

ACCSYS TECHNOLOGIES PLC DOUBLING OF CAPACITY TO MEET DEMAND



**ANNUAL REPORT AND
FINANCIAL STATEMENTS**
YEAR ENDED 31 MARCH 2018

CONTENTS

Overview

- 01 Highlights
- 02 At a Glance
- 04 Our History
- 06 Tricoya® - One Year On
- 09 Accoya® - Arnhem Expansion
- 10 Our Investment Proposition

Strategic Report

- 14 Chairman's Statement
- 16 Our Market
- 18 Our Business Model
- 20 Our Strategy
- 24 Chief Executive's Report
- 30 Financial Review
- 34 Sustainability Report

Corporate Governance

- 40 Board of Directors
- 42 Senior Management Team
- 44 Directors' Report
- 47 Remuneration Report
- 61 Corporate Governance
- 63 Statement of Directors' Responsibilities

Financial Statements

- 66 Group Independent Auditors' Report
- 72 Consolidated Statement of Comprehensive Income
- 73 Consolidated Statement of Financial Position
- 74 Consolidated Statement of Changes in Equity
- 75 Consolidated Statement of Cash Flow
- 76 Notes to the Financial Statements
- 111 Company Independent Auditors' Report
- 116 Condensed Company Balance Sheet
- 117 Notes to the Company Financial Statements

Shareholder Information

- 125 Shareholder Information

Delta Millworks used our sustainable product Accoya® to manufacture the siding for this unique home in New York state. Using a Japanese finishing technique called 'shou sugi ban' the Accoya® was charred to give the house's facade a modern, weathered texture.

Image © Delta Millworks

Accsys Technologies PLC ('Accsys' or the 'Company') is a chemical technology Group focused on the development and commercialisation of a range of transformational technologies based upon the acetylation of solid wood and wood elements (wood chips, fibres and particles) for use as high performance, environmentally sustainable, construction materials.

HIGHLIGHTS

Doubling of capacity in manufacturing footprint on track to meet strong demand

Major capacity expansion and strategic progress

- Accoya® plant expansion completed and in operation from June 2018 to increase annual capacity by 50% to at least 60,000 cubic metres;
- Strong demand continues for Accoya®, large proportion is repeat business, expected to generate significant increase in sales and margins;
- Construction of transformational Tricoya® plant in Hull remains on track for completion mid 2019 calendar year, supported by strong sales of Tricoya® panels which have increased by 26% compared to last year reflecting increased demand; and
- Hull plant, with capacity of 30,000 metric tonnes, expected to become cash flow generative sooner, as a result of the new Tricoya® licence with FINSA.

Financial highlights

- Total revenue up by 8% against last year, with Accoya® revenue up 11% offset by reduced licensing income;
- Accoya® sales volumes up by 7% to 42,676 cubic metres with a 15% increase in the second half;
- Accoya® gross margin improved to 24% in the second half reflecting price increases, significant volumes sold to MEDITE and Rhodia Acetow at lower prices and no Accoya® licence income;
- Underlying EBITDA improved to a €0.7m loss in the second half of the year compared to €2.8m loss in first half;
- 30% gross margin from the manufacturing of Accoya® continues to be achievable; and
- Increase in net debt reflects significant investment in capacity increases for both Accoya® and Tricoya®.

Accoya® wood sales revenue



* Underlying figures excludes exceptional items and other remeasurements. See note 5 of the Group financial statements for details

Total Group Revenue
€60.9m

2017: €56.5m

Gross profit
€13.6m

2017: €14.4m

EBITDA
Underlying*
(€3.5m) Statutory
(€5.7m)

2017: (€1.5m) 2017: (€1.2m)

Loss before tax
Underlying*
(€8.8m) Statutory
(€10.4m)

2017: (€4.5m) 2017: (€4.5m)

Year end cash balance
Statutory
€39.7m

2017: €41.2m

Year end net (debt)/cash balance
Statutory
(€3.8m)

2017: €18.0m

AT A GLANCE

Accsys' operations

Our business consists of the following:

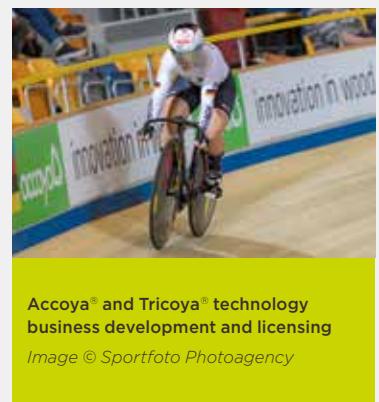


Commercial scale Accoya® wood production, distribution centre and sales facility in Arnhem

Image © BRUIL



Building and operating of Tricoya® wood chip acetylation plant in Hull



Accoya® and Tricoya® technology business development and licensing

Image © Sportfoto Photoagency



Technology and product development

Image © Katja Efting

Accoya® solid wood and Tricoya® wood elements, which are the feedstock for Tricoya® panels, are manufactured through our proprietary low emission acetylation wood modification process. The superior dimensional stability and durability exhibited by our products compared to other natural, treated and modified woods as well as more resource intensive/fossil fuel based man-made materials such as plastics mean that Accoya® and Tricoya® offer consumers and specifiers the opportunity to be more sustainable and consider the environment in every decision.

Our technologies and brands are internationally protected by strict confidentiality, granted patents, patent applications and trademarks as well as being supported by strong sustainability certifications and many regulatory certifications for building codes. Many have been technically validated at full commercial production level and through long-term use, and others are in pilot-scale or are subject to independent validation by experts. Our products offer a sustainable alternative to the use of man-made materials, in particular plastics, in construction and have been certified for use by various building regulation bodies around the world.

Our Products

In today's world of heightened concern over the effects of man-made and fossil based materials in our environment, Accsys' products offer compelling alternatives, being high performance products with significant sustainability credentials.



Image © Katja Efting



Image © MEDITE® TRICOYA® EXTREME

Accoya®

Accoya® is the world's leading high performance sustainable wood. It is stable, durable and resists rot. Guaranteed for 50 years for use above ground and 25 years in ground or freshwater, Accoya® is hard and strong enough to stand up to every application challenge; in summary its performance is remarkable.

Accoya®'s properties match or exceed those of the best tropical hardwoods and it is manufactured from abundantly available wood species that are FSC® certified. It is the only Cradle to Cradle™ ('C2C') certified structural building material which has achieved the overall Gold Level Certification and Platinum Level recognition for Material Health. C2C certification results in additional credits for leading green building certification systems such as LEED and BREEAM with Accoya® specified in many LEED and BREEAM projects around the world.

The high durability of Accoya® facilitates a longer lifespan and therefore enables lower material consumption over the same period compared to most other materials. This means Accoya® has carbon sequestration advantages as it locks CO₂ away for a longer time from the atmosphere. In fact, the low emissions during our production processes combined with the increased lifespan and fully recyclable nature of Accoya®, mean that a window made from Accoya® is assessed to be CO₂ neutral over its full lifecycle.

Accoya® is the material of choice for a wide range of demanding outdoor applications from windows and doors, decking to cladding, bridges to exterior structures and applications that are presently only feasible with non-sustainable or man-made materials.

[Read more on page 09](#)

www.accoya.com

Tricoya®

Tricoya® wood elements are used to manufacture Tricoya® panel products by our licensees. When in panel form, Tricoya® is opening new markets where wood-based panels would never have been considered before.

Tricoya® panels demonstrate significantly enhanced durability and exceptional dimensional stability allowing specifiers such as architects, designers and joineries greater flexibility and scope when designing. Our licensees have seen Tricoya® panels used in a wide variety of applications such as window components and door skins, façade cladding, wet interiors, kitchen carcasses, art installations and much more.

The raw wood material that is used for Tricoya® production is sourced from sustainable FSC® certified forests and Tricoya® wood chips exhibit the same sustainable qualities such as longer life-span and CO₂ sequestration, as its sister product Accoya® solid wood. Tricoya® is also guaranteed for 50 years above ground and 25 years in ground or freshwater; its performance and properties are outstanding.

Future production from the world's first Tricoya® wood chip acetylation plant in Hull will be extremely resource-efficient using chips from locally grown pine, including the parts of trees which are not used to make any other wood-based product and would otherwise be sent to waste streams.

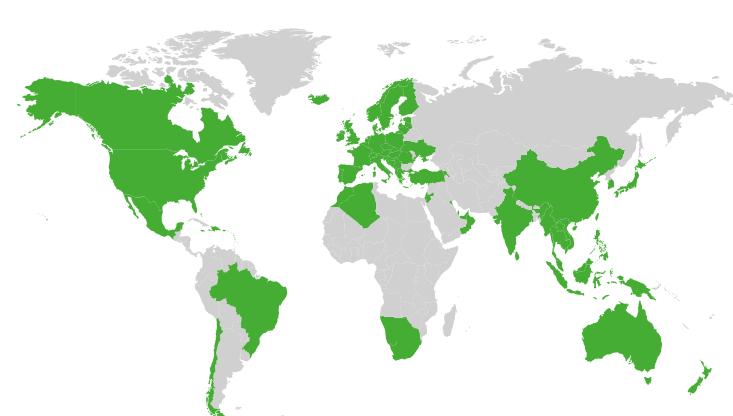
[Read more on page 06](#)

www.tricoya.com

Distribution network and market

The market for Accoya® and Tricoya® has been estimated as in excess of 2.6 million cubic metres annually. Last year we sold 42,676 cubic metres of Accoya® and MEDITE sold 7,328 cubic metres of Tricoya® panels, representing year growth for the year of 7% and 26% respectively.

64 Accoya® distributor, supply and agency agreements in place covering most of Europe, Australia, Canada, Chile, China, India, Japan, New Zealand, South Korea, parts of the Middle-East and South-East Asia and the USA.



Two Tricoya® licence agreements in place for producers of Tricoya® MDF panels based in Ireland and Spain. These licences provide patented intellectual property and know-how for the production of Tricoya® panels and confer certain geographic and volume rights for the sale of Tricoya® branded products. Under the licensed rights, Tricoya® panels have now been delivered to all seven continents.

[Read more on page 17](#)

CONTINUING OUR TRANSFORMATION AND GROWTH

"We continue to see the demand for Accoya® and Tricoya® increasing and believe this is due to a combination of factors. We have developed a strong brand, distribution network and other key relationships in the industry. I also believe that there is an increasing realisation in the industry that products such as Accoya® and Tricoya® will serve a long-term role in replacing environmentally damaging man-made products while crucially being able to offer all of the attributes of a high performance product."

Paul Clegg
Chief Executive Officer

"We look forward to fulfilling that excess demand over the coming months as we once again look for double digit growth in the year ending 31 March 2019."

Patrick Shanley
Chairman

The Conrad is a street in the centre of Amsterdam which has undergone a monumental renovation of 30 housing association properties. Accoya® was selected to renovate the windows and doors for each of the houses. Accoya® was chosen because it is a low maintenance material which also offers excellent stability. Accoya® provided the perfect solution to a high quality, low maintenance frame that also offered the authentic look which was integral to maintain.

Our History

2005	2007	2009	2010	2011	2012	2012	2014	2015	2016	2017	2018
Accsys Technologies listed on London Stock Exchange AIM market	Construction of full scale proof of concept production plant in Arnhem in 2007; First commercial sales of Accoya®; cross-listed on Euronext Amsterdam	Current CEO joins - restructuring the Group; Joint Development Agreement with MEDITE concerning development of Tricoya®	Completed fund raising; wrote off significant amounts from balance sheet	Completed further fund raising; stable management team established	First commercial sales of MEDITE® TRICOYA® EXTREME; Joint venture with Ineos concerning Tricoya® business	Licence agreement entered into with Solvay	Arnhem plant improvements and increased sales result in positive manufacturing EBITDA	Strengthening of Board; End of joint venture with Ineos and MoU agreed with BP concerning Tricoya®	Expansion of Arnhem plant commenced and proposed new Tricoya® Consortium announced	New Tricoya® Consortium formed with BP, MEDITE, BGF and Volantis; fund raising completed with project finance from RBS; construction commenced in Hull	Expanded Arnhem plant operational; with capacity of 60,000 cubic metres of Accoya®



ONE YEAR ON

The formation of the Tricoya® Consortium on the 29 March 2017 was a transformational moment for Accsys that facilitated the Company's strategic priority to develop manufacturing capacity with the world's first Tricoya® chip acetylation plant.

The Tricoya® opportunity

- Global market for Tricoya® panels estimated in excess of 1.6 million cubic metres per annum
- Equating to approximately 1.5% of global MDF manufacturing capacity
- MEDITE® TRICOYA® EXTREME panel sales to date limited to market seeding using chipped Accoya® at higher cost
- Sales of Tricoya® panels by MEDITE grown from 949 cubic metres per annum in FY12 to 7,328 cubic metres in FY18
- Wholesale price of Tricoya® panels above that of Accoya® reflecting its exceptional properties and that it is a unique offering in the market
- Construction of the Hull plant is expected to address the increased global demand and promote increased supply
- Tricoya Ventures UK Ltd (TVUK) formed to operate the Tricoya® plant and manufacture the Tricoya® wood chips
- Tricoya Technologies Ltd (TTL) formed to pursue additional licence or consortium agreements worldwide

The Tricoya® Consortium members include Accsys Technologies, BP Chemicals, BP Ventures, MEDITE Europe DAC, BGF and Volantis, with project finance debt provided by RBS and with strategic benefits offered through the participation of BP and MEDITE, in particular via supply and sales off-take agreements respectively.

The Hull plant capacity and forecasted performance

- Total expected capex of €59m
- MEDITE off-take agreement for a minimum of 20% capacity in first year, rising to a minimum 40% after the fourth year of production
- Plant expected to be EBITDA positive operating at 40% capacity
- Initial capacity of 30,000 tonnes of chip per annum, sufficient to produce approximately 40,000 cubic metres of Tricoya® panels
- Second Tricoya® licensee FINSA secured in March 2018 with exclusive Tricoya® panel manufacturing rights in Spain and Portugal
- Together with the existing off-take agreement with MEDITE, the plant is expected to be significantly loaded and as a consequence cash generative at an earlier point
- Full capacity expected to be reached in approximately four years

The wood chip silos nearing completion at the Hull Tricoya® plant



The Consortium will build, operate and run the Tricoya® plant at Saltend Chemicals Park, Hull on a site selected for its adjacency to BP's acetic anhydride plant. Pre-construction, engineering and design work was completed in 2016 and Engie Fabricom appointed as Engineering, Procurement and Construction ('EPC') contractor.

Plant progress

- Site cleared and prepared
- Breaking ground ceremony held 12 July 2017
- Piling and foundation work completed
- Key equipment ordered and the production infrastructure is well underway
- Acetylation tower now at full height at over 50m
- Plant manager recruited and a further ten new members of staff in the progress of being recruited
- Second phase of recruitment planned with the full team of 30 permanent staff members to be in place in early 2019
- Safe site - 100,000 hours of construction without accident



ARNHEM EXPANSION

INCREASED ACCOYA® CAPACITY FROM 40,000 CUBIC METRES TO 80,000 CUBIC METRES IN TWO STAGES.

The Accoya® opportunity

- Increasing trend of consumer and industry demand for sustainable high performance construction materials
- Pent up demand worldwide for Accoya® across all applications
- Record production from the Arnhem Accoya® plant of 39,148 cubic metres, an increase of 3% compared to last year
- Strong sales with an increase of 7% compared to last year, to 42,676 cubic metres
- Growth has been constrained by capacity
- Estimated annual sales in excess of 1 million cubic metres believed to be achievable over time
- This represents a fraction of the 400 million cubic metres total annual global solid wood market

Arnhem expansion

- Arnhem plant is profitable today
 - Profitable since 2013
 - Gross manufacturing margin of 24.5% in the second half of FY18
 - Accoya® underlying EBITDA (excluding licensing) of FY18 €4.4m (€4.1m in FY17)
- Addition of a third reactor has increased our capacity by 50% to 60,000 cubic metres in the first part of a two part expansion
- Production volumes to ramp up over the next few months to meet demand
- Potential for revenue in excess of €90m per annum to be generated
- The additional capacity will result in further improved economies of scale



The expanded Arnhem Plant
Image © BRUIL

- Gross margin of 30% achievable
- Chemical infrastructure for a fourth reactor already in place which would add an additional 20,000 cubic metres of capacity
- 80,000 cubic metres total capacity enables revenue in excess of €120m and Accoya® EBITDA in excess of €30m

New facilities

- Improved efficiencies with new warehouse and distribution centre in the same location as production
- Research and development laboratory
- Maintenance workshops
- Corporate and sales offices
- Arnhem employees now at a single location

Image © Katja Efting

GLOBAL ADOPTION OF OUR SUSTAINABLE PRODUCTS

We aim to reduce the use of environmentally unfriendly building materials and products through the utilisation of our proprietary acetylation technology and the introduction of our sustainable products around the world. We are committed to increasing the global use of our products, Accoya® and Tricoya®, through our own sales efforts and on a substantially larger scale by licensing our technologies to other companies so that they too can manufacture our products with the long-term aim of ensuring they are in every building, on every street, all over the world.

Sleeve House - Taghkanic, USA

Delta Millworks manufactured the Accoya® siding for this unique home in New York state. Using the Japanese finishing technique called 'shou sugi ban' the Accoya® was charred to give the house's façade a modern, weathered texture.

Image © Delta Millworks



Milwaukee Art Museum Research Centre - Milwaukee, USA

The porch posts, arches, post railings and capitals of this Victorian Gothic Arts Centre are all made from Accoya® because it can stand up to the varying climate changes of the upper Midwest.



Dillon Kyle Architects Office - Houston, USA

An abstract leaf-like pattern is carved into 2,500 Accoya® wood boards wrapping the new Dillon Kyle Architects' office building in Houston, Texas, USA. See page 64 for more detail.



Louis Vuitton - Santiago, Chile

Louis Vuitton has completed five store façades in Central and South America with Accoya®, using it to recreate the brand's famous quatrefoil pattern.



Cormac's Chapel - Cashel, Ireland

When selecting the material for the new flooring of the chapel, it was crucial to take into consideration the high footfall the location is consistently subjected to; therefore, choosing a strong and durable material was critical. Accoya® was specified for the flooring because a high performance wood was required to ensure it did not warp, split or swell.

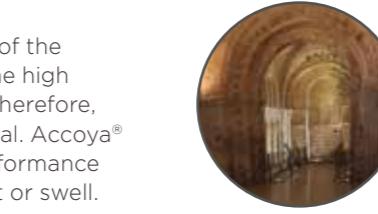


Image © Abbey Woods



OUR INVESTMENT PROPOSITION



SUBSTANTIAL MARKET OPPORTUNITY

Our products provide a sustainable solution to the increasing problem facing the substantial and growing building materials industry. They are natural building materials with low maintenance and consistent qualities with at least the performance properties of the highest performing, non-sustainable man-made and fossil based materials including plastics. In addition, they benefit from all positive attributes of wood (such as sustainability, strength, beauty) without the downfalls (of poor durability and stability).

As a result, our estimates, based upon expert advice and detailed market studies, are that in excess of 2.6 million cubic metres per annum of Accoya® and Tricoya® can be sold. This would be a small fraction of the global solid wood industry.

This represents a long-term and substantial growth opportunity, noting last year we sold 42,676 cubic metres of Accoya® and our licensee MEDITE sold 7,328 cubic metres of Tricoya® panels.

See Chairman's Statement on page 14



SUSTAINABILITY

Consumers and specifiers are increasingly aware of the threats to the environment and to human health through pollution as evidenced by the current global support for reducing plastic pollution in the world's oceans. Demand is growing for sustainable alternatives from every sector of manufacturing reflecting the desire to live more sustainably.

By significantly enhancing the durability and dimensional stability of fast growing, abundantly available FSC® certified wood species, our products provide compelling environmental advantages over scarce slow growing hardwoods, woods treated with toxic chemicals, and non-renewable carbon-intensive materials such as plastics, steel and concrete.

We have obtained numerous certifications and accreditations including Accoya® being Cradle to Cradle™ Gold certified.

See Sustainability Report on page 34



SCALABLE GROWTH

Our manufacturing process and modular industrial design is based upon confidential and protected IP which can be expanded and replicated worldwide.

Our existing Accoya® site in Arnhem is in the process of being doubled in size in two equal stages, with the first stage now complete. The new Tricoya® plant in Hull is being constructed with a view to further significant expansion.

Our joint venture with MEDITE and BP is a good example of what we can do with the right partners. The Accsys business development team is developing relationships with other potential partners around the world to ensure new manufacturing capacity can be developed to meet the long-term global demand.

See pages 06 and 09 for further details of current expansions



WORLD LEADERS IN WOOD TECHNOLOGY

We have developed innovative proprietary and protected technologies which chemically modify wood through a low emissions acetylation process. The resulting products benefit from exceptional dimensional stability, durability and many other qualities as well as being environmentally sustainable.

Our products are first in class and leading the revolution of modified woods in a growing building industry which is starting to recognise and adopt to the significant long-term benefits of such materials.

See page 28 in the Chief Executive's Report



STRONG MANAGEMENT TEAM

Our Board and Senior Management team are highly committed and experienced, with varied backgrounds including from the wood, chemical and finance industries. The team has expanded in the last year to reflect the needs of the growing Group and they remain committed to its on-going future and success.

See pages 40 to 43 for details of the team



Visit our Investor Relations hub at www.accsysplc.com/investor-relations

100m² of Accoya® was used on the Pompejus Tower, a new 25 metre high landmark on the restored Fort de Roovere in Bergen op Zoom, the Netherlands. See page 12 for full details of the project.
Image © Katja Efting

STRATEGIC REPORT

- 14 Chairman's Statement
- 16 Our Market
- 18 Our Business Model
- 20 Our Strategy
- 24 Chief Executive's Report
- 30 Financial Review
- 34 Sustainability Report

POMPEJUS TOWER



Opened in March 2018, Pompejus Tower is a new 25 metre high landmark on the restored Fort de Roovere in Bergen op Zoom, the Netherlands. Named after the first commander of the fortress, the viewpoint boasts views of the entire Brabant Water Line. Created by RO&AD Architects, Accoya® wood was specified because of its durability, stability and low maintenance benefits in external applications.

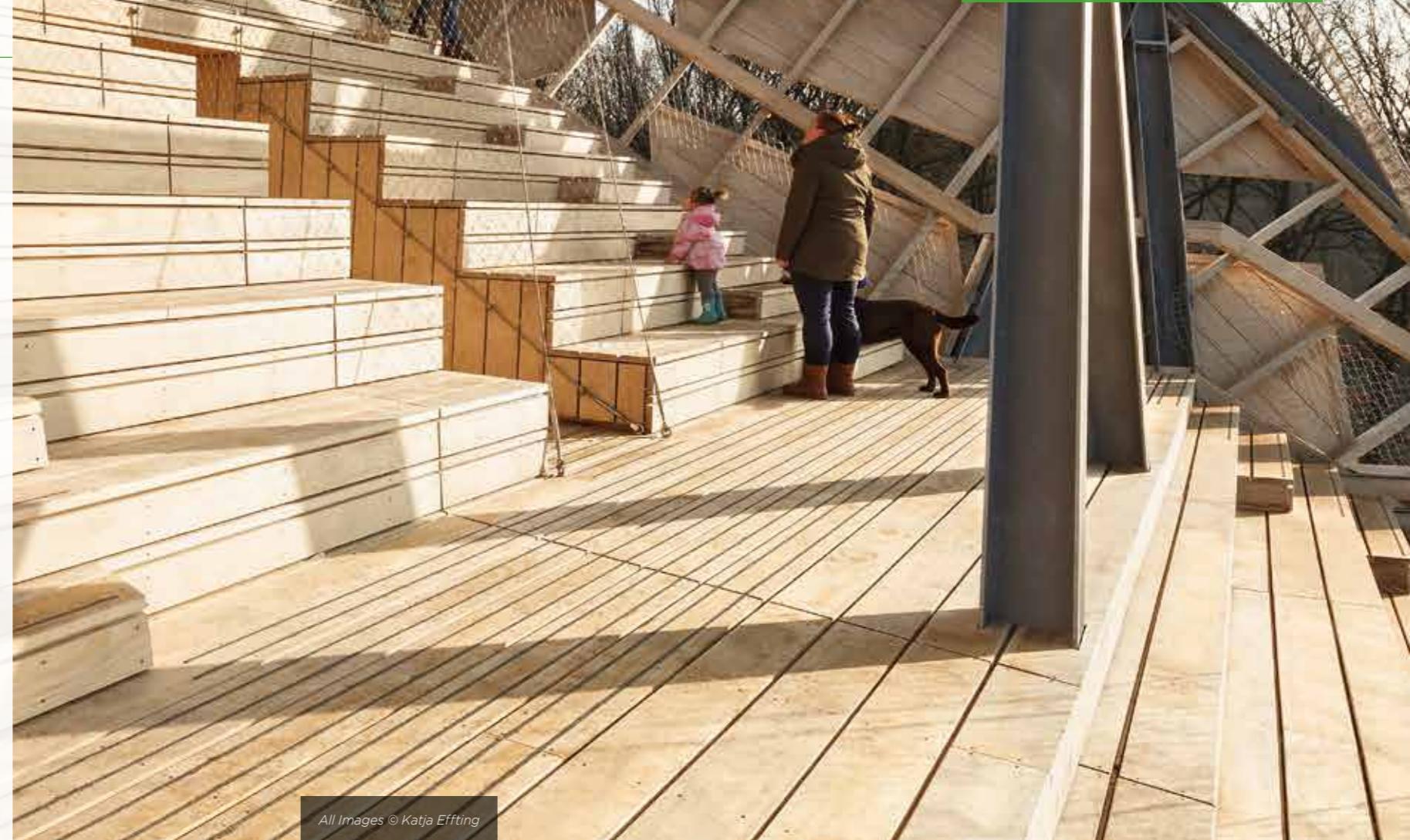
The main construction consists of steel triangles and has been designed according to a mathematical design principle which allowed for windows and openings to be formed in the façade. This construction is virtually invisible as Accoya® wood plates were mounted on the cutting faces of the steel. This created the recognisable mathematical Voronoi pattern which occurs in nature on the neck of giraffes and shields of turtles.

An exhibition space and an open-air theatre is situated at the bottom of the tower, with a stand made of Accoya®. The grandstand also serves as the start of the stairs, with all 129 made of Accoya®. In total, 100m³ of Accoya® was used for this project, supplied by Accoya® distributor Boogaerd Hout.

"ACCOYA® WOOD WAS SPECIFIED BECAUSE OF ITS DURABILITY, STABILITY AND LOW MAINTENANCE BENEFITS IN EXTERNAL APPLICATIONS."

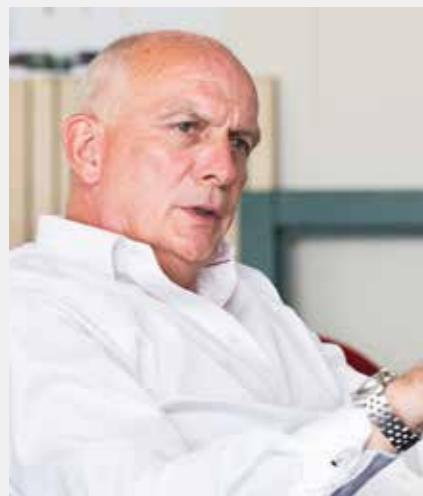
RO&AD Architects have designed and created several projects on the Brabant Water Line, including the Mozesbrug and Ravelijnbrug. Ad Kil, Co-Owner of RO&AD: "We have selected Accoya® in all of our projects along the waterline. This consistent specification unites the projects and makes it a kind of family. We always choose Accoya® because we are big fans of the wood and its performance. We do not want to use tropical hardwood because of the long growth cycle of 150 years. Whereas Accoya® is made of a fast-growing type of wood and also has durability class 1; and with a 50 year guarantee above ground and 25 year guarantee in ground/freshwater, it can be used outdoors in challenging applications without any problems. From an aesthetic point of view, the wood is naturally beautiful, making it the ideal choice for many of our projects."

"WE ALWAYS CHOOSE ACCOYA® BECAUSE WE ARE BIG FANS OF THE WOOD AND ITS PERFORMANCE."



All Images © Katja Effting

CHAIRMAN'S STATEMENT



"WE CONTINUE TO ADD EXPERIENCE AND BREADTH TO THE ORGANISATION AS WE LOOK FORWARD TO THE NEXT PERIOD OF MORE ACCELERATED GROWTH."

Introduction

This year the focus has been on ensuring our two key capacity expansion projects are on schedule and within budget, whilst maintaining momentum in sales growth despite the challenges of operating at maximum production capacity for much of the year. It is a true credit to all our employees who have supported our development whilst ensuring we operate to the very highest standards for Health and Safety.

The construction of the third reactor in Arnhem is now complete and we are on schedule for it to produce its first batches of Accoya® this month. In the last twelve months our customers have been exceptionally patient as demand continues to outstrip supply. We look forward to fulfilling that excess demand over the coming months as we once again look for double digit growth in the year ending 31 March 2019.

Following the finalisation of the Tricoya® Consortium at the end of the last financial year, substantial progress has been made with the construction of the new Tricoya® chip acetylation plant in Hull, which remains on track for completion in mid-2019 calendar year.

We are once again looking forward to a period of significant growth and being able to satisfy the increasing and pent up demand for Accoya®. This will help us to take advantage of a substantial market opportunity;

one which becomes more relevant in today's world which is seeking ever more environmentally-friendly, yet high performance construction products. We are also seeing more interest from partners who see the market potential and wish to support the growth of both Accoya® and Tricoya® in both North America and Asia.

We continue to add experience and breadth to the organisation as we look forward to the next period of more accelerated growth. This has included the appointment of Trudy Schoolenberg to the Board as Senior Independent Director, who brings with her significant operational and corporate experience. We have also strengthened our management capability with new appointments in Human Resources and Marketing following the appointment last year of our Head of Group Operations.

Sales and production

Sales volumes grew by 7% to 42,676 cubic metres for the year, reflecting that we have been operating at capacity levels which have limited our ability to grow further in the year and resulted in pent up demand. Production volumes were impacted by two planned shut downs in the first half of the year, one more than usual as a result of work relating to the expansion. Sales of Tricoya® panels by MEDITE increased by 26% compared to last year, reflecting increasing demand.

Demand for Accoya® and Tricoya® has increased, and despite the capacity constraints, growth was recorded in most regions, in particular the USA although this was from relatively low volumes.

We continue to believe the total market for Accoya® and Tricoya® is in excess of 2.6 million cubic metres per annum, based upon detailed market assessments. This figure represents a small fraction of the overall solid wood and wood panel industries but should also be seen as a longer-term aspiration given the requirement for new manufacturing capacity.

Additional manufacturing capacity

The addition of a third reactor to our Accoya® plant in Arnhem increases our capacity by 50% to in excess of 60,000 cubic metres per annum, with the potential to generate revenue in excess of €90m annually, at today's prices. The first commercial batches are anticipated this month and we expect to ramp up production volumes over the next few months to meet demand for both Accoya® and Tricoya®.

The additional capacity has been completed on budget and the expansion includes the infrastructure for a fourth reactor to be added at a later date to add a further 20,000 cubic metres of capacity. As part of our expansion programme, we now have a significant new warehouse and distribution centre and new offices. This means that all of our key operations in relation to Accoya® are housed in a single location in Arnhem, which is expected to result in greater efficiency.

I am also pleased to report that 15 months following the formation of the Tricoya® Consortium, real progress has been made with the construction of the dedicated Tricoya® wood chip acetylation plant in Hull, which will have an initial design capacity of 30,000 metric tonnes. Significant

construction work has been completed on site, key equipment ordered, staff recruitment is ongoing and we remain on track for the construction of the plant to be completed in mid-2019 calendar year.

During the year we entered a Tricoya® brand and panel manufacturing licence agreement with FINSA, which is expected to become a significant new customer purchasing Tricoya® chips from the Hull plant. The anticipated future demand for Tricoya® chips indicated by FINSA, together with the existing off-take agreement with MEDITE, is expected to result in the Hull plant being significantly loaded, and as a consequence, cash generative at an earlier point. We continue to expect the plant to be EBITDA positive operating at 40% capacity.

Financial results

Revenue for the year ended 31 March 2018 increased by 8% to €60.9m (2017: €56.5m). Within this total, Accoya® wood revenue increased by 11% to €56.3m (2017: €50.7m) as a result of a 7% increase in sales volume and the effect of price increases, while licence income decreased from €1.6m to €0.2m, reflecting progress in reaching milestones in the period under our agreement with our Accoya® licensee, Rhodia Acetow.

Gross profit margin decreased from 25% to 22% for a number of reasons including lower licensing income, as expected, and a number of largely one-off matters which impacted the first half of the year, including an additional maintenance stop and a reduction in our inventory of lower grade (B-grade) material. However, the gross margin in the second half of the year increased to 24.5% compared to 20% in the first half as a result of a price increase implemented in January 2018, and without some of the one-off items experienced in the first half. Gross margin should increase further in the year ending 31 March 2019 as we benefit from the additional capacity.

Other operating costs (excluding exceptional items) increased by 9% to €20.2m largely as a result of increased activity following the formation of the Tricoya® Consortium, wage inflation and activities to support the expected significant growth in Accoya® volumes.

This resulted in a €2.0m increase in underlying Group EBITDA loss to €3.5m (2017: underlying EBITDA loss of €1.5m). However underlying Group EBITDA improved from a €2.8m loss in the first half of the year to a €0.7m loss in the second half. This was largely due to an improvement in the Accoya® segment where underlying EBITDA improved from €1.2m profit in the first half of the year to €3.4m profit in the second half of the year as a result of higher Accoya® volumes and price increases.

Balance sheet

The increase in net debt to €3.8m (2017: net cash of €18m) largely reflects €29.5m of capital expenditure incurred in the year in respect of the Hull plant and Arnhem expansion, and €1.8m cash out-flow attributable to operating activities after changes in working capital.

During the year we raised €12.3m net proceeds from the Firm Placing and Open Offer (completed in April 2017) and a further €14.4m was raised from BP Chemicals and MEDITE in respect of the Hull plant, through the issue of new shares in our Tricoya® subsidiary. We also drew down €7.5m under our facility with Rhodia Acetow in respect of the Arnhem expansion.

The net debt balance is expected to increase in the new financial year as further significant capital expenditure is incurred in respect of the Hull plant and the Arnhem expansion is finalised. However Group operating cash-flow is expected to be positive in the new financial year.

Outlook

The additional capacity from the third reactor in Arnhem will meet the pent up and new demand for Accoya® and Tricoya®. We expect sales volumes to grow significantly in the new financial year, although much of this will be in the second half.

The start-up of the Hull plant in mid-2019 will provide further additional capacity to meet demand. This also means we will no longer have to supply Accoya® for the manufacture of Tricoya®, which in conjunction with the capacity expansion in Arnhem would allow Accoya® capacity to approximately double in comparison to last year.

The new user licence agreement with FINSA is a great endorsement and an indication of the interest and demand for Tricoya®, for which we also expect sales to increase ahead of the Hull plant becoming operational. We are also in discussions with a number of large MDF manufacturers regarding potential licensing arrangements similar to the FINSA agreement.

There is a high level of interest in developing new capacity for Accoya® and Tricoya® both in North America and Asia. These are likely to involve new partnership arrangements similar to the Tricoya® Consortium in Hull.

In summary, this is an exciting period for our Company. I am confident that we are very well placed to take advantage of our strong IP by utilising our increased asset base to ensure we can maximise growth and returns going forward in both the short and longer-term.

Patrick Shanley

Non-executive Chairman

18 June 2018

OUR MARKET

EVER INCREASING CONCERNs OVER POLLUTION RELATED TO PLASTICS AND OTHER MAN-MADE MATERIALS MEANS THAT THE SUPERIOR QUALITIES OF OUR PRODUCTS ARE DRIVING CUSTOMERS TO CHOOSE OUR ENVIRONMENTALLY-FRIENDLY MATERIALS OVER ESTABLISHED WOOD AND MAN-MADE MATERIALS INCLUDING FOSSIL BASED PRODUCTS. THIS GIVES ENORMOUS SCOPE TO INCREASE OUR PENETRATION OF THIS VAST GLOBAL MARKET.

Our technology

Accoya® and Tricoya® are based upon our proprietary wood acetylation technology.

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 shrinks and swells. 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 (commonly 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.

KEY FEATURES



DIMENSIONALLY
STABLE



OUTSTANDING
DURABILITY



IDEAL FOR
COATING

Accoya® wood is produced from sustainably sourced, fast growing wood and manufactured using Accsys' proprietary patented modification process from surface to core.



NON-TOXIC &
RECYCLABLE



NATURALLY
INSULATING



EXCELLENT
MACHINABILITY



INSECT
BARRIER



CONSISTENT
QUALITY
THROUGHOUT



NATURALLY
BEAUTIFUL
WOOD



FROM
SUSTAINABLE
SOURCES



RETAINED
STRENGTH &
HARDNESS



BAREFOOT
FRIENDLY

Potential market for Accoya® and Tricoya® is in excess of

2.6m m³

Increase in Tricoya® panel sales during 2018

26%

Market

We believe the potential market for Accoya® and Tricoya® is in excess of 2.6 million cubic metres annually.

Last year we sold 42,676 cubic metres of Accoya® and our licensee MEDITE sold 7,328 cubic metres of Tricoya® panels, however the total global solid wood market is understood to exceed 400 million cubic metres annually and we believe sales in excess of 1 million cubic metres annually are ultimately achievable. While it may take some time for Accoya® and Tricoya® to reach their full market potential and may be limited by availability of manufacturing capacity, we are confident that continued strong sales growth can be generated.

Accoya® captures the market share in those applications which require rot, insect and water resistance, i.e. primarily outdoor products. We focus on the higher-value end of these applications, where the dual qualities of durability and dimensional stability offered by Accoya® are most highly valued.

The majority of our Accoya® sales are 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 other opportunities will be developed as we become able to meet the demands of larger scale manufacturers and 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 façades 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 cubic metres and up to approximately 4.5 million cubic

metres per annum. This would equate to around 1% of global MDF manufacturing capacity. Tricoya® panels were introduced to the market by MEDITE in 2012, manufactured using chipped Accoya® as a production solution in the period before the dedicated wood chip acetylation plant is completed. Sales of Tricoya® panels have increased significantly each year since MEDITE introduced them to the market in 2012, and total panel sales to date are approximately 25,000 cubic metres / 2.3 million square metres, representing a sales value of approximately €39m. Last year sales grew by 26% to 7,328 cubic metres.

Both products offer environmental advantages which enable them to compete with a variety of other less sustainable wood and man-made products. We believe this will become more important as global attention increases in respect of the potential harm that other products, such as plastics and microplastics can cause.

OUR BUSINESS MODEL

SUSTAINABILITY

Pollution is not a new problem, but increased risk to human health and the environment is now driving specifiers and consumers to consider the environment in every decision. Through our innovative technological acetylation platform, we are committed to manufacturing high performance materials – Accoya® and Tricoya® – which are environmentally-friendly

solutions for the construction industry. Accoya® and Tricoya® are made from abundantly available, fast growing, sustainable, renewable resources with durability and dimensional stability exceeding the best performing tropical and temperate hardwoods and manufactured wood and non-wood panels including plastics.

They are natural building materials with low maintenance and consistent qualities of the highest performing non-sustainable man-made materials. They benefit from all the positive attributes of wood such as sustainability, strength and beauty without the downfalls of poor durability and stability.

OUR KEY STRENGTHS

Intellectual property ('IP'), expertise and innovation

Our IP is protected at different levels and is exploited in different ways. We have developed families of patents relating to our products and processes which provide robust protection and enable us to market to third parties. Equally important is know-how and trade secrets covering our process, raw materials, equipment and products which provide commercial protection and value generation as well as a basis for on-going innovation.

Branding

Our brands Accoya® wood and Tricoya® are registered trademarks in over 50 countries worldwide.

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 high performance, class leading and sustainable while offering value for money when considering performance benefits and the product lifecycle.

Business partners

Third parties have contributed to our success and help us meet our long-term strategic targets.

Particular importance is placed upon those which help develop our technology, products and their place in the market including equipment manufacturers, wood suppliers, the acetylts industry, testing and certification bodies as well as wood coating, adhesives and other system supply specialists. 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 developing long-term growth market opportunities to exploit our first mover advantage is dependent on our employees. Value is generated from know-how; from working with wood products, understanding our brand on a global basis, to optimising the acetylation process. We develop, motivate and retain a committed team with necessary skills to help us meet our objectives.

OUR TECHNOLOGY

Our innovative wood processing technology is a platform with application for use on different solid woods and multiple different panel products.

We believe wood acetylation is applicable to multiple wood products and species and we have established a platform technology that can be developed to generate additional products and uses. Different species of wood will enable Accoya® to be used for new purposes while opening up greater supply chain opportunities. Our Tricoya® process also has the potential to be used for particle board manufacture.

HOW WE CREATE VALUE

Manufacturing

Accsys' Accoya® plant has been improved and had capacity increased through constant process improvements. This has demonstrated our process works on an industrial scale and has confirmed the commercial viability of Accoya® and Tricoya®.

The plant returns are expected to be further improved with the benefit of the new capacity in the new financial year. In addition it is a centre for carrying out commercial level R&D and 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 added via our process, and manufacturing directly ourselves offers significant long-term rewards. We will continue to work with appropriate third parties in order to achieve our objective of expanding the production footprint globally, in particular where such parties have resources or technologies which complement our own.

Our ambition to retain a direct interest in manufacturing whilst fully exploiting the value of our IP is characterised by our relationships with BP and MEDITE in respect of Tricoya®, where the new Consortium builds upon a broader level of experience and capabilities in the acetylts 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.

Velodrome specialists SDA from the Netherlands handpicked Accoya® as the ideal wood for the 250 metre cycling track at the velodrome in Apeldoorn, the Netherlands. Due to the acetylation process, it will not splinter which was a critical requirement for the project.

Investment in R&D, People and Partnerships

OUR STRATEGY



Our approach

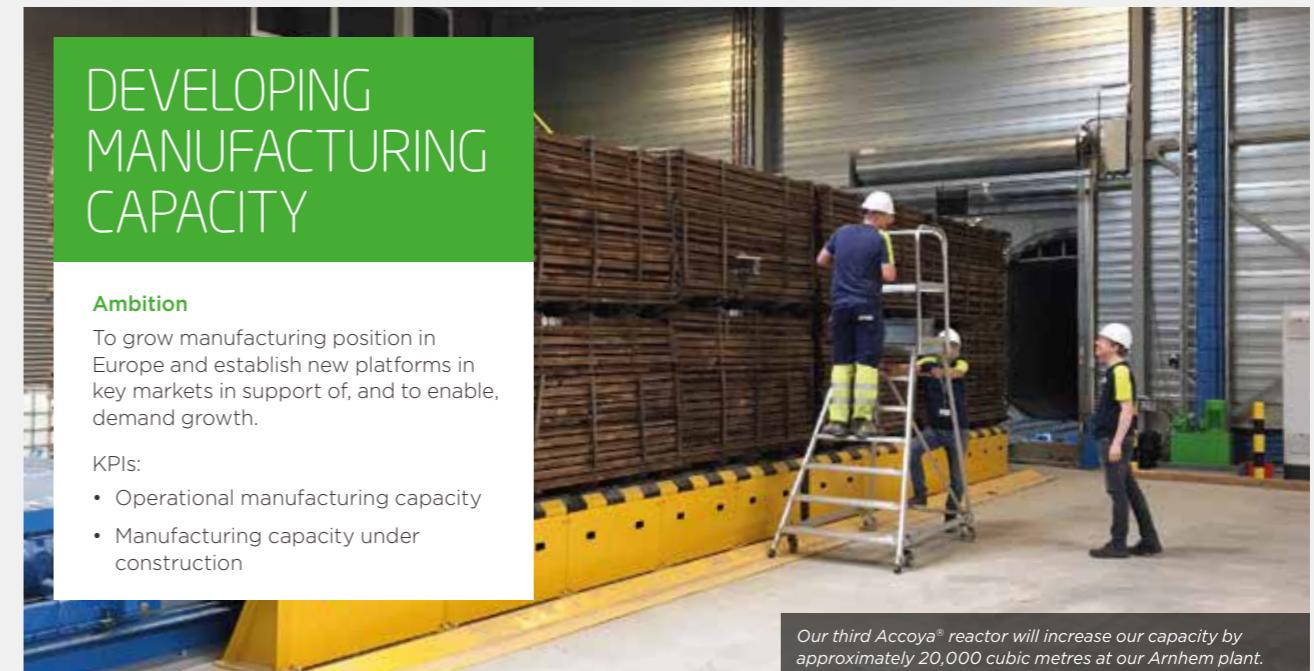
- Focus on significant and growth markets, for example the USA and the joinery market
- Building brand and developing critical mass within markets
- Developing the substantial environmental advantages that our products offer
- Development of partnerships to allow the above in cost effective manner
- Product development focused on significant volume and value propositions

Progress in year ended March 2018

- Total volume sold increased by 7% to 42,676 cubic metres, however:
- Accoya® sales volumes (excluding to MEDITE) increased by 10% to 34,617 cubic metres
- Tricoya® panel sales by MEDITE increased by 26% to 7,328 cubic metres
- 64 Accoya® distribution and agency agreements in place (2017: 61)
- Sales volumes have been capacity constrained with customers on allocation
- USA identified as key growth market - sales volumes increased by 43%
- Second Tricoya® user licence sold, expected to increase sales into new European markets

Priorities for year ending March 2019

- Meeting pent up demand for Accoya® from expanded capacity following a significant period of customers being on sales allocation
- Increase market seeding of Tricoya® in core European region and develop sales into new key markets elsewhere globally



Our approach

- Develop and optimise existing sites to benefit from existing skills and leverage operational and financial scale
- Identify new international locations and appropriate partners to develop additional capacity in order to meet longer-term growth potential in global markets

Progress in year ended March 2018

- Record production from Arnhem plant of 39,148 cubic metres
- Third Accoya® reactor construction significantly progressed as expected, which will increase capacity by approximately 20,000 cubic metres per annum
- Tricoya® plant construction commenced, which will have a capacity of approximately 30,000 metric tonnes of Tricoya® wood chips per annum

Priorities for year ending March 2019

- Commissioning of construction and ramp up of operations of third Accoya® reactor
- Tricoya® plant construction expected to be near complete ahead of operation in mid-2019 calendar year
- Development of initial plans for ensuring additional manufacturing capacity
- Development of key supply chain relationships and options in order to support longer-term ambition

Risks

Accoya® process improvements are likely to be more difficult to achieve with no certainty that capacity from existing assets can be increased further. The Tricoya® process is based on our core acetylation knowledge but may present unexpected design issues requiring more complex engineering.

The Group's Intellectual Property ('IP') protection is afforded by a combination of trademarks, patents, confidentiality agreements and the structuring of legal contracts relating to key licensing, engineering and supply arrangements. Unauthorised use of the Group's IP may adversely impact its ability to exploit 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 IP.

The cost and availability of key inputs affects the profitability of 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.

OUR STRATEGY CONTINUED



Our approach

- Optimisation of existing products and technologies
- Pursuit of focused technology solutions which materially enhance productivity and cost of production

Progress in year ended March 2018

- Significant progress made in development of potential coloured Accoya® and other potential end product developments which would lead to new applications

Priorities for year ending March 2019

- Finalisation of development of coloured Accoya®
- Continued development of application of acetylation to other solid wood applications
- Fully define detailed and focused technology development programme for implementation from 2019, based on existing assets, know-how and development programmes

Risks

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.

As our products and IP becomes increasingly valuable, an increased risk of third parties challenging our IP or seeking to copy or use it without authorisation develops.



Our approach

- Development of Group culture and values
- Build Group's organisation capability to meet growth objectives
- Focus resource strategy and organisational development based on strategic plan milestones with appropriate training and development

Progress in year ended March 2018

- New heads of HR and Communications joined senior management team; new Non-Executive Director joined board with significant operational experience
- Undertaken review of many HR related functions to identify areas for development

Priorities for year ending March 2019

- Review of organisational structure and detailed resource plans
- Develop values programme

Risks

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.

Further details of risks and uncertainties are set out below:

(a) 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.

(b) Movements in foreign exchange

The Group's functional currency is the Euro. There is the risk that movements in the Euro exchange rate against other currencies may result in significant, unexpected, financial gains and losses.

The Group's risk management strategy is to minimise the financial risk associated with exchange rate movements by using foreign exchange hedging. Where possible, the Group will use natural hedges where assets and liabilities exist in the same currency, otherwise it will use foreign exchange derivatives such as forward contracts to minimise the risk.

The Group aims to hedge certain of its key foreign exchange risk, taking account of the affordability of appropriate foreign exchange derivatives.

CHIEF EXECUTIVE'S REPORT



"THE OVERALL INCREASE IN SALES VOLUME IN THE YEAR REFLECTS THE CONTINUED INCREASE IN DEMAND FOR OUR ENVIRONMENTALLY-FRIENDLY PRODUCTS."

Introduction

We have made considerable progress over the last year and I am particularly pleased that we are now expecting the first output from the third Accoya® reactor this month, after the completion of a substantial and successful construction project.

The first year of the Tricoya® Consortium has been transformational, with significant progress made in the construction of the world's first wood chip acetylation plant in Hull and success in securing an important new partnership with FINSA.

Safety continues to be our priority and I am pleased to report that we have had no lost time incidents in the year. We are continuing a safety awareness programme involving all of our employees and will continue to target best practice in this area.

I would again like to thank all of our staff who have worked with continued dedication towards achieving the Group's objectives, during a period

which has seen all parts of the business operate at higher levels than before. We have strengthened our Senior Management Team, with the addition of Heads of Communications and HR as well as the Head of Group Operations earlier in the year. I believe the team is in an excellent position to manage our next significant growth phase.

Accoya® global performance

Total Accoya® sales volume for the year ended 31 March 2018 increased by 7% to 42,676 cubic metres (2017: 39,790 cubic metres) and total Accoya® revenue increased by 11% to €56.3m (2017: €50.7m). The larger increase in revenue compared to volume was attributable to the effect of price increases and a small change in sales mix. Excluding sales to MEDITE for Tricoya® panels, sales volumes increased by 10% to 34,617 cubic metres (2017: 31,532 cubic metres).

At the time of the justifiable increased awareness of the critical importance of sustainable alternatives to man-made and fossil based materials, the overall increase in sales volume in the year reflects the continued increase in demand for our environmentally-friendly products, although growth

has been limited given production volumes have been at capacity level. Our customers have been on allocation for much of the year and we are grateful for their co-operation as we have worked closely with them through this challenging time in order to manage demand. As a result, we are well placed to meet pent up demand, as well as new opportunities now that potential capacity is increasing by 50%. We expect sales volumes to increase during the remaining part of the new financial year, as production volumes ramp up following the completion of commissioning this month.

The 10% growth in Accoya® volumes (excluding to MEDITE) continues to be driven by repeat business and has been fulfilled by our network of global distributors which has remained largely consistent over the last year. Demand is fuelled by an ever increasing track record and acceptance in our target markets together with the drive by the industry for high performance yet sustainable building materials. We continue to develop new sales opportunities as we demonstrate Accoya®'s more entrenched position in the market.

Accoya® sales volume growth



Total sales volume

42,676m³
2017: 39,790m³

Sales volume excluding MEDITE
34,617m³
2017: 31,532m³

UK and Ireland remains our largest region, where sales volumes remained level at 11,994 cubic metres, excluding sales to MEDITE for Tricoya® panels (2017: 12,021 cubic metres). Use of Accoya® for door and window production remains the largest application in this market and the use of Accoya® for façades has increased significantly. The inventory levels of our distributors reduced during this period under allocations. As a result of strong demand together with inventory replenishment, we anticipate significant growth as production from the additional capacity increases in the new financial year.

9,464 cubic metres of Accoya® were sold to Rhodia Acetow (2017: 8,531 cubic metres). This represented an 11% increase and reflected our arrangements with them as an Accoya® licensee under which Rhodia Acetow has responsibility for most countries in central Europe and Scandinavia. Subsequent to the year-end we have agreed an amendment to our off-take agreement with Rhodia Acetow which has reduced the minimum volume Accsys is obliged to supply to Rhodia Acetow for the remaining three years of the agreement. The minimum volume for the three years ending December 2020 has been reduced from 55,000 cubic metres to 44,990 cubic metres, reflecting both our recent and potential future production capacity constraints.

Sales in the Americas increased by 43% to 5,494 cubic metres from relatively small volumes last year, reflecting our focus on the largest potential market for Accoya®.

Our sales team has made significant progress in developing short and longer-term opportunities and I believe this region will also represent a significant area of growth following the availability of new production capacity. While sales volumes increased, margins in the region were impacted by weaker US Dollar exchange rates, with North America being the only region where we invoice customers in local currency rather than Euros.

Sales to the Benelux area decreased by 8% to 3,405 cubic metres, as a result of lower sales in Belgium. This was attributable to the prior year including one-off projects and a change in our distribution structure. We have secured an additional distribution partner for Belgium, with a strong project pipeline for the new year. Sales to the Netherlands increased by 15% despite customers being on allocation for much of the year, reflecting changes we made to our sales and marketing approach as well as to the sales team last year. As a result I am confident sales will continue to grow for this region with the new production capacity.

Sales to the Asia-Pacific region increased by 26% to 3,540 cubic metres. Sales outside of Diamond Wood's exclusive region, including to Japan, Australia, New Zealand and India increased by 25%, reflecting particularly strong growth in Australia and Japan from both positive collaboration with distributors and the benefit of repeat business manufacturing companies increasing use of Accoya®.

Sales to customers elsewhere, including Eastern Europe and the Middle East continue to be relatively small with growth restricted by production capacity. However, we continue to develop relationships with distributors and believe that many of these regions represent excellent longer-term markets.

Volumes of Accoya® sold to MEDITE for the manufacture of MEDITE® TRICOYA® EXTREME remained relatively flat, at 8,059 cubic metres. While prices increased slightly in the year the margin for this material continues to be lower than sales to our regular Accoya® customers. This reflects our investment in the Tricoya® project resulting in our shareholding in the Consortium increasing by 0.5%. Sales are expected to grow significantly in the new financial year and ahead of the Hull Tricoya® plant becoming operational in mid-2019 calendar year. Sales by MEDITE of Tricoya® panels increased by 26% to 7,328 cubic metres in the year to 31 March 2018, reflecting use of MEDITE's inventory.

We have 64 Accoya® distributor, supply and agency agreements in place covering most of Europe, Australia, Canada, Chile, China, India, Japan, New Zealand, South Korea, parts of the Middle-East and South-East Asia, and North America.

No Accoya® licence related income was reported in the year (2017: €1.6m) reflecting the contractual milestones in place with our licensee Rhodia Acetow, however further milestones are expected to be achieved in the new financial year.

CHIEF EXECUTIVE'S REPORT CONTINUED

Accoya® pricing and margin

The gross manufacturing margin (which excludes licensing income) decreased from 22.7% to 21.8% reflecting a number of one-off matters reported with the half year results. The gross manufacturing margin improved from 19.5% in the first half of the year to 23.8%, with the second half of the year also benefiting in part from a price increase effective from January 2018.

The lower gross margin in the first half of the year was attributable to the following, largely one-off factors:

In May 2017 we carried out an extra maintenance stop, in addition to our annual maintenance stop completed in September 2017. The May stoppage related to the expansion however lasted longer than expected, and resulted in lower production volumes and €0.2m of additional costs.

Raw material prices increased in the first half of the year, with the cost of acetylts increasing in the first quarter although this subsequently reduced. The cost of raw wood also increased in the first half of the year. As a result, we implemented a price increase for all of our customers from January 2018.

We also reported a one-off cost attributable to a quantity of lower grade wood sold in the first half of the year which reduced gross margin by €0.5m, but which assisted in the relocation of inventory to our new warehousing facilities in the second half. Inventory levels had built up following some challenges in securing the right mix of raw wood from our suppliers in New Zealand. We have improved the balance of material being supplied from New Zealand and factored in the remaining related cost into the new customer prices implemented from January 2018.

The proportion of sales to MEDITE and Rhodia Acetow increased to represent 41.6% of total sales volumes in the first half of the year. Lower priced and lower margin Accoya® is sold to MEDITE reflecting our investment in Tricoya® market seeding and Rhodia Acetow receives discounted prices reflecting their on-going commitment under their off-take agreement. The proportion of sales to MEDITE and Rhodia Acetow decreased marginally to 40.6% in the second half of the year.

We expect the new financial year to benefit from the full effect of the price increase implemented from 1 January 2018 and we will continue to keep prices under review as the year progresses. We also expect to benefit from economies of scale arising from operating the third reactor and we continue to believe that a gross margin of 30% is achievable in the longer-term.

Expansion of Accoya® manufacturing plant

I am very pleased to report that the construction of the third reactor has recently been completed and is now operational. Full commissioning is underway with the benefit of additional Accoya® expected later this month.

The expansion has been completed successfully as expected and the 50% additional production capacity, to in excess of 60,000 cubic metres, will allow us to grow sales volumes significantly in the remaining part of the new financial year.

At the same time, we completed the chemical infrastructure for the fourth reactor which means that we can increase capacity by an additional 20,000 cubic metres both more quickly and at a lower cost, when demand requires.

To support the additional manufacturing capacity, we have recruited some additional shift staff and are in the process of adding to these teams further as we expect to ramp up operations. The additional capacity is expected to result in improved economies of scale when operating at higher volumes given the overlap of some functions and shared overheads with the existing two reactors.

In October 2017 we completed the move into new facilities adjacent to the plant which includes a new warehouse and distribution centre, R&D laboratory, maintenance workshops and office. These facilities were previously spread over a number of different rented buildings. The new facility has been constructed by Bruil under the sale and leaseback arrangements we originally entered into in 2016. We are already seeing the benefits of working at a single site, with efficiencies expected to be gained from improved logistics between the warehouse and the processing plant as well as having our Arnhem employees at a single location.

Subsequent to the year-end we have purchased the majority of the Arnhem land and buildings back from Bruil for a total of €23m, enabling us to benefit from greater flexibility over the use of the site as well as any potential value appreciation. The acquisition remains conditional upon Accsys finalising finance terms to fund the purchase price of €23m (plus VAT). Should satisfactory financing terms not be agreed, the transaction will be unwound, the property transferred back to Bruil and the previous lease arrangements will re-commence, all without liability to Accsys.



The construction of key structures is progressing well at the Hull Tricoya® plant

"THE HULL PLANT IS EXPECTED TO REACH EBITDA BREAK EVEN AT APPROXIMATELY 40% OF ITS CAPACITY."

Tricoya® Consortium

I am very pleased to report substantial progress by the Tricoya® Consortium since its formation in March 2017.

Detailed engineering by the main contractor, Engie Fabricom, had commenced prior to the start of the year and this enabled work to begin on site immediately following the site clearance and remediation work which was completed in June 2017. Ground works have been completed and the construction of key structures is progressing well, including the acetylation tower.

Approximately 90% of key equipment orders have been placed, including all long lead time items, with the first such items having been delivered to site.

Co-operation with our Consortium partners, BP and MEDITE, has been excellent at all levels of the organisation, including ensuring that the Consortium benefits from BP's experience at the Saltend Site and MEDITE's experience with wood handling.

The plant manager for the new plant started in January 2018 and we are building a team of approximately 30 staff to operate the plant. These staff will be recruited during the new financial year with the early task of developing the operational protocols and then commissioning the plant in 2019 calendar year.

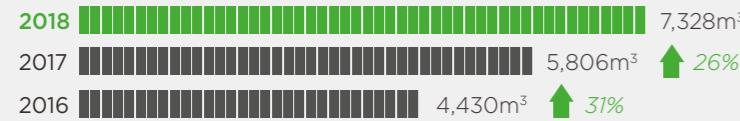
MEDITE has continued to develop the market, and sales of MEDITE® TRICOYA® EXTREME panels by MEDITE have increased by 26% compared to the same period last year.

Demand for Tricoya® panels continues to increase allowing MEDITE to increase prices. Growth has more recently been limited as a result of the production capacity in Arnhem restricting the amount of Accoya® that can be sold to MEDITE. Sales are expected to increase now that additional Accoya® manufacturing capacity is available ahead of the dedicated Tricoya® plant becoming operational in 2019.

MEDITE has been responsible for the majority of sales, however we have commenced sales and marketing activities in regions outside of MEDITE's licensed region in order to further increase ultimate demand for the Hull plant and to seed new markets in respect of potential additional Tricoya® licensees.

CHIEF EXECUTIVE'S REPORT CONTINUED

Sales of MEDITE® TRICOYA® EXTREME panels by MEDITE



In March 2018 we announced a new Tricoya® user licence agreement with FINSA, one of Europe's longest established MDF and chipboard manufacturers. FINSA has been granted exclusive rights for manufacturing panels from Tricoya® wood elements in Spain and Portugal, with non-exclusive distribution rights in other territories. FINSA will sell the panels under the Tricoya® brand and pay a combination of royalty and licence fees to the Tricoya® Consortium, with the first instalment of the licence fee having been paid in the financial year ended 31 March 2018.

The supply of acetylated material for the production of Tricoya® panels by FINSA will initially be met from the Accoya® plant in Arnhem and then in the form of Tricoya® chips from the new Tricoya® plant in Hull.

The anticipated future demand for Tricoya® chips indicated by FINSA together with the existing off-take agreement with MEDITE, is expected to result in the Hull plant being significantly loaded and as a consequence cash generative at an earlier point. The Hull plant is expected to be EBITDA break-even at approximately 40% of its production capacity.

€17m of capital expenditure has been invested in the year in respect of the Hull plant (2017: €1.4m), out of a total estimated €59m. Operating costs increased to €3.2m (2017: €1.5m) reflecting the expected increase in activity levels ahead of the completion of the Tricoya® plant. This has included business development with an increase in global interest for Tricoya® and progress with potential new partnerships.

We agreed an acceleration of the remaining €14.4m of equity funding due from BP Chemicals and MEDITE into Tricoya Ventures UK. This enables us to better manage the foreign exchange risks associated with the project given much of the construction cost is denominated in pounds Sterling.

Intellectual property

We continue to focus on and invest heavily in the generation and protection of intellectual property ('IP') relating to the innovation associated with our acetylation processes and products, to ensure ongoing differentiation and competitive advantage in the market place. Recent attention has been given to conducting thorough reviews of those processes for Accoya® and Tricoya® wood products to ensure strong protection is in place.

Protection opportunities are also being considered for the next generation of technologies associated with our acetylation process to further improve efficiency, and complementary technologies for our products.

Patenting and/or maintaining valuable know-how as a trade secret remains the typical route through which our innovation is protected. Applications filed now number 288, in 43 countries. To date, 98 patents have been granted in various countries throughout the world.

Management of our know-how, including increasing Company-wide awareness of the importance of protecting and controlling that 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.

Particular focus is placed on minimising risks when engaging with third parties, by ensuring Accsys know-how is only shared when absolutely necessary. Controls are also placed on receiving confidential information, to prevent protection associated with our internal research efforts being compromised.

Our well-established trademark portfolio continues to grow geographically 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, becoming valuable household names in the timber and panel industries. Recent activity has focused on additional trademark filings to further protect the Company brands and to support new products, as well as providing evidence of use to maintain the validity of our trademarks throughout the world.

Accsys continues to maintain an active watch on the commercial and IP activity of third parties to monitor and take action 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 acquisition, and to

obtain an early insight into any IP which could potentially hinder our commercial activity. The scope of the IP watch is under regular review, and has recently been expanded to align with the increased diversity of our research programmes.

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 trademark attorneys, ensures our IP portfolio is maintained and protected, and grown in a cost-effective manner, adding value to our manufacturing and licensing businesses. The IP portfolio continues to be regularly reviewed to ensure alignment with the Company objectives, and to confirm fulfilment of obligations to current and potential future licensees.

Outlook

We are very well positioned to take advantage of the additional capacity from the expanded Arnhem plant which is now available, and as result, for our customers to make positive material choices.

I expect Accoya® sales volumes will grow significantly in the remaining part of the new financial year as production volumes ramp up. This will also result in an improvement in our profitability with the Group operating at an EBITDA positive level in the foreseeable future.

We continue to see the demand for Accoya® and Tricoya® increasing and believe this is due to a combination of factors. We have developed a strong brand, distribution network and other key relationships in the industry. I also believe that there is an increasing realisation in the industry that products such as Accoya® and Tricoya® will serve a long-term role in replacing environmentally damaging man-made products while crucially being able to offer all of the attributes of a high performance product.

We are on track to complete the Tricoya® plant in Hull in mid-2019 calendar year and I believe this will free up additional Accoya® capacity in Arnhem which will be required given the expected increase in sales. For the longer-term, we continue to explore options to add further additional capacity to meet expected demand on a global scale and I am very pleased by some of the discussions we are now having with potential new partners.

Paul Clegg
Chief Executive Officer

18 June 2018

FINANCIAL REVIEW



"WE CONTINUE TO EXPECT A GROSS MARGIN FROM THE MANUFACTURE OF ACCOYA® OF 30% TO BE ACHIEVABLE AS WE BENEFIT FROM THE ADDITIONAL MANUFACTURING CAPACITY AND IMPROVED SALES MIX."

Income statement

Revenue

Total revenue for the year ended 31 March 2018 increased by 8% to €60.9m (2017: €56.5m). Within this total Accoya® wood revenue increased by 11% to €56.3m (2017: €50.7m) as a result of sales volumes increasing by 7%, and price increases implemented in the period. Accoya® revenue includes €7.8m of sales to MEDITE for the manufacture of Tricoya® panels (2017: €7.8m), noting allocations due to capacity constraints in the current year.

Licence income decreased from €1.6m to €0.2m, where revenue in 2017 reflected the agreements with our Accoya® licensee, Rhodia Acetow, which given the milestone nature of the agreements were not repeated in 2018. The current period licence income relates to Tricoya®.

Other revenue of €4.4m (2017: €4.3m) included €0.3m relating to the Sales and Marketing agreement with Rhodia Acetow. The remainder is largely attributable to sales of acetic acid and remained consistent with prior year given similar production levels.

Gross margin

Gross profit margin reduced from 25% to 22%, as a result of lower licence revenue as set out above, and an increase in cost of sales. The Accoya® gross manufacturing margin decreased from 23% to 22% as a result

of a one-off €0.5m loss on low grade wood, increased material costs for raw wood and acetyls, together with an additional maintenance stop in the period due to tie-ins for the plant expansion in Arnhem. This was offset by an increase in pricing as noted above from January 2018.

Following the additional capacity from the third reactor becoming available in advance of the Hull plant being completed, our percentage gross margin will depend on our customer sales mix, in particular with sales to MEDITE and Rhodia Acetow, which are at a lower margin. We continue to expect a gross margin from the manufacture of Accoya® of 30% to be achievable thereafter as we benefit from the additional manufacturing capacity and improved sales mix.

Other operating costs (excluding exceptional items)

Other operating costs (excluding exceptional items) increased by 9% to €20.2m (2017: €18.6m). The increase in operating costs is largely due an increase in headcount in the year to an average of 138 (2017: 124), with staff costs excluding foreign exchange movements increasing by €0.8m.

This included a share based payment charge of €0.3m (2017: €0.9m). €0.7m (4%) of the increase in staff costs are included in the Tricoya® segment, reflecting the increased activities as the Hull plant is built.

We have seen a further increase of €0.2m in staff costs and €0.1m in other operating costs attributable to foreign exchange resulting from the strengthening of Sterling during the year. In addition depreciation

increased by €0.3m due to increased charges in Arnhem for the completed infrastructure works and an increase in office and facility costs of €0.2m due to increasing costs for our expanded plant in Arnhem. Sales and marketing costs have risen by €0.2m during the year as the Group prepares for increased sales of Accoya® from the expanded Arnhem facility and the new sales of Tricoya® chips from the plant in Hull.

Loss from operations

The underlying loss from operations increased to €6.6m (2017: loss of €4.2m) due to the reduction in gross margin and the increase in operating costs, as explained above. Loss from operations also includes other gains included as an exceptional item (see following page).

Finance income

Finance income of €nil (2017: €2,000) represents interest receivable on bank deposits. In addition interest was received in relation to Tricoya® cash held in respect of the new plant in Hull. This has been capitalised and is included in fixed asset additions.

Finance expense

Finance expense (before exceptional items) of €2.2m (2017: €0.3m) includes the 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 finance charges arising on the London office fit-out lease. The majority of the balance represents interest and other finance charges relating to the Loan Notes issued to in the prior period to Business Growth Fund and Volantis

Total revenue

€60.9m
2017: €56.5m

Accoya® wood revenue

€56.3m
2017: €50.7m

relating to the Tricoya® project (€1.0m) (see note 29). The total charge also includes any finance charges payable in respect of the Group's working capital facilities.

Exceptional items and other adjustments

Underlying operating cost adjustments include:

- €1.4m annual bonus paid in the current year which was attributable to the year ended 31 March 2017. The accrual for the current year bonus is included in underlying operating costs. This double charge in the year results from a re-alignment of the timing of recognition of bonuses reflecting the more structured annual bonus scheme now in place compared to previous years. In addition the bonus paid in the current year relating to the year ended 31 March 2017 included one-off targets relating to the formation of the Tricoya® Consortium.

- €0.2m of exceptional restructuring charge has been recorded following necessary staff changes following the formation of the Tricoya® Consortium.
- €0.6m foreign exchange loss arose from holding cash in pounds Sterling which was held primarily as a cash flow hedge against future Sterling project expenditure on the new plant in Hull. This has been impacted by the volatility of the Sterling/Euro exchange rate (see note 5).

Underlying total comprehensive loss for the year adjustments also include:

- €0.5m of finance expenses relating to foreign exchange differences arising on the Sterling denominated loan notes, entered into in the prior year.
- €0.2m of other comprehensive income in relation to the Group's adoption of cash flow hedge accounting in respect of the Tricoya® plant construction under IFRS 9, Financial Instruments (see note 1).

Research & Development expenditure

€1.6m was incurred on research and development activities in the year (2017: €1.8m). €0.1m (2017: €0.2m) has been capitalised as an intangible asset (see note 16).

Taxation

The net tax credit of €0.3m compares to a €0.7m net charge in the prior year. The tax charge for the year ended 31 March 2018 has reduced compared to the prior year as a result of a change to the Group's transfer pricing policy to more accurately reflect the Group's business model.

Dividends

No final dividend is proposed in 2018 (2017 final dividend: €nil). The Board deems it prudent for the Group to maintain as strong a balance sheet as possible during the current phase of its growth strategy.

Earnings per share

Basic and diluted loss per share was €0.08 (2017 basic and diluted loss per share was €0.06).

Balance sheet

Intangible assets

Intangible asset additions of €0.4m (2017: €0.4m) predominantly relate to capitalised internal development costs for both Accoya® and Tricoya® related activities.

Property, plant and equipment

Property, plant and equipment balance increased by €39.1m to €60.8m (2017: increase of €1.4m). The increase was due to additions of €13.6m relating to the project to expand the Arnhem Accoya® plant through the addition of the third reactor, including €0.4m of capitalised internal staff costs. A further €10.4m is attributable to a new Arnhem warehouse and office facility finance lease arrangement (see note 28). €17.0m relates to the construction of the Tricoya® plant in Hull and €1.0m relates to technology improvements and significant maintenance items at the Arnhem plant.

Available for sale investments

Accsys Technologies PLC has previously purchased a total of 21,666,734 unlisted ordinary shares in Diamond Wood China Limited, which in 19 April 2017 were converted to 520,001 shares in Cleantech Building Materials PLC. During the year Accsys sold 21,479 shares such that a total of 498,522 shares were held at 31 March 2018.

FINANCIAL REVIEW CONTINUED

The historical cost of the unlisted shares held at 31 March 2018 is €10m (2017: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded as at 31 March 2018 (see note 18).

Inventory

The Group had total inventory of €13.1m (2017: €11.8m), including finished goods consisting of Accoya® €2.8m (2017: €5.3m) and raw materials and work in progress, primarily consisting of unprocessed lumber, being €10.3m (2017: €6.5m).

The €2.5m decrease in finished goods is attributable to higher sales in the current year, whilst constrained by capacity in our plant in Arnhem. This is off-set by an increase in raw materials, attributable to the planned increase in production in the new financial year to prepare for the start-up of the third reactor in Arnhem.

Cash and cash equivalents

The Group held cash of €39.7m at 31 March 2018 (2017: €41.2m). The decrease in the year is mainly due to cash out-flows from operating activities before changes in working capital of €4.5m including exceptional items, and expenditure on property, plant and equipment of €29.5m. This is partly offset by €12.3m net proceeds from the issue of share capital in Accsys, €14.4m from the issue of share capital in Tricoya Ventures UK ('TVUK') Limited to non-controlling interests (see note 9), and €7.5m from the drawdown of our loan with Rhodia Acetow for the expansion of the plant in Arnhem. (€34.8m of total Group cash balance relates to the Tricoya® Consortium and is not directly available for other Group purposes).

€2.9m of cash out-flow was attributable to cash flows from operating activities before changes in working capital (excluding exceptional items) (2017: €0.7m out-flow), as a result of the increase in the loss before taxation to €8.8m (excluding exceptional items).

€2.8m of cash in-flow was attributable to changes in working capital (2017: €0.5m out-flow), including the €3.9m increase in trade and other payables and a €0.2m decrease in trade and other receivables partly offset by a €1.3m increase in inventory.

€29.9m out-flow in respect of investing activities (2017: €2.6m), included €0.4m in respect of capitalised development costs (2017: €0.4m) and €29.5m in respect of tangible fixed assets (2017: €6.4m) including in respect of the expansion of the plant in Arnhem and for the new plant in Hull.

Trade and other receivables

Trade and other receivables have increased to €9.3m (2017: €7.6m). Within this, trade receivables increased from €4.1m to €6.7m due to high sales in March and with VAT receivable increased from €0.6m to €1.5m in line with the increased trade payables, largely for the plant build in Hull. This was off-set by a decrease in prepayments from €3.3m to €2.5m, after an increase last year due to costs being incurred in respect of the Company's Firm Placing and Open Offer which completed in April 2017.

Trade and other payables

Trade and other payables increased to €18.0m (2017: €12.5m). Included within this, trade payables increased to €9.5m (2017: €6.6m), due to an increase in expenditure on tangible fixed assets for both the Accoya® plant in Arnhem, and the Tricoya® plant in Hull. In addition, accruals increased from €4.5m to €7.1m due largely to €4.1m of accruals relating to the Tricoya® plant in Hull (2017: €1.0m).

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 resulted in proceeds of €2.2m which has been accounted for as a finance lease. At 31 March 2018 the Group had €1.7m as lease commitments over the remaining life

of the lease (2017: €1.9m) (see note 28). The second part of the previous sale and leaseback of the land in Arnhem was completed in February 2013 and is accounted for as an operating lease.

The sale of the remaining plot of land completed in August 2016 and under the agreement with the purchaser, Bruil, have constructed and leased to Accsys new warehouse and office facilities. The construction is now complete, with a new asset and liability of €10.4m being recognised as at 31 March 2018. A further lease agreement with Bruil was entered into in the period relating to infrastructure work associated with the expansion of the chemical plant. This has been accounted for as a finance lease, with a new asset and liability of €1.9m being recognised as at 31 March 2018 (2017: €0.9m).

Long term borrowing

Amounts payable under loan agreements increased to €29.3m (2017: €20.1m). This increase was largely due to the drawdown of the remaining Rhodia Acetow loan facility of €7.5m in the period, which has been utilised to fund the costs of the third reactor. The remaining €1.7m increase relates to the roll up of interest and fees on all facilities, as no repayments were due in the year (see note 29).

Non-controlling interests

Part of the agreements relating to the formation of the Tricoya® Consortium on 29 March 2017 included equity investment by the consortium members. During the year a total of €14.4m of equity was issued by TVUK to BP and MEDITE. This has resulted in an increase in the non-controlling interest of €30.3m as at 31 March 2018 (2017: €12.6m). In the prior year, the difference between the cash received and non-controlling interest recorded was due to the Tricoya® Consortium agreements recognising Accsys' contribution of IP and historical development work, with an implied pre-funding valuation of €35m.

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 ('TTL') and TVUK are summarised above and 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 eventually, of

Tricoya® chips from the new plant in Hull, with the collection of ongoing working capital items in line with internally agreed budgets. The Group is also dependent upon certain banking and finance facilities which are in place.

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.

William Rudge

Finance Director

18 June 2018

SUSTAINABILITY REPORT

OUR INNOVATIVE ACETYLATION TECHNOLOGY ENABLES US TO SUSTAINABLY MANUFACTURE WOOD PRODUCTS THAT MAKE A MATERIAL DIFFERENCE TO THE ENVIRONMENT AS WELL AS OFFER 'BEST IN CLASS' DURABILITY, DIMENSIONAL STABILITY AND A WIDE SPECTRUM OF OTHER ADVANTAGES OVER ALTERNATIVE FOSSIL FUEL DEPENDENT OR MAN-MADE PRODUCTS.

Our Corporate Vision

A strong belief that we have a collective social responsibility to use and develop our technology to tackle climate change and pollution lies at the very core of our business. Our innovative acetylation technology enables us to sustainably manufacture wood products that make a material difference to the environment as well as offer 'best in class' durability, dimensional stability and a wide spectrum of other advantages over alternative fossil fuel dependent or man-made products. This values-led vision also provides an attractive opportunity for our employees, distributors, licensees and other stakeholders. We want to ensure that our business is not only a commercial success, but also run in a responsible fashion as we continue to advance technologies for a better world.

Accsys has already developed and is commercially producing Accoya® solid acetylated wood. We have developed the process for the production of Tricoya®, acetylated wood elements used for the production of panel products. We are committed to increase the use of these products globally through sales from our manufacturing facilities, and on a substantially larger scale by licensing our technologies to other companies so that they too can manufacture these sustainable products.

Accsys aims to reduce the use of environmentally unfriendly building materials and products by the utilisation of our proprietary technology and the introduction of our products around the world. The planet continues to consume endangered materials like tropical hardwood and non-renewable, high emitting building materials such as plastics, concrete and metals at an alarming rate. Our acetylated wood products offer alternative, sustainable new materials that resolve many of the environmental limitations that commonly used building materials have, whilst not compromising on performance. In fact, Accoya® is the only building product perfectly fitting in the bio-cycle of the circular economy while having the same performance as typical building products such as plastics and metals which cannot be renewed and are from the techno-cycle.

Accsys is also committed to continuing R&D concerning our products (applications and new wood species) and processes. This ongoing development is designed to increase the use and improve the environmental and efficiency benefits of our products. This will ensure we continue to respond to the growing global ambition of consumers to live sustainably, reduce the growth of plastic pollution and tackle climate change and in turn will benefit many of our stakeholders.

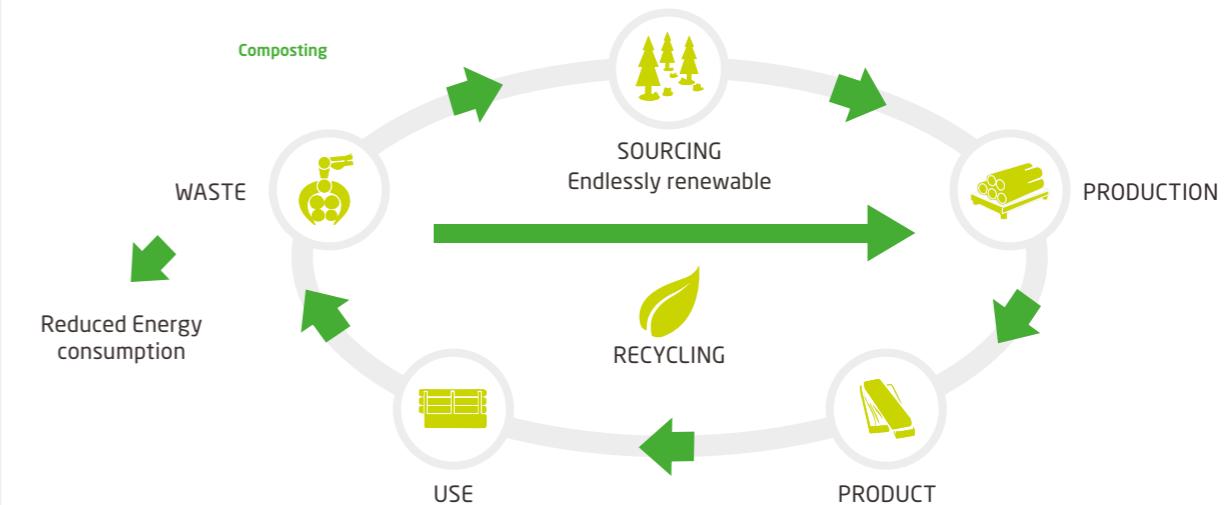
Our products and the environment

The main environmental benefit of our Accoya® and Tricoya® acetylated wood products is their use as a substitute for other environmentally damaging products including chemically treated woods that use toxic preservatives, unsustainably sourced tropical timbers and materials produced from energy intensive or non-renewable resources such as metals (for example, steel and aluminium) and plastics (such as PVC).

Carbon footprint

During their growth, trees convert carbon dioxide (CO_2) through photosynthesis into cellulose and lignin and emit oxygen in the process. As a result, during their lifespan trees act as carbon sinks, as CO_2 is captured from the atmosphere and makes up approximately half of the dry weight stored in the wood of the tree. The carbon is stored in the living tree, but will also remain stored once the tree is felled and the wood of the tree is used for products such as Accoya® and Tricoya®. As a consequence, CO_2 is locked out of the natural carbon cycle during the lifespan of the wood or wood product. Through decay or incineration, the carbon will eventually be released again into the atmosphere in the form of CO_2 .

CIRCULAR ECONOMY BASED ON RENEWABLE MATERIALS (BIOLOGICAL CYCLE)



A circular economy is one that is restorative and regenerative by design, and which aims to keep products, components and materials at their highest utility and value at all times, distinguishing between technical and biological cycles.

Source: Ellen MacArthur Foundation

Bio-cycle and techno-cycle are the two cycles within the circular economy principles. Materials from the Bio-cycle are organic whereas products from the techno-cycle are defined as from the man-made world.

In producing Accoya®, we improve this carbon capture mechanism in two ways. Firstly by using fast growing softwood species, such as radiata pine, as input for our acetylation process. Per hectare, more cubic metres of radiata pine can be grown ($20\text{-}28\text{m}^3/\text{ha/year}$) compared to slower growing wood species such as teak ($6\text{m}^3/\text{ha/year}$) or even most bamboo ($10\text{m}^3/\text{ha/year}$). Consequently, a larger amount of carbon is sequestered compared to slow growing wood species.

Secondly, through the acetylation process the dimensional stability and durability (durability class 1 according to EN standard 350-1) of a wood species are improved considerably, lengthening the product lifespan. Thus Accoya® is able to act as a longer-term carbon sink that needs less additional care, as compared to other woods. These unique properties allow us to guarantee Accoya® for 50 years above ground and 25 years below ground (please see our Certificates of Warranty for full details).

For the complete story please watch our three minute movie - Accoya® - the sustainable building solution.

http://www.youtube.com/watch?v=92j0_6WaQJU

SUSTAINABILITY REPORT CONTINUED

Accreditations

FSC® (C012330)

Of the various schemes for sustainability forestry available, the Forest Stewardship Council (FSC®) is regarded as the leading and most comprehensive certification program available. Accoya® and MEDITE® TRICOYA® EXTREME are FSC® certified. FSC® certification is focused on benign environmental performance but also safeguards social interests for all stakeholders involved.

Cradle to Cradle™

Accoya® is one of the very few building products to have acquired Cradle to Cradle™ Certification on the elusive Gold Level. Cradle to Cradle (C2C) provides a means to tangibly and credibly measure achievement in environmentally-intelligent design including the use of environmentally safe healthy materials and instituting strategies for social responsibility. Accoya® also received Platinum status for Material Health meaning manufacturers are trusted with the way to communicate their work towards chemically optimised products.

BREEAM & LEED worldwide

BREEAM (mainly used in Europe) and LEED (mainly used in North America) are widely adopted and recognised. Both are based on various building related environmental indicators including sustainable energy, water and material use. For the latter category the application of Accoya® can contribute to several credits in both schemes (BREEAM: MAT 1, MAT 5, LEEDv4: MR1, MR2, MR3, MR4, II).

Dubokeur the Netherlands

The awarding body of the prestigious Dubokeur® certification, Nederland's Institute for Building Ecology (NIBE), issues certificates only to the most environmentally-friendly products within a particular application, taking into account a range of stringent factors based on LCA methodology. This certification is of particular significance to our Dutch customers, unequivocally positioning Accoya® as an outstanding environmental choice for window frames according to Dutch sustainable building regulations.

Svanen Label Nordic Nations

The outstanding green credentials of Accoya® have been officially recognised by Europe's Nordic nations with the award of the Svanen Ecolabel. The label, renowned for its rigour and transparency, is the internationally recognised ecolabel for Norway, Sweden, Denmark, Iceland and Finland and was established in 1989 by the Nordic Council of Ministers.

Singapore Green Label

For the South East Asian market we have attained the highly regarded Green label of the Singapore Environment Council. The Singapore Environment Council (SEC) was set up to promote environmental awareness in South East Asia.

Future Build UAE

The Future Build is a green building materials portal that helps architects, engineers and contractors – particularly in the United Arab Emirates and wider region – confidently select and source environmentally sustainable, third

party certified products to meet their projects' environmental objectives. Only products that have been assessed and selected according to standards and criteria set by Masdar City, Abu Dhabi, are listed. Accoya® was rated as excellent or A.

Declare

The International Living Future Institute manages the highly acclaimed and most rigorous proven performance-based standard for green buildings, the Living Building Challenge. The Declare label shows that Accoya® consists of greater than 99.5% of FSC® certified fast growing Radiata Pine, provides no problems in the End of Life phase and is fully safe regarding ingredients proven through the 'Red List Free' statement.



Two semi-open passive houses - Zele, Belgium

Energy efficiency and a low ecological footprint were key determining factors when joinery company Schrijnwerkerij Michiels were specifying materials for these two semi-open passive houses in Zele, Belgium. As Accoya® offers improved insulation in comparison with commonly used hardwood and softwood species, it was the ideal material for the windows and façades. In total, 10m³ of Accoya® wood, supplied by Hout Bois van Steenberghe, was used for the construction of the two half-open passive houses.

Another key feature of Accoya® is its dimensional stability and durability, making it a long-term solution for windows and doors, ensuring they open effortlessly all year around, with the added benefits of reduced maintenance costs for homeowners and a lower carbon footprint. In fact, the low emissions during our production processes combined with the increased lifespan and fully recyclable nature of Accoya®, means that a window frame made from Accoya® is assessed to be CO₂ neutral over its full lifecycle.

CORPORATE GOVERNANCE

- 40 Board of Directors
- 42 Senior Management Team
- 44 Directors' Report
- 47 Remuneration Report
- 61 Corporate Governance
- 63 Statement of Directors' Responsibilities

BARANGAROO HOUSE



Situated in the heart of Barangaroo, a major commercial and residential precinct on the edge of Sydney Harbour, Barangaroo House – a freestanding, three-storey restaurant – opened in December 2017 and is the latest venture by one of Australia's most celebrated chefs, Matt Moran.

Inspired by stacked kitchen bowls, the unique split level restaurant was designed by architects, Collins and Turner, taking on a remarkable organic form clad in charred Accoya®. Supplied by timber experts and Accoya® distributor Britton Timbers, the Accoya® was laminated into a set radius with a shou sugi ban (medium char) finish applied to create a striking charcoal appearance.

To further enhance the project, a layer of 'Anthracite' (a WOCA coating from Denmark) was applied to compliment the overall design aesthetic. Specialists in the shou sugi ban technique find that the stability of Accoya® provides a more rigid char through the extremes of the flame treatment, and this significantly enhances the appearance and maintenance interval.

Located on a prominent waterfront site, Accoya® was the ideal choice for this stunning project thanks to its exceptional durability, reliability and stability properties. With a guarantee of 50 years above ground, Accoya® wood can withstand the harshest of external environments while resisting distortion and warping over its lifetime.

"ACCOYA® WAS THE IDEAL CHOICE FOR THIS STUNNING PROJECT THANKS TO ITS EXCEPTIONAL DURABILITY, RELIABILITY AND STABILITY PROPERTIES."

Andrew Elston, Commercial Specifications Account Manager at Britton Timbers, commented: "In the Australian sun and surrounding elements of wind and salt air, we knew Accoya® was a material we could really rely on. It provided complete peace of mind with regards to its performance, its stability and its durability factors."

Huw Turner, Director of Collins and Turner, said: "It was wholeheartedly agreed that Accoya® would be the best solution for a long term outcome due to its hardwearing, versatile nature. Utilising shou sugi ban was ideal to help create a unique, contemporary building embracing the true Japanese craftsmanship and traditions we admire. Along with the low maintenance requirements, the sustainability factor of Accoya® also significantly appealed to us."

"IT WAS WHOLEHEARTEDLY AGREED THAT ACCOYA® WOULD BE THE BEST SOLUTION FOR A LONG TERM OUTCOME"

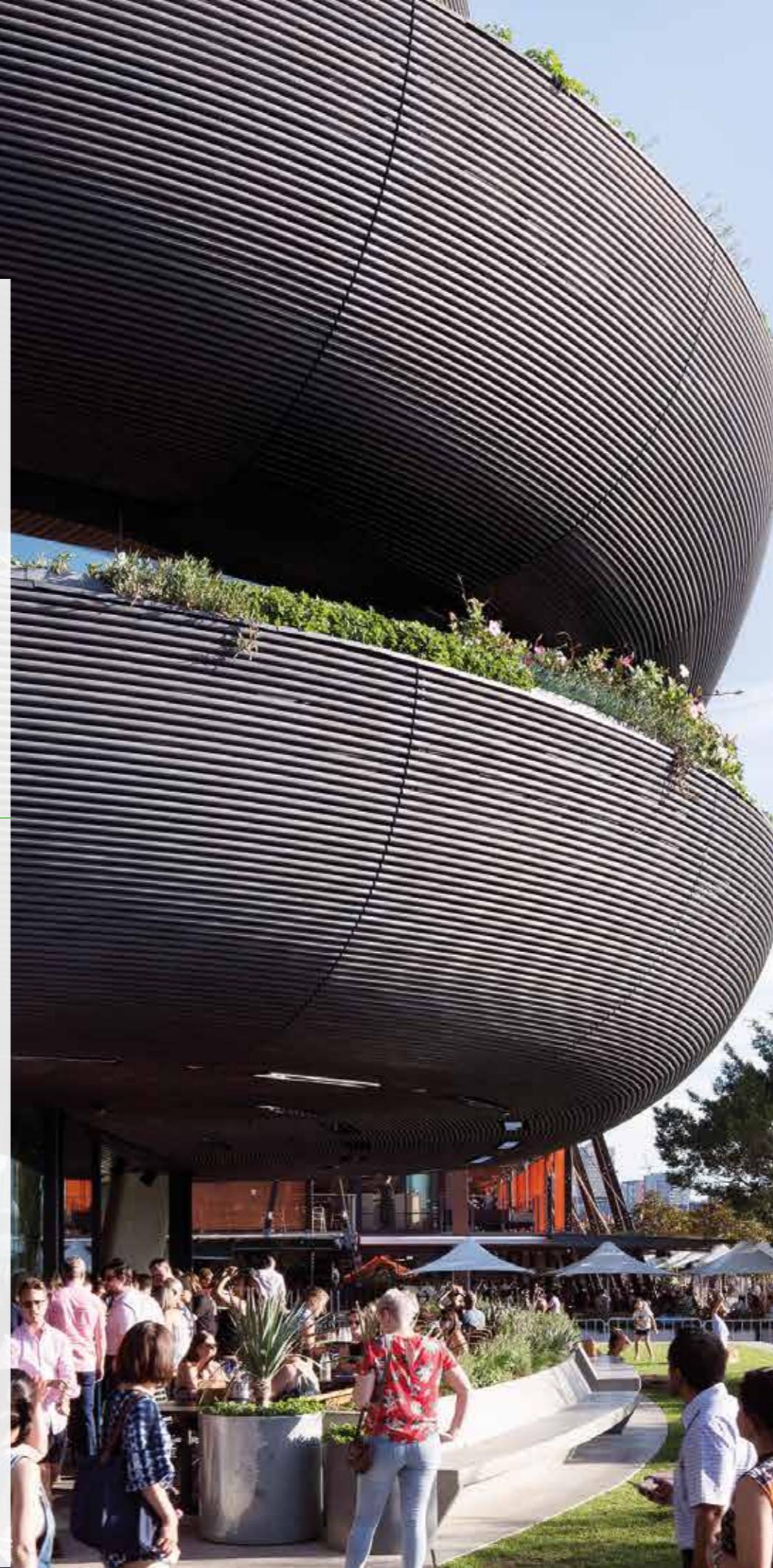
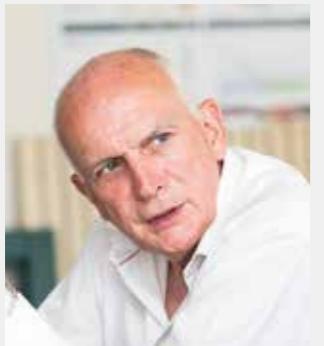


Image © courtesy of Rory Gardiner

BOARD OF DIRECTORS



Patrick Shanley
Chairman



Paul Clegg
Chief Executive Officer



William Rudge
Finance Director



Hans Pauli
Executive Director,
Corporate Development



Nick Meyer
Non-Executive Director



Sue Farr
Non-Executive Director



Sean Christie
Non-Executive Director



Trudy Schoolenberg
Non-Executive Director

Patrick, born April 1954, has extensive board room experience in the chemicals sector, having previously been Chief Financial Officer of Courtaulds plc and Acordis bv, Chief Executive Officer of Corsadi bv, Chairman of Cordenka Investments bv. and Chairman of Finacor bv. With effect from 2nd December 2015, Patrick has been appointed Non-Executive Chairman of Gattaca plc (formerly Matchtech Group plc). Patrick began his career working for British Coal where he qualified as a Chartered Management Accountant. He has a strong operational, restructuring, merger and acquisition background within a manufacturing environment.

Paul, born May 1960, assumed the role of Chief Executive Officer on 1 August 2009. Paul had been a Non-Executive Director of the Group since April 2009. Prior to this, he was CEO of Cowen International, subsequent to its sale by Société Générale in 2006. Before this, he ran SG Cowen International, part of the Société Générale Group, from 2000 to 2006. Paul started in investment banking in 1981 at The First Boston Corporation. Since then he has held senior positions at various investment banks including James Capel and Schroders. Paul is also a Non-Executive Director at Synairgen Plc and Peel Hunt LLP.

William, born February 1977, had been the Financial Controller for Accsys since joining the Company in January 2010 before being appointed Financial Director on 1 October 2012. Prior to this he qualified as a chartered accountant with Deloitte in 2002 and subsequently gained a further six years' experience in their audit and assurance department, focusing on technology companies including small growth companies and multinational Groups. William spent a year working at Cadbury plc, including as financial controller at one of their business units, before joining Accsys in 2010.

Hans, born March 1960, has held senior financial positions across the banking and bio-tech sectors and has significant experience in investment, manufacturing, licensing and distribution. Hans holds a BA in Business Administration and has completed an MA in Fiscal Economics from the University of Amsterdam. His commercial career began in the banking sector where he worked for various institutions including Barclays, where he gained investment and M&A experience. He then worked for a number of bio-tech companies, including, most recently, Euronext listed OctoPlus N.V.. Hans is a non-executive Director of BioTech VC, MedSciences.

Nick, born December 1944, has extensive board room experience in the timber industry, having previously been Chairman of Montague L Meyer Limited, Deputy Chairman and Chief Executive of Meyer International PLC. Nick is currently Executive Chairman of Consolidated Timber Holdings Group Limited, an innovative and substantial Group of companies which imports, distributes and processes sustainable timber and timber products. Nick is also a former president of the Timber Trade Association of the United Kingdom.

Sue, born Leap Year Day 1956 is a highly experienced marketing and communications professional who joined the Accsys Board in November 2014. Sue became part of the executive management team at Chime Communications plc in 2003 and in 2017 was appointed as Special Advisor. Prior to that she was Europe MD of leading PR firm Golin Harris, the BBC's first ever Director of Marketing and Communications, and Director of Corporate Affairs for Thames Television. She is a Non-Executive Director of British American Tobacco plc, Dairy Crest Group plc and Millennium & Copthorne Hotels plc. She was a Non-Executive Director of Motivcom plc from 2008-2014 and a Trustee of the Historic Royal Palaces from 2007-2013. She has been Chairman of both the Marketing Group of Great Britain and The Marketing Society. A previous Advertising Woman of the Year, she was awarded an Honorary Doctorate by the University of Bedfordshire in 2010.

Sean, born October 1957 is currently a Non-Executive Director of Applied Graphene Materials Plc and Turner & Townsend Ltd. He was Group Finance Director of Croda International plc from 2006 to 2015, a global manufacturer of specialty chemicals. Prior to joining Croda in 2006, Sean was Group Finance Director of Northern Foods plc. He also served as a Non-Executive Director of KCOM Group plc until 2007, of Eminate Limited, a wholly owned subsidiary of The University of Nottingham, of Cherry Valley Farms Limited until its sale in 2010 and of Produce Investments Plc. He is a Fellow of both the Chartered Institute of Management Accountants and the Association of Corporate Treasurers. Sean has extensive knowledge of all aspects of finance and strategy in major businesses and is an experienced Audit Committee Chairman.

Trudy has nearly 30 years' experience working for blue-chip companies in the chemicals, engineering and high performance product sectors, including over twenty years with Royal Dutch Shell where she led business strategy and growth plans for Shell Chemicals, a business unit with a multi-billion dollar turnover. She joined the Accsys Board on the 1 April 2018. As well as strategy and growth experience, Dr Schoolenberg has strong operational knowledge, gained both during her time at Shell and thereafter at Akzo Nobel, where following supply chain and research and development roles on Akzo's \$4 billion decorative paints Board, she subsequently had responsibility for delivering a new manufacturing plant in Newcastle. Trudy is currently a Non-Executive Director of The Netherlands Petroleum Stockpiling Agency (COVA), Spirax-Sarco Engineering PLC and a Non-Executive Director of high performance material producer, Low & Bonar PLC, where she became Senior Independent Director in 2017.

SENIOR MANAGEMENT TEAM

We believe that our employees are key to our success and our high staff retention is reflective of their commitment to the future of the Company. Group activities are driven and managed by a Senior Management Team of which we are particularly proud. Experts in their fields, the Senior Management Team boasts a broad range of sector knowledge and specialism. Committed to ensure we deliver on our plans for growth and commercial success; it's their hard work and advice that has supported Accsys Technologies PLC's growth.

The Senior Management Team includes the three Executive Directors and the following individuals:



Angus Dodwell	Eddie Pratt	Hal Stebbins	John Alexander	Karlijn Rademakers	Martin Robinson	Natalia Bikkenina	Pierre Lasson	Sarah Harding
Legal Counsel and Company Secretary	Director of Business Development	Director of Supply Chain and Customer Service	Director of Sales and Product Development	Director of Engineering and Manufacturing	Head of Group Operations	Head of Human Resources	General Manager Tricoya Technologies Limited	Head of Corporate Communications and Marketing
Angus is responsible for all legal matters with the Accsys Group and is Company Secretary. Angus qualified as a corporate solicitor with international law firm Ashurst Morris Crisp (now known as Ashurst LLP) in September 2002. After gaining further experience in private practice, he has since spent over ten years working in-house for growth companies, advising on a broad range of corporate, commercial and other business matters. Angus joined the Group in September 2008 and is based in London.	Eddie has been with Accsys since its inception in 2003 and uses his in-depth experience and knowledge of Accsys to develop new markets and secure partnerships for Accsys and its branded products via licensing and distributorships. With a background in corporate financing and asset management, Eddie's inherent understanding of business growth stages means he is well placed to support the Group's expansion.	Hal has spent most of his career leading global sales operations and marketing activities for a variety of businesses including IBM. When he joined Accsys in 2007, Hal was initially responsible for executing the first worldwide marketing strategy for the Group. Since then, Hal has led the growth of our international distributorship, worldwide licensing management and is currently responsible for the management of supply and procurement critical to production, including wood and chemicals.	John is responsible for Group sales and product development, managing a team across the globe. Following degrees in Forestry and Forest Products plus an MSc in Timber Engineering, John's career in the wood product industry started at Jeld-Wen, USA, the world's largest manufacturer of windows and doors. He then moved to BSW Timber, the largest forestry and sawmilling Group in the UK before joining Accsys in 2010 as Head of Product Development. In 2015 John took on his current role and joined the Group Operations Committee.	With a background in chemical engineering and plant design, as well as an MBA, Karlijn has the skills and experience to manage all production and engineering teams at the Arnhem plant. Karlijn has been an essential part of the process and engineering team since she joined the Group in 2006 and is currently overseeing the expansion of the Arnhem plant including management of all facets of the day to day manufacturing, production and processes.	Before joining Accsys in April 2017, Martin enjoyed a very successful career with BP. He has spent most of his 30 year career in the petrochemicals industry, during which time he has led businesses of material scale in Europe, US and Asia, and developed deep expertise in Acetyls. He now oversees all operational and project activities of the Group as well as actively supporting the Group's broader growth agenda.	Natalia is responsible for all aspects of global HR, including responsibility for developing a comprehensive global HR strategy which supports business growth and expansion, attracts and retains top talent and drives high performance. Natalia joined the Accsys Group in October 2017 having worked in a number of international industrial and technology businesses. In her role, Natalia will also use her experience of working for start-ups and high growth companies to facilitate Group expansion plans. Natalia has a degree in Languages and an MBA.	Pierre holds a PhD in chemical engineering and has more than 30 years' experience in the petrochemical industry. Before joining Accsys in 2015, Pierre has held various positions in research, production, product development, business management, and sales and marketing for global petrochemical companies such as Solvay, BP Solvay Polyethylene, BP, Innovene, and Ineos. He was appointed General Manager of Tricoya Technologies in 2012 and has led the company since its inception. He is also the General Manager of the newly formed Tricoya Ventures UK Limited.	Sarah joined Accsys in May 2017 and oversees all global communication and marketing activities of the Group. After gaining experience in advertising and marketing roles, Sarah spent over ten years working in and running communications agencies advising brands and companies on strategic communications and marketing. She is responsible for leading the five year marketing strategy across all brands, driving the development of the company values, and helping to build the Group's capability for growth through clear and consistent internal communications.

DIRECTORS' REPORT

For the year ended 31 March 2018

The Directors present their report together with the audited consolidated financial statements for the year ended 31 March 2018.

Results and dividends

The consolidated statement of comprehensive income for the year is set out on page 72, and 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 activities of the Group are the production and sale of Accoya® solid wood and Tricoya® wood elements, technology and product development as well as the licensing of technology for the production and sale of Accoya® and Tricoya® 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 on page 14 and the Chief Executive's report on page 24. Accsys Technologies PLC is a public limited company, which is listed on London Stock Exchange AIM and Euronext Amsterdam, and incorporated and domiciled in the UK. The address of its registered office is set out on page 125.

Business model and Strategy

The Business model and Strategy section, from page 18, 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 31 of the financial statements.

Share issues

On 24 April 2017 a total of 20,323,986 of €0.05 Ordinary shares were issued at €0.69 per share, in accordance with the Company's capital raise announced on the 29 March 2017.

97,720 shares were issued on 23 June 2017 to an Employee Benefit Trust ('EBT') at nominal value.

198,154 shares were issued on 27 September 2017 to an Employee Benefit Trust ('EBT') at nominal value.

106,189 shares were issued on 27 September 2017 to an employee following the exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan ('LTIP').

143,511 shares were issued on 26 February 2018 to an ex-employee. 118,511 of these shares were issued following the exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan ('LTIP'), with the balance of 25,000 shares issued as part of the individual's severance terms.

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 in the Strategic Report. 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 set out in the Strategic Report.

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

Trudy Schoolenberg
(Appointed 1 April 2018)

Directors' indemnities

The Company maintains Directors' and officers' liability insurance which gives appropriate cover for legal action brought against its Directors. The policy was in force throughout the period and at the date of the approval of these financial statements.

Employment policies

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

19% of employees in the year ended 31 March 2018 were female. 25% 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 facilities in Arnhem and Hull.

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%:

- Teslin Participaties Cooperatief U.A. 12.22%
- Henderson Group PLC 5.94%

- Decico BV 5.07%
- Majedie UK Equity Fund 5.06%
- Invesco Limited 4.87%
- The London & Amsterdam Trust Company Limited 4.51%
- FIL Limited (formerly known as Fidelity International Limited) 4.26%
- Saad Investments Company Limited 3.92%
- Zurab Lysov 3.71%

There are no restrictions in respect of voting rights.

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 year 1 April 2017 to 31 March 2018

	2017-2018 kg CO ₂ eq	2016-2017 kg CO ₂ eq	2015-2016 kg CO ₂ eq
Electricity, heat, steam and cooling for own use - GROSS	3,234,185	2,804,839	3,309,630
Electricity, heat, steam and cooling for own use - NET (including Renewable Energy Credits)	1,941,139	1,511,794	1,651,470
Combustion of fuel & operation of production facility (MP4), in Arnhem, the Netherlands	3,117,809	3,109,664	2,726,868
Total - GROSS	6,351,994	5,914,503	6,036,498
External carbon offsets (Voluntary Carbon Offsetting through BP Target Neutral)	(1,524,000)	(1,524,000)	(1,420,000)
TOTAL - NET (including Renewable Energy Credits/ Carbon off-sets)	3,534,948	3,097,458	2,958,338
Chosen intensity measurement: Emissions per cubic metre Accoya® produced - GROSS	162	155	181
Chosen intensity measurement: Emissions per cubic metre Accoya® produced - NET (including Renewable Energy Credits/ Carbon offsets)	90	81	88

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 off-sets 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>.

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' REPORT CONTINUED

For the year ended 31 March 2018

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 on pages 61 and 62 of these financial statements. 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

18 June 2018

REMUNERATION REPORT

On behalf of the Board, I am pleased to present our Remuneration Report for the year ending 31 March 2018.

We last obtained shareholder approval for our Remuneration Policy at the 2015 AGM. Therefore, in line with the three year renewal cycle set out in the UK remuneration reporting regulations, we will be seeking approval for a new Remuneration Policy at the 2018 AGM. Ahead of this renewal, we undertook a review of the remuneration framework and are proposing limited change, as discussed below. The Remuneration Policy is set out on pages 49 to 55 of the report and will be subject to a binding vote at the AGM.

The remainder of the report (pages 56 to 60) sets out how we propose to implement the Policy for the year ahead and summarises the outcomes in respect of the year ending 31 March 2018. This part of the report will be subject to advisory vote at our AGM.

Remuneration outcomes for the year ended 31 March 2018

As discussed in detail on pages 06 to 33 of this annual report, the Group made excellent progress in the year with the two key capacity expansion projects whilst maintaining momentum in sales growth despite the challenges of operating at production capacity for much of the year.

The annual bonus for the year was based on a combination of financial and operational objectives, with targets set at the start of the year. Group EBITDA fell below the stretching threshold and therefore none of this component was awarded. Sales of Accoya® and strong progress in the execution of our expansion programmes resulted in a payout on those operational components together with sales growth which was constrained by production capacity. Overall, and taking into account personal performance, the bonus outcomes were between 50-55% of the maximum (50-55% of salary) for the executive Directors. The Committee believes this outcome is an appropriate reflection of performance in the year.

Further detail on the individual outcomes and performance against the targets is set out on page 58 of this report.

Note that there was no LTIP award which vested in respect of performance measured to 31 March 2018. The first LTIP award made on a rolling annual basis was made in 2016 and will vest in respect of performance over the three years to 31 March 2019 (and will therefore be reported on in next year's report).

Remuneration Policy review

During the year, the Remuneration Committee conducted a review of the remuneration framework to ensure that it continues to support the delivery of our strategy.

This review concluded that the overall framework remains appropriate. As such, we are proposing to renew our Policy with minimal change, including making no changes to current maximum incentive award sizes. The normal annual award size will remain at 100% of salary for both bonus and LTIP, and which are market competitive and not excessive.

As a reminder, we retain a simple and transparent overall structure with key components and features of our framework as follows:

Salary

- Market competitive and not excessive.
- Any percentage increase to salaries is normally in line with those awarded to the wider workforce.

Benefits and pension

- Benefits consist of car allowance, private medical insurance, life insurance and travel.
- Pension allowance of up to 10% of salary (CEO) and 5% (Other Directors), the latter being broadly aligned with other employees in the business.

Annual Bonus

- Annual maximum (for FY19) of 100% of salary.
- Based on a mix of financial, strategic and operational objectives, with stretching targets.
- Clawback provisions apply.

LTIP

- Award sizes (for FY19) of 100% of salary (CEO) and 50 to 75% of salary (Other Directors).
- Based on stretching three year performance targets (see below).
- Vested awards are subject to an additional two year holding period, aligned with best practice for UK-listed companies and in excess of typical practice for AIM-listed companies.
- Malus and clawback provisions apply.

Shareholding guidelines

- Executive Directors are expected to build up and retain a shareholding of at least 200% of salary.

Our new Policy will retain the flexibility to offer incentive award opportunities above those set out above if appropriate in the circumstances. It retains the discretions which already exist in our current Policy for the Committee to provide a maximum bonus opportunity up to the formal cap of 200% of salary in respect of a particular financial year or to make annual LTIP awards of up to 300% of salary.

LTIP awards for 2018 - Improving strategic alignment

Our LTIP has evolved significantly over recent years. We have moved from irregular one-off grants to rolling annual awards in line with best practice. We introduced clawback provisions and then a post-vesting holding period, again to align with evolving best practice for UK-listed companies and noting that this is beyond typical practice for AIM companies.

REMUNERATION REPORT CONTINUED

As part of the remuneration review this year, the Committee concluded that this underlying LTIP structure remained appropriate, but that we could do more to improve the alignment of performance measures to our the delivery of our long-term strategy. Our business has clearly defined strategic objectives to execute over the coming years and we believe that increasing alignment of our incentives to the delivery of these objectives is right for the business and our shareholders.

The majority of the LTIP (60%) will continue to be based on Group EBITDA per share. This is designed to ensure our LTIP drives and rewards long-term profit delivery from our expansion plans.

The remainder (40%) will be based on Sales Volume, which will replace total shareholder return (TSR). Sales Volume is a performance measure directly linked to the successful execution of our ambitious capacity expansion plans over the coming years, which the Board has identified as the critical strategic objective to which we should be aligning incentives throughout the senior team. Recognising that this is a non-financial performance measure, vesting of this component will be subject to meeting a threshold level of financial performance, to provide an affordability safeguard for investors.

In addition to sales Volume improving strategic alignment, the Committee also concluded that relative TSR outcomes against a wide equity market may ultimately be 'arbitrary', driven more by the relative performance of certain sectors within their cycle than the underlying execution of the strategy or performance of the business. A TSR Group based on companies exposed to similar economic factors or cycles (e.g. a Group of companies in the same sector) could mitigate this but it not feasible for Accsys given the unique nature of the company's activities. As a result, the Committee is comfortable removing TSR from the LTIP.

This change was discussed with our major shareholders during consultation and, while we received a range of views, most understood the difficulty in constructing a reasonable peer Group and could therefore appreciate the rationale for the proposal.

The LTIP award to be made during 2018 will be subject to stretching performance targets for both performance measures, as described in full on page 56. Maximum vesting requires EBITDA per share of €0.13 and Sales Volume of 85,000m³ to be achieved in the year ending 31 March 2021, which are very challenging targets requiring exceptional execution of our expansion plans.

Award sizes for LTIP awards to be made in 2018 will be 100% of salary for the CEO, 75% of salary for the Finance Director and 50% of salary for our Corporate Development Executive Director, in line with our Policy.

Shareholding guidelines

In response to the feedback we received during engagement with our investors, we will also be introducing a shareholding guideline into our framework. Executive Directors will be expected to build up and retain shareholdings of at least 200% of basic salary. This will include shares beneficially held and also any vested but unexercised LTIP awards (on a net of tax basis). We understand shareholder comment that this is likely to ensure even closer alignment of Executive Director and shareholder interests and it is therefore a valuable addition to our framework.

Salaries and fees for the year ending 31 March 2019

The salaries of Paul Clegg, Chief Executive Officer, Hans Pauli, Executive Director, Corporate Development and William Rudge, Finance Director will be adjusted in the current financial year, to reflect an inflationary increase of 2% in line with all other staff.

This 2% inflationary increase shall also be applied to the fees of each Non-Executive Director, with effect from 1 July 2018. We have also simplified the fee structure for the Chairman role into one single fee (rather than the previous split between a NED base fee and an additional uplift in respect of the Chairman role).

Investor engagement and the 2018 AGM

We are committed to engagement and dialogue with our investors on the issue of executive remuneration. During the year, we engaged with our major investors on the renewal of our Policy and the changes to the LTIP and in general received good support from those consulted. Feedback we received was taken into account by the Committee in finalising the proposals (for example, the introduction of shareholding guidelines).

The Remuneration Committee remains committed to operating remuneration arrangements which align with our strategic priorities and the best interests of our shareholders. I believe the approach we have adopted is appropriate and responsible and I look forward to receiving your support at our AGM.

Yours sincerely

Sue Farr

Remuneration Committee Chairman

18 June 2018

*Context for executive pay

This report is prepared in accordance with the UK regulations for reporting executive pay. Our dual listing on AIM in the UK and NYSE Euronext in the Netherlands, combined with our UK incorporated status, means that we come within the definition of a 'quoted company' in the UK Companies Act. Accordingly, and exceptionally amongst AIM companies, we are legally required to comply with the regulations for reporting and approval of Directors' remuneration by companies listed on the main market, including a binding vote on the Directors' remuneration policy.

Directors' Remuneration Policy

The Directors' Remuneration Policy is effective for all payments made to Directors from 18 September 2018, being the date of the AGM in which it was approved.

Policy Table for Executive Directors

Element and purpose	Policy and operation	Maximum	Performance measures
Base salary			
	An appropriate level of fixed remuneration to reflect the individual's skills and experience. Salaries are normally reviewed annually by the Committee, taking into account relevant factors that may include: individual performance, corporate performance, changes to an individual's role and responsibilities, and appropriate market data.	There is no prescribed maximum. Any percentage increase to salaries would normally be in line with those awarded to the wider workforce. Larger increases may be awarded in circumstances considered appropriate by the Committee, such as an increase in the size of the business or the responsibilities of the role, or changes in the competitive marketplace.	N/A
Benefits			
	To provide a market competitive benefits package. Benefits may comprise a car allowance, private medical insurance, and life insurance and reimbursed business expenses (including any associated tax liability) incurred when travelling in performance of duties.	There is no prescribed maximum. The level of benefits is set at an appropriate market rate.	N/A
	The Committee may determine that other benefits be provided where appropriate (for example - relocation costs).		
Pension			
	Contributions to the Company's pension scheme, or an equivalent cash supplement is provided.	Current contributions are 10% of salary (CEO) and 5-6% of salary for other Executive Directors. The maximum allowable contribution is 15% of base salary.	N/A

REMUNERATION REPORT CONTINUED

Element and purpose	Policy and operation	Maximum	Performance measures
Annual Incentive Plan			
To drive and reward the delivery of business objectives for the financial year.	The current maximum annual opportunity for all Executive Directors is 100% of salary.	Awards will normally be based on a combination of financial and non-financial goals measured over one financial year, with at least 50% normally assessed against financial metrics.	
The bonus is discretionary and any pay-out is determined by the Committee based on performance. Targets are set and assessed by the Committee each year.			
Amounts may be satisfied in cash, or at the Committee's discretion, shares.	The Committee retains discretion to provide a maximum opportunity of up to 200% of salary in respect of a particular financial year.	The Committee retains discretion to adjust performance measures and targets during the year to take account of events outside of management control which were unforeseen when the measures and targets were initially set.	
Clawback provisions apply.			
Long Term Incentive Plan (LTIP)			
To reward Executive Directors for the delivery of long-term performance and align their interests with shareholders.	Award levels in respect of a financial year are currently up to 100% of salary for Executive Directors.	Performance targets are measured over a period of at least three financial years, using performance measures aligned to the delivery of the strategy and long-term shareholder value. Performance targets for awards in 2018 are	
Awards are made under, and subject to the terms of, the 2013 LTIP approved by shareholders at the 2013 AGM.	The Committee retains discretion to make annual awards of up to 300% of salary.	<ul style="list-style-type: none"> • Group EBITDA per share (60%), and • Group sales volume (40%). 	
Awards may be in the form of nil or nominal cost options, or any other form allowed by the Plan rules.		25% of awards vests for attaining threshold level of performance.	
Awards vest over a period of at least three years, subject to performance. Vested shares are subject to an additional holding period of at least two years.		The Committee retains discretion to use different or additional performance measures or weightings to ensure that awards remain appropriately aligned to the business strategy and objectives.	
Clawback and dividend equivalent provisions apply (see notes to the table).		Non-financial performance measures will normally be subject to a financial underpin.	
		The Committee will consider the Group's overall performance before determining the final vesting level.	
Shareholding guidelines			
To increase long-term alignment between executives and shareholders. Executive Directors are expected to build up and retain a beneficial holding of at least 200% of base salary.	N/A	N/A	

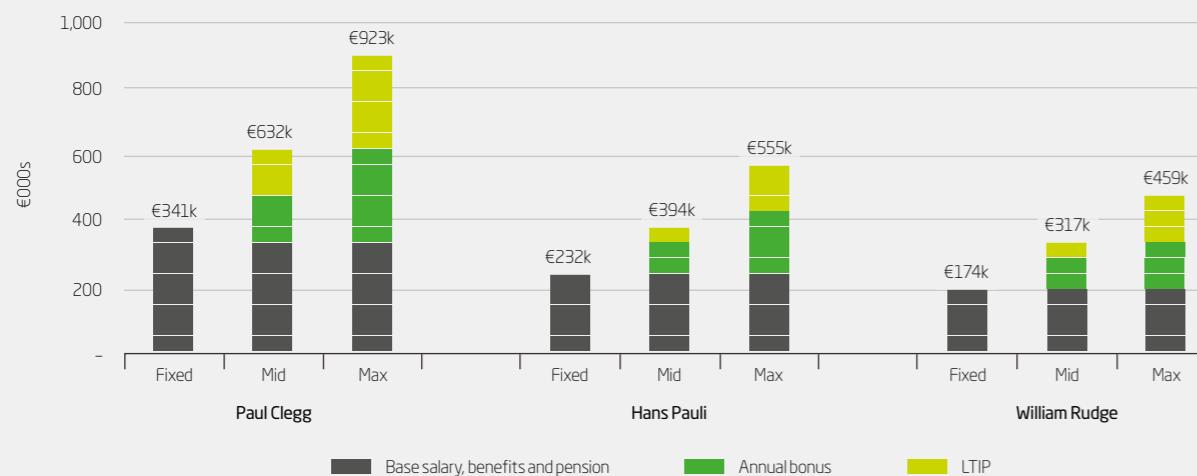
Notes to the Policy table:

1. LTIP awards which vest following the approval of this Policy may benefit from the right to receive an amount equal to the value of, if applicable, any dividends which would have been paid on vested shares up to the time of vesting (or where the award is subject to a holding period, up to the time of release).
2. The Annual Incentive Plan and LTIP contain clawback provisions in the event of a material misstatement of results, censure by a regulatory authority or any other serious damage to the Company reputation, or fraud or gross misconduct. The cash and, if applicable, share elements of the Annual Incentive may be clawed back for a period of three years from the date on which the annual incentive plan payment is made. Awards under the LTIP may be cancelled or reduced (prior to vesting), or clawed back for a period of three years post vesting.
3. The remuneration framework for other employees is based on broadly consistent principles used to determine the policy for Executive Directors. All executives and senior managers are generally eligible to participate in some form of annual incentive arrangement. Participation in the LTIP is extended to executives and senior managers, with LTIP performance conditions generally consistent across all levels. Individual salary and pension levels and incentive award sizes vary according to the level of seniority and responsibility.
4. The choice of the performance measures applicable to the Annual Incentive Plan (currently EBITDA, sales volume, and operational measures) reflects the Committee's view that incentives should be aligned to the Group's key annual financial and strategic objectives. For the LTIP, the measures for the 2018 award (EBITDA per share and sales volume) provide a suitable balance between incentivising the execution of the Company's long-term capacity expansion programme and ensuring the delivery of profit growth alongside that operational delivery. For both the Annual Incentive Plan and the LTIP, the Committee sets challenging targets taking into account the Board's objectives for the business. Performance conditions may be amended or substituted by the Committee if an event occurs which causes the Committee to determine an amended or substituted performance condition would be more appropriate and not materially more or less difficult to satisfy.
5. The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretion available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment either agreed: (i) prior to the Policy set out above came into effect; (ii) during the term of, and were consistent with, any previous policy approved by shareholders; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.
6. Under the rules of the LTIP, the terms of any award may be adjusted to take account of a Company reorganisation, such as a variation of capital, rights issue, demerger or special dividend.
7. In respect of the shareholding guideline, vested but unexercised LTIP shares will count towards the guideline (on a net of tax basis). It is anticipated that the level of shareholding set out in the guideline will normally be met within five years of appointment as an Executive Director (or from the approval of this Policy). The Committee will take into account LTIP vesting levels and personal circumstances when assessing progress against the guideline.
8. There are no material changes from the previous remuneration policy approved by shareholders at the 2015 AGM. As part of the review minor amendments have been made to reflect evolving practice.

REMUNERATION REPORT CONTINUED

Application of the Remuneration Policy

The charts below show the potential pay-out under the Policy for each Executive Director under three different illustrative performance scenarios.



Notes:

- 1 'Fixed' includes the value of fixed pay components (base salary, benefits and pension in place as at 1 April 2018).
- 2 'Mid' includes fixed pay, a payout of 50% (of maximum) under both the Annual Incentive Plan and the LTIP awards.
- 3 'Maximum' includes fixed pay and the maximum annual incentive plan award (100% of salary for all roles) and full vesting of the LTIP awards (CEO: 100% of salary, 75% for the Finance Director and 50% of salary for the Executive Director, Corporate Development).

Recruitment remuneration policy

The Company's recruitment policy aims to give the Committee sufficient flexibility to secure the appointment and promotion of high-calibre executives to strengthen the management team and secure the skill sets to deliver our strategic aims.

The recruitment package for a new Executive Director would normally be set in accordance with the terms of the Policy Table for Executive Directors. Salaries would be set at an appropriately competitive level to reflect the skills and experience of the individual and the scope of their role. The Committee may agree that the Company will meet certain relocation expenses as it considers appropriate.

Where an individual forfeits remuneration with a previous employer as a result of appointment to the Company, the Committee may offer compensatory payments or awards to facilitate recruitment. Any such payments or awards would be in such form as the Committee considers appropriate and would normally reflect the nature, time horizons, and performance requirements attaching to that remuneration. There is no limit on the value of such compensatory awards, but the Committee's intention is that the value awarded would be, in the view of the Committee, no higher than the amount forfeited.

For an internal appointment, any variable pay element awarded in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate.

Directors' service contracts

The notice periods under the service contracts of the current Executive Directors are summarised in the following table:

Name	Notice period from individual (months)	Notice period from company (months)
Paul Clegg	12	12
Hans Pauli	3	6
William Rudge	6	6

Executive Directors' service contracts, which do not contain expiry dates, provide that compensation provisions for termination without notice will include salary, certain fixed benefits, and pension. In the case of William Rudge and Hans Pauli, sums may be paid in instalments and cease if the individual finds an alternative role.

Following a change of control, if the Company terminates Paul Clegg's employment in breach of or in accordance with the terms of his service contract, or if Paul Clegg terminates the employment in response to a fundamental breach of contract by the Company, or in accordance with the terms of his service contract, then he will be entitled to a termination payment comprising 12 months base pay and benefits, plus an amount in respect of bonus of at least the level of the average of historic bonus levels (or a higher discretionary amount awarded in respect of Company and personal performance in the financial year of termination), unpaid expenses and the value of accrued holiday entitlement. The inclusion of a component in respect of annual bonus reflects the legacy contractual terms of this agreement and would not be included in the service contract for a new appointment.

The Company's general policy on recruiting a new Executive Director is to provide a service contract terminable after six months. However the Committee reserves the right to introduce a longer notice period (of up to twelve months) which would reduce to six months over time. Provisions for compensation for termination would normally follow that described above for William Rudge and Hans Pauli.

Outside appointments

Subject to Board approval, Executive Directors are permitted to accept (and retain the fees from) outside appointments on external boards as long as these are not deemed to interfere with the business of the Group.

Termination policy summary

In addition to a payment in lieu of notice referred to above, a departing Executive Director may be eligible for incentive awards, which will be treated in accordance with the rules of the relevant plan, as summarised in the table below:

Incentive Plan	Summary of leaver provisions
Annual Incentive Plan	In certain 'good leaver' ¹ circumstances, an individual may remain eligible for an annual bonus with respect to the financial year of cessation (pro-rated for time, unless the Committee determines otherwise). Any payment will remain subject to performance (as determined by the Committee) and is normally payable after the end of the financial year.
LTIP	<p>Unvested awards normally lapse on cessation of employment.</p> <p>However, in certain 'good leaver'¹ circumstances as defined in the Plan rules, awards will vest. In such circumstances:</p> <ul style="list-style-type: none"> • awards will normally vest on their original vesting date; • the Committee will determine the extent of vesting based on the satisfaction of the performance conditions; and • awards will be reduced pro-rata to reflect the proportion of the vesting period that has elapsed at cessation. <p>Vested awards will normally remain subject to any Holding Period.</p>

¹ Death, injury, ill-health, disability, redundancy, retirement or the sale of their employing entity out of the Group, or for any other reason at the Committee's discretion.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment or for any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or employment.

REMUNERATION REPORT CONTINUED

Change of control

In the event of a change of control of the Company:

- A payment under the Annual Incentive Plan shall be determined by applying the performance targets (on such basis as the Committee considers appropriate) and calculated on an appropriate time pro-rata basis.
- LTIP awards will vest. The proportion of the award which shall vest will be determined at the discretion of the Committee having regard to the extent to which the performance targets have been achieved and the proportion of the vesting period that has elapsed. Any holding period will cease to apply. Alternatively, the Committee may permit or require awards to be rolled-over into equivalent awards from the acquiring company.

Policy Table for Non-Executive Directors ('NEDs')

Element and purpose	Policy and operation	Maximum	Performance measures
Chairman and NEDs			
Fees for the Chairman and for the NEDs are set by the Board (excluding the NEDs).	There is no prescribed maximum annual increase or fee level.	N/A	
Fees are based on the responsibilities and time commitment of the role. The Chairman receives a single fee. NED fees include a base fee and may include additional fees for other Board or Committee duties.	Fee levels are reviewed on a periodic basis, with reference to the time commitment of the role and market levels in companies of comparable size and complexity.		
Fees are paid in cash. NEDs are not eligible to participate in incentive arrangements or receive pension provision or other benefits.			
Non-Executive Directors may be reimbursed for business expenses (and any associated tax liabilities) incurred when travelling in performance of duties.			

NED contracts

The NEDs, including the Chairman, have letters of appointment which set out their duties and responsibilities. Appointment is for a fixed term of three years, terminated by three months' notice on either side.

Name	Appointment end date	Unexpired term (months)
Nick Meyer	17 May 2020	22
Patrick Shanley	18 November 2019	16
Sean Christie	27 November 2020	29
Sue Farr	27 November 2020	29
Trudy Schoolenberg	1 April 2021	33

Consideration of employment conditions elsewhere in the Group

As explained in the general policy section of the Remuneration Policy, the Committee takes into account Group-wide pay and employment conditions. The Committee reviews the average Group-wide base salary increase and bonus costs and is responsible for all discretionary and all-employee share arrangements. The Committee did not consult with employees in preparing the Directors' Remuneration Policy.

Consideration of shareholder views

The Committee undertook a consultation exercise with major shareholders in respect of the development of this Remuneration Policy, and the feedback received was taken into account in finalising the Policy.

During each year, the Committee considers shareholder feedback received in relation to the AGM, plus any additional feedback received through other means of dialogue. The Committee also regularly reviews the Policy in the context of published shareholder guidelines.

Implementation of the Remuneration Policy for the year ending 31 March 2019

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 March 2019 is set out below.

Base salary

The Remuneration Committee has determined that base salaries for the Executive Directors will increase as follows with effect from 1 July 2018:

	2018	2017	% increase
Paul Clegg	£262,060	£256,922	2%
Hans Pauli	€222,373	€218,013	2%
William Rudge	£147,116	£144,232	2%

The Group's employees are, in general, receiving salary increases averaging approximately 2%.

Pension arrangements

In accordance with the Policy, Executive Directors will continue to receive pension contributions (or cash supplements) of 10% of base salary for the CEO and 5 to 6% of base salary for the other Executive Directors.

Annual bonus

For the year ending 31 March 2019, the maximum annual bonus opportunity will be 100% of salary in accordance with the Policy. Payouts will be determined based on the delivery of stretching financial, operational and personal objectives with the weightings for the various components as follows:

	Weighting (% of bonus)	
	CEO	Other Directors
Group EBITDA (excluding Tricoya®)	50%	37.5%
Capacity expansion (Arnhem expansion & construction of Hull)	30%	22.5%
Sales Volume (total Accoya® volumes sold)	20%	15%
Personal objectives	-	25%

The Committee believes that the underlying targets are commercially sensitive and cannot be disclosed at this stage.

REMUNERATION REPORT CONTINUED

Long-term incentives

For the year ending 31 March 2019, annual LTIP awards will be made in line with the Policy, as shown in the following table:

Name	2018 (% of salary)
Paul Clegg	100%
Hans Pauli	50%
William Rudge	75%

The extent to which 2019 LTIP awards will vest after three years will be dependent on two independent performance conditions as follows:

Metric	Weighting (% of salary)	Threshold	Maximum
Vesting (% of maximum)		25%	100%
EBITDA per share in FY21	60%	0.05	0.13
Sales Volume in FY21 (m ³)	40%	70,000	85,000

- Vesting is on a straight-line basis between threshold and maximum.
- Appropriate adjustments may be made to ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of award.
- EBITDA per share targets are set and determined so as to exclude licensing income.
- Sales Volume is defined as combined sales volume (in cubic metres, or equivalent) of Accoya® and Tricoya®.
- Vesting of the Sales Volume component will be subject to the achievement of a threshold level of EBITDA.

In line with the Policy, upon vesting, the 2019 LTIP awards will be subject to an additional holding period which expires on the fifth anniversary of the date of grant together with the claw-back provisions as set out in further detail in the Remuneration Policy.

Non-Executive Directors

The fees for the Non-Executive Directors with effect from 1 July 2018 are shown in the table below. Note that for 2018, the structure of the Chairman fee has been simplified in to one single fee of £76,715. Previously, the Chairman received a NED base fee (in £) and an additional fee for Chairman duties (in €). On review, it was agreed that a single fee for the Chairman was preferable as it is more simple and transparent, and aligns with conventional practice.

	2018	2017	% increase
Chairman fee	£76,715	£75,211	2%
Base NED fee	£40,800	£40,000	
Additional fees:			
Senior independent Director	£5,100	£5,000	2%
Committee membership fee per committee	£5,100	£5,000	2%

Remuneration received by Directors in the year ended 31 March 2018 (audited)

Directors' remuneration for the year ended 31 March 2018 (and for the prior year ended 31 March 2017) is shown in the following tables:

	Currency	Salary/ Fees	Benefits in Kind ¹	Annual bonus ²	LTIPs vested ³	Pension ⁴	2018 Total	2018 Total EUR
Executive Directors:								
Paul Clegg	£'000	256	19	141	-	26	442	502
Hans Pauli ⁵	€'000	215	5	109	-	12	341	341
William Rudge	£'000	144	2	79	-	7	232	264
Non-Executive Directors:								
Sean Christie	£'000	45	-	-	-	-	45	51
Sue Farr	£'000	45	-	-	-	-	45	51
Montague John 'Nick' Meyer	£'000	40	-	-	-	-	40	46
Patrick Shanley ⁵	£'000	75	-	-	-	-	75	86

	Currency	Salary/ Fees	Benefits in Kind ¹	Annual bonus ²	LTIPs vested ³	Pension ⁴	2017 Total	2017 Total EUR
Executive Directors:								
Paul Clegg	£'000	252	19	253	855	25	1,405	1,632
Hans Pauli ⁵	€'000	209	6	213	194	12	634	634
William Rudge	£'000	142	2	142	108	8	401	471
Non-Executive Directors:								
Sean Christie	£'000	45	-	-	-	-	45	54
Sue Farr	£'000	45	-	-	-	-	45	54
Montague John 'Nick' Meyer	£'000	40	-	-	-	-	40	48
Patrick Shanley ⁵	£'000	74	-	-	-	-	74	87

Figures are shown in the currency in which the majority of remuneration received. The final column converts remuneration into the Company's reporting currency using the monthly exchange rate when the costs are incurred. The table for 2017 has been restated compared to the report published in last year's Remuneration Report as a result of the Company now accruing the bonus awards in to the year to which they relate and to report in the currency in which remuneration is received.

1. Taxable benefits for the Executive Directors in the year included a car allowance (for the CEO only), private medical insurance, life insurance and reimbursed business expenses.
2. Represents annual bonus paid in cash in respect of the relevant financial year (further detail for the year ended 31 March 2018 is shown below).
3. There was no LTIP award vesting by reference to performance to 31 March 2018 and therefore there is no value to report for 2018. For 2017, the value shown represents the vesting of the 2013 LTIP.
4. Paul Clegg receives cash in lieu of pension.
5. Hans Pauli & Patrick Shanley amounts include actual amounts paid in both GBP and EUR.

REMUNERATION REPORT CONTINUED

Annual bonus for the year ending 31 March 2018 (audited)

For the year ending 31 March 2018, the maximum annual bonus opportunity was 100% of salary in accordance with the Policy. Payouts were determined based on performance, taking into account the delivery of stretching financial and operational objectives with the weightings for the various components as follows:

	Weighting (% of bonus)	
	Maximum	Outcome
Group EBITDA (excluding Tricoya®)	35%	0%
Tricoya® EBITDA	15%	15%
Capacity expansion (Arnhem expansion & construction of Hull)	30%	27%
Sales Volume (total Accoya® volumes sold)	20%	13%

The actual performance targets remain commercially sensitive and cannot be disclosed at this time.

Group EBITDA fell below the stretching threshold and therefore none of this component was awarded. Sales of Accoya® and strong progress in the execution of our expansion programmes resulted in a payout on those operational components together with sales growth which was constrained by production capacity. Overall, taking into account personal performance, the bonus outcomes were between 50–55% of the maximum (50–55% of salary) for the Executive Directors, with the amounts awarded shown in the single figure table on page 57. The Committee believes this outcome is an appropriate reflection of the performance of the business and Executives in the year.

LTIP vesting in respect of performance to the year ending 31 March 2018 (audited):

There were no LTIP awards vesting in respect to performance to the year ending 31 March 2018.

The 2016 LTIP awards (see table below) vest by reference to performance over a three year period ending 31 March 2019 and the vesting of these awards will therefore be described in next year's report.

Scheme interests awarded during the year (audited)

During the year, the following LTIP awards were made to the Executive Directors:

Type of Award	Basis of award granted	Face value of award €'000	% of maximum vesting for threshold performance	Performance period
Paul Clegg	100% of salary	297	25%	
Hans Pauli	Nil cost options	107	25%	Three years to 20 June 2020
William Rudge	50% of salary	83	25%	

Face value determined using share price determined two days prior to date of grant.

The performance targets for these awards are as follows:

Metric	Weighting (% of salary)	Threshold	Target	Maximum
Vesting (% of maximum)		25%	50%	100%
EBITDA per share in FY20	50%	€0.04	€0.06	€0.08
Share Price Growth vs Comparator Group	50%	Median	N/A	Upper Quartile

- Vesting is on a straight-line basis between points in the schedule. There is no vesting for performance below Threshold.
- EBITDA based on total Group EBITDA including licensing income. Appropriate adjustments may be made to the EBITDA per share metric ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of award.
- Comparator Group is the constituent companies of the FTSE AIM All Share Index (excluding the Resource and Financial Services Sectors).

Payments to past Directors (audited)

There were no payments to past Directors during the year.

Payments for loss of office (audited)

There were no payments for loss of office during the year.

Statement of Directors' shareholding and share interests (audited)

	Shares beneficially held* as at 31 March 2018	Vested but unexercised LTIPs	Unvested LTIP awards
Paul Clegg	716,432	1,259,449	709,019
Hans Pauli	376,527	286,069	249,956
William Rudge	192,000	159,173	199,015
Sean Christie	72,258	–	–
Sue Farr	–	–	–
Montague John 'Nick' Meyer	29,745	–	–
Patrick Shanley	70,981	–	–

*Includes shares held by connected persons

There has been no change in the beneficial holding of the Directors between the year end and the date of this report. The unvested LTIP awards consist of 2016 and 2017 LTIP awards. The performance condition for the 2017 award is summarised in the section above and for the 2016 award in the table below:

Metric	Weighting (% of salary)	Threshold	Target	Maximum
Vesting (% of maximum)		25%	50%	100%
EBITDA per share in FY19	50%	€0.06	€0.08	€0.10
Share Price Growth vs Comparator Group	50%	Median	N/A	Upper Quartile

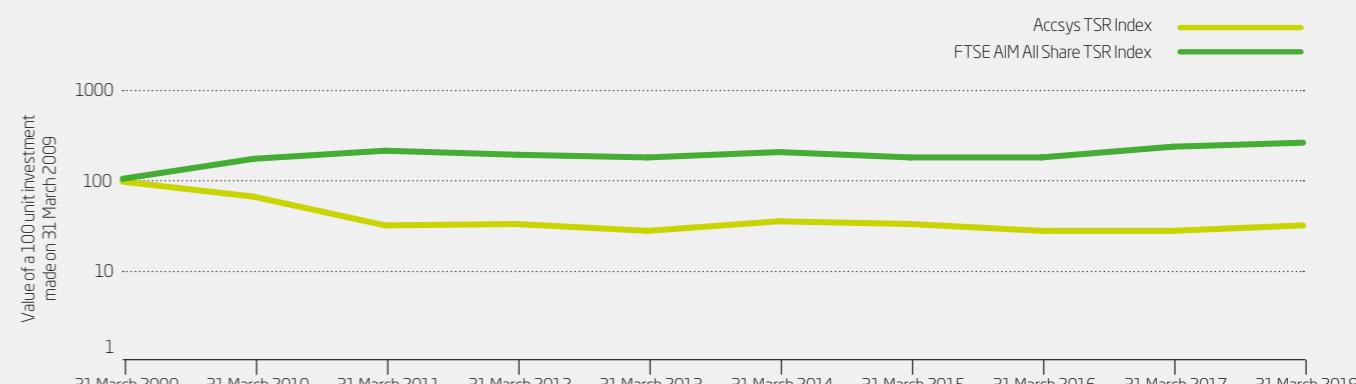
- Vesting is on a straight-line basis between points in the schedule. There is no vesting for performance below Threshold.
- EBITDA based on total Group EBITDA including licensing income. Appropriate adjustments may be made to the EBITDA per share metric ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of award.
- Comparator Group is the constituent companies of the FTSE AIM All Share Index (excluding the Resource and Financial Services Sectors).

Relative importance of spend on pay

During the year ended 31 March 2018, the total pay for all Group employees increased by 29% to €11,293,000 (2017: €8,783,000). There were no dividends or share buybacks in either year.

Performance graph and CEO remuneration

The following graph shows the Company's performance for the past ten years on the London Stock Exchange AIM compared with the performance of the FTSE AIM All Share index. The FTSE AIM All Share index has been selected for this comparison as it is a broad based index which the Directors believe most closely reflects the performance of companies with similar characteristics as the Company's. A logarithmic scale has been used in order to more clearly set out the performance of Accsys' shares in more recent periods.



REMUNERATION REPORT CONTINUED

Since joining in 2009, the CEO's total remuneration together with the proportion attributable to bonus or vested incentives is as set out in the table below:

	2010 €'000	2011 €'000	2012 €'000	2013 €'000	2014 €'000	2015 €'000	2016 €'000	2017 €'000	2018 €'000
Total remuneration	386	283	604	627	676	783	613	1,632	502
% Bonus of Total	36%	0%	46%	46%	51%	54%	36%	18%	32%
% Bonus of Cap	N/A	N/A	N/A	N/A	N/A	56%	63%	37%	50%
% vested LTIPs of maximum	N/A	58%	N/A						

The table above has been re-presented to reflect that 2018 is the first year that bonuses have been accrued into the year which they relate. The previous years' bonus have therefore been allocated into the respective years in order to provide consistency.

As no formal cap or maximum bonus existed before 2015, no figure has been disclosed setting out this percentage.

Consideration of matters relating to Director's remuneration

The Nomination and Remuneration Committee consisted of Sue Farr (Chairman), Patrick Shanley, Nick Meyer and Sean Christie. All Non-executive Directors (including the Chairman on appointment) are considered to be independent.

Until 9 January 2018, FIT Remuneration Consultants LLP was engaged by the Committee to provide it with remuneration consultancy services. Fees charged by FIT for advice provided to the Committee for the year ended 31 March 2018 were £3,675 (plus VAT). The Committee was satisfied as to the independence of the advice provided by FIT.

Following a review of remuneration advisers in late 2017, which consisted of a full competitive tender process, Deloitte LLP (Deloitte) was appointed by the Committee as independent adviser to the Committee with effect from 9 January 2018. The Committee is satisfied that Deloitte remains independent of the Company and that the advice provided is impartial and objective. Deloitte is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. Their total fees for the provision of remuneration services to the Committee since appointment to 31 March 2018 were £20,425 (plus VAT).

Statement of voting at general meeting

The AGM held on 21 September 2017 included the following resolutions:

An ordinary resolution was passed in respect of the approval of the Directors' remuneration report (excluding the Remuneration policy) for the year ending 31 March 2017. 40,872,175 (91.93%) votes were cast for the resolution, 3,588,163 against and 2,851 withheld.

The AGM held on 17 September 2015 included the following resolution:

An ordinary resolution was passed to approve an increase to the aggregate of fees payable to the Chairman and Non-Executive Directors in any year, as provided for in a revised Directors' Remuneration Policy. 30,763,367 (99.0%) votes were cast for the resolution, 306,400 against and 1,742 withheld.

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 (FRC) in 2016. The FRC's UK Corporate Governance Code is not currently compulsory for AIM listed or Euronext listed companies however, during the past year, the Board has applied its principles as far as practicable and appropriate for a relatively small public company. The Board is now reviewing the most appropriate recognised code for it to apply in advance of AIM rule 26 becoming effective in September 2018.

The Board of Directors

During the year the Board comprised a Non-executive Chairman, three Non-executive Directors and three Executive Directors, with an additional Non-executive Director, Trudy Schoolenberg, being appointed on the 1 April 2018 who is also the Senior Independent Director.

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 and Sue Farr, with Trudy Schoolenberg being appointed on the 1 April 2018. 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), Patrick Shanley, Sean Christie and Nick Meyer, with Trudy Schoolenberg being appointed on the 1 April 2018. 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.

CORPORATE GOVERNANCE CONTINUED

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.

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		Nomination & Remuneration Committee	
	Attended	Serving ¹	Attended ²	Serving	Attended ³	Serving
Michael 'Sean' Christie	7	10	3	3	5	5
Paul Clegg	10	10	3	-	1	-
Sue Farr	9	10	3	3	5	5
Hans Pauli	8	10	3	-	1	-
Patrick Shanley	8	10	3	3	5	5
Montague John 'Nick' Meyer	6	10	2	3	4	5
William Rudge	10	10	3	-	1	-

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. During the year there were eight full board meetings, of which two meetings were convened on an ad hoc basis. In addition, two ad hoc meetings of a committee of the board were convened. Patrick Shanley and Hans Pauli attended all eight full board meetings, Sue Farr attended all eight board meetings and one committee meeting. Sean Christie attended seven out of eight full board meetings, being unable to attend one ad hoc meeting. Nick Meyer attended six out of eight full board meetings, being unable to attend one ad hoc meeting. William Rudge and Paul Clegg attended all full board and committee meetings.
2. Messrs Clegg, Pauli and Rudge attended for part of the three audit committee meetings held on 14 June 2017, 16 November 2017 and 13 March 2018.
3. Messrs Clegg, Pauli and Rudge attended for part of the Nomination & Remuneration Committee meeting held on 2 February 2018.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' responsibilities

The Directors are responsible for preparing the annual report, the Directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group and parent company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and parent company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Corporate Governance confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Strategic Report (including but not limited to Chairman's Statement, Chief Executive's Report and Financial Review) includes a fair review of the development and performance of the business and the position of the Group and company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and company's auditors are aware of that information.

FINANCIAL STATEMENTS

- 66 Group Independent Auditors' Report
- 72 Consolidated Statement of Comprehensive Income
- 73 Consolidated Statement of Financial Position
- 74 Consolidated Statement of Changes in Equity
- 75 Consolidated Statement of Cash Flow
- 76 Notes to the Financial Statements
- 111 Company Independent Auditors' Report
- 116 Condensed Company Balance Sheet
- 117 Notes to the Company Financial Statements

DILLON KYLE ARCHITECTS' OFFICE BUILDING

When Dillon Kyle Architects (DKA) set out to design their new office space in the lively art district of Montrose, Houston, they came up with a creative solution to fit an aesthetically distinct 5,000 square foot building plus parking on their lot's small unique space.

The three-storey building takes the form of an inverted L, a configuration that allows for maximised parking on the narrow corner plot. The cantilever space was built to shade the cars from the hot Texas sun, while also creating a semi-public place that invites pedestrians to interact with the space and peer inside as they walk through the neighbourhood. The exterior has a commercial boxy look, so the team looked for creative cladding finishes to wrap the building. The team settled on Accoya® wood. "The idea was to use a material where you couldn't tell where the patterns started and stopped, just one big continuous object," said Peter Klein, architect at DKA.

An abstract leaf-like pattern is carved into 2,500 Accoya® wood boards wrapping the entire building. The leaf pattern serves as a



gentle reference to the live oak trees that line the neighbourhood. "We settled on wood, and specifically Accoya®, because it is easy to mill, and we knew we were going to leave it unsealed," said Klein. "Even left untreated, it didn't warp, and that let us know we were on the right path," added Klein. The neutral grey tones coupled with its long term durability, resistance to rot and insects made Accoya® the ideal material for this project.



GROUP INDEPENDENT AUDITORS' REPORT

to the members of Accsys Technologies PLC

REPORT ON THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

Opinion

In our opinion, Accsys Technologies PLC's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 March 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated statement of financial position as at 31 March 2018; the consolidated statement of comprehensive income, the consolidated statement of cash flow, and the consolidated statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

We have provided no non-audit services to the Group in the period from 1 April 2017 to 31 March 2018.

Our audit approach

Overview



- Overall Group materiality: €609,000 (2017: €540,000), based on 1% of revenue.
- We performed audit work over the complete financial information for reporting 3 units which accounted for approximately 87% (2016: 91%) of the Group's revenue. These operating reporting units comprised the operating business in the Netherlands, UK and centralised functions.
- We identified 5 reporting units, two of which were significant due to their size. This comprised the operating businesses in the Netherlands and the UK.
- We conducted specific audit procedures on certain balances and transactions in respect of the remaining 2 reporting units. These procedures related to elimination of interGroup / investment balances as well as substantive procedures over property plant and equipment in one unit.
- Going concern.
- Impairment of non-current assets.
- Cost capitalisation of Property, Plant and Equipment.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, Pensions legislation, UK tax legislation and equivalent local laws and regulations applicable to significant component teams and testing particular classes of transactions. Our tests included, but were not limited to, review of correspondence with the regulators, enquiries of management including internal legal counsel, review of significant component auditors' work. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

As in all our audits we also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Going concern	<p>As the Group continues to develop and expand there are a number of factors that potentially impact on its ability to function as a Going Concern. These include:</p> <ul style="list-style-type: none">Continued loss making performance as the Group looks to increase production capacity to leverage continuing investments being made; andSignificant planned capital expenditure over the next 12 months at both Arnhem and Hull (for the Accoya® and Tricoya® businesses respectively) as part of that investment. <p>As a result of this continued investment the balances available to the Group over the next 12-18 months are forecast by management to reduce significantly from the balances held at 31 March 2018. As such we have included Going Concern as a significant risk.</p> <p>Our audit work has included a number of procedures including:</p> <ul style="list-style-type: none">Obtaining and auditing management's own Going Concern assessment. This included:<ul style="list-style-type: none">Recalculating the arithmetic accuracy of management's model;Ensuring that the model covered an appropriate period and included correct cash balances in the opening position and subsequent movements;Challenged the key assumptions included in the model, namely (i) the trading position agreed to the board approved forecast, (ii) challenged management on the extent and timing of future expenditure of capital amounts including the appropriateness of contingencies held given the current state of progress of projects, (iii) considered mitigants available to management should they be required and their amount and timing; andObtaining and reading the details of the new facility with ABN Amro secured after 31 March 2018 and ensuring that this was appropriately reflected in the model.Ensured that the disclosure in the Annual Report is consistent with our work and understanding;Debated the position with management and reviewed board minutes to ensure that the position in the model could be corroborated to other supporting information from the board; andReported our approach and findings to the Audit Committee in our written report. <p>Based on the procedures performed we did not identify any matters that would indicate the financial accounts being prepared on a Going Concern not being appropriate.</p>

GROUP INDEPENDENT AUDITORS' REPORT CONTINUED

to the members of Accsys Technologies PLC

Key audit matter	How our audit addressed the key audit matter
Impairment of non-current assets	<p>At 31 March 2018 the Group carried €4.2m of goodwill (2017: €4.2m), €6.4m of other intangible assets (2017: €6.6m), and €60.8m of tangible fixed assets (2017: €20.7m). Management is required to perform an annual impairment review of goodwill held within intangible assets in accordance with IAS 36. In addition management should assess for impairment indicators in respect of other assets held.</p> <p>We focused on this as a significant risk principally due to the significant size of these balances and the fact that there is an element of judgement behind some of the assumptions that support the carrying value of the goodwill and other intangibles.</p> <p>Our audit included a number of specific procedures including those set out below:</p> <ul style="list-style-type: none"> • Assessing the appropriateness and consistency of the identification of Cash Generating Units, ("CGUs"); • Understanding and auditing management's impairment calculations (value-in-use) for each of the two CGUs. This included: <ul style="list-style-type: none"> – Verifying that the basis for the value-in-use calculations was a board approved budget for FY19; – Recalculating the carrying value of each of the CGU's by agreeing balances back to the financial records; – Debating and challenging management's key assumptions used in the model for future years (Revenue growth, EBITDA margin, WACC). We obtained supporting documentation for key assumptions such as recalculating WACC rates, validating future revenue expectations given knowledge of the capacity of the plant in future years, consideration and challenge of margins based on previous and expected performance. • Performed a sensitivity analysis on the key assumptions in the impairment model prepared by management and debated and challenged management on the likelihood of those sensitivities; • Reviewed compliance with the disclosure requirements of IAS 36 given the outcome reached; • Reviewed for indicators of impairment on other assets currently being depreciated / amortised utilising our knowledge of the business, Board minute review and discussions with management; and • Reported our approach and findings to the Audit Committee in our written report. <p>Based on our procedures we consider management's key assumptions to be within a reasonable range and concur with their position of no impairment charge in the year to 31 March 2018.</p>
Cost capitalisation of Property, Plant and Equipment	<p>During the year the Group has capitalised €24.0m of costs relating to the Arnhem expansion and a further €16.7m of costs on the construction of a Tricoya® plant in Hull.</p> <p>While the majority of the costs are external (c €0.4m of internal costs have been capitalised) there is a risk with such large amounts that some inappropriate costs are incorrectly capitalised and disclosed.</p> <p>Our audit procedures included the following tests:</p> <ul style="list-style-type: none"> • Substantively verified a sample of external costs capitalised to external supporting documentation to ensure they meet the capitalisation criteria of IAS 16; • Challenging management's assessment to ensure costs sampled (both internal and external) were directly attributable to the expansion project. We confirmed that the majority of costs capitalised were external and the value of internal costs capitalised was €0.4m; • Discussions with the finance team but also the operational staff which not only improved our understanding of the overall project but also helped us audit the accounting given the type and stage of completion of the projects; • The Group audit team performed site visits to both Arnhem and Hull during Apr / May 2018. This allowed us to physically verify a sample of the assets being verified as well as increase our knowledge of the projects; • We considered the overall capitalisation and the accounting thereof in light of what we know from our reading of the board minutes as well as discussions with management; and • Reported our approach and findings to the Audit Committee in our written report. <p>Based on our procedures we consider the capitalisation during the year to 31 March 2018 to be appropriate.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	€609,000 (2017: €540,000).
How we determined it	1% of revenue.
Rationale for benchmark applied	Given the relative 'start up' nature of the business and low levels of profit / loss, revenue was considered the most appropriate measure used, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is no more than our overall Group materiality. The range of materiality allocated across components was between €206,000 and €609,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €30,000 (2017: €25,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

GROUP INDEPENDENT AUDITORS' REPORT CONTINUED

to the members of Accsys Technologies PLC

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- certain disclosures of Directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors on 1 April 2011 to audit the financial statements for the year ended 31 March 2011 and subsequent financial periods. The period of total uninterrupted engagement is eight years, covering the years ended 31 March 2011 to 31 March 2018.

OTHER MATTERS

We have reported separately on the company financial statements of Accsys Technologies PLC for the year ended 31 March 2018 and on the information in the Directors' Remuneration Report that is described as having been audited.

Darryl Phillips (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

18 June 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2018

	Note	2018 €'000 Before exceptional items & other adjustments*	2018 €'000 Exceptional items and other adjustments*	2018 €'000 Total	2017 €'000 Before exceptional items & other adjustments*	2017 €'000 Exceptional items and other adjustments*	2017 €'000 Total
Accoya® wood revenue		56,331	-	56,331	50,655	-	50,655
Licence revenue		200	-	200	1,576	-	1,576
Other revenue		4,380	-	4,380	4,298	-	4,298
Total revenue	3	60,911	-	60,911	56,529	-	56,529
Cost of sales		(47,270)	-	(47,270)	(42,175)	-	(42,175)
Gross profit		13,641	-	13,641	14,354	-	14,354
Other operating costs	4	(20,218)	(2,184)	(22,402)	(18,551)	(343)	(18,894)
Other gains	5	-	32	32	-	635	635
Operating (loss)/gain	8	(6,577)	(2,152)	(8,729)	(4,197)	292	(3,905)
Finance income	10	-	-	-	2	-	2
Finance expense	11	(2,174)	502	(1,672)	(302)	(258)	(560)
(Loss)/Gain before taxation		(8,751)	(1,650)	(10,401)	(4,497)	34	(4,463)
Tax credit/(expense)	12	251	-	251	(666)	-	(666)
(Loss)/gain for the year		(8,500)	(1,650)	(10,150)	(5,163)	34	(5,129)
Loss arising on translation of foreign operations, which could subsequently be reclassified into profit or loss		(56)	-	(56)	(108)	-	(108)
Gain arising on foreign currency hedging, which will not be reclassified into profit or loss		-	202	202	-	104	104
Total other comprehensive (loss)/income		(56)	202	146	(108)	104	(4)
Total comprehensive (loss)/gain for the year		(8,556)	(1,449)	(10,004)	(5,271)	138	(5,133)
Total comprehensive (loss)/gain for the year is attributable to:							
Owners of Accsys Technologies PLC		(7,592)	(1,449)	(9,040)	(5,058)	68	(4,990)
Non-controlling interests		(964)	-	(964)	(213)	70	(143)
Total comprehensive (loss)/gain for the year		(8,556)	(1,449)	(10,004)	(5,271)	138	(5,133)
Basic and diluted loss per ordinary share	14	€(0.07)		€(0.08)	€(0.05)		€(0.06)

Prior year has been restated to reflect the adoption of IFRS 9 and to represent exceptional and other adjustments on a consistent basis (see note 5).

The notes on pages 76 to 110 form an integral part of these financial statements.

* See note 5 for details of exceptional items and other adjustments

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2018

Registered Company 05534340	Note	2018 €'000	2017 €'000 (restated)
Non-current assets			
Intangible assets	16	10,653	10,839
Property, plant and equipment	17	60,835	21,681
Available for sale investments	18	-	-
		71,488	32,520
Current assets			
Inventories	21	13,125	11,796
Trade and other receivables	22	9,335	7,612
Cash and cash equivalents		39,698	41,173
Corporation tax receivable		1,347	687
		63,505	61,268
Current liabilities			
Trade and other payables	23	(18,012)	(12,524)
Obligation under finance lease	28	(1,323)	(455)
Other Long Term Borrowing	29	(2,062)	-
Corporation tax payable		(17)	(1,620)
		(21,414)	(14,599)
Net current assets		42,091	46,669
Non-current liabilities			
Obligation under finance lease	28	(12,849)	(2,621)
Other Long Term Borrowing	29	(27,235)	(20,097)
		(40,084)	(22,718)
Net assets		73,495	56,471
Equity			
Share capital	24	5,576	4,531
Share premium account		140,036	128,792
Other reserves	25	109,425	113,460
Accumulated loss		(211,830)	(202,944)
Own shares		(15)	(33)
Foreign currency translation reserve		(11)	45
Capital value attributable to owners of Accsys Technologies PLC		43,181	43,851
Non-controlling interest in subsidiaries		30,314	12,620
Total equity		73,495	56,471

The financial statements on pages 72 to 110 were approved by the Board of Directors on 18 June 2018 and signed on its behalf by

Paul Clegg
Director

William Rudge
Director

The notes on pages 76 to 110 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2018

	Share capital Ordinary €'000	Share premium €'000	Other reserves €'000	Own Shares €'000	Foreign currency translation reserve €'000	Accumulated Loss €'000	Total equity attributable to equity shareholders of the Company €'000	Non-controlling interests €'000	Total Equity €'000
Balance at 31 March 2016	4,495	128,792	107,441	(47)	153	(198,842)	41,992	61	42,053
Total comprehensive income/(expense) for the period									
	-	-	104	-	(108)	(4,986)	(4,990)	(143)	(5,133)
Share based payments	-	-	-	-	-	884	884	-	884
Shares issued	36	-	-	14	-	-	50	-	50
Premium on shares issued	-	-	-	-	-	-	-	-	-
Issue of subsidiary shares to non-controlling interests	-	-	6,491	-	-	-	6,491	12,702	19,193
Issue of subsidiary shares to Group companies	-	-	(576)	-	-	-	(576)	-	(576)
Balance at 31 March 2017	4,531	128,792	113,460	(33)	45	(202,944)	43,851	12,620	56,471
Total comprehensive income/(expense) for the period									
	-	-	202	-	(56)	(9,186)	(9,040)	(964)	(10,004)
Share based payments	-	-	-	-	-	300	300	-	300
Shares issued	1,045	-	-	18	-	-	1,063	-	1,063
Premium on shares issued	-	13,007	-	-	-	-	13,007	-	13,007
Share issue costs	-	(1,763)	-	-	-	-	(1,763)	-	(1,763)
Issue of subsidiary shares to non-controlling interests	-	-	(4,237)	-	-	-	(4,237)	18,658	14,421
Balance at 31 March 2018	5,576	140,036	109,425	(15)	(11)	(211,830)	43,181	30,314	73,495

Prior year has been restated to reflect the adoption of IFRS 9 (see note 5).

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 various parties into Tricoya Technologies Limited and Tricoya Ventures UK Limited (notes 9 and 25).

Own shares represents a total of 97,720 and 198,154 shares issued to an Employee Benefit Trust ('EBT') at nominal value on 23 June 2017 and 27 September 2017 respectively. These shares shall vest if the employees, remain in employment with the Company to the vesting date, being 1 July 2018 (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 on pages 76 to 110 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 31 March 2018

	2018 €'000	2017 €'000
Loss before taxation before exceptional items and other adjustments	(8,751)	(4,497)
Adjustments for:		
Amortisation of intangible assets	582	556
Depreciation of land, property, plant and equipment	2,496	2,157
Net loss on disposal of property, plant and equipment	-	55
Net finance expense	2,174	302
Equity-settled share based payment expenses	300	884
Currency translation losses/(gains)	268	(129)
Cash flows used in operating activities before changes in working capital and exceptional items	(2,931)	(672)
Exceptional Items in operating activities (see note 5)	(1,617)	(517)
Cash outflows from operating activities before changes in working capital	(4,548)	(1,189)
Decrease/(Increase) in trade and other receivables	215	(2,936)
Increase in inventories	(1,331)	(3,322)
Increase in trade and other payables	3,908	5,737
Net cash used in operating activities before tax	(1,756)	(1,710)
Tax (paid)	(2,013)	(745)
Net cash absorbed by operating activities	(3,769)	(2,455)
Cash flows from investing activities		
Interest received	45	2
Proceeds from disposal of property, plant and equipment	32	4,223
Expenditure on property, plant and equipment	(29,530)	(6,416)
Expenditure on intangible assets	(397)	(415)
Net cash used in investing activities	(29,850)	(2,606)
Cash flows from financing activities		
Proceeds from loans	7,500	20,736
Other financing costs	(325)	(954)
Interest paid	(716)	(250)
Repayment of finance lease	(322)	(173)
Proceeds from issue of share capital	14,079	50
Proceeds from issue of subsidiary shares to non-controlling interests	14,420	19,122
Share issue costs	(1,771)	(805)
Net cash from financing activities	32,865	37,726
Net (decrease)/increase in cash and cash equivalents	(754)	32,665
Effect of exchange rate changes on cash and cash equivalents	(721)	322
Opening cash and cash equivalents	41,173	8,186
Closing cash and cash equivalents	39,698	41,173

The notes on pages 76 to 110 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ending 31 March 2018

1. Accounting Policies

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 eventually, of Tricoya® chips from the new plant in Hull, with the collection of on-going working capital items in line with internally agreed budgets. The Group is also dependent upon certain banking and finance facilities which are in place.

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 has any impact on these financial statements, other than noted below.

The accounting policies and methods of computation are consistent with those applied in the 31 March 2017 annual financial statements, other than during the period IFRS9, Financial Instruments has been adopted together with hedge accounting in respect of the future currency exposures in respect of the Tricoya® plant construction. The previous year's figures have been restated and represented accordingly. An assessment was carried out to identify all areas impacted under the adoption of IFRS 9 and currently there is no other impact for the year ending 31 March 2018.

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.

Further details concerning the Tricoya® Consortium are included in note 9.

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, interest and other finance charges associated with the Group's loan notes and credit facilities, which are expensed over the period that the Group has access to the loans and facilities.

Foreign exchange gains or losses on the loan notes are included within finance expenses.

Interest on the £16.25m unsecured fixed rate loan notes issued to Business Growth Fund ('BGF') and Volantis has been expensed. Interest on the €9.5m term loan drawn down from Rhodia Acetow GmbH, to part-finance capital expenditure at the Arnhem plant, has been capitalised as it is directly attributable to the expansion. In addition interest and other charges on the €17.2m facility with Royal Bank of Scotland Plc, to part-finance capital expenditure at the Hull plant, has been capitalised as it is directly attributable to the plant build.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

1. Accounting Policies continued

Share based payments

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

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.

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, finance expense and the foreign currency translation reserve.

Foreign exchange hedging

The Group has adopted IFRS 9 hedge accounting in respect of the cash flow hedging instruments that it uses to manage the risk of foreign exchange movements impacting on future cash flows and profitability. In adopting IFRS 9 the Group has retrospectively applied the standard to restate prior period comparatives.

The Group has prospectively assessed the effectiveness of its cash flow hedging using the 'hedge ratio' of quantities of cash held in the same currency as future foreign exchange cash flow quantities related to committed investment in plant and equipment. The Group has undertaken a qualitative analysis to confirm that an 'economic relationship' exists between the hedging instrument and the hedged item. It is also satisfied that credit risk will not dominate the value changes that result from that economic relationship.

At the end of each reporting period the Group measures the effectiveness of its cash flow hedging and recognises the effective cash flow hedge results in Other Comprehensive Income and the Hedging Effectiveness Reserve within Equity, together with its ineffective hedge results in Profit and Loss. Amounts are reclassified from the Hedging Effectiveness Reserve to Profit and Loss when the associated hedged transaction affects Profit and Loss. Further details are included in Note 5.

Apart from the above, the Directors do not anticipate that the application of the IFRS 9 hedge accounting requirements have had a material impact on the Group's consolidated financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

1. Accounting Policies continued

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 is 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. The Group has elected to apply the IFRS 9 practical expedient option to measuring the value of its trade receivables at transaction price, as they do not contain a significant financing element. The Group's trade receivables do not have a significant financing element, as the expected term is less than one year. Consequently, the Group applies IFRS 9's 'simplified' approach that requires companies to recognise the lifetime expected losses on its trade receivables when they do not contain a significant financing element.

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.

Loans and other borrowings are initially recognised at the fair value of amounts received net of transaction costs and subsequently measured at amortised cost using the effective interest method. There have been no modifications to the terms of the Group's loan agreements requiring disclosure under IFRS 9.

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, and has been identified as steering the committee that makes strategic decisions.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

2. Accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates

Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 17 for the carrying amount of the property plant and equipment, and note 1 for the useful economic lives for each class of assets.

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.

Accounting judgements

In preparing the Consolidated Financial Statements, management has to make judgements on how to apply the Group's accounting policies and make estimates about the future. The critical judgements that have been made in arriving at the amounts recognised in the Consolidated Financial Statements and the key sources of 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.

Available for sale investments

The Group has an investment in listed 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).

Taxation

The tax charge for the year ended 31 March 2018 has reduced compared to the prior year as a result of a change to the Group's transfer pricing policy to more accurately reflect the business model.

New standards and interpretations in issue at the date of authorisation of these financial statements

New standards, amendments and interpretations

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 April 2017, have had a material impact on the Group or parent company other than IFRS 9 which has been early adopted as set out above.

New standards, amendments and interpretations not yet adopted

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 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 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 above standards are expected to be adopted when they become mandatorily effective. An initial assessment in respect of the possible impact of IFRS 15 has been undertaken and is not expected to have a material impact on the financial statements in future periods. An assessment of IFRS 16 is being undertaken however, and is likely to have a material impact given the Group holds a number of significant lease arrangements.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

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 corporate activities, activities directly attributable to Accoya®, to Tricoya® or research and development activities. This note has been represented to separately reflect exceptional items and other adjustments within each segment for the prior year.

Accoya®

	Year ending 31 March 2018			Year ending 31 March 2017		
	Before exceptional items & other adjustments €'000	Exceptional items & other adjustments €'000	TOTAL €'000	Before exceptional items & other adjustments €'000	Exceptional items & other adjustments €'000	TOTAL €'000
Accoya® wood revenue	56,331	-	56,331	50,655	-	50,655
Licence revenue	-	-	-	1,576	-	1,576
Other revenue	4,380	-	4,380	4,268	-	4,268
Total revenue	60,711	-	60,711	56,499	-	56,499
Cost of sales	(47,270)	-	(47,270)	(42,175)	-	(42,175)
Gross profit	13,441	-	13,441	14,324	-	14,324
Other operating costs	(11,458)	(348)	(11,806)	(10,648)	-	(10,648)
Other Gain	-	-	-	-	635	635
Profit/(Loss) from operations	1,983	(348)	1,635	3,676	635	4,311
Profit/(Loss) from operations	1,983	(348)	1,635	3,676	635	4,311
Depreciation and amortisation	2,661	-	2,661	2,357	-	2,357
EBITDA	4,644	(348)	4,296	6,033	635	6,668

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

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, sales and marketing costs.

See note 5 for explanation of Exceptional Items and other adjustments.

Headcount = 105 (2017: 96)

The below table shows details of reconciling items to show both Accoya® EBITDA and Accoya® manufacturing gross profit, both including and excluding licence and licensing related income, which has been presented given the inclusion of items which can be more variable or one-off.

	2018 €'000	2017 €'000
Accoya® segmental underlying EBITDA	4,644	6,033
Accoya® Licence Income	-	(1,576)
Other income, predominantly for marketing services	(253)	(338)
Accoya® segmental underlying EBITDA (excluding Licence Income)	4,391	4,118
Accoya® segmental gross profit	13,441	14,324
Accoya® Licence Income	-	(1,576)
Other income, predominantly for marketing services	(253)	(338)
Accoya® manufacturing gross profit	13,188	12,410
Gross Accoya® manufacturing margin	22%	23%

Tricoya®

	Year ending 31 March 2018			Year ending 31 March 2017		
	Before exceptional items & other adjustments €'000	Exceptional items & other adjustments €'000	TOTAL €'000	Before exceptional items & other adjustments €'000	Exceptional items & other adjustments €'000	TOTAL €'000
Tricoya® wood revenue	-	-	-	-	-	-
Licence revenue	200	-	200	-	-	-
Other revenue	-	-	-	30	-	30
Total revenue	200	-	200	30	-	30
Cost of sales	-	-	-	-	-	-
Gross profit	200	-	200	30	-	30
Other operating costs	(2,653)	(763)	(3,416)	(1,795)	173	(1,622)
Profit/(Loss) from operations	(2,453)	(763)	(3,216)	(1,765)	173	(1,592)
Profit/(Loss) from operations	(2,453)	(763)	(3,216)	(1,765)	173	(1,592)
Depreciation and amortisation	197	-	197	171	-	171
EBITDA	(2,256)	(763)	(3,019)	(1,594)	173	(1,421)

Revenue and costs are those attributable to the business development of the Tricoya® process and establishment of Tricoya® Hull plant.

See note 5 for explanation of Exceptional Items and other adjustments.

Headcount = 4 (2017: 4), noting a substantial proportion of the costs to date have been incurred via recharges from other parts of the Group or have resulted from contractors.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

3. Segmental reporting continued

Corporate

	Year ending 31 March 2018			Year ending 31 March 2017		
	Before exceptional items & other adjustments €'000	Exceptional items & other adjustments €'000	TOTAL €'000	Before exceptional items & other adjustments €'000	Exceptional items & other adjustments €'000	TOTAL €'000
Accoya® wood revenue	-	-	-	-	-	-
Licence revenue	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenue	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-
Gross result	-	-	-	-	-	-
Other operating costs	(4,703)	(918)	(5,621)	(4,343)	(517)	(4,860)
Other Gain	-	32	32	-	-	-
Loss from operations	(4,703)	(886)	(5,589)	(4,343)	(517)	(4,860)
Loss from operations	(4,703)	(886)	(5,589)	(4,343)	(517)	(4,860)
Depreciation and amortisation	166	-	166	133	-	133
EBITDA	(4,537)	(886)	(5,423)	(4,210)	(517)	(4,727)

Corporate costs are those costs not directly attributable to Accoya®, Tricoya® or Research and Development activities. This includes management and the Group's corporate and general administration costs including the head office in London.

See note 5 for explanation of Exceptional Items and other adjustments.

Headcount = 19 (2017: 15)

Research and Development

	Year ending 31 March 2018			Year ending 31 March 2017		
	Before exceptional items & other adjustments €'000	Exceptional items & other adjustments €'000	TOTAL €'000	Before exceptional items & other adjustments €'000	Exceptional items & other adjustments €'000	TOTAL €'000
Accoya® wood revenue	-	-	-	-	-	-
Licence revenue	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenue	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-
Gross result	-	-	-	-	-	-
Other operating costs	(1,404)	(155)	(1,559)	(1,763)	-	(1,763)
Loss from operations	(1,404)	(155)	(1,559)	(1,763)	-	(1,763)
Loss from operations	(1,404)	(155)	(1,559)	(1,763)	-	(1,763)
Depreciation and amortisation	54	-	54	52	-	52
EBITDA	(1,350)	(155)	(1,505)	(1,711)	-	(1,711)

Research and Development costs are those associated with the Accoya® and Tricoya® processes. Costs exclude those which have been capitalised in accordance with IFRS (see note 16).

Headcount = 10 (2017: 9)

Total

	Year ending 31 March 2018			Year ending 31 March 2017		
	Before exceptional items & other adjustments €'000	Exceptional items & other adjustments €'000	TOTAL €'000	Before exceptional items & other adjustments €'000	Exceptional items & other adjustments €'000	TOTAL €'000
Accoya®/Tricoya® wood revenue	56,331	-	56,331	50,655	-	50,655
Licence revenue	200	-	200	1,576	-	1,576
Other revenue	4,380	-	4,380	4,298	-	4,298
Total revenue	60,911	-	60,911	56,529	-	56,529
Cost of sales	(47,270)	-	(47,270)	(42,175)	-	(42,175)
Gross profit	13,641	-	13,641	14,354	-	14,354
Other operating costs	(20,218)	(2,184)	(22,402)	(18,551)	(343)	(18,894)
Other Gain	-	32	32	-	635	635
Profit/(Loss) from operations	(6,577)	(2,152)	(8,729)	(4,197)	292	(3,905)
Finance income	-	-	-	2	-	2
Finance expense	(2,174)	502	(1,672)	(302)	(258)	(560)
Loss before taxation	(8,751)	(1,650)	(10,401)	(4,497)	34	(4,463)
Profit/(Loss) from operations	(6,577)	(2,152)	(8,729)	(4,197)	292	(3,905)
Depreciation and amortisation	3,078	-	3,078	2,712	-	2,712
EBITDA	(3,499)	(2,152)	(5,651)	(1,485)	292	(1,193)

Other adjustments included within finance expenses related to the revaluation of loan notes with Business Growth Fund ('BGF') and 1798 Volantis Catalyst Fund II ('Volantis'), which are denominated in pounds Sterling.

Analysis of Revenue by geographical area of customers:

	2018 €'000	2017 €'000
UK and Ireland	25,799	25,307
Rest of Europe	15,273	12,984
Americas	8,153	5,810
Benelux	5,998	7,992
Asia-Pacific	5,252	4,009
Rest of World	436	427
	60,911	56,529

Revenue generated from three customers exceeded 10% of Group revenue of 2018. This included 79% of the revenue from the rest of Europe and relates to a mixture of Accoya® and Other Revenue. In addition two other customers represented 37% and 30% respectively, of the revenue from the United Kingdom and Ireland and relates to Accoya® revenue. Revenue generated from three customers exceeded 10% of Group revenue in 2017 (93% of the revenue from the rest of Europe, and 33% and 31% respectively, of the revenue from the United Kingdom and Ireland).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

3. Segmental reporting continued

Assets and liabilities on a segmental basis:

	Accoya® 2018 €'000	Tricoya® 2018 €'000	Corporate 2018 €'000	R&D 2018 €'000	TOTAL 2018 €'000	Accoya® 2017 €'000	Tricoya® 2017 €'000	Corporate 2017 €'000	R&D 2017 €'000	TOTAL 2017 €'000
Non-current assets	46,411	21,521	3,485	71	71,488	24,140	4,685	3,580	115	32,520
Current assets	25,112	36,095	(2,084)	4,382	63,505	21,893	36,998	(2,202)	4,579	61,268
Current liabilities	(14,034)	(8,318)	983	(45)	(21,414)	(7,845)	(3,900)	(2,732)	(122)	(14,599)
Net current assets	11,078	27,777	(1,101)	4,337	42,091	14,048	33,098	(4,934)	4,457	46,669
Non-current liabilities	(21,974)	(334)	(17,776)	-	(40,084)	(4,488)	-	(18,230)	-	(22,718)
Net assets	35,515	48,964	(15,392)	4,408	73,495	33,700	37,783	(19,584)	4,572	56,471

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

	2018 €'000	2017 €'000
UK	26,780	7,775
Other countries	40,475	20,513
Un-allocated - Goodwill	4,231	4,231
	71,488	32,520

The segmental assets in the current year were predominantly held in the UK and mainland Europe (Prior Year Europe). Additions to property, plant, equipment and intangible assets in the current year were predominantly incurred in the UK and mainland Europe (Prior Year 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, the offices in Dallas and London and certain pre-operating costs associated with the plant in Hull:

	2018 €'000	2017 €'000
Sales and marketing	3,967	3,773
Research and development	1,404	1,711
Depreciation and amortisation	3,078	2,713
Other operating costs	4,135	3,243
Administration costs	7,635	6,833
Exceptional Items and other adjustments	2,184	343
	22,402	18,894

Administrative costs include cost associated with Business Development and Legal departments, Intellectual Property as well as Human Resources, IT, Finance, Management and General Office and includes the costs of the Group's head office costs in London and the US Office in Dallas.

The total cost of €22,402,000 in the current period includes €3,416,000 in respect of the Tricoya® segment, compared to €1,622,000 in the previous period.

Group average headcount increased from 124 in the period to 31 March 2017, to 138 in the period to 31 March 2018.

During the period, €397,000 (2017: €525,000) of development costs were capitalised and included in intangible fixed assets, including €337,000 (2017: €462,000) which were capitalised within Tricoya Technologies Limited ('TTL'). In addition €446,000 of internal costs have been capitalised in relation to the expansion of our plant in Arnhem, Netherlands (2017: €637,000) and €109,000 of internal costs have been capitalised in relation to our plant build in Hull, UK (2017: €110,000). Both are included within tangible fixed assets.

5. Exceptional items and other adjustments

	Audited Year ended 31 March 2018 €'000	Audited Year ended 31 March 2017 €'000
Bonuses paid relating to year ending 31 March 2017	(1,386)	-
Restructuring costs	(231)	-
Gain from disposal of assets	32	635
Business Development advisory fees	-	(517)
Total exceptional items	(1,585)	118
Foreign exchange differences arising on Tricoya® cash held - Operating costs	(567)	174
Foreign exchange differences arising on Loan Notes - including in Finance expense	502	(258)
Foreign exchange differences on Tricoya® cash held - Other comprehensive income*	202	104
Total other adjustments	137	20
Tax on exceptional items and other adjustments	-	-
Total exceptional items and other adjustments	(1,448)	138

Prior year has been restated to reflect the adoption of IFRS 9 and to represent exceptional and other adjustments on a consistent basis.

* Note: Items stated above as recorded in Other comprehensive income have been restated such that in the financial statements for the year ended 31 March 2017 the €104,000 of foreign exchange gains had been recorded within Operating costs. The restatement has resulted in a corresponding restatement of the opening balance of Other Reserves as stated in the Statement of Changes in Equity.

Exceptional Items

€1,386,000 relates to the annual bonus paid in the current year which was attributable to the year ended 31 March 2017. Separately the accrual for the current year bonus is included in underlying operating costs. This double charge in the year results from a re-alignment of the timing of recognition of bonuses reflecting the more structured annual bonus scheme now in place compared to previous years. In addition the bonus paid in the current year relating to the year ended 31 March 2017 included one-off targets relating to the formation of the Tricoya® Consortium. The charge is split between all segments, including €293,000 in Accoya®, €124,000 in Tricoya®, €901,000 Corporate and €67,000 in R&D.

Other restructuring costs relate to changes required following the completion of the Tricoya® Consortium in March 2017. This is split between all segments, including €54,000 in Accoya®, €67,000 Tricoya®, €18,000 Corporate and €92,000 R&D.

Agreements were reached in August 2016 for the sale and leaseback for the land in Arnhem resulting in proceeds of €4.2m received in the prior period. A resulting gain of €635,000 was recognised in the previous year as a result of the book value of the land being lower than the sale price. The full amount relates to the Accoya® segment.

Business Development advisory fees were incurred during the prior year as the Group pursued a one-off long-term opportunity. The full amount relates to the corporate segment.

Other Adjustments

Foreign exchange differences in the Tricoya® segment have occurred due to pounds Sterling held within the consortium in preparation for the Hull plant build. The Group has mitigated this currency exchange risk by adopting hedge accounting in respect of the Tricoya® plant construction under IFRS 9, Financial Instruments. The prior year has also been represented and restated to highlight the comparative impact in the prior year. The result of adopting IFRS 9 is that all of the amount included in Other Comprehensive Income relates to such foreign exchange gain or losses in both periods.

Foreign exchange differences also arise on the pounds Sterling denominated loan notes, entered into in the prior year. These exchange rate differences are included as finance expenses. The prior year has also been represented to reflect the comparative impact in the prior year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

6. Employees

	2018 €'000	2017 €'000
Staff costs (including Directors) consist of:		
Wages and salaries	11,293	8,783
Social security costs	1,509	1,186
Other pension costs	739	617
Share based payments	258	908
	13,799	11,494

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

	2018	2017
Sales and marketing, administration, research and engineering	85	78
Operating	53	46
	138	124

7. Directors' remuneration

	2018 €'000	2017 €'000
Directors' remuneration consists of:		
Directors' emoluments	1,291	1,625
Company contributions to money purchase pension schemes	49	51
	1,340	1,676

Compensation of key management personnel included the following amounts:

	Salary, bonus and short term benefits €'000	Pension €'000	Share based payments charge €'000	2018 Total €'000	2017 Total €'000
Paul Clegg	473	29	14	516	726
Hans Pauli	329	12	10	351	425
William Rudge	256	8	8	272	333
	1,058	49	32	1,139	1,484

The Group made contributions to 2 (2017: 2) Directors' personal pension plans, with Paul Clegg receiving cash in lieu of pension from 1 April 2016.

The figures in the above table are impacted by foreign exchange noting that the remuneration for Paul Clegg and William Rudge are denominated in pounds Sterling. Their total remuneration decreased by 38% and 54% respectively, when excluding the impact of foreign exchange.

8. Operating (loss)/gain

	2018 €'000	2017 €'000
This has been arrived at after charging:		
Staff costs	13,799	11,494
Depreciation of property, plant and equipment	2,496	2,157
Amortisation of intangible assets	582	556
Operating lease rentals	1,306	1,351
Foreign exchange losses/(gains)	834	(403)
Research & Development (excluding staff costs)	997	873
Loss on disposal of property, plant and equipment	3	79
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	85	65
Fees payable to the Company's auditors for other services:		
- audit of the Company's subsidiaries pursuant to legislation	147	112
- audit related assurance services	25	22
Total audit and audit related services:	257	199
- tax compliance services	-	87
- all other services*	-	289
Total tax and other services:	-	376

* Note: Other services payable to the Company's auditors excludes €0.3m attributable to the Firm Placing and Open offer which completed in the financial year, and has been deducted from share premium.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

9. Tricoya Technologies Limited

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

On 29 March 2017 the Group announced the entry into and successful completion of its agreements for the financing, construction and operation of the world's first Tricoya® wood elements acetylation plant in Hull with its TTL consortium investors, being BP, MEDITE, BGF and Volantis.

The Hull plant will have an initial production capacity of 30,000 tonnes per annum (sufficient to manufacture 40,000 cubic metres of panels) and scope to expand.

Structurally, Accsys, BP Ventures, MEDITE, BGF and Volantis have invested into TTL in the prior year. TTL has then invested, alongside BP Chemicals and MEDITE, in Tricoya Ventures UK Limited ('TVUK'), a special purpose subsidiary of TTL that will construct, own and operate the Hull plant.

BP have invested €20.3m in the Tricoya® Project, including €13.7m as equity in TVUK by BP Chemicals and €6.6m as equity in TTL by BP Ventures. All funding was received by 31 March 2018, with €11.3m being received in the year ended 31 March 2018.

MEDITE have invested €11m in the Tricoya® Project, including €7m as equity in TTL and €4m as equity in TVUK. All funding was received by 31 March 2018, with €3.1m being received in the year ended 31 March 2018.

The Group is expected to increase its total equity interest in TTL to 75.9% over the next two years as a result of its continued supply of lower priced Accoya® to MEDITE to enable continued market development ahead of the completion of the Hull plant. During the year the Group increased its shareholding from 74.6% to 75.1% from the issue of 780,287 shares related to this market seeding activity.

In the prior year, BGF and Volantis invested an aggregate of £19m as financial investors into both the Group and TTL. BGF and Volantis invested on similar terms but are investing separately, with BGF accounting for 65% of the £19m total.

Also in the prior year, TVUK entered a six-year €17.2m (€15m net) finance facility agreement with The Royal Bank of Scotland Plc in respect of the construction and operation of the Hull plant. As at 31 March 2018 the Group have utilised €334k of the facility in relation to fees incurred.

The Group has consolidated the results of TTL and TVUK as subsidiaries, as it exercises the power to govern the entities in accordance with IFRS 10. The non-controlling interests in both entities have been recognised in these Group financial statements.

The 'TTL Group' income statement and balance sheet, consisting of TTL and its subsidiary TVUK, are set out below:

TTL Group income statement:

	Consolidated 2018 €'000	Consolidated 2017 €'000
Revenue	200	-
Costs:		
Staff costs	(1,898)	(1,145)
Research & development (excluding staff costs)	(223)	(200)
Intellectual Property	(381)	(606)
Sales & marketing	(376)	(12)
Depreciation & Amortisation	(197)	(171)
EBIT	(2,875)	(2,133)
EBIT attributable to Accsys shareholders	(1,911)	(1,920)

TTL Group balance sheet:

	2018 €'000	2017 €'000
Non-current assets		
Intangible assets	3,390	3,246
Property, plant and equipment	18,119	1,440
	21,509	4,686
Current assets		
Receivables due within one year	1,340	612
Cash and cash equivalents	34,754	36,386
	36,094	36,998
Current liabilities		
Trade and other payables	(8,639)	(3,900)
Net current assets	27,455	33,098
Net assets	48,964	37,783
Value attributable to Accsys Technologies	18,649	25,163

10. Finance income

	2018 €'000	2017 €'000
Interest receivable on bank and other deposits	-	2

11. Finance expense

	2018 €'000	2017 €'000
Arnhem land and buildings lease finance charge	575	173
Foreign exchange (gain)/loss on loan notes	(502)	257
Loan note related finance expenses	1,540	13
Other finance expenses	59	117
	1,672	560

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

12. Tax expense

	2018 €'000	2017 €'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	(248)	(274)
	(248)	(274)
Overseas tax at rate of 15%	(9)	12
Overseas tax at rate of 25%	6	928
Deferred Tax		
Utilisation of deferred tax asset	-	-
Total tax charge reported in the statement of comprehensive income	(251)	666
	2018 €'000	2017 €'000
(b) The tax credit for the period is lower than the standard rate of corporation tax in the UK (2018: 19%, 2017: 20%) due to:		
Loss before tax	(10,401)	(4,463)
Expected tax credit at 19% (2017: 20%)	(1,976)	(893)
Expenses not deductible in determining taxable profit	110	176
(Over)/Under provision in respect of prior years	(29)	(114)
Tax losses for which no deferred income tax asset was recognised	1,860	1,593
Effects of overseas taxation	38	40
Other temporary differences	(2)	138
Research and development tax credit in respect of prior years	15	(34)
Research and development tax credit in respect of current year	(263)	(240)
Total tax charge reported in the statement of comprehensive income	(251)	666

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

13. Dividends Paid

	2018 €'000	2017 €'000
Final Dividend €Nil (2017: €Nil) per Ordinary share proposed and paid during year relating to the previous year's results	-	-

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.

Basic and diluted earnings per share	2018 Before exceptional items and other adjustments	2018 Total	2017 Before exceptional items and other adjustments	2017 Total
Weighted average number of Ordinary shares in issue ('000)	111,250	111,250	90,442	90,442
Loss for the year (€'000)	(7,536)	(9,185)	(4,950)	(4,986)
Basic and diluted loss per share	€ (0.07)	€ (0.08)	€ (0.05)	€ (0.06)

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.

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 certain members of staff including the senior management team and the executive Directors. As part of the award of nil cost options under the LTIP in 2013, 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.

Options - total

The following figures take into account options awarded under the LTIP, 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	
	2018	2017	2018
20 November 2007	-	48,444	-
18 June 2008	8,498	8,498	0.3
8 December 2008	25,211	25,211	0.7
27 July 2010	-	164,321	2.3
1 August 2011	115,000	140,000	3.3
19 September 2013 (LTIP)	2,247,850	2,472,550	5.5
24 June 2016 (LTIP)	1,015,030	1,070,255	8.3
20 June 2017 (LTIP)	1,087,842	-	9.3
Total	4,499,431	3,929,279	6.9
			6.9

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

15. Share based payments continued

Movements in the weighted average values are as follows:

	Weighted average exercise price	Number
Outstanding at 31 March 2016	€ 0.51	4,617,415
Granted during the year	€ 0.00	1,070,255
Forfeited during the year	€ 0.04	(1,642,805)
Expired during the year	€ 9.15	(115,586)
Outstanding at 31 March 2017	€ 0.31	3,929,279
Granted during the year	€ 0.00	1,087,842
Forfeited during the year	€ 2.15	(245,044)
Exercised during the year	€ 0.00	(249,700)
Expired during the year	€ 0.00	(22,946)
Outstanding at 31 March 2018	€ 0.15	4,499,431

The exercise price of options outstanding at the end of the year ranged between €nil (for LTIP options) and €12.90 (2017: €nil and €12.90) and their weighted average contractual life was 6.9 years (2017: 6.9 years).

Of the total number of options outstanding at the end of the year, 126,236 (2017: 183,532) had vested and were exercisable at the end of the year. 106,189 options were exercised in the current year (2017: Nil).

Long Term Incentive Plan ('LTIP')

In 2013, the Group established a Long Term Incentive Plan, the participants of which are key members of the Senior Management Team, including Executive Directors. The establishment of the LTIP was approved by the shareholders at the AGM in September 2013.

A prerequisite of participation in the LTIP in 2013 was for the beneficiaries 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.

2013 LTIP Award performance conditions and 2016 outcome

Element A - Vesting was contingent upon continued employment for three years and share price not falling below €0.65 at the end of the performance period, being the three years ending 20 August 2016. 100% of this element vested.

Element B - was measured against two equally weighted performance conditions:

Threshold	Target	Maximum	2016 Outcome
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
Potential Vesting level ¹	25%	60%	100%

Notes:

1. Vesting was on a straight line basis between the respective EBITDA and share price targets
2. Includes €0.3m adjustment made to reflect circumstances not foreseen at time of award grant

Element C - This element was to vest in full if the share price is at or above €1.30 at the end of the performance period. This was not met and nil awards vested.

Of the 4,103,456 nil cost options awarded in 2013 2,472,550 vested in the previous period as a result of meeting the performance conditions set out above, with the remaining 1,630,906 being forfeited. 2,247,850 remain as at 31 March 2018 after allowing for forfeitures and options exercised in the year.

Awards made in June 2016 and LTIP Award performance conditions

Following the vesting of the LTIPs awarded in September 2013, a further award was made to members of the Senior Management Team, including Executive Directors. A total of 1,070,255 nil cost options were awarded.

The LTIP plan rules were amended in November 2015 such that awards made in summer 2016 are subject to a 3 year performance period (i.e. year end March 2019) and a further 2 year holding period. In addition, awards are also subject to malus/claw-back provisions.

Element A (Share price element)

In relation to 50% of award, the performance target will be achieved in relation to:

- 25% for this Element if the share price growth is greater than the median of the comparator Group; and
- 100% for this Element if the share price growth is greater than the upper quartile of the comparator Group with straight-line vesting between these points.

Element B (EBITDA element)

In relation to 50% of award, the performance target will be achieved in relation to:

- 25% for this Element if EBITDA is greater than or equal to €0.06 per Share;
- 50% for this Element if EBITDA is greater than or equal to €0.08 Share; and
- 100% for this Element if EBITDA is greater than or equal to €0.10 Share with straight-line vesting between these points.

The comparator Group for the purposes of Element A is the constituent companies of the FTSE AIM All Share Index (excluding the Resource and Financial Services Sectors) as determined by the Remuneration Committee.

Element	Element A (Share price growth)	Element B (EBITDA per Share)
Grant date	27 Jun 16	27 Jun 16
Share price at grant date (€)	0.81	0.81
Exercise price (€)	0.00	0.00
Expected life (years)	3	3
Contractual life (years)	10	10
Vesting conditions (Details set out above)	Share Price	EBITDA
Risk free rate	-0.64%	-0.64%
Expected volatility	20%	20%
Expected dividend yield	0%	0%
Fair value of option	€ 0.187	€ 0.749

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

15. Share based payments continued

Awards made in June 2017 and LTIP Award performance conditions

During the year, a total of 1,087,842 LTIP awards were made primarily to members of the senior management team including the executive Directors:

The performance targets for 937,014 of these awards are as follows:

Metric	Weighting (% of award)	Threshold	Target	Maximum
Vesting (% of maximum)		25%	50%	100%
EBITDA per share in FY20	50%	€0.04	€0.06	€0.08
Share Price Growth vs Comparator Group	50%	Median	N/A	Upper Quartile

- Vesting is on a straight-line basis between points in the schedule. There is no vesting for performance below Threshold.
- EBITDA based on total Group EBITDA including licensing income. Appropriate adjustments may be made to the EBITDA per share metric ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of award.
- Comparator Group is the constituent companies of the FTSE AIM All Share Index (excluding the Resource and Financial Services Sectors).

Element	Element A (Total shareholder return)	Element B (EBITDA per Share)
Grant date	20 Jun 17	20 Jun 17
Share price at grant date (€)	0.88	0.88
Exercise price (€)	0.00	0.00
Expected life (years)	3	3
Contractual life (years)	10	10
Vesting conditions (Details set out above)	Share Price	EBITDA
Risk free rate	-0.60%	-0.60%
Expected volatility	20%	20%
Expected dividend yield	0%	0%
Fair value of option	€ 0.203	€ 0.814

The remaining 158,828 of the awards made in summer 2017 were specific to individuals dedicated to the Tricoya® Consortium with performance measures linked to progress and development of the Tricoya® plant and its subsequent operation.

The fair value of these options varied between €0.81 and €0.12.

All of the above awards, made in summer 2017 are subject to a three year performance period (i.e. year end March 2020) and a further two year holding period. In addition, awards are also subject to malus/claw-back provisions.

2005 and 2008 Share Option schemes

Awards made in earlier years had no impact on the income statement in the current or prior period and given the smaller number of options remaining, no details have been disclosed.

Employee Benefit Trust - Share bonus award

Following a share issue on 20 June 2017 as part of the annual bonus, in connection with the employee remuneration and incentivisation arrangements for the period from 1 April 2016 to 31 March 2017, 295,873 (2017: 679,435) new Ordinary shares were held by an Employee Benefit Trust, the beneficiaries of which are primarily other senior employees. Such new Ordinary shares vest if the employees remain in employment with the Company at the vesting date, being 1 July 2018 (subject to certain other provisions including regulations, good-leaver, take-over and nomination and remuneration committee discretion provisions). As at 31 March 2018, the Employment Benefit Trust was consolidated by the Company and the 295,873 shares are recorded as Own Shares within equity. During the period, 679,435 Ordinary shares awarded in the prior year vested.

16. Intangible assets

	Internal Development costs €'000	Intellectual property rights €'000	Goodwill €'000	Total €'000
Cost				
At 31 March 2016	5,527	73,292	4,231	83,050
Additions	415	-	-	415
At 31 March 2017	5,942	73,292	4,231	83,465
Additions	396	-	-	396
At 31 March 2018	6,338	73,292	4,231	83,861
Accumulated amortisation				
At 31 March 2016	607	71,463	-	72,070
Amortisation	556	-	-	556
At 31 March 2017	1,163	71,463	-	72,626
Amortisation	307	275	-	582
At 31 March 2018	1,470	71,738	-	73,208
Net book value				
At 31 March 2018	4,868	1,554	4,231	10,653
At 31 March 2017	4,779	1,829	4,231	10,839
At 31 March 2016	4,920	1,829	4,231	10,980

The carrying value of internal development costs, intellectual property rights and goodwill on consolidation are split between two cash generating units, representing the Accoya® and Tricoya® segments. The recoverable amount of internal development costs, intellectual property rights and goodwill relating to each unit 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, including a five year forecast and five years of 2% growth plus assumptions concerning a terminal value and based on a pre-tax discount rate of 12% per annum (2017: 13%). 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® and Tricoya® manufactured is lower than projected sales in future years. Amortisation is included in Other operating costs within the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

17. Property, plant and equipment

	Land and buildings €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
Cost or valuation				
At 31 March 2016	5,251	30,725	1,238	37,214
Additions	-	7,102	133	7,235
Disposals	(3,606)	(71)	-	(3,677)
Foreign currency translation (loss)	-	-	8	8
At 31 March 2017	1,645	37,756	1,379	40,780
Additions	10,433	31,104	116	41,653
Disposals	-	-	-	-
Foreign currency translation (loss)	-	-	(19)	(19)
At 31 March 2018	12,078	68,860	1,476	82,414
Accumulated depreciation				
At 31 March 2016	541	15,568	833	16,942
Charge for the year	117	1,869	171	2,157
Disposals	-	(9)	-	(9)
Foreign currency translation (loss)	-	-	9	9
At 31 March 2017	658	17,428	1,013	19,099
Charge for the year	275	2,024	197	2,496
Disposals	-	3	-	3
Foreign currency translation (loss)	-	-	(19)	(19)
At 31 March 2018	933	19,455	1,191	21,579
Net book value				
At 31 March 2018	11,145	49,405	285	60,835
At 31 March 2017	987	20,328	366	21,681
At 31 March 2016	4,710	15,157	405	20,273

Included within property, plant and equipment are assets with an initial cost of €18,962,000 and a net book value at 31 March 2018 of €15,141,000 which has been accounted for as a finance lease (See note 28). Assets with a net book value of €17.1m are subject to security agreements associated with the Rhodia Acetow loan facility. See note 29. In addition, plant and machinery assets with a net book value of €19,326,000 and €14,768,000 are held as assets under construction and are not depreciated, relating to the Hull Plant and the Arnhem plant expansion respectively.

18. Other financial assets

	2018 €'000	2017 €'000
Available for sale investments	-	-
Accsys Technologies PLC has previously purchased a total of 21,666,734 unlisted ordinary shares in Diamond Wood China. On 23 December 2016, Cleantech Building Materials PLC acquired Diamond Wood China. On 19 April 2017 Cleantech Building Materials acquired the 21,666,734 shares previously owned by the Company and in return the Company has been issued with 520,001 shares in Cleantech Building Materials PLC, a listed company trading on the Nasdaq First North market in Copenhagen and the Wiener Boise of the Vienna Stock Exchange.		
However, the carrying value of the investment is carried at cost less any provision for impairment, rather than at its fair value, as there continues to be no active market for these shares as at 31 March 2018, and there is significant uncertainty over the future of Cleantech Building Materials PLC, and as such a reliable fair value cannot be calculated.		
The historical cost of the listed shares held at 31 March 2018 is €10m (2017: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded as at 31 March 2018.		
During the year Accsys sold 21,479 shares at €1.50 per share resulting in a gain of €32,000 such that a total of 498,522 shares were held at 31 March 2018.		
19. Deferred Taxation		
The Group has a deferred tax asset of €nil (2017: €nil) relating to trading losses brought forward.		
The Group also has an unrecognised deferred tax asset of €26m (2017: €24m) which is largely in respect of trading losses of the UK subsidiaries. The deferred tax asset has not been recognised due to the uncertainty of the timing of future expected profits of the related legal entities 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		
	2018 €'000	2017 €'000
Raw materials and work in progress	10,285	6,447
Finished goods	2,840	5,349
	13,125	11,796

The amount of inventories recognised as an expense during the year was €42,893,599 (2017: €39,030,867). The cost of inventories recognised as an expense includes a net credit of €31,402 (2017: debit of €15,549) in respect of the inventories sold in the period which had previously been written down to net realisable value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

22. Trade and other receivables

	2018 €'000	2017 €'000
Trade receivables	6,659	4,133
Other receivables	136	180
Prepayments	2,519	3,269
Accrued income	21	30
	9,335	7,612

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 €714,000 of the trade and other receivables denominated in US Dollars (2017: €637,000).

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

	2018 €'000	2017 €'000
Up to 30 days overdue	350	251
Over 30 days and up to 60 days overdue	-	-
Over 60 days and up to 90 days overdue	-	-
Over 90 days overdue	3	98
	353	349

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 (2017: €25,001,000) due from Diamond Wood.

Movement in provision for doubtful debts:

	2018 €'000	2017 €'000
Balance at the beginning of the year	25,001	25,002
Net increase/(release) of impairment if not required	1	(1)
Balance at the end of the year	25,002	25,001

Summary of Receivable Impairments:

	2018 €'000	2017 €'000
Trade receivables - Accoya® wood	-	-

23. Trade and other payables

	2018 €'000	2017 €'000
Trade payables	9,458	6,618
Other taxes and social security payable	228	201
Accruals and deferred income	8,326	5,705
	18,012	12,524

24. Share capital

	2018 €'000	2017 €'000
Allotted - Equity share capital		
111,513,145 Ordinary shares of €0.05 each (2017: 90,643,585 Ordinary shares of €0.05 each)	5,576	4,531

In year ended 31 March 2017:

673,355 shares were issued on 4 July 2016 to an Employee Benefit Trust ('EBT') at nominal value.

On 15 August 2016, a total of 63,909 of €0.05 Ordinary shares were issued and released to employees together with 63,909 of €0.05 Ordinary shares issued to an employee trust on 14 August 2015.

On 9 February 2017, a total of 16,302 of €0.05 Ordinary shares were issued and released to employees together with 16,302 of €0.05 Ordinary shares issued to an employee trust on 26 January 2016.

In year ended 31 March 2018:

On 24 April 2017 a total of 20,323,986 of €0.05 Ordinary shares were issued at €0.69 per share, in accordance with the Company's capital raise announced on the 29 March 2017.

97,720 shares were issued on 23 June 2017 to an Employee Benefit Trust ('EBT') at nominal value.

198,154 shares were issued on 27 September 2017 to an Employee Benefit Trust ('EBT') at nominal value.

106,189 shares were issued on 27 September 2017 to an employee following the exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan ('LTIP').

143,511 shares were issued on 26 February 2018 to an ex-employee. 118,511 of these Shares were issued and allotted following the exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan ('LTIP'), with the balance of 25,000 Shares issued as part of the individual's severance terms.

25. Other reserves

	Capital redemption reserve €'000	Merger reserve €'000	Hedging Effectiveness reserve €'000	Other reserve €'000	Total Other reserves €'000
Balance at 31 March 2017	148	106,707	104	6,501	113,460
Total comprehensive income/(expense) for the period	-	-	202	-	202
Issue of subsidiary shares to non-controlling interests	-	-	-	(4,237)	(4,237)
Balance at 31 March 2018	148	106,707	306	2,264	109,425

The closing balance of the capital redemption reserve represents the amounts transferred from share capital on redemption of deferred shares in a previous year.

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

The hedging effectiveness reserve reflects the total accounted for under IFRS 9 in relation to the Tricoya® segment (see note 1).

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

26. Transactions with non-controlling interests

In the year ended 31 March 2017:

On 29 March 2017 and earlier in the same financial year, TTL issued further Series A Preference shares and transferred Ordinary shares to non-controlling interests for consideration of €15.79m, resulting in the following non-controlling shareholdings:

BP Ventures (9%), MEDITE (12.1%), BGF (2.8%), Volantis (1.5%)

On 29 March 2017, Tricoya Ventures UK Limited ('TVUK') issued Ordinary shares to non-controlling interests for consideration of €3.26m, resulting in the following shareholdings:

BP Chemicals (30%), MEDITE (8.2%)

In the year ended 31 March 2018:

On 5 September 2017, TTL issued 284,716 shares to Titan Wood Limited. On 9 February 2018, TTL issued 495,571 shares to Titan Wood Limited. As a result the non-controlling interests shareholdings were amended to:

BP Ventures (8.8%), MEDITE (11.9%), BGF (2.7%), Volantis (1.5%)

On 20 September 2017, TVUK issued Ordinary shares to non-controlling interests for consideration of €11.50m. In addition on the 6 October 2017, TVUK issued Ordinary shares to non-controlling interests for consideration of €2.92m. As a result the non-controlling interests shareholdings remained unchanged at:

BP Chemicals (30%), MEDITE (8.2%)

The total carrying amount of the non-controlling interests in TTL and TVUK at 31 March 2018 was €30.31m (2017: €12.62m).

The Group recognised a decrease in other reserves as summarised below.

Transactions with non-controlling interests

	2018 €'000	2017 €'000
Opening Balance	7,077	885
Carrying amount of non-controlling interests issued	(18,658)	(12,702)
Consideration paid by non-controlling interests	14,420	19,123
Share issue costs relating to non-controlling interests	1	(229)
Excess of consideration paid recognised in Group's equity	2,840	7,077

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:

	2018 €'000	2017 €'000
Operating lease payments due		
Within one year	1,063	1,391
In the second to fifth years inclusive	2,428	3,194
In greater than five years	5,339	7,332
	8,830	11,918

The majority of commitments under operating leases relate to the Group's offices in the UK and USA, together with land in The Netherlands associated with our warehouse and offices and the land in Hull used for the Tricoya® plant.

During the prior period the Group entered agreements which resulted in new lease agreements commencing in the year ended 31 March 2018. This includes a lease relating to the land at the Tricoya® plant Saltend site in Hull and a lease over land in Arnhem, following the sale to Bruil in the period. This lease agreement also includes substantial new warehouse and office facilities which have been constructed by Bruil. The building element has been accounted for as a finance lease – see note 28.

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, during a prior 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.

In addition, in the prior period agreements were entered into for the sale of the remaining plot of land completed in August 2016. Under the agreement with the purchaser, Bruil, they have constructed and then leased to Accsys new warehouse and office facilities. The construction is now complete and therefore an increase in lease commitments has been recognised in the period. This has been accounted for as a finance lease, with the new asset and liability of €10.4m being recognised as at 31 March 2018 (2017: €nil).

A further lease agreement with Bruil was entered into in the period relating directly to infrastructure work associated with the expansion of the chemical plant. This has been accounted for as a finance lease, with a new asset and liability of €1.9m being recognised as at 31 March 2018 (2017: €1.0m).

These transactions have resulted in a finance lease creditor of €14.2m as at 31 March 2018.

	Minimum lease payments	
	2018 €'000	2017 €'000
Amounts payable under finance leases:		
Within one year	1,390	496
In the second to fifth years inclusive	5,317	1,770
After five years	15,702	3,016
Less: future finance charges	(8,237)	(2,206)
Present value of lease obligations	14,172	3,076

29. Commitments under loan agreements

	2018 €'000		2017 €'000	
	Amounts payable under loan agreements:			
Within one year	2,062	-		
In the second to fifth years inclusive	18,097	5,407		
In greater than five years	9,138	14,690		
	29,297	20,097		

The change in total borrowings in the period of €9.2m consisted of an increase of a €7.5m cash-flow arising from the draw-down of the Rhodia Acetow facility, €2.2m of accrued finance charges, offset by €0.5m foreign exchange gain arising on the Loan Notes.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

29. Commitments under loan agreements continued

Loan Notes

On 29 March 2017 the Group issued £16.25m (€18.38m) of unsecured fixed rate loan notes, due 2021. £10.48m of Loan Notes in principal were issued to Business Growth Fund ('BGF'), with £5.77m in principal issued to Volantis. The BGF loan notes are subject to a 7% fixed interest rate for the duration of their term and the Volantis loan notes are subject to a 7% fixed interest rate until 31 December 2018, with the interest rate fixed at 9% thereafter. Interest is rolled up until 31 December 2018 on both loans, with further roll up of interest on the Volantis loan until six-monthly redemption payments of both loans commence on 31 December 2021 and end on 30 June 2023.

BGF is an investment company that provides long-term equity funding to growing UK companies to enable them to execute their strategic plans. Volantis is a global asset management firm specialising in alternative investment strategies and is owned by Lombard Odier.

Rhodia Acetow Facility

On 29 December 2016 the Group drew down €2m of its €9.5m term loan facility with Rhodia Acetow GmbH. The Group has since drawn down €5.5m on 03 November 2017 and €2m on 29 March 2018. The facility is to be used to design, procure and build an extension to the capacity of the Arnhem Plant, with a new reactor for the manufacture of Accoya® at a design capacity of approximately 20,000m³. This facility secured against existing Arnhem chemical plant and associated assets and is subject to interest at 7.5% per annum. At 31 March 2018, the Group had €9.9m (2017: €2.0m) borrowed under this facility. Interest is rolled up until quarterly repayment of the loan commences on 29 December 2018.

Tricoya® facility

On 29 March 2017 the Company's subsidiary (Tricoya Ventures UK Limited) entered into a six-year €17.2m (€15m net) finance facility agreement with the Royal Bank of Scotland Plc in respect of the construction and operation of the Hull Plant. The facility is secured by fixed and floating charges over all assets of Tricoya Ventures UK Limited. At 31 March 2017, the Group had €334,000 (2017: €nil) borrowed under the facility. The majority of the facility will be drawn down as required, once the funds provided by shareholders have been fully utilised. Facility repayments will commence 12 months after practical completion of the Hull Plant. Interest will accrue at Euribor plus a margin, with the margin ranging from 325 to 475 basis points.

Trade receivable and inventory facilities

Working capital facility

In May 2018 the Group amended its working capital facility with ABN Commercial Finance, initially agreed in 2011. The facility is now a €6.0m credit facility secured upon the receivables and inventory of the Accoya® manufacturing business committed for a period of 5 years.

Bank guarantee facility

In August 2016 the Group amended its credit facility agreement with ABN AMRO Bank N.V., which had been initially agreed in 2013. The facility is contingent liability facility enabling the Group to issue bank guarantees in order to support the working capital and other operational commitments of the Group with a limit of €1.5m.

Both facilities are subject to interest at 2% above the ABN AMRO base rate of 3.4% as at 31 March 2018 (2017: 3.5%). At 31 March 2018, the Group had €nil (2017: €nil) borrowed under both of the facilities.

Reconciliation to net debt/(cash)

	2018 €'000	2017 €'000
Cash and cash equivalents	39,698	41,173
Less:		
Amounts payable under loan agreements	(29,297)	(20,097)
Amounts payable under finance leases (note 28)	(14,172)	(3,076)
Net debt/(cash)	(3,771)	18,000

30. Equity options

On 2 February 2016 the Company's subsidiary, Tricoya Technologies Limited, issued Warrants to subscribe for up to 175,000 of its Series A Preference Shares in favour of BP Ventures Limited (100,000) and Titan Wood Limited (75,000) at a price of €2.00 per Warrant Share during the "Exercise Period", which started on 2 February 2016 and runs to the earlier of either (i) 2 February 2021; (ii) the date of an Exit; and (iii) exercise of the Option.

On the 29 March 2017, the Company announced the formation of the Tricoya® Consortium and as part of this, funding was agreed with BGF and Volantis (see note 29). In addition to the issue of the Loan Notes the Company granted options over Ordinary Shares of the Company to BGF and Volantis exercisable at a price of £0.62 per Ordinary Share at any time until 31 December 2026 (the 'Options').

5,838,954 Options were issued to BGF and 3,217,383 Options were issued to Volantis. In addition, the Company agreed to use its reasonable endeavours to obtain shareholder authority at the subsequent General Meeting to grant to BGF a further option in respect of 2,610,218 Ordinary Shares and to grant to Volantis a further option in respect of 1,438,284 Ordinary Shares (the "Additional Options").

The necessary resolutions were passed at the General Meeting held on 21 April 2017 and accordingly the Additional Options have been converted to Options, such that at 31 March 2018 a total 13,104,839 Options exist (with 8,449,172 attributable to BGF and 4,655,667 attributable to Volantis). This represents 11.8% of the enlarged issued share capital of the Company as at 31 March 2018.

31. Financial instruments

Finance lease

Agreements were reached in August 2016 for the sale and leaseback for the land in Arnhem resulting in proceeds of €4.2m received in the year. A resulting gain of €635,000 was recognised as a result of the book value of the land being lower than the sale price. Under the arrangements, the landlord has constructed a new warehouse and office building which is connected to Accsys' existing manufacturing site. This building was built by the landlord and leased to Accsys over a 20 year period with further option to renew. The landlord is the same landlord that Accsys sold land and buildings to in 2011 and 2012 associated with the existing manufacturing plant.

Finance lease creditors of: €1,725,000 as at 31 March 2018 (2017: €1,869,000) relates to the sale and leaseback of land and buildings in Arnhem in 2011 and 2012, €10,315,000 as at 31 March 2018 (2017: €nil) relates to the new warehouse and office building in Arnhem completed in the year ended 31 March 2018; and €1,947,000 as at 31 March 2018 (2017: €948,000) relates to the infrastructure work for the chemical plant in Arnhem. All of the above have a 20 year lease period with the ability to extend further. A further €185,000 (2017: €255,000) relates to the fit-out of the London head office.

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 to 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 2018 (2017: €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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

31. Financial instruments continued

Categories of financial instruments

	2018 €'000	2017 €'000
Available for Sale investments	-	-
Loans and receivables		
Trade receivables	6,659	4,133
Other receivables	136	180
Money market deposits in Euro	1,325	1,326
Money market deposits in Sterling	17,067	-
Money at call in Euro	7,506	18,134
Money at call in US Dollars	165	77
Money at call in Sterling	13,635	21,635
Money at call in New Zealand Dollars	-	1
Financial liabilities at amortised cost		
Trade payables	(9,458)	(6,618)
Finance lease payable	(14,172)	(3,076)
Other Payables	-	-
Loan notes and other long-term borrowings	(29,297)	(20,097)
	(6,434)	15,695

Money market deposits have interest rates fixed for less than three months at a weighted average rate of 0.36% (2017: 0.14%). 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 and loans, for which details are given in note 29.

Trade payables are payable on various terms, typically not longer than 30 days with the exception of some major capex items.

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

The Group's functional currency is the Euro with the majority of operating costs and balances denominated in Euros. An increasing proportion of costs will be incurred in pounds Sterling as the Group's activities associated with the Tricoya® plant in Hull increase, although future revenues will be in Euros or other currencies. The Group's Loan Notes, which were issued to fund these UK based operations, are denominated in pounds Sterling. 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. The Group holds a proportion of the cash associated with the Tricoya® Consortium in pounds Sterling to reflect the expected costs associated with the construction of the plant in Hull and accordingly is accounted for as a cash-flow hedge (see note 5).

Interest rate risk management

The Group's borrowings are limited to fixed rate loans with BGF, Volantis and Rhodia Acetow, together with the sale and leaseback of the Arnhem land and buildings and the lease of the office fit out and furniture in London. The interest rate in respect of the unused loan facility agreed with RBS Bank is variable, based on Euribor plus a variable margin. Therefore the Group is not significantly 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 currently enter into any hedging arrangements, although will review the need to do so in respect of the variable interest rate loan facility with RBS Bank.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

32. Capital Commitments

	2018 €'000	2017 €'000
Contracted but not provided for in respect of property, plant and equipment	34,461	38,424

Included in the above, are amounts relating to the Engineering, Procurement and Construction contracts relating to both the Tricoya® plant and the Arnhem expansion project.

33. Post Balance Sheet Events

On 1 May 2018 Accsys announced that it had agreed to purchase the land and buildings associated with its Accoya® plant and logistics centre in Arnhem from its current landlord, Bruil, having retained a first right to buy back the property from Bruil in the event that a third party offered to purchase it, which has now occurred. The transaction remains conditional upon Accsys finalising finance terms to fund the purchase price of €23m (plus VAT).

Accsys is currently in discussions in this respect with a third party bank and will provide a further update in due course. Whilst the property has been transferred to Accsys, should satisfactory financing terms not be agreed, the transaction will be unwound, the property transferred back to Bruil and the previous lease arrangements will re-commence, all without liability to Accsys.

The acquisition reflects Accsys' ambition to improve overall financing arrangements. The financing terms, if agreed, are expected to result in a comparable financial commitment to the lease, although the asset and corresponding liability will increase given part of the existing lease arrangement was recognised as an operating lease.

The arrangement is expected to result in a lower overall income statement charge over the next 20 years, reflecting the ownership of the freehold. Ownership of the land is also expected to provide greater flexibility in respect of the use of the land as well as any potential value appreciation.

Separately, in May 2018 the Group amended its working capital facility with ABN Commercial Finance, initially agreed in 2011. The facility is now a €6.0m credit facility secured upon the receivables and inventory of the Accoya® manufacturing business committed for a period of 5 years.

COMPANY INDEPENDENT AUDITORS' REPORT

to the members of Accsys Technologies PLC

REPORT ON THE AUDIT OF THE COMPANY FINANCIAL STATEMENTS

Opinion

In our opinion, Accsys Technologies PLC's Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2018;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Company balance sheet as at 31 March 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the company.

We have provided no non-audit services to the Group and its subsidiaries in the period from 1 April 2017 to 31 March 2018.

Our audit approach

Overview

- 
- Overall materiality: €434,000 (2017: €540,000). For holding companies such as the plc we often use a benchmark based on the asset base, however, as we constrained by the Group materiality and allocation to our components an amount of €434,000 was judged to be appropriate.
 - We have performed a full scope audit of the financial statements of the parent company.
 - Recoverability of investments in Group subsidiaries.
 - Going concern.

COMPANY INDEPENDENT AUDITORS' REPORT CONTINUED

to the members of Accsys Technologies PLC

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests included, but were not limited to, review of correspondence with the regulators, enquiries of management including internal legal counsel and testing of particular classes of transactions. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

As in all our audits we also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Recoverability of investments in Group subsidiaries	
The parent company held assets in subsidiaries of €176.6m (2017: €165.0m) at 31 March 2018 comprising €14.8m (2017: €14.5m) of investment in subsidiaries and €161.8m (2017: €150.5m) of amounts owed from Group undertakings.	<p>Our audit included a number of specific procedures including those set out below:</p> <ul style="list-style-type: none"> Understanding and auditing management's impairment calculations (value-in-use) for the overall asset of €176.6m. This included: <ul style="list-style-type: none"> Verifying that the basis for the value-in-use calculations was a board approved budget for FY19; Recalculating the carrying value of the investment assets by agreeing balances back to the financial records; Debating and challenging management's key assumptions used in the model for future years (Revenue growth, EBITDA margin, WACC). We also obtained supporting documentation for key assumptions such as recalculating WACC rates, validating future revenue expectations given knowledge of the capacity of the plant in future years, consideration and challenge of margins based on previous performance. Obtained and analysed other data points such as Broker valuations; Performed a sensitivity analysis on the key assumptions in the impairment model and debated and challenged management on the likelihood of those sensitivities; Review of compliance with the disclosure requirements of FRS101 given the outcome reached; and Reported our approach and findings to the Audit Committee in our written report. <p>Based on our procedures we consider management's key assumptions to be within a reasonable range. We note however that minor changes in assumptions could lead to an impairment and consequently management have disclosed those key assumptions and sensitivities in note 16.</p>

Key audit matter	How our audit addressed the key audit matter
Going concern	
As the Group continues to develop and expand there are a number of factors that potentially impact on its ability to function as a Going Concern. These include:	<p>Our audit work has included a number of procedures including:</p> <ul style="list-style-type: none"> Obtaining and auditing management's own Going Concern assessment. This included: <ul style="list-style-type: none"> Recalculated the arithmetic accuracy of management's model; Ensuring that the model covered an appropriate period and included correct cash balances in the opening position and subsequent movements; challenged the key assumptions included in the model, namely (i) the trading position agreed to the board approved forecast, (ii) challenged management on the extent and timing of future expenditure of capital amounts including the appropriateness of contingencies held given the current state of progress of projects, (iii) considered mitigants available to management should they be required and their amount and timing; and Obtaining and reading the details of the new facility with ABN Amro secured after 31 March 2018 and ensuring that this was appropriately reflected in the model. Ensured that the disclosure in the Annual Report is consistent with our work and understanding; Debated the position with management and reviewed board minutes to ensure that the position in the model could be corroborated to other supporting information from management; and Reported our approach and findings to the Audit Committee in our written report. <p>Based on the procedures performed we did not identify any matters that would indicate a material risk of Going Concern not being appropriate.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	€434,000 (2017: €540,000).
How we determined it	Allocation of Group materiality.
Rationale for benchmark applied	Accsys Technology PLC (the Company) is not a revenue generating entity within the Group, it is ultimate parent holding company. We have considered the materiality level typically used for such companies (e.g. 2% of total assets) and the amount which would be allocated for Group purposes as a reporting component of the Accsys Technologies PLC Group. We have used the lower of these measures.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €30,000 (2017: €25,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

COMPANY INDEPENDENT AUDITORS' REPORT CONTINUED

to the members of Accsys Technologies PLC

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 and ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the Directors on 1 April 2011 to audit the financial statements for the year ended 31 March 2011 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 March 2011 to 31 March 2018.

OTHER MATTER

We have reported separately on the Group financial statements of Accsys Technologies PLC for the year ended 31 March 2018.

Darryl Phillips (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

18 June 2018

CONDENSED COMPANY BALANCE SHEET

for the year ended 31 March 2018

Registered Company 05534340

	Note	2018 €'000	2017 €'000
Fixed assets			
Investments in subsidiaries	4	14,842	14,542
Property, plant and equipment	6	114	156
Other investments	5	-	-
		14,956	14,698
Current assets			
Debtors	7	161,870	151,890
Cash at bank and in hand		1,373	1,338
		163,243	153,228
Creditors: amounts falling due within one year	8	(13,578)	(13,469)
Net current assets		149,665	139,759
Creditors: amounts falling due after more than one year	9/10	(17,720)	(18,153)
Total assets less current liabilities		146,901	136,304
Capital and reserves			
Called up Share capital	11	5,576	4,531
Share premium account	12	140,036	128,792
Reserve for own shares	12	(15)	(33)
Capital redemption reserve	12	148	148
Profit and loss account	12	1,156	2,866
Total shareholders' funds	13	146,901	136,304

The financial statements were approved by the Board and authorised for issue on 18 June 2018 and signed on its behalf by

Paul Clegg
Director

William Rudge
Director

The notes on pages 117 to 124 form an integral part of the parent Company financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ending 31 March 2018

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The separate financial statements of Accsys Technologies PLC ('the Company') have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) for the year ended 31 March 2018. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 of the Group financial statements.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The Company has taken advantage of the exemption in FRS 101, and has not disclosed information required by the standard as the consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7 'Financial instruments: disclosures'.
- The Company has taken advantage of the exemption available under FRS 101 and not disclosed related party transactions with wholly owned subsidiary undertakings.
- The Company has taken advantage of the exemption available under FRS 101 and the requirements of IAS 7 to not disclose a Statement of Cash Flows.

As permitted under section 408 of the Act the Company has elected not to present its own profit and loss account for the year. The loss for the financial year was €2,008,000 (2017: loss of €1,268,000). The results of the parent Company are disclosed in the reserves reconciliation in note 12.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months. For this reason, they continue to adopt the going concern basis in the financial statements.

Investments

Except where a reliable fair value cannot be obtained, listed shares held by the Company are stated at historical cost less any provision for impairment. 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 the profit or loss. Where 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.

Share based payments

When the parent entity grants options over equity instruments directly to the employees of a subsidiary undertaking, then in the parent company financial statements the effect of the share based payment is capitalised as part of the investment in the subsidiary as a capital contribution, with a corresponding increase in equity.

The fair value of the 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

1. Accounting policies continued

Deferred taxation

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

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.

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:

Office equipment: Between 20% and 50%

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.

Accounting 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 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:

Available for sale investments

The Group has an investment in listed 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.

Carrying value of intercompany receivables and investments in subsidiaries

The recoverable amounts of these balances have been determined based on value in use calculations. These calculations require the use of judgements in relation to discount rates and future forecasts. The recoverability of these balances is dependent upon the level of future licence fees and manufacturing revenues relating to Group companies. 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.

2. Profit and loss account

A loss of €2,008,000 (2017: loss of €1,268,000) is dealt with in the Company financial statements of Accsys Technologies PLC. The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company. Fees payable to the Company's auditors for the audit of the Company's annual financial statements was €85,000 (2017: €65,000). Fees payable to the Company's auditors for the audit of the Company's subsidiaries was €150,000 (2017: €112,000) and fees payable for other services were €nil (2017: €110,000).

The information disclosed in the Group's consolidated financial statements under IFRS2 'Share based payment' is within note 15, providing further information regarding the Company's equity settled share based payment arrangements.

3. Employees

The Company had no employees other than Executive Directors (2018: 3 and 2017: 3) during the current or prior year. Non-executive Directors received emoluments in respect of their services to the Company of €233,000 (2017: €242,000). Details have been included in the Remuneration Report. The Company did not operate any pension schemes during the current or preceding year.

4. Investments

	€'000
Cost	
At 31 March 2016	18,338
Share based payments	884
At 31 March 2017	19,222
Share based payments	300
At 31 March 2018	19,522
Impairment	
At 1 April 2016 and 1 April 2017 and 31 March 2018	4,680
Net book value	
At 31 March 2018	14,842
At 31 March 2017	14,542
At 31 March 2016	13,658

The Directors believe that the carrying value of the investments are supported by the underlying net assets and future profitability.

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

Subsidiary undertakings	Class	2018 % shares and voting rights held	2017 % shares and voting rights held
Titan Wood Technology BV (Netherlands)	Ordinary	100	100
Titan Wood BV (Netherlands)	Ordinary	100	100
Titan Wood Limited (UK)	Ordinary	100	100
Titan Wood Inc (USA)	Ordinary	100	100
Tricoya Technologies Limited (UK) ¹	Ordinary	75	75
Tricoya Ventures UK Limited (UK) ¹	Ordinary	46	46

The shares in Titan Wood BV and Titan Wood Inc. are held indirectly by the Company.

¹ Shareholdings issued to Non-controlling interests (See note 9 & 26 of Group financial statements)

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

4. Investments continued

The principal activities of these companies were as follows:

Titan Wood Technology B.V.*	The provision of technical and engineering services to licensees, and the technical development of acetylation opportunities.
Titan Wood B.V.*	The manufacture and sale of Accoya®, acetylated wood.
Titan Wood Limited **	Establishing global market penetration of Accoya® and Tricoya® as the premium wood and wood elements brands respectively for external applications requiring durability, stability and reliability through the licensing of the Group's proprietary process for wood acetylation.
Titan Wood Inc. ***	Provision of Sales, Marketing and Technical services.
Tricoya Technologies Limited **	Engaged in the commercialisation of technology for the production of Tricoya® Wood Elements around the world.
Tricoya Ventures UK Limited **	The construction and expected future operation of manufacturing plant for Tricoya® wood chips as the premium wood elements brand for external applications requiring durability, stability and reliability.

Registered office of subsidiaries:

* P.O. Box 2147, 6802 CC, Arnhem, The Netherlands

** Brettenham House, 19 Lancaster Place, London, WC2E 7EN, United Kingdom

*** 5000 Quorum Drive, Suite 620, Dallas, Texas 75254, U.S.A

5. Other investments

	2018 €'000	2017 €'000
Unlisted securities available for resale	-	-

Accsys Technologies PLC has previously purchased a total of 21,666,734 unlisted ordinary shares in Diamond Wood China. On 23 December 2016, Cleantech Building Materials PLC acquired Diamond Wood China. On 19 April 2017 Cleantech Building Materials acquired the 21,666,734 shares previously owned by the Company and in return the Company has been issued with 520,001 shares in Cleantech Building Materials PLC, a listed company trading on the Nasdaq First North market in Copenhagen, Wiener Boise of the Vienna Stock Exchange.

However, the carrying value of the investment is carried at cost less any provision for impairment, rather than at its fair value, as there continues to be no active market for these shares as at 31 March 2018, and there is significant uncertainty over the future of Cleantech Building Materials PLC, and as such a reliable fair value cannot be calculated.

The historical cost of the listed shares held at 31 March 2018 is €10m (2017: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded as at 31 March 2018.

During the year Accsys Technologies PLC sold 21,479 shares at €1.50 per share resulting in a gain of €32,000 such that a total of 498,522 shares were held at 31 March 2018.

6. Property, plant and equipment

	Office equipment €'000	Total €'000
Cost or valuation		
At 31 March 2016	208	208
Additions	-	-
At 31 March 2017	208	208
Additions	-	-
At 31 March 2018	208	208
Accumulated depreciation		
At 31 March 2016	11	11
Charge for the year	41	41
At 31 March 2017	52	52
Charge for the year	42	42
At 31 March 2018	94	94
Net book value		
At 31 March 2018	114	114
At 31 March 2017	156	156
At 31 March 2016	197	197

Included within property, plant and equipment are assets which have been accounted for as a finance lease (see note 9).

7. Debtors

	2018 €'000	2017 €'000
Amounts owed by Group undertakings	161,775	150,480
Prepayments and accrued income	95	1,410
	161,870	151,890

The balance of amounts owed by Group undertakings increased in the year largely as a result of the proceeds of the Firm Placing and Open Offer proceeds being invested by way of intercompany loans to the Company's subsidiaries.

The amounts owed by Group undertakings currently have no repayment plans in place, however the intention is for the Group's subsidiaries to repay this balance in the future. The loan will only be recalled when the subsidiaries have surplus cash and the Group requires cash for other purposes. The Company does not expect any such events to occur in the foreseeable future. The Directors have considered the recoverability of the balances, taking into account the net assets as well as the long-term expected performance of the subsidiaries and do not consider that any impairment is currently required. The recoverable amount 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, including a five year forecast and five years of 2% growth plus assumptions concerning a terminal value and based on a pre-tax discount rate of 12% per annum (2017: 13%). The key assumption used in the value in use calculations is the level of future licence fees and manufacturing revenues prudently estimated by management over the budget period. These have been based on past experience and expected future revenues but limited to existing assets and those under construction.

The Directors have considered whether a reasonably possible change in assumptions may result in an impairment. An impairment would arise if either the discount rate increased by 1% or the revenue growth rate decreased by 1%. Accordingly a degree of risk remains over the carrying value given the relative uncertainty of the future results.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

8. Creditors: amounts falling due within one year

	2018 €'000	2017 €'000
Trade creditors	154	338
Amounts owed to Group undertakings	11,719	11,694
Obligation under finance lease	31	56
Other Long Term Borrowing	1,446	-
Accruals and deferred income	228	1,382
	13,578	13,469

The amounts owed to Group undertakings are payable upon demand and are unsecured.

9. Commitments under finance lease

Agreements were entered into in the previous period for the lease of office furniture and fit-out for the London head office for a total of €244,000. The transaction resulted in a finance lease creditor of €102,000 as at 31 March 2018 (2017: €150,000).

	Minimum lease payments	
	2018 €'000	2017 €'000
Amounts payable under finance leases:		
Within one year	54	68
In the second to fifth years inclusive	54	97
After five years	-	-
Less: future finance charges	(6)	(15)
Present value of lease obligations	102	150

10. Commitments under loan agreements

	2018 €'000	2017 €'000
Amounts payable under loan agreements:		
Within one year	1,446	-
In the second to fifth years inclusive	12,829	4,515
After five years	4,820	13,544
Present value of loan agreements	19,095	18,059

The balance relates to Loan Notes issued to BGF and Volantis. Further details can be found in note 29 of the Group financial statements.

11. Called up Share capital

	2018 €'000	2017 €'000
Allotted - Equity share capital		
111,513,145 Ordinary shares of €0.05 each (2017: 90,643,585 Ordinary shares of €0.05 each)	5,576	4,531
	5,576	4,531

In year ended 31 March 2017:

Own shares represents 679,435 €0.05 Ordinary shares issued to an Employee Benefit Trust ('EBT') at nominal value. This includes 673,355 shares issued on 27 June 2016. 891,044 €0.05 Ordinary shares had been issued to the EBT at nominal value on 6 July 2015, and 16,123 shares issued on 10 December 2015 of which 938,449 Ordinary shares vested on 1 July 2016. On 15 August 2016, a total of 63,909 of €0.05 Ordinary shares were issued and released to employees together with the 63,909 of €0.05 Ordinary shares issued to trust on 13 August 2015. On 9 February 2017, a total of 16,302 €0.05 Ordinary shares were issued and released to employees together with the 16,302 of €0.05 Ordinary shares issued to trust on 22 January 2016.

In year ended 31 March 2018:

Own shares represents 295,873 Ordinary shares issued to an Employee Benefit Trust ('EBT') at nominal value. This includes 97,720 shares issued on 23 June 2017 to an Employee Benefit Trust ('EBT') at nominal value and 198,154 shares issued on 27 September 2017 to an Employee Benefit Trust ('EBT') at nominal value.

On 24 April 2017 a total of 20,323,986 of €0.05 Ordinary shares were issued at €0.69 per share, in accordance with the Company's capital raise announced on the 29 March 2017.

679,435 €0.05 Ordinary shares had been issued to the EBT at nominal value on 27 June 2016 of which 679,435 Ordinary shares vested on 1 July 2017. 106,189 shares were issued on 27 September 2017 have been issued and allotted to an employee following the exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan ('LTIP'). 143,511 shares were issued on 26 February 2018 to an ex-employee. 118,511 of these Shares have been issued and allotted following the exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan ('LTIP'), with the balance of 25,000 Shares issued as part of the individual's severance terms.

12. Reserves

The profit and loss account includes €8,010,000 of non-distributable reserves arising from the liquidation of Accsys Chemicals Limited in the year ended 31 March 2007. The profit and loss account also includes €8,350,000 of non-distributable reserves relating to share based payments.

	Called up Share capital €'000	Share premium account €'000	Capital redemption Reserve €'000	Own Shares €'000	Profit and loss account €'000	Total Shareholders Funds €'000
Balance at 1 April 2017	4,531	128,792	148	(33)	2,866	136,304
Loss for the financial year	-	-	-	-	(2,010)	(2,010)
Share based payments	-	-	-	-	300	300
Shares issued	1,045	-	-	18	-	1,063
Premium on shares issued	-	13,007	-	-	-	13,007
Share issue costs	-	(1,763)	-	-	-	(1,763)
Balance at 31 March 2018	5,576	140,036	148	(15)	1,156	146,901

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2018

13. Reconciliation of movements in shareholders' funds

	2018 €'000	2017 €'000
Loss for the financial year	(2,010)	(1,268)
Share based payments charged to subsidiaries	300	884
Proceeds from issue of shares	14,070	50
Share issue costs	(1,763)	-
Net increase in shareholders' funds	10,597	(334)
Opening shareholders' funds	136,304	136,638
Closing shareholders' funds	146,901	136,304

14. Dividends paid

	2018 €'000	2017 €'000
Final Dividend €nil (2017: €Nil) per Ordinary Share proposed and paid during year relating to the previous year's results	-	-

15. Deferred taxation

The Company has an unrecognised deferred tax asset of €1.7m (2017: €1.2m) which is largely in respect of trading losses. The deferred tax asset has not been recognised due to the uncertainty of the timing of future expected profits of the fellow subsidiary (in which the Company is in the same tax Group) attributable to licensing activities.

SHAREHOLDER INFORMATION

Accsys Technologies PLC is a public limited company incorporated in the United Kingdom

Directors	Sean Christie	Non-Executive Director
	Paul Clegg	Chief Executive Officer
	Sue Farr	Non-Executive Director
	Nick Meyer	Non-Executive Director
	Hans Pauli	Executive Director, Corporate Development
	William Rudge	Finance Director
	Trudy Schoolenberg	Non-Executive Director
	Patrick Shanley	Non-Executive Chairman
Company Secretary	Angus Dodwell	
Company Number	5534340	
Registered Office	Brettenham House 19 Lancaster Place London, WC2E 7EN	
Bankers	Barclays Bank 50 Pall Mall London, SW1A 1QJ	
	Rabobank Croeselaan 18 Utrecht 3521 CB The Netherlands	
	ABN AMRO Bank Velperweg 37 6824 BM Arnhem The Netherlands	
Registrars	SLC Registrars 42-50 Hersham Road Walton-on-Thames Surrey, KT12 1RZ	
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London, WC2N 6RH	
Lawyers	Slaughter & May One Bunhill Row London, EC1Y 8YY	
Broker and Nomad	Numis Securities Ltd The London Stock Exchange Building 10 Paternoster Square London, EC4M 7LT	
Investor Relations	MHP Communications 6 Agar Street London, WC2N 4HN	

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