by the Board not to affect the independence or objectivity of the auditors. The Audit Committee monitors such costs in the context of the audit fee for the period, ensuring that the value of non-audit service does not increase to a level where it could affect the auditors' objectivity and independence. The Board also receives an annual confirmation of independence from the auditors.

Nominations & Remuneration Committee

The Nominations and Remuneration Committee consists of Sue Farr (Chairman, following appointment on 19 November 2015), Patrick Shanley, Sean Christie and Nick Meyer. The Committee's role is to consider and approve the nomination of Directors and the remuneration and benefits of the Executive Directors, including the award of share options and bonus share awards. In framing the Company's remuneration policy, the Nominations & Remuneration Committee has given full consideration to Section D of The UK Corporate Governance Code.

Internal Financial Control

The Board is responsible for establishing and maintaining the Company's system of internal financial control and places importance on maintaining a strong control environment. The key procedures which the Directors have established with a view to providing effective internal financial control are as follows:

- The Company's organisational structure has clear lines of responsibility;
- The Company prepares a comprehensive annual budget that is approved by the Board. Monthly results are reported against the budget and variances are closely monitored by the Directors; and
- The Board is responsible for identifying the major business risks faced by the Company and for determining the appropriate courses of action to manage those risks.

The Directors recognise, however, that such a system of internal financial control can only provide reasonable, not absolute, assurance against material misstatement or loss.

Accsys Technologies PLC

Corporate Governance continued

Relations with shareholders

Communications with shareholders are given high priority.

There is regular dialogue with shareholders including presentations after the Company's preliminary announcement of the year-end results and six monthly results. The Board uses the Annual General Meeting to communicate with investors and welcomes their participation. The Chairman aims to ensure that the Directors are available at Annual General Meetings to answer questions.

Directors' attendance record

The attendance of individual Directors at meetings of the Board and its committees in the year under review was as follows:

Number of meetings	Board		Audit Committee		Nominations & Remuneration Committee	
	Attended ¹	Serving	Attended	Serving	Attended	Serving
Sean Christie	9	10	3	3	6	6
Paul Clegg	10	10	3	-	2	-
Sue Farr	8	10	3	3	6	6
Montague John 'Nick' Meyer	10	10	3	3	6	6
Hans Pauli	9	10	3	-	-	-
Patrick Shanley	9	10	3	3	6	6
William Rudge	9	10	3	-	-	-

Whilst all Directors are not members of the Board Committees they attend by invitation.

Figures in the left hand column denote the number of meetings attended and figures in the right hand column denote the number of meetings held whilst the individual held office.

Notes

1. A number of board committee meetings were held in the year in addition to the scheduled board meetings in order to address certain routine matters such as the issue of shares in respect of the Employee Share Scheme.

Accsys Technologies PLC

Consolidated statement of comprehensive income for the year ended 31 March 2016

		2016 €'000	2015 €'000	2015 €'000	2015 €'000
	Note	Total	Before exceptional items	Exceptional items Note 6	Total
Accoya® wood revenue		43,466	40,661	-	40,661
Licence revenue		2,849	389	-	389
Other revenue		6,454	5,027	-	5,027
Total revenue	3	52,769	46,077	-	46,077
Total cost of sales		(34,597)	(33,842)	-	(33,842)
Gross profit		18,172	12,235	-	12,235
Other operating costs	4	(18,460)	(15,985)	(2,937)	(18,922)
Operating loss	8	(288)	(3,750)	(2,937)	(6,687)
Share of joint venture loss	9	-	(1,098)	-	(1,098)
Gain on acquisition of subsidiary	9	-	-	267	267
Finance income	10	13	73	-	73
Finance expense	11	(191)	(208)	-	(208)
Loss before taxation		(466)	(4,983)	(2,670)	(7,653)
Tax expense	12	(402)	(607)	-	(607)
Loss for the year		(868)	(5,590)	(2,670)	(8,260)
(Loss)/Gain arising on translation of foreign operations, which could subsequently be reclassified into profit or loss		(27)	158	-	158
Total comprehensive loss for the year		(895)	(5,432)	(2,670)	(8,102)
Total comprehensive loss for the year is attributable to:					
Owners of Accsys Technologies PLC		(885)	(5,432)	(2,670)	(8,102)
Non-controlling interests		(10)	-	-	-
Total comprehensive loss for the year		(895)	(5,432)	(2,670)	(8,102)
Basic and diluted loss per ordinary share	14	€(0.01)	€(0.06)		€(0.09)

The comparative figures for the year ended 31 March 2015 include exceptional costs (see note 5).

The notes form an integral part of these financial statements.

Accsys Technologies PLC

Consolidated statement of financial position as at 31 March 2016

Registered Company 05534340

	Note	2016 €'000	2015 €'000
Non-current assets			
Intangible assets	16	10,980	10,014
Investment in joint venture	8	-	-
Property, plant and equipment	17	20,272	19,548
Available for sale investments	18	-	-
		<u>31,252</u>	<u>29,562</u>
Current assets			
Inventories	21	8,345	7,894
Trade and other receivables	22	5,647	4,998
Cash and cash equivalents		8,186	10,786
Corporation tax		412	388
		<u>22,590</u>	<u>24,066</u>
Current liabilities			
Trade and other payables	23	(8,063)	(9,625)
Obligation under finance lease	28	(354)	(264)
Corporation tax		(1,425)	(812)
		<u>(9,842)</u>	<u>(10,701)</u>
Net current assets		12,748	13,365
Non-current liabilities			
Obligation under finance lease	28	(1,947)	(1,799)
		<u>(1,947)</u>	<u>(1,799)</u>
Net assets		<u>42,053</u>	<u>41,128</u>
Equity			
Share capital	24	4,495	4,440
Share premium account		128,792	128,714
Other Reserves	25	107,441	106,855
Accumulated loss		(198,842)	(199,022)
Own shares		(47)	(39)
Foreign currency translation reserve		153	180
		<u>41,992</u>	<u>41,128</u>
Capital value attributable to owners of Accsys Technologies PLC		41,992	41,128
Non-controlling interest in subsidiaries		61	-
Total equity		<u>42,053</u>	<u>41,128</u>

The financial statements were approved by the Board and authorised for issue on 14 June 2016, and signed on its behalf by

Paul Clegg
William Rudge

Directors

The notes form an integral part of these financial statements.

Accsys Technologies PLC

Consolidated statement of changes in equity for the year ended 31 March 2016

	Share capital Ordinary €000	Share premium €000	Other reserves €000	Own Shares €000	Foreign currency trans- lation reserve €000	Accumula- ted Loss €000	Total equity attributable to equity shareholders of the company €000	Non- Controlling interests €000	Total Equity €000
Balance at 31 March 2014	4,392	128,648	107,090	(47)	22	(192,223)	47,882	-	47,882
Total comprehensive income/(expense) for the period	-	-	-	-	158	(8,260)	(8,102)	-	(8,102)
Expiry of warrants	-	-	(235)	-	-	235	-	-	-
Share based payments	-	-	-	-	-	1,226	1,226	-	1,226
Shares issued	48	-	-	8	-	-	56	-	56
Premium on shares issued	-	66	-	-	-	-	66	-	66
Balance at 31 March 2015	4,440	128,714	106,855	(39)	180	(199,022)	41,128	-	41,128
Total comprehensive income/(expense) for the period	-	-	-	-	(27)	(858)	(885)	(10)	(895)
Share based payments	-	-	-	-	-	1,038	1,038	-	1,038
Shares issued	55	-	-	(8)	-	-	47	-	47
Premium on shares issued	-	78	-	-	-	-	78	-	78
Share Warrants issued	-	-	-	-	-	-	-	-	-
Issue of subsidiary shares to non-controlling interests	-	-	586	-	-	-	586	71	657
Balance at 31 March 2016	4,495	128,792	107,441	(47)	153	(198,842)	41,992	61	42,053

Share capital is the amount subscribed for shares at nominal value (note 24).

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

See note 25 for details concerning other reserves.

Non-controlling interests relates to the investment of BP Ventures into Tricoya Technologies Limited (notes 9 and 25).

Own shares represents a total of 944,529 shares issued to an Employee Benefit Trust at nominal value. This includes 891,044 shares issued on 6 July 2015 and 16,123 shares issued on 10 December 2015, both in relation to the Employee share bonus awards. These shares shall vest if the employees, including the Executive Directors, remain in employment with the Company to the vesting date, being 1 July 2016 (subject to certain other provisions including good-leaver, take-over and committee discretion provisions). (note 15).

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

Accumulated losses represent the cumulative loss of the Group attributable to the owners of the parent.

The notes form an integral part of these financial statements.

Accsys Technologies PLC

Consolidated statement of cash flow for the year ended 31 March 2016

	2016 €'000	2015 €'000
Loss before taxation	(466)	(7,653)
<i>Adjustments for:</i>		
Amortisation of intangible assets	524	375
Depreciation of land, property, plant and equipment	2,148	2,100
Recognition of reduction of investment in joint venture	-	1,172
Net loss/(gain) on disposal of property, plant and equipment	35	-
Net finance expense	177	135
Equity-settled share-based payment expenses	1,038	1,226
Gain on acquisition of subsidiary	-	(267)
Cash flows generated from/(used in) operating activities before changes in working capital	3,456	(2,912)
Increase in trade and other receivables	(714)	(1,566)
(Decrease)/Increase in deferred income	(1,661)	1,556
(Increase) in inventories	(453)	(1,860)
(Decrease)/Increase in trade and other payables	(176)	909
Net cash generated from/(used in) operating activities before tax*	452	(3,873)
Tax received	229	263
Net cash flows generated from/(used in) operating activities	681	(3,610)
Cash flows from investing activities		
Interest received	5	70
Disposal of property, plant and equipment	3	-
Expenditure of property, plant and equipment	(2,565)	(907)
Expenditure of intangible assets	(1,490)	(201)
Investments in joint ventures	-	(1,000)
Cash generated in acquisition of subsidiary, net of consideration	-	1,338
Net cash used in investing activities	(4,047)	(700)
Cash flows from financing activities		
Interest paid	(191)	(208)
Repayment of finance lease	(106)	(72)
Proceeds from issue of share capital	1,124	123
Share issue costs	(44)	-
Net cash generated from/(used in) financing activities	783	(157)
Net decrease in cash and cash equivalents	(2,583)	(4,467)
Effect of exchange rate changes on cash and cash equivalents	(17)	68
Opening cash and cash equivalents	10,786	15,185
Closing cash and cash equivalents	8,186	10,786

*Cash out-flows from operating activities after changes in working capital included €nil in respect of exceptional costs (2015: €3,159,000).

The notes form an integral part of these financial statements.

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

1. Accounting Policies

General information

The financial information set out in these preliminary results does not constitute the company's statutory accounts for the periods ended 31 March 2016 or 31 March 2015. Statutory accounts for the period ended 31 March 2015 have been filed with the Registrar of Companies and those for the period ended 31 March 2016 will be delivered to the Registrar in due course; both have been reported on by the auditors. The auditors' report on the Annual Report and Financial Statements for the period ended 31 March 2015 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The auditors' report on the Annual Report and Financial Statements for the period ended 31 March 2016 is unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Basis of accounting

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

Going Concern

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

As part of the Group's going concern review, the Directors have reviewed the Group's trading forecasts and working capital requirements for the foreseeable future. These forecasts indicate that, in order to continue as a going concern, the Group is dependent on the achievement of certain operating performance measures relating to the production and sales of Accoya® wood from the plant in Arnhem and the collection of on-going working capital items in line with internally agreed budgets.

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

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

Changes in accounting policies

No new accounting standards, amendments or interpretations have been adopted in the period which have any impact on these financial statements.

Exceptional Items

Exceptional items are events or transactions that fall outside the ordinary activities of the Group and which by virtue of their size or incidence, have been separately disclosed in order to improve a reader's understanding of the financial statements. These include items relating to the restructuring of a significant part of the Group, impairment losses (or the reversal of previously recorded exceptional impairments), expenditure relating to the integration and implementation of significant acquisitions and other one-off events or transactions. See note 5 for details of exceptional items.

Business combinations

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

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated statement of financial position, the acquirer's identifiable assets, liabilities, and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

As allowed under IFRS 1, some business combinations effected prior to transition to IFRS, were accounted for using the merger method of accounting. Under this method, assets and liabilities are included in the consolidation at their book values, not fair values, and any differences between the cost of investment and net assets acquired were taken to the merger reserve. The majority of the merger reserve arose from a corporate restructuring in the year ended 31 March 2006 which introduced Accsys Technologies PLC as the new holding company.

Joint ventures

A jointly controlled entity is an entity in which the Group holds a long term interest and shares joint control over strategic, financial and operating decisions with one or more other ventures under a contractual arrangement. The Group's share of the assets, liabilities, income,

expenditure and cash flows of such jointly controlled entities are accounted for using the equity method. The equity method records the Group's share of the results of the joint venture entity on a separate line in the Group's financial statements.

The total carrying values of investments in joint ventures represent the cost of each investment including the carrying value of any goodwill, the share of post-acquisition retained earnings, any other movements in reserves and any long term debt interests which in substance form part of the Group's net investment. The carrying values of joint ventures are reviewed on a regular basis and if an impairment in value has occurred, the carrying value is impaired in the period in which the relevant circumstances are identified. The Group's share of a joint venture's losses in excess of its interest in that associate is not recognised unless the Group has an obligation to fund such losses.

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

Revenue recognition

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

Manufacturing revenue

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

Licensing fees and Marketing income

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

Finance income

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

Finance expense

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

Finance expenses also include an allocation of finance charges in respect of the sale and leaseback of the Arnhem land and buildings, and the lease of London Office fit out and furniture, accounted for as a finance lease. The total finance charge (calculated as the difference between the total minimum lease payments and the liability at the inception of the lease) is allocated over the life of the lease using the sum-of-digits method.

Share based payments

The Company awards share options and nil cost options to acquire shares of the Company to certain Directors and employees. The Company also awards bonuses to certain Directors and employees in the form of the award of deferred shares of the Company.

In addition the Company operated an Employee Share Participation Plan under which employees subscribe for new shares which are held by a trust for the benefit of the subscribing employees. The Shares are released to employees after one year, together with an additional, matching share on a 1 for 1 basis.

The fair value of options, deferred shares and matching shares granted are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and is charged to the statement of comprehensive income over the vesting period during which the employees become unconditionally entitled to the options or shares.

The fair value of share options granted is measured using a modified Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest only where vesting is dependent upon the satisfaction of service and non-market vesting conditions.

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

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Pensions

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income 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. Current tax includes the expected impact of claims submitted by the Group to tax authorities in respect of enhanced tax relief for expenditure on research and development.

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

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

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Recognition of deferred tax assets is restricted to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (the functional currency). For the purposes of the consolidated financial statements, the results and financial position of each Group company are expressed in Euro, which is the functional currency of the parent Company, and the presentation currency of the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currencies are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average monthly exchange rates prevailing in the month in which the transaction took place. Exchange differences arising, if any, are recognised in other comprehensive income and the foreign currency translation reserve.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with the attached conditions. 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 they are credited to a deferred income account and released to the statement of comprehensive income over the expected useful life of the relevant asset on a straight line basis.

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 statement of comprehensive income. Where the fair value of the identifiable assets and liabilities acquired is greater than the fair value of consideration paid, the resulting amount is treated as a gain on a bargain purchase and has been recognised in the income statement.

Other intangible assets

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

Internal development costs are incurred as part of the Group's activities including new processes, process improvements, identifying new species and improving the Group's existing products. Research costs are expensed as incurred. Development costs are capitalised when all of the criteria set out in IAS 38 'Intangible Assets' (including criteria concerning technical feasibility, ability and intention to use or sell, ability to generate future economic benefits, ability to complete the development and ability to reliably measure the expenditure) have been met. These internal development costs are amortised on a straight line basis over their useful economic life, between 10 and 20 years.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment charged. Cost includes the original purchase price of the asset as well as costs of bringing the asset to the working condition and location of its intended use. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset, except freehold land, over its expected useful life on a straight line basis, as follows:

Plant and machinery	These assets comprise pilot plants and production facilities. These facilities are depreciated from the date they become available for use at rates applicable to the asset lives expected for each class of asset, with rates between 5% and 20%.
Office equipment	Between 20% and 50%.
Leased land and buildings	Land held under a finance lease is depreciated over the life of the lease.
Freehold land	Freehold land is not depreciated.

Impairment of non-financial assets

The carrying amount of the non-current non-financial assets of the Group is compared to the recoverable amount of the assets whenever events or changes in circumstances indicate that the net book value may not be recoverable, or in the case of goodwill, annually. The recoverable amount is the higher of value in use and the fair value less cost to sell. In assessing the value in use, the expected future cash flows from the assets are determined by applying a discount rate to the anticipated pre-tax future cash flows. An impairment charge is recognised in the statement of comprehensive income to the extent that the carrying amount exceeds the assets' recoverable amount. The revised carrying amounts are amortised or depreciated 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 statement of comprehensive income and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years. Assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units) for purposes of assessing impairment.

Leases

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

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Inventories

Raw materials, which consist of unprocessed timber and chemicals 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 (excluding the depreciation/depletion of relevant property and plant and equipment) absorbed at an appropriate level of capacity utilisation. Net realisable value represents the estimated selling price less all expected costs to completion and costs to be incurred in selling and distribution.

Financial assets

Financial assets are classified as cash and cash equivalents, available for sale investments and loans and receivables, depending on the purpose for which the asset was acquired. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value, through profit or loss directly attributable transaction costs.

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

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

Trade and other receivables

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

value less an allowance for any uncollectible amounts. A provision for impairment is made when there is objective evidence that the Group will not be able to collect debts. Bad debts are written off when identified.

Cash and cash equivalents

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

Financial liabilities

Other financial liabilities

Trade payables and other financial liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's shares are classified as equity instruments.

Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive. The chief executive is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2. Accounting estimates and judgements

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

Revenue recognition

The Group has considered the criteria for the recognition of fee income from licensees over the period of the agreement and is satisfied that the recognition of such revenue is appropriate. The recognition of fees is based upon an assessment of the work required before the licence is signed and subsequently during the construction and commissioning of the licensees' plant, with an appropriate proportion of the fee recognised upon signing and the balance recognised as the project progresses to completion. The Group also considers the recoverability of amounts before recognising them as income.

Goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of judgements in relation to discount rates and future forecasts (See note 16). The recoverability of these balances is dependent upon the level of future licence fees and manufacturing revenues. While the scope and timing of the production facilities to be built under the Group's existing and future agreements remains uncertain, the Directors remain confident that revenue from own manufacturing, existing licensees, new licence or consortium agreements will be generated, demonstrating the recoverability of these balances.

Intellectual property rights and property, plant and equipment

The Group tests the carrying amount of the intellectual property rights and property, plant and equipment whenever events or changes in circumstances indicate that the net book value may not be recoverable. These calculations require the use of estimates in respect of future cash-flows from the assets by applying a discount rate to the anticipated pre-tax future cash-flows. The Group also reviews the estimated useful lives at the end of each annual reporting period (See note 16 & 17). The price of the Accoya wood and the raw materials and other inputs vary according to market conditions outside of the Group's control. Should the price of the raw materials increase greater than the sales price or in a way which no longer makes Accoya competitive, then the carrying value of the property, plant and equipment or IPR may be in doubt and become impaired. The Directors consider that the current market and best estimates of future prices mean that this risk is limited.

Inventories

The Group reviews the net realisable value of, and demand for, its inventory on a monthly basis to provide assurance that recorded inventory is stated at the lower of cost and net realisable value after taking into account the age and condition of inventory (see note 21).

Available for sale investments

The Group has an investment in unlisted equity shares carried at nil value. The investment is valued at cost less any impairment as a reliable fair value cannot be obtained since there is no active market for the shares and there is currently uncertainty around the future funding of the business. The Group makes appropriate enquiries and considers all of the information available to it in order to assess whether any impairment has occurred (See note 18).

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

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

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU).

- IFRS 9 'Financial Instruments'
- IFRS 10 (amendments) 'Consolidated Financial Statements'
- IFRS 11 (amendments) 'Joint arrangements'
- IFRS 14 'Regulatory deferral accounts'
- IFRS 15 'Revenue from contracts with customers'
- IFRS 16 'Leases'
- IAS 1 (amendments) 'presentation of financial statements'
- IAS 7 (amendments) 'Cash flow statements'
- IAS 12 (amendments) 'Income taxes'
- IAS 19 (amendments) 'Employee contributions'
- IAS 16 (amendments) 'property plant and equipment'
- IAS 38 (amendments) 'Intangible assets'
- IAS 27 (amendments) 'Separate financial statements'
- IAS 28 (amendments) 'Associates and joint ventures'

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods.

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

3. Segmental reporting

The Group's business is the manufacturing of and development, commercialisation and licensing of the associated proprietary technology for the manufacture of Accoya wood, Tricoya wood elements and related acetylation technologies. Segmental reporting is divided between licensing and business development activities, the manufacturing and sale of Accoya and research and development activities.

Result by Segment:	Licensing, Management and Business Development	
	2016 €'000	2015 €'000
Revenue	5,422	1,051
Cost of sales	-	-
Gross profit	5,422	1,051
Other operating costs	(10,063)	(8,527)
Exceptional Items	-	(2,937)
Other operating costs	(10,063)	(11,464)
Loss from operations	(4,641)	(10,414)
Loss from Operations	(4,641)	(10,415)
Depreciation and amortisation	609	430
EBITDA	(4,032)	(9,983)
	Manufacturing	
Revenue	47,347	45,026
Cost of sales	(34,597)	(33,842)
Gross profit	12,750	11,184
Other operating costs	(6,487)	(6,253)
Profit from operations	6,263	4,931
Profit from operations	6,263	4,931
Depreciation and amortisation	2,016	2,004
EBITDA	8,279	6,935
	Research and Development	
Revenue	-	-
Cost of sales	-	-
Gross result	-	-
Other operating costs	(1,910)	(1,205)
Loss from operations	(1,910)	(1,205)
Loss from Operations	(1,910)	(1,205)
Depreciation and amortisation	47	41
EBITDA	(1,863)	(1,164)
	Total	
Revenue	52,769	46,077
Cost of sales	(34,597)	(33,842)
Gross profit	18,172	12,235
Other operating costs	(18,460)	(15,985)
Exceptional Items	-	(2,937)
Other operating costs	(18,460)	(18,922)
Loss from operations	(288)	(6,687)
Share of joint venture loss	-	(1,098)
Finance income	13	73
Finance expense	(191)	(208)
Exceptional gain on acquisition of subsidiary	-	267
Loss before taxation	(466)	(7,653)
Loss from Operations	(288)	(6,687)
Share of joint venture loss	-	(1,098)
Depreciation and amortisation	2,672	2,475
EBITDA	2,384	(5,309)
EBITDA (before exceptional items)	2,384	(2,371)

Licensing, Management and Business Development

Revenue is attributable to fees from licensees of the Group's technology to third parties.

Other operating costs include all remaining costs unless they are directly attributable to Manufacturing or Research and Development. This includes marketing, business development, management and the majority of the Group's administration costs including the head office in London (previously Windsor) as well as the US office. Headcount = 24 (2015: 21)

Manufacturing

Revenue includes the sale of Accoya® and other revenue, principally relating to the sale of acetic acid.

All costs of sales are allocated against manufacturing activities in Arnhem unless they can be directly attributable to a licensee. Other operating costs include depreciation of the Arnhem property, plant and equipment together with all other costs associated with the operation of the Arnhem manufacturing site, including directly attributable administration costs. Headcount = 85 (2015: 77)

Research and Development

Costs are associated with various R&D activities associated with Accoya® and, in the current period, Tricoya® processes. Costs exclude those which have been capitalised in accordance with IFRS. (see note 16). Headcount = 12 (2015: 13)

Assets and liabilities cannot be readily allocated to the three segments and therefore no additional segmental information has been disclosed.

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

Analysis of Revenue by geographical area of customers:

	2016 €'000	2015 €'000
UK and Ireland	21,426	17,760
Benelux	7,764	8,431
Rest of Europe	14,085	10,704
Americas	4,846	5,522
Asia-Pacific	4,382	3,151
Rest of World	266	509
	<u>52,769</u>	<u>46,077</u>

Revenue generated from three customers exceeded 10% of Group revenue of 2016. This included 47% of the revenue from the rest of Europe and relates to a mixture of manufacturing, licence and other revenue. In addition two other customers represented 38% and 32% respectively, of the revenue from the United Kingdom and Ireland and relates to manufacturing revenue. Revenue generated from two customers exceeded 10% of Group revenue in 2015. (34% and 31% respectively, of the revenue from the United Kingdom and Ireland).

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

	2016 €'000	2015 €'000
UK	7,806	5,803
Other countries	19,215	19,528
Un-allocated - Goodwill	4,231	4,231
	<u>31,252</u>	<u>29,562</u>

The segmental assets in the current year and the previous year were predominantly held in Europe. Additions to property, plant, equipment and intangible assets in the current year and the previous year were predominantly incurred in Europe. There are no significant intersegment revenues.

4. Other operating costs

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

	2016 €'000	2015 €'000
Sales and marketing	3,743	3,191
Research and development	1,863	1,205
Depreciation and amortisation	2,672	2,475
Other operating costs	3,554	2,395
Administration costs	6,628	6,719
Exceptional Items	-	2,937
	<u>18,460</u>	<u>18,922</u>

During the period, €420,000 (2015: €201,000) of development costs were capitalised and included in intangible fixed assets, including €282,000 (2015: €nil) which were capitalised within Tricoya Technologies Limited ('TTL'). In addition €367,000 of internal costs have been capitalised and are included within tangible fixed assets in relation to the expansion of our plant in Arnhem, Netherlands (2015: €nil).

Total operating costs (excluding exceptional items) have increased by €2,475,000. However this includes a total of €1,666,000 of consolidated operating costs incurred by TTL in the current year, which were previously reported separately under the share of joint venture loss (2015: share of loss was €1.1m) (see note 9).

Other operating costs largely relate to costs associated with the Group's manufacturing office in the Netherlands, excluding research & development costs.

Administration costs also include the costs associated with the Group's head office in London (previously Windsor), the US office in Dallas together with business development and management costs.

Exceptional costs in the prior year relate to the arbitration with Diamond Wood (see note 5).

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

5. Exceptional items

Exceptional items were recorded in previous periods as follows:

On 25 July 2014 Accsys announced that the arbitration tribunal (the "Tribunal") appointed in relation to the dispute between Accsys and Diamond Wood China Limited ("Diamond Wood") had issued its award. In response to Diamond Wood's claim against Accsys, namely for damages in excess of €140 million as previously published by Diamond Wood, and for the continuation of the Licence Agreement, the Tribunal ruled that Diamond Wood could only claim for limited damages (if any) up to a maximum of €0.3m. However, the Tribunal also ruled that the licence agreement between the two parties is to continue. In addition the Tribunal issued a final award in respect of costs payable to Diamond Wood as well as any remaining own legal costs. The exceptional item reported in the financial year to 31 March 2015 therefore represents the final amounts paid in respect of the above arbitration with Diamond Wood of €2.9m.

In addition there was also an exceptional item gain of €267,000 recorded relating to the acquisition of the remaining 50% of Tricoya Technologies Limited in the prior period (see note 9).

6. Employees

	2016	2015
	€'000	€'000
Staff costs (including Directors) consist of:		
Wages and salaries	8,403	7,138
Social security costs	1,144	1,051
Other pension costs	567	516
Share based payments	1,009	1,427
	11,123	10,132

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

	Number	Number
Administration, research and engineering	75	67
Operating	46	44
	121	111

Headcount increase of 10 includes addition of three employees who have transferred to Accsys from Ineos following the acquisition of Ineos's 50% interest in TTL on 31 March 2015 (see note 9).

7. Directors' remuneration

	2016	2015
	€'000	€'000
Directors' remuneration consists of:		
Directors' emoluments	1,302	992
Company contributions to money purchase pension schemes	55	50
	1,357	1,042

Compensation of key management personnel included the following amounts:

	Salary, bonus and short term benefits	Pension	Share based payments charge	2016 Total	2015 Total
	€'000	€'000	€'000	€'000	€'000
Paul Clegg	532	34	454	1,020	916
Hans Pauli	275	12	139	426	432
William Rudge	216	9	97	322	269
	1,023	55	690	1,768	1,617

The Group made contributions to 3 (2015: 3) Directors' personal pension plans.

The figures in the above table are impacted by foreign exchange noting that the remuneration for P Clegg and W Rudge are denominated in Pounds Sterling. Their total remuneration increased by 5% and 4% respectively when excluding the impact of foreign exchange.

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

8. Operating loss

	2016 €'000	2015 €'000
This has been arrived at after charging:		
Staff costs	11,123	10,131
Legal costs - Diamond Wood arbitration (note 5)	-	2,937
Depreciation of property, plant and equipment	2,148	2,100
Amortisation of intangible assets	524	375
Operating lease rentals	933	1,030
Foreign exchange (gains)/losses	47	(31)
Research & Development (excluding staff costs)	634	658
Loss on disposal of property, plant and equipment	35	-
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	74	72
Fees payable to the Company's auditors for other services:		
- audit of the Company's subsidiaries pursuant to legislation	106	91
- audit related assurance services	27	27
Total audit and audit related services:	207	190
- tax compliance services	107	71
- all other services	10	15
Total tax and other services:	117	86

9. Joint venture and business combination – Tricoya Technologies Limited

Tricoya Technologies Limited ('TTL'), was incorporated in order to develop and exploit Accsys' Tricoya technology for use within the worldwide panel products market estimated to be worth more than €60 billion annually.

During the previous period and up until 31 March 2015, TTL operated as a 50:50 joint venture with Ineos and TTL was accounted for using the equity method reflecting that it was a joint venture.

On 31 March 2015 Accsys acquired Ineos's 50% equity interest as part of terms which included the termination of the joint venture agreement and for consideration of €1. Therefore as at 31 March 2015, Accsys owned 100% of the share capital of TTL and its balance sheet has been fully consolidated from 31 March 2015. An exceptional gain of €267,000 was recorded in the prior year as a gain on acquisition of subsidiary due to this bargain purchase.

In February 2016 BP's participation in the proposed consortium (the 'Consortium') to fund, build and operate the world's first Tricoya[®] wood elements acetylation plant was announced. Accsys and BP Ventures ('BPV') agreed initial funding in respect of the Consortium, with BPV acquiring an initial 3% equity interest in Tricoya Technologies Limited ('TTL'), implying a valuation of TTL at €35 million today. The plant is expected to be located at the Saltend Chemicals Park in Hull, UK, adjacent to BP's existing acetyls facility.

BPV's on-going participation in the Consortium remains conditional upon the full Consortium being finalised later this calendar year. The Consortium is also expected to include Medite, part of the Medite Smartply group and Accsys's historic joint development partner. Medite has received board approval in principle to invest in the Consortium and to enter a long-term offtake commitment for up to nearly half of the Tricoya plant's initial annual capacity.

The Hull plant will have an initial capacity of 30,000 tonnes per annum (tpa) (sufficient to manufacture 40,000m³ of panels) and scope to expand. Approximately 60% of the plant's output is expected to be sold under committed take-or-pay agreements with Medite and Masisa; cash flow break-even is at approximately 40% capacity. The plant is expected to cost approximately €61m, with a further approximately €15m required for continued market seeding, marketing, IP development and engineering functions to cash breakeven.

BP and Medite are together expected to invest approximately €30m and up to €20m is expected to be provided from bank debt, which is possible as a result of a committed off-take agreement from Medite. Accsys contribution is substantially in the form of intellectual property and the development of the Tricoya business to date such that our remaining contribution is expected to be limited to approximately €1m and our on-going provision of Accoya as market seeding material as we have been since 2011.

The balance of approximately €25m is expected to be contributed by the final consortium members and TTL has engaged Opus Corporate Finance LLP to advise in this respect. As a result, Accsys is expected to retain a substantial interest in the consortium, reflective of the substantial investment we have made in respect of the Tricoya technology and market development over many years.

The formation of the Consortium remains conditional upon detailed agreements being finalised between the parties including the third party debt and equity finance. However we are confident that the substantial progress made over the last year by the Consortium will lead to the completion later this year, with the Tricoya plant being operational in 2018.

During the period ended 31 March 2016, TTL has been fully consolidated and the results are included as part of the overall group results and included within the Business Development and Research and Development segments as set out in note 3.

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

The TTL results for the period from 1 April 2015 to 31 March 2016, together with the balance sheet as at 31 March 2016 are set out below:

Income statement for TTL:

	Consolidated	Equity Accounted 50%
	2016	2015
	€'000	€'000
Revenue	318	483
Costs:		
Staff costs	864	1,346
Research & development (excluding staff costs)	142	515
Intellectual Property	303	242
Sales & marketing	214	381
Amortisation	143	195
EBIT	<u>(1,348)</u>	<u>(2,196)</u>
EBIT attributable to Accsys shareholders	<u>(1,338)</u>	<u>(1,098)</u>
Investment in joint venture at 1 April	-	340
Group share of loss reported	-	(1,098)
Less elimination of mark-up on recharged costs	-	29
Investments in joint venture	-	1,600
Disposal of investment in joint venture on acquisition of investment in subsidiary	-	(871)
Carrying value of joint venture at 31 March	<u>-</u>	<u>-</u>

Tricoya Technologies Limited statement of financial position at 31 March 2016:

	2016	2015
	€'000	€'000
Non-current assets		
Intangible assets	3,065	1,855
Current assets		
Receivables due within one year	230	71
Cash and cash equivalents	1,519	1,338
	<u>1,749</u>	<u>1,409</u>
Current liabilities		
Trade and other payables	(2,220)	(2,229)
Net current assets	(471)	(820)
Net assets	<u>2,594</u>	<u>1,035</u>
97% attributable to Accsys Technologies (2015: 100%)	2,517	1,035
Less elimination of mark-up on recharged costs	<u>-</u>	<u>29</u>
Equity and reserves		
Share capital	8,206	5,300
Other Reserves	600	600
Accumulated loss	(6,212)	(4,865)
Total equity	<u>2,594</u>	<u>1,035</u>

10. Finance income

	2016	2015
	€'000	€'000
Interest receivable on bank and other deposits	13	73

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

11. Finance expense

	2016 €'000	2015 €'000
Arnhem land sale and leaseback finance charge	181	208
Other finance expenses	10	-
	191	208

12. Tax expense

	2016 €'000	2015 €'000
(a) Tax recognised in the statement of comprehensive income comprises:		
Current tax expense		
UK Corporation tax on profits for the year	-	-
Research and development tax credit in respect of current year	(256)	(190)
	(256)	(190)
Overseas tax at rate of 15%	(29)	39
Overseas tax at rate of 25%	687	758
Deferred Tax		
Utilisation of deferred tax asset	-	-
Total tax charge reported in the statement of comprehensive income	402	607

	2016 €'000	2015 €'000
(b) The tax credit for the period is lower than the standard rate of corporation tax in the UK (2016: 20%, 2015: 21%) due to:		
Loss profit before tax	(466)	(7,653)
Expected tax credit at 20% (2015 - 21%)	(93)	(1,607)
Expenses not deductible in determining taxable profit	120	79
Under provision in respect of prior years	183	802
Losses transferred to deferred tax asset but not recognised	294	1,422
Effects of overseas taxation	145	109
Other temporary differences	9	(8)
Research and development tax credit in respect of prior years	(58)	29
Research and development tax credit in respect of current year	(198)	(219)
Total tax charge reported in the statement of comprehensive income	402	607

13. Dividends Paid

	2016 €'000	2015 €'000
Final Dividend €Nil (2015: €Nil) per Ordinary share proposed and paid during year relating to the previous year's results	-	-

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

14. Loss per share

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

<u>Basic and diluted earnings per share</u>	2016	2015	2015	2014
	Total	Before exceptional items	Total	Before exceptional items
Weighted average number of Ordinary shares in issue ('000)	89,568	88,538	88,538	87,482
Loss for the year (€'000)	(858)	(5,590)	(8,260)	(8,163)
Basic and diluted loss per share	€(0.01)	€(0.06)	€(0.09)	€(0.09)

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

The weighted average number of shares has been represented for all periods to take account of the 5 to 1 share consolidation which became effective on 12th September 2014.

15. Share based payments

The group operates a number of share schemes which give rise to a share based payment charge. The group operates a Long Term Incentive Plan ("LTIP") in order to reward members of the senior management team and the executive directors. As part of the award of nil costs options under the LTIP, the recipients relinquished all share options that they held which had been awarded under the 2005 and 2008 Share Option plans. Other employees continue to hold options awarded under these earlier schemes.

In addition, the group operated an Employee Share Participation Plan, which is available to all employees, and also makes annual awards under the Employee Benefit Trust. Details of all these schemes are given below.

Options - total

The following figures take into account options awarded under the LTIP in the period together with share options awarded in previous years under the 2005 and 2008 Share Option schemes.

Outstanding options granted are as follows:

Date of grant	Number of outstanding options at 31 March		Weighted average remaining contractual life, in years	
	2016	2015	2016	2015
28 March 2007	115,586	115,586	1.0	2.0
20 November 2007	48,444	48,444	1.6	2.6
18 June 2008	8,498	8,498	2.3	3.3
8 December 2008	37,110	37,110	2.7	3.7
27 July 2010	164,321	164,321	4.3	5.3
1 August 2011	140,000	160,000	5.3	6.3
19 September 2013 (LTIP)	4,103,456	4,278,630	7.5	8.5
Total	4,617,415	4,812,589	6.9	7.9

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

Movements in the weighted average values are as follows:

	Weighted average exercise price	Number
Outstanding at 31 March 2014	€0.10	24,523,583
Forfeited before 12 September 2014	€ 0.97	(21,248)
Outstanding 11 September 2014	€ 0.11	24,502,335
Adjustment for 12 September 2014 share consolidation	€ 0.45	(19,601,898)
Outstanding - after impact of 2014 share consolidation	€ 0.56	4,900,437
Forfeited after 12 September 2014	€ 9.15	(33,998)
Expired during the year	€1.60	(53,850)
Outstanding at 31 March 2015	€0.48	4,812,589
Forfeited during the year	€0.00	(175,174)
Exercised during the year	€0.50	(20,000)
Outstanding at 31 March 2016	€0.49	4,617,415

The exercise price of options outstanding at the end of the year ranged between €nil (for LTIP options) and €12.90 (2015: NIL and €12.90) and their weighted average contractual life was 6.9 years (2015: 7.9 years).

Of the total number of options outstanding at the end of the year, 124,555 (2015: 77,057) had vested and were exercisable at the end of the year. 20,000 options were exercised in the current year (2015: €nil).

Long Term Incentive Plan ('LTIP')

In the 2014 financial year, the group established a Long Term Incentive Plan, the participants of which are key members of the management team. The establishment of the LTIP was approved by the shareholders at the AGM in September 2013.

A prerequisite of participation in the LTIP was for the management team to agree to the cancellation of their entire outstanding share options, providing the Company with a 5% reduction in the level of dilution to make the new awards. A cancellation was agreed as the most appropriate action as it would focus the management team on the new LTIP and not on historical awards or arrangements. Details of the share options cancelled upon implementation of the LTIP in September 2013 (previously awarded under the 2005 and 2008 Share Option schemes) are set out further below.

LTIP overview

Under the LTIP, awards can be granted on a discretionary basis to key members of the management team. In 2013, an initial 'one off' grant was made in order to focus the management team on the growth of the Company over the next three years. Awards were granted in the form of nil-cost options and consist of the following 'elements':

Element	Objective	Description
A	Retention based award to lock-in executives who have contributed to the turnaround	In consideration to agreeing to the cancellation of the participant's existing options, a proportion of the new share award vests on continuity of employment over the next three years. To ensure there is no value shift to the participants via the cancellation, this element requires an additional three years of services from the participant and will be forfeited if the share price at the end of the performance period is below €0.65.
B	Performance based share award	This element aligns the participant to the future success of the Company by linking the level of vesting to EBITDA and share price growth against the constituents of the MSCI Europe Index (or another other broad based European index as deemed appropriate by the Remuneration Committee).
C	Exceptional performance multiplier	This element ensures that if significant value is created for shareholders then participants will be entitled to receive an appropriate proportion of this value.

Notes to the financial statements for the year ending 31 March 2016 continued

Performance conditions

Awards granted under the LTIP are subject to continued employment and satisfaction of the performance conditions. Performance will be measured at the end of a three year performance period for each Element.

Element A - Vesting is contingent upon continued employment for three years and share price not falling below €0.65 at the end of the performance period.

Element B - Measured against two equally weighted performance conditions:

	Threshold	Target	Maximum
EBITDA (50% of Element B)	€0m	€1.6m	€4m
Share price growth (50% of Element B)	Median of the constituents of the MSCI Europe Index	60th percentile of the constituents of the MSCI Europe Index	Upper quartile of the constituents of the MSCI Europe Index
Vesting level ¹	25%	60%	100%

Notes:

1. Vesting is on a straight line basis between the respective EBITDA and share price targets.

Element C - This element vests in full if the share price is at or above €1.30 at the end of the performance period.

Awards made in September 2013

Immediately following the establishment of the new LTIP in September 2013, awards were made to members of the management team. A total of 4,278,630 nil cost options were awarded. 1,593,331 were allocated as Element A, 1,837,572 as Element B and 847,727 were allocated as Element C. At the same time, a total of 4,456,229 of old options were cancelled. As at 31 March 2016, 175,174 options had been forfeited due to one leaver during the period. All other recipients were still employed by the Group as at 31 March 2016.

Element A was designed to recognise the contribution made by individuals to the turnaround of the Company and the cancellation of the existing options was a prerequisite for participation in the LTIP. The quantum of Element A for each participant was linked to the expected value of the existing options which were cancelled where there was a reasonable probability of pay out. As a result, under IFRS 2, the award of Element A was accounted for as a modification of the existing share options and as the award was designed to avoid any transfer of value, the resulting share based payment charge is the same as if the existing options had not been cancelled.

Elements B and C have been accounted for as new awards with the fair value calculated based on a modified Black-Scholes model assuming inputs described below:

Element	Element B (EBITDA)	Element B (Share price growth)	Element C
Grant date	19 Sep 13	19 Sep 13	19 Sep 13
Share price at grant date (€)	0.70	0.70	0.70
Exercise price (€)	0.00	0.00	0.00
Expected life (years)	3	3	3
Contractual life (years)	10	10	10
Vesting conditions (Details set out above)	EBITDA	Share Price	Exceptional Multiplier
Risk free rate	0.48%	0.48%	0.48%
Expected volatility	40%	40%	40%
Expected dividend yield	0%	0%	0%
Fair value of option	€0.647	€0.388	€0.220

The figures in the table above have been adjusted to reflect the 5 for 1 share consolidation which became effective on 12 September 2014. No LTIP options vested in the period and no new awards were made in the period.

2005 and 2008 Share Option schemes

The following share options awarded under the group's 2005 and 2008 Share Option schemes impacted the current or preceding financial year;

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

- Cumulative €5 million licence income recognised under Group accounting policies

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

- Cumulative €20 million revenue from sales of Accoya® wood
- Announcement of annual Group distributable earnings exceeding €5 million

Once vested, these options may be exercised until 31 March 2017. At 31 March 2016, 115,586 (2015: 115,586) of these options were outstanding at an exercise price of €9.15.

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

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

Once vested these options may be exercised until 20 November 2017. At 31 March 2016, 48,444 (2015: 48,444) of these options were outstanding at an exercise price of €12.90.

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

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

Once vested these options may be exercised until 18 June 2018. At 31 March 2016, 8,498 (2015: 8,498) of these options were outstanding at an exercise price of €9.90.

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

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

Once vested these options may be exercised until 8 December 2018. At 31 March 2016, 37,110 (2015: 37,110) of these options were outstanding at an exercise price of €4.85.

Options granted on 27 July 2010 were partially exchanged in the period for new awards issued under the LTIP. 30% of the options vest on achievement of median TSR. Once vested, these options may be exercised until 27 July 2020. Full vesting of the options granted occurs upon achievement of upper quartile TSR measured over the three year period. At 31 March 2016, 164,321 (2015: 164,321) of these options were outstanding at an exercise price of €1.20.

Options granted on 1 August 2011 were partially exchanged in the period for new awards issued under the LTIP. 30% of the options vest on achievement of median TSR. Full vesting of the options granted occurs upon achievement of upper quartile TSR measured over the three year period. Once vested, these options may be exercised until 1 August 2021. At 31 March 2016, 140,000 (2015: 160,000) of these options were outstanding at an exercise price of €0.50.

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

No options were granted under the 2005 or 2008 Share Option schemes in the current or previous period.

The fair value of share options granted under the 2005 and 2008 Share Option Schemes during the previous years was calculated based on a modified Black-Scholes model assuming inputs shown below for more recent awards:

Grant date	August 2011	July 2010
Share price at grant date (€)	0.50	1.70
Exercise price (€)	0.50	1.70
Expected life (years)	3	3
Contractual life (years)	10	10
Risk free rate	1.54%	2.30%
Expected volatility	85%	60%
Expected dividend yield	0%	0.0%
Fair value of option	€0.200	€0.532

The figures in the table and notes above have been adjusted to reflect the 5 for 1 share consolidation which became effective on 12 September 2014. Volatility was estimated by reference to the historic volatility since October 2005 when the Company's shares were listed on AIM. The resulting fair value is expensed over the vesting period of the options on the assumption that a proportion of options will lapse over the service period as employees leave the Group.

Employee Benefit Trust – Share bonus award

Following a share issue on 6 July 2015, in connection with the employee remuneration and incentivisation arrangements for the period from 1 April 2014 to 31 March 2015, 951,295 (2015: 783,597) new Ordinary shares were held by an Employee Benefit Trust, the beneficiaries of which are primarily the Executive Directors and Senior Managers. Such new Ordinary shares vest if the employees remain in employment with the Company at the vesting date, being 1 July 2016 (subject to certain other provisions including regulations, good-leaver, take-over and nomination and remuneration committee discretion provisions). As at 31 March 2016, the Employment Benefit Trust was consolidated by the Company and the 944,529 shares are recorded as Own Shares within equity. During the period, 746,241 Ordinary shares awarded in the prior year vested.

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

Employee Share Participation Plan

During the year, the Company continued to operate the Employee Share Participation Plan (the 'Plan') that was initiated in a prior year. The Plan was intended to promote the long term growth and profitability of Accsys by providing employees with an opportunity to acquire an ownership interest in new ordinary shares ('Shares') in the Company as an additional benefit of employment.

Under the terms of the Plan, the Company issues these Shares to a trust for the benefit of the subscribing employees. The Shares are released to employees after one year, together with an additional Share on a 1 for 1 matched basis provided the employee has remained in the employment of Accsys at that point in time (subject to good leaver provisions). The Plan is in line with industry approved employee share plans and was open for subscription by employees twice in the year following release of annual and half yearly financial results. The maximum amount available for subscription by any employee is €5,000 per annum.

During the year ended 31 March 2016 the plan was open for subscription twice. In July 2015 various employees subscribed for a total of 63,909 Shares at an acquisition price of €0.97 per Share. In December 2015 various employees subscribed for a total of 16,302 Shares at an acquisition price of €0.92 per Share. Also during the year, 1 for 1 Matching shares were awarded in respect of subscriptions that were made in the previous year as a result of all participants continuing to remain in employment at the point of vesting. 27,825 Matching shares were issued to employees in July 2015 and 53,922 shares were issued in January 2016.

16. Intangible assets

	Internal Development costs €'000	Intellectual property rights €'000	Goodwill €'000	Total €'000
Cost				
At 31 March 2014	1,855	73,292	4,231	79,378
Additions	201	-	-	201
Addition on acquisition of subsidiary	1,981	-	-	1,981
At 31 March 2015	<u>4,037</u>	<u>73,292</u>	<u>4,231</u>	<u>81,560</u>
Additions	1,490	-	-	1,490
At 31 March 2016	<u>5,527</u>	<u>73,292</u>	<u>4,231</u>	<u>83,050</u>
Accumulated amortisation				
At 31 March 2014	132	70,913	-	71,045
Amortisation	100	275	-	375
Addition on acquisition of subsidiary	126	-	-	126
At 31 March 2015	<u>358</u>	<u>71,188</u>	<u>-</u>	<u>71,546</u>
Amortisation	249	275	-	524
At 31 March 2016	<u>607</u>	<u>71,463</u>	<u>-</u>	<u>72,070</u>
Net book value				
At 31 March 2016	4,920	1,829	4,231	10,980
At 31 March 2015	3,679	2,104	4,231	10,014
At 31 March 2014	<u>1,723</u>	<u>2,379</u>	<u>4,231</u>	<u>8,333</u>

The carrying value of internal development costs, intellectual property rights and goodwill on consolidation are considered part of a single cash generating unit which incorporates the manufacturing and licensing operations given the manufacturing reliance on IP of the Group. The recoverable amount of internal development costs, 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 board approved financial budgets. Cash flows have been projected for a period of 10 years plus assumptions concerning a terminal value, corresponding with the expected minimum life of the intellectual property rights and based on a pre-tax discount rate of 20% per annum (2015: 20%). The key assumption used in the value in use calculations is the level of future licence fees and manufacturing revenues estimated by management over the budget period. These have been based on past experience and expected future revenues. The Directors have considered whether a reasonably possible change in assumptions may result in an impairment. An impairment would arise if the total volume of forecast Accoya manufactured is 95% lower than projected sales in future years.

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

17. Property, plant and equipment

	Land and buildings €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
Cost or valuation				
At 31 March 2014	5,251	27,518	732	33,501
Additions	-	847	63	910
Foreign currency translation gain	-	-	27	27
At 31 March 2015	5,251	28,365	822	34,438
Additions	-	2,474	435	2,909
Disposals	-	(114)	(10)	(124)
Foreign currency translation (loss)	-	-	(9)	(9)
At 31 March 2016	5,251	30,725	1,238	37,214
Accumulated depreciation				
At 31 March 2014	307	11,836	618	12,761
Charge for the year	117	1,896	87	2,100
Foreign currency translation gain	-	-	29	29
At 31 March 2015	424	13,732	734	14,890
Charge for the year	117	1,912	119	2,148
Disposals	-	(76)	(12)	(88)
Foreign currency translation (loss)	-	-	(8)	(8)
At 31 March 2016	541	15,568	833	16,942
Net book value				
At 31 March 2016	4,710	15,157	405	20,272
At 31 March 2015	4,827	14,633	88	19,548
At 31 March 2014	4,944	15,682	114	20,740

Included within property, plant and equipment are assets with an initial cost of €6,596,000 and a net book value at 31 March 2016 of €3,869,000 which has been accounted for as a finance lease under the terms of the sale and leaseback agreement entered into in a prior year, and the finance lease agreements entered into in the current year. (See note 28).

18. Other financial assets

	2016 €'000	2015 €'000
Available for sale investments	-	-

Accsys Technologies PLC has previously purchased a total of 21,666,734 unlisted ordinary shares in Diamond Wood China. The carrying value of the investment is carried at cost less any provision for impairment, rather than at its fair value, as there is no active market for these shares, and there is significant uncertainty over the future of Diamond Wood, and as such a reliable fair value cannot be calculated. The historical cost of the unlisted shares held at 31 March 2016 is €10m (2015: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded as at 31 March 2016. (See note 5).

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

19. Deferred Taxation

The Group has a deferred tax asset of €nil (2015: €nil) relating to trading losses brought forward.

The Group also has an unrecognised deferred tax asset of €23,167,000 (2015: €23,186,000) which is largely in respect of trading losses of the UK subsidiary. The deferred tax asset has not been recognised due to the uncertainty of the timing of future expected profits of the related legal entity which is dependent on the profits attributable to licensing and future manufacturing income.

20. Subsidiaries

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

21. Inventories

	2016	2015
	€'000	€'000
Materials and work in progress	2,534	3,068
Finished goods	5,811	4,826
	<u>8,345</u>	<u>7,894</u>

The amount of inventories recognised as an expense during the year was €30,985,787 (2015: €30,158,361). The cost of inventories recognised as an expense includes a net credit of €203,129 (2015: debit of €157,836) in respect of the inventories sold in the period which had previously been written down to net realisable value.

22. Trade and other receivables

	2016	2015
	€'000	€'000
Trade receivables	4,051	3,024
Other receivables	180	1,086
Prepayments	916	888
Accrued income	500	-
	<u>5,647</u>	<u>4,998</u>

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. The majority of trade and other receivables is denominated in Euros, with €380,000 of the trade and other receivables denominated in US Dollars (2015: €600,000).

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

	2016	2015
	€'000	€'000
Up to 30 days overdue	258	466
Over 30 days and up to 60 days overdue	61	13
Over 60 days and up to 90 days overdue	0	21
Over 90 days overdue	4	2
	<u>323</u>	<u>502</u>

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Included in the provision for doubtful debts are individually impaired trade receivables and accrued income with a balance of €25,001,000 (2015: €25,001,000) due from Diamond Wood.

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

Movement in provision for doubtful debts:

	2016 €'000	2015 €'000
Balance at the beginning of the period	25,021	25,019
Net increase/(release) of impairment if not required	(19)	2
Balance at the end of the period	<u>25,002</u>	<u>25,021</u>

Summary of Receivable Impairments:

	2016 €'000	2015 €'000
Trade receivables - Accoya® wood *	1	20
	<u>1</u>	<u>20</u>

* The impairment of Accoya® wood receivables relates to two Accoya® customers.

23. Trade and other payables

	2016 €'000	2015 €'000
Trade payables	4,301	3,847
Other taxes and social security payable	321	202
Other payables	402	1,000
Accruals and deferred income*	3,039	4,576
	<u>8,063</u>	<u>9,625</u>

* Accruals and deferred income in the prior period includes £1.4m of deferred income resulting from the acquisition of Tricoya Technologies Limited.

24. Share capital

	2016 €'000	2015 €'000
Allotted - Equity share capital		
89,890,019 Ordinary shares of €0.05 each (2015: 88,800,894 Ordinary shares of €0.05 each)	4,495	4,440
	<u>4,495</u>	<u>4,440</u>

Further to the passing of all resolutions at the Company's AGM held on 11 September 2014, the entire issued share capital of the Company was consolidated on a 5:1 basis with effect from 12 September 2014. Accordingly, all figures concerning the number of shares stated below represent the new €0.05 Ordinary Shares.

In year ended 31 March 2015:

Own shares represents 783,597 €0.05 Ordinary Shares issued to an Employee Benefit Trust ('EBT') at nominal value on 18 August 2014. 953,133 €0.05 Ordinary Shares had been issued to the EBT at nominal value on 9 July 2013 of which 945,133 Ordinary Shares vested on 8 August 2014.

On 18 August 2014, a total of 27,825 of €0.05 Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan.

On 12 August 2014, a total of 99,559 of €0.05 Ordinary shares were issued and released to employees together with the 99,559 of €0.05 Ordinary shares issued to trust on 12 August 2013.

In 19 January 2015, a total of 53,922 of €0.05 ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan.

In year ended 31 March 2016:

891,044 shares issued on 6 July 2015 and 16,123 shares issued on 10 December 2015 to an Employee Benefit Trust ('EBT') at nominal value.

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

On 6 July 2015, a total of 20,000 of €0.05 Ordinary shares were released to an employee following the exercise of options granted in a prior year.

On 14 August 2015, a total of 27,825 of €0.05 Ordinary shares were issued and released to employees together with 27,825 of €0.05 Ordinary shares issued to trust on 18 August 2014.

On 14 August 2015, a total 63,909 of €0.05 Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan. On 11 December 2015, a total of 16,302 of €0.05 Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan.

On 20 January 2016, a total of 53,922 of €0.05 Ordinary shares were issued and released to employees together with 53,922 of €0.05 Ordinary shares issued to trust on 19 January 2015.

25. Other reserves

	Capital redemption reserve €000	Warrant reserve €000	Merger reserve €000	Other reserve €000	Total Other reserves €000
Balance at 31 March 2015	148	-	106,707	-	106,855
Issue of subsidiary shares to non-controlling interests	(299)	-	-	885	586
Balance at 31 March 2016	(151)	-	106,707	885	107,441

The opening balance of the capital redemption reserve which represents the amounts transferred from share capital on redemption of deferred shares in a previous period. The movement in the current period reflects obligations arising from the investment by BP Ventures into Tricoya Technologies Limited and that BP Venture's on-going participation is conditional upon the finalisation of the full proposed consortium.

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

The other reserve represents the amounts received for subsidiary share capital from non-controlling interests (see note 26).

In the prior year, on 31 March 2015, Accsys agreed to acquire the remaining 50% equity in Tricoya Technologies Limited from Ineos. As a result of this agreement and the termination of the joint venture agreement, all of the warrant instruments which had been executed in 2012 in favour of Ineos lapsed.

26. Transactions with non-controlling interests

On 3 February 2016, Tricoya Technologies Limited ("TTL") issued 500,000 Series A Preference shares for the consideration of €1m for 3% equity share capital of TTL. The carrying amount of the non-controlling interests in TTL on the date of acquisition was €71,000. The group recognised an increase in other reserves as summarised below.

Transactions with non-controlling interests

	2016 €'000	2015 €'000
Carrying amount of non-controlling interests issued	(71)	-
Consideration paid by non-controlling interests	1,000	-
Share issue costs relating to non-controlling interests	(44)	-
Excess of consideration paid recognised in Group's equity	885	-

27. Commitments under operating leases

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

	2016 €'000	2015 €'000
Operating lease payments due		
Within one year	1,075	963
In the second to fifth years inclusive	2,901	1,067
In greater than five years	1,205	1,477
	5,181	3,507

The majority of commitments under operating leases relate to the Group's offices in the UK, The Netherlands and U.S.A. and land in The Netherlands which is adjacent to our plant.

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

28. Commitments under finance leases

Agreements were reached in August 2011 for the sale and leaseback of the land and buildings in Arnhem for a total of €4m. €2.2m was received in 2011 with the remaining amount received in the following year, but accounted for as an operating lease.

In addition, in the during the current period agreements were entered into for the lease of office fit-out and furniture for the London head office for a total of €0.4m. (see note 16).

These transactions have resulted in a finance lease creditor of €2.3m as at 31 March 2016.

	Minimum lease payments	
	2016 €'000	2015 €'000
Amounts payable under finance leases:		
Within one year	375	280
In the second to fifth years inclusive	1,403	1,120
After five years	1,490	1,773
Less: future finance charges	(967)	(1,110)
Present value of lease obligations	<u>2,301</u>	<u>2,063</u>

29. Financial instruments

Financial instruments

Finance lease

Agreements were reached in August 2011 for the sale and leaseback of the land and buildings in Arnhem under which a total of €4m was received. €2.2m was received in 2011 with the remaining amount received in the following. The transaction has resulted in a finance lease creditor of €1,977,000 as at 31 March 2016 (2015: €2,063,000). The total lease term is 15 years.

In addition, in the current period agreements were entered into for lease of the fit-out and office furniture for the London head office for a total of €0.4m. These transactions have resulted in a finance lease creditor of €325,000 as at 31 March 2016 (2015: €nil). (See note 27 and 28).

Warrants

In 2012 the Company executed a warrant instrument in favour of Ineos, allowing Ineos the opportunity to purchase up to a further 3,293,647 shares at a price of €1.05 per share at certain times up until 19 October 2016. All 3,293,647 warrants lapsed on 31 March 2015.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders.

The capital structure of the Group consists of cash and cash equivalents and equity attributable owners of the parent Company, comprising share capital, reserves and accumulated losses.

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

No final dividend is proposed in 2016 (2015: €nil). The Board deems it prudent for the Company to protect as strong a statement of financial position as possible during the current phase of the Company's growth strategy.

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

Categories of financial instruments	2016 €'000	2015 €'000
Available for Sale investments	-	-
Loans and receivables		
Trade receivables	4,051	3,024
Other receivables	180	1,086
Money market deposits in Euro	2,621	5,348
Money at call in Euro	5,210	3,807
Money at call in US dollars	175	781
Money at call in Sterling	95	635
Money at call in New Zealand dollars	85	215
Financial liabilities at amortised cost		
Trade payables	(4,301)	(3,847)
Finance lease payable	(2,301)	(2,063)
Other Payables	(402)	(1,000)
	<u>5,413</u>	<u>7,986</u>

Money market deposits have interest rates fixed for less than three months at a weighted average rate of 0.59% (2015: 0.86%). Money market deposits are held at financial institutions with high credit ratings (Standard & Poor's rating of AA).

All assets and liabilities mature within one year except for the finance leases, for which details are given in note 28.

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

Market risk

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

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, counterparty credit and liquidity 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 with the majority of operating costs and balances denominated in Euros. A smaller proportion of expenditure is incurred in US dollars and pounds sterling. In addition some raw materials, while priced in Euros, are sourced from countries which are not within the Eurozone. The Group monitors any potential underlying exposure to other exchange rates.

Interest rate risk management

The Group's borrowings are limited to the sale and leaseback of the Arnhem land and buildings, and the lease of the office fit out and furniture in London. In addition, the interest rate in respect of the loan facility agreed with Solvay is fixed. Therefore the Group is not exposed to interest rate risk in relation to financial liabilities. Surplus funds are invested in short term interest rate deposits to reduce exposure to changes in interest rates. The Group does not enter into any hedging arrangements.

Credit risk management

The Group is exposed to credit risk due to its trade receivables due from customers and cash deposits with financial institutions. The Group's maximum exposure to credit risk is limited to their carrying amount recognised at the balance sheet date.

The Group ensures that sales are made to customers with an appropriate credit history to reduce the risk where this is considered necessary. The Directors consider the trade receivables at year end to be of good credit quality including those that are past due (see note 22). The Group is not exposed to any significant credit risk exposure in respect of any single counterparty or any group of counterparties with similar characteristics other than the balances which are provided for as described in note 22.

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

Liquidity risk management

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

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2016 continued

In addition to the sale and leaseback of the Arnhem land and buildings described above, the Group has finance facilities available which are secured on trade receivables and inventories:

Trade receivables facility

On 28 February 2011 the Group entered a trade receivable financing and credit management agreement with Fortis Commercial Banking for a period of at least two years from the closing date and with a facility limit of €1.5m. After two years the agreement renews for rolling one year periods. The facility is secured upon the Group's trade receivable.

Inventories facility

On 17 January 2013 the Group entered a credit facility agreement with ABN AMRO Bank N.V. with a facility limit of €3.0m for the financing of the Group's operating activities. The facility is secured against the inventories of the Group.

Both facilities are subject to interest at 1.5% above the ABN AMRO base rate of 3.6% as at 31 March 2016 (2015: 3.8%). At 31 March 2016, the Group had €nil (2015: €nil) borrowed under both of the facilities.

Solvay Loan

On 25 November 2015 the Group entered a term loan facility agreement with Solvay Acetow GMBH with a facility of up to €9.5m to be used to design, procure and build an extension to the capacity of the Arnhem Plant, with a new reactor (or reactors) for the manufacture of Accoya at a design capacity of approximately 20,000m³ per reactor per annum. The facility is secured against the new reactor and associated assets. This facility is subject to interest at 7.5% per annum. At 31 March 2016, the Group had €nil borrowed under this facility.

Fair value of financial instruments

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

30. Capital Commitments

	2016	2015
	€'000	€'000
Contracted but not provided for in respect of property, plant and equipment	695	-
