

Accsys Technologies PLC
Annual Report & Financial Statements 2014

Shaping a
sustainable
future



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 class leading, environmentally sustainable, construction materials.

The primary focus is on the production, sale and licensing of Accoya® solid wood and the licensing of Tricoya® wood elements technology. Manufactured through the Company's proprietary acetylation wood modification process, these solid and wood element products exhibit superior dimensional stability, durability and other important benefits compared with alternative natural, treated and modified woods as well as more resource intensive man-made materials.

Strategic Report

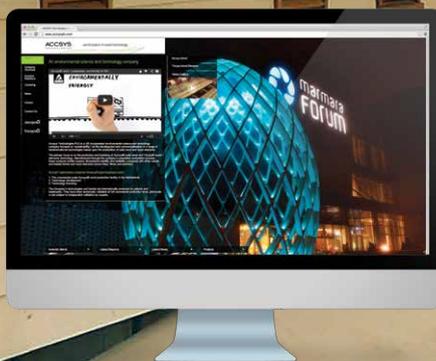
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To find out more about our business go to:
www.accsysplc.com

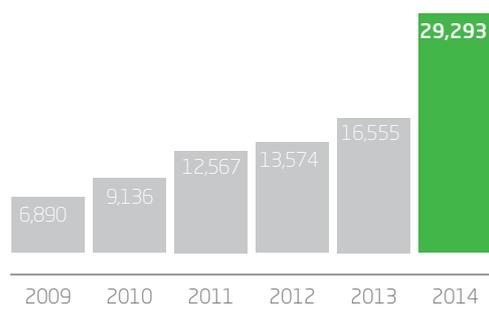
Cover image: Accoya® Structural Beams - Dublin City University - Distributor Abbey Woods
Inside cover: Accoya® Cladding - Belgium Beach house - Distributor Van Steenberghe

Highlights 2014

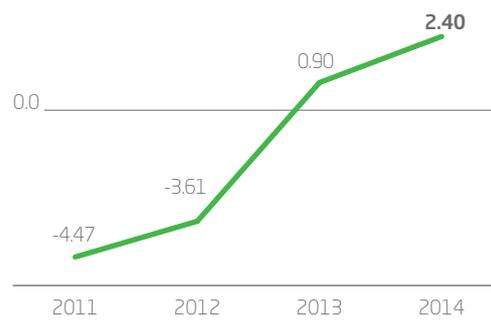
- > Very strong revenue growth of 78%, with increases recorded across all geographic territories;
- > Gross profit more than doubled, with Group gross operating margin improved to 23% (2013: 18%), driven by higher sales volumes, price increases and improved operating efficiency;
- > Increased awareness and market acceptance for Accoya® through further enhancement of global distribution network; 19 new Accoya® distribution and agency agreements signed in the period, bringing the total to 61 (2013: 42); extensive coverage now in place across Europe, the Americas and Asia-Pacific;
- > Arnhem manufacturing facility reported inaugural annual profit, delivering EBITDA of €2.4 million (2013: loss of €0.9 million); gross manufacturing margin improved to 20% (2013: 15%);
- > Significant licensing progress achieved:
 - Accoya® licence agreement with Solvay became fully effective in December 2013; Solvay's decision concerning the investment in its plant and its location is expected in next few months; Accsys and Solvay are also currently in discussions examining the scope of a possible cooperation agreement between the parties;
 - TTL, Accsys' 50:50 joint venture with INEOS, entered licence agreement with Medite in July 2013; formal Medite Board approval expected later this financial year;
 - Post period end, in July 2014, licence option agreement, covering the majority of Latin America, between TTL and Masisa was extended and Masisa Tricoya® Super MDF launched;
- > Diamond Wood licence agreement was terminated in August 2013 following robust legal advice; the subsequent arbitration process is currently in progress and details are subject to confidentiality; an update will be made once the matter is concluded; and
- > Balance sheet strength maintained with cash balance of €15.2 million at 31 March 2014 (30 September 2013: €16.9 million).

FINANCIAL OVERVIEW

Accoya® wood sales revenue
€000's



Arnhem Accoya manufacturing EBITDA
€m



Year ended	31 March 2014 €000's	31 March 2013 €000's	31 March 2012 €000's	31 March 2011 €000's	31 March 2010 €000's	31 March 2009 €000's
Revenue from Accoya® wood sales	29,293	16,555	13,574	12,567	9,136	6,890
Total Revenue from all sources	33,512	18,822	15,002	13,700	16,723	31,191
Release of impairment/ (impairment) of licensee balances	-	-	(2,281)	394	(35,458)	-
(Loss)/Profit after tax	(8,889)	(11,023)	(14,376)	(14,404)	(52,139)	5,429
Cash and cash equivalents at year end	15,185	20,467	24,574	27,576	18,258	17,503

Accsys at a Glance

The Group aims to deliver significant financial and environmental benefits through;

- >> Reductions in unit production costs;
- >> Lower capital costs enabling commercial production at scales not hitherto possible, with additional capacity expected to be generated from our plant in the Netherlands and the licensing of our technologies to other companies;
- >> Improvements in environmental outcomes (lower waste output, reduced energy consumption and faster cycle times);
- >> The ability to produce innovative, high-performance products.

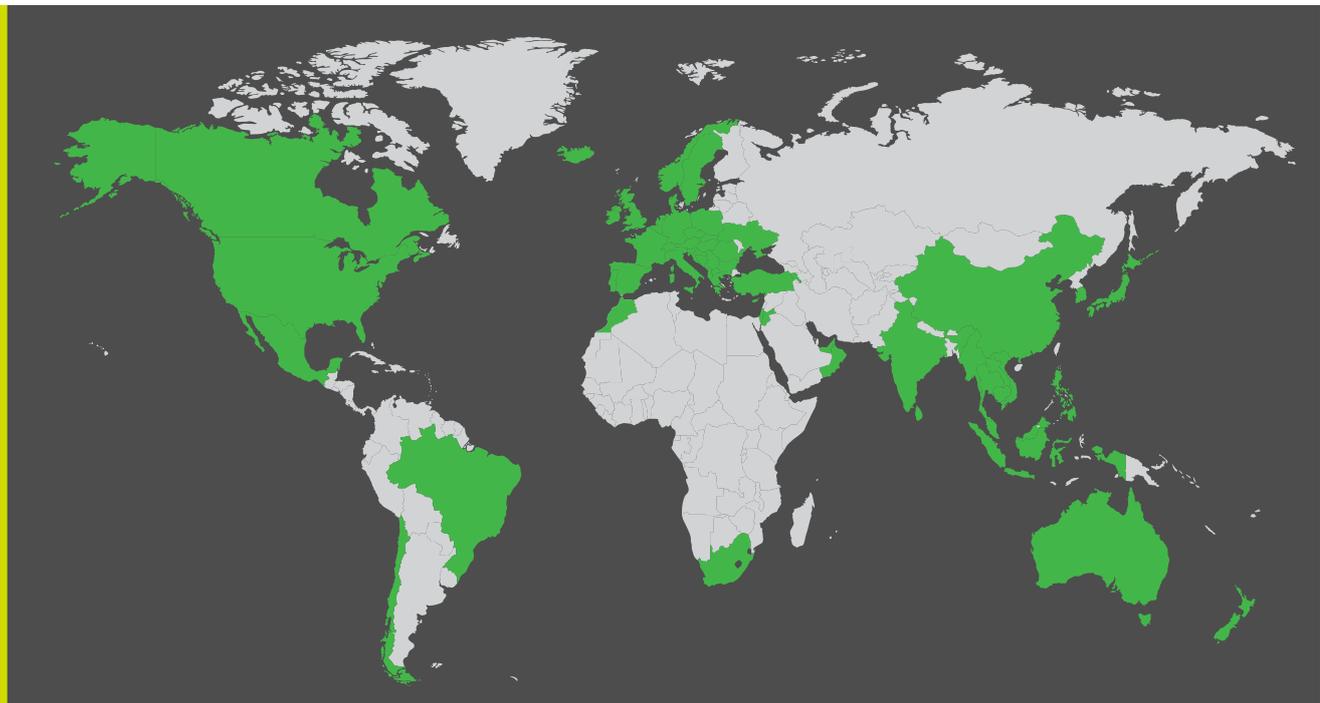
TOTAL REVENUE BY GEOGRAPHICAL AREA



	2014 €'000	2013 €'000	% Increase
UK and Ireland	11,300	3,983	+184%
Benelux	8,822	6,842	+29%
Rest of Europe	7,501	4,611	+63%
Americas	3,376	1,585	+113%
Asia-Pacific	1,901	1,292	+47%
Rest of World	612	509	+20%
Total	33,512	18,822	+78%

DISTRIBUTION NETWORK

Total of 61 (2013:42) Accoya distribution or agency agreements now in place and direct sales into 38 (2013:29) countries.



Our Products

Strategic Report

Corporate Governance

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Overview

Accoya® is the world's leading high technology long life wood. Created via acetylated wood modification, using sustainably grown timber, the **Accoya®** process creates a modified wood that matches or exceeds the durability, stability and beauty of the very best tropical hardwoods.

Technology

Extensive laboratory and field testing by leading institutes around the world (including in New Zealand, USA, UK, Sweden, Malaysia, Indonesia, Russia, the Netherlands and Japan) has shown the performance of acetylated wood to be extremely reliable.

Applications

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



Overview

Tricoya® acetylated wood elements (including chips, fibres and particles) is a revolution in modified wood fibre technology from **Tricoya Technologies Ltd**, a joint venture between Accsys and INEOS, one of the world's biggest petrochemical companies.

Technology

Tricoya® acetylated wood elements is the essential ingredient for a new generation of high performance sustainable wood product.

Tricoya® Wood Elements are lauded as the first major innovation in the wood composites industry in more than 30 years.

Applications

The potential applications for **Tricoya®** are far ranging and will inspire creativity and discovery, particularly in environments where humidity and weather are usually concerns. It is now possible to imagine **Tricoya®** used virtually anywhere.

Façade cladding/siding and other secondary exterior applications, window components, door components and door skins and wet interiors, including wall linings.

In fact, the only limitation is imagination.

Benefits of Accoya and Tricoya



Class 1 Durability



Perfect For Coating



Outstanding Durability



Excellent Machinability



Dimensionally Stable



Consistent Quality Throughout

Shipping containers transformed into residential flats framed with **Accoya®** wood and clad with **Medite® Tricoya®** in Norway.



Chairman's Statement



Patrick Shanley,
Non-executive Chairman

INTRODUCTION

I am very pleased to report that Accsys has enjoyed an excellent financial year, delivering considerable revenue increases and taking significant steps forward in licensing the Company's proprietary technologies. Together these support my confidence that Accsys continues to be on the right path towards achieving its long term objective of delivering sustainable profitability.

Our positive position is only marred by the very sad news that Gordon Campbell passed away in April. Gordon joined the board in 2005, became our chairman in 2010 and was instrumental in turning the Company around in what was a very difficult period. I have been appointed Chairman while we review the composition of the board.

FINANCIAL SUMMARY

Total revenue for the year ended 31 March 2014 increased by 78% to €33.5m (2013: 26% growth to €18.8m). In the same period, Accoya® revenue, excluding sales to Medite for the manufacture of Tricoya®, increased by 61% to €26.4m (2013: 45% growth to €16.4m). Total revenue also included €1.1m of licence income (2013: €0.6m) reflecting the progress with our Accoya licensee, Solvay.

Gross profit margin for the Group improved from 18% to 23%, resulting from increased Accoya® volumes, price increases, operating efficiencies and higher licence income. Other operating costs increased by 11% to €15.0m (2013: €13.5m) largely due to €726,000 of legal costs associated with the Diamond Wood arbitration and an increase in staff costs. As a result, the EBITDA loss improved by 31% to a €5.7m loss (2013: €8.4m loss).

The Arnhem manufacturing facility generated a positive EBITDA of €2.4m

Total revenue increased by**78%**

(2013 growth : 26%)

compared to a loss of €0.9m in the prior year. We continue to believe this illustrates the potential returns a prospective licensee may be able to generate.

The decrease in cash balance to €15.2m as at 31 March 2014 (2013: €20.5m) is the result of €3.6m of cash out-flows from operating activities before changes in working capital, a 50% decrease compared to the previous year. Further cash out-flows were attributable to €0.5m expenditure in respect of capitalised development costs, €0.6m in respect of tangible fixed assets and an investment of €1.2m in Tricoya Technologies Limited, our JV with INEOS. Working capital improved significantly, with a €0.3m decrease in the period compared to a €1.8m increase in the prior year. We continue to believe that the Company has sufficient funds to take it through to profitability.

PROGRESS ON ALL FRONTS

The increase in revenue has been driven by the ever increasing demand for Accoya® resulting from increased awareness, market acceptance and a greater global network. We have increased the number of Accoya distribution and agency agreements by 19 making a total of 61 covering most of Europe, Australia, Canada, Chile, China, India, Israel, Mexico, Morocco, New Zealand, South Africa, parts of South-East Asia and the USA.

We implemented two price increases in the period with another planned for later in this financial year which, together with an on-going project to improve the efficiency of our production process and the economies of scale resulting from the higher volumes, means I am confident that our operating margins will continue to improve.

Arnhem manufacturing facility EBITDA**€2.4m**

(2013 : €0.9m loss)

We made two significant steps concerning the licensing of Accoya®. In August 2013 we announced that we had taken the decision to terminate our licence agreement with Diamond Wood which held manufacturing and distribution rights in China and much of South-East Asia. The decision was made as a result of their failure to comply with their contractual obligations and following robust legal advice. While Diamond Wood subsequently served a notice of arbitration upon us, we announced that we have welcomed the opportunity to confirm the validity of our termination. The arbitration process is currently in progress and, whilst further details of the arbitration are subject to confidentiality, Accsys will provide a further update once the matter has been concluded.

In December 2013 Solvay, the Belgian chemical group, approved their Accoya® licence agreement which gives them exclusive rights in Europe (with the exception of Benelux, UK and Ireland). The licence agreement is now fully effective, however at the same time we agreed to explore the possibility of locating their plant in Arnhem. Solvay is currently reviewing two options for the optimal plant location, being either Arnhem, the Netherlands or Freiburg, Germany and the decision concerning the investment in its plant and its location will be made by Solvay in the next few months.

In addition the two companies are currently in discussions examining the scope of a possible cooperation agreement between the two companies.

Tricoya Technologies Limited ('TTL'), our joint venture with INEOS concerning Tricoya® wood elements, has also made strong progress in its first full year following its formation in October 2012.

In July 2013, TTL entered a licence agreement with Medite granting rights to build and operate a plant to manufacture, market and sell Tricoya®. The licence agreement is conditional upon the approval of Medite's board of directors which is expected later this financial year. At the same time, the market evaluation of Medite Tricoya® continues with a significant increase in sales to customers.

Post period end, in May 2014, TTL's licence option holder in Latin America, Masisa, paid to extend its licence option and undertook to carry out an evaluation of Tricoya®, including market testing, with the launch of Masisa Tricoya® Super MDF.

OUTLOOK

The continuing increase in global demand for Accoya demonstrates the acceptance and the overall market potential of our products. It also confirms that the long term opportunity for Accsys and its ability to monetise our intellectual property remains both substantial and exciting.

I believe we have entered a new phase in the development of the Company as we transition from a company which has focused on R&D and initial market seeding into a company which is increasingly focused on ensuring how the demand we have created can be met and how we best extract value from our technologies and the experience that we have developed.

The start to the new financial year continues to support this and I believe we are in a strong position to achieve our objective of making the Group profitable.

Patrick Shanley
Non-executive Chairman
2 July 2014

Chief Executive's Report

Delivering sustainable long term value



Paul Clegg, Chief Executive Officer

INCREASING AWARENESS AND PRODUCT ACCEPTANCE RESULTS IN RECORD ACCOYA® SALES

Revenue from Accoya® customers increased by 61% to €26.4m in the year to 31 March 2014 (2013: €16.4m) reflecting continuing strong growth in demand in all global regions. Growth has been driven by both existing and new customers and, while the improving economic climate has helped, the growth continues to be driven by the ever increasing awareness and acceptance of Accoya® in the global market place. This was particularly the case in the United Kingdom where Accoya® sales grew by 93% without having added any new distributors. We believe this is also attributable to the United Kingdom benefiting from a particularly focused technical sales method over the last few years and which we are now seeking to roll out in certain other countries.

In addition we sold €2.9m of Accoya® to Medite for the manufacture of Tricoya®, a significant increase compared to the €157,000 sold in the previous year during which Medite had been utilising their earlier initial build-up of stock.

We now have a total of 61 Accoya® distributor and agency agreements in place (an increase of 19 since last year) covering most of Europe, Australia, Canada, Chile, China, India, Israel, Mexico, Morocco, New Zealand, South Africa, parts of South-East Asia and the USA. The increase includes new distributors in the USA, Spain, South Africa, Israel, Ukraine, and a number in Diamond Wood's former territory including Thailand, Malaysia, Philippines, Japan and Singapore.

We implemented price increases twice during the year, the latter of which is largely expected to impact the new

Increase in volumes of Accoya® sold

88%

financial year. In addition, we are already planning a further price increase later this financial year. The price increases reflect a combination of the overall state of the market into which we are selling, increased prices of some raw materials and our ambition to further improve our margins in order to achieve profitability as soon as possible.

Sales in the first quarter of the new financial year have continued to show positive growth compared to the same period last year. However, given the significant impact of sales to Medite in the period compared to the year before we expect a greater challenge in achieving a similar overall growth rate in the current financial year. In addition, as noted below, the Arnhem production facility has been operating at a significantly greater level.

Accoya® continues to be used for an increasing number of prominent or demanding projects around the world. Go to www.accoya.com to see some of these examples.

ARNHEM PLANT DELIVERS INAUGURAL PROFIT; FOCUS TURNS TO ENHANCING CAPACITY AND OPERATIONAL EFFICIENCY TO DRIVE GROWTH

The total volume of Accoya® sold in the year increased by 88% to 25,391m³. This was an enormous accomplishment by the manufacturing team and was achieved without the need of significant capital investment and with a relatively limited increase in production staff. As a result, total manufacturing revenue increased by 77% to €32.4m (2013: €18.3m). The larger increase in volumes sold compared to revenue reflects the different mix of Accoya® sold in the period, in particular noting the higher volumes sold to Medite.

The difference between €26.4m of sales to Accoya® customers and €32.4m manufacturing revenue is attributable to sales to Medite (€2.9m) and other revenue, primarily the sale of acetic acid, a bi-product from our manufacturing process.

Gross manufacturing margin increased significantly, to 20% (€6.6m) compared to 15% (€2.8m) last year. This was achieved due to a combination of the increased volumes (and associated economies of scale), the impact of price increases and the on-going project to improve our process efficiency. The improved profitability also resulted in the manufacturing segment (which includes 68% of the Group's headcount) reporting a positive EBITDA of €2.4m compared to a loss of €0.9m in the prior year. We continue to believe this illustrates the potential returns a prospective licensee may be able to generate.

In the new financial year, we are focused on achieving and maximising the production capacity at Arnhem. This includes implementing a number of process and production changes which have been identified from previous R&D projects which will help increase the production capacity together with the continued optimisation of short term production constraints as a result of the rapid increase in production.

Safety is always given a top priority as the industry in which we work is considered a high risk industry. We have worked consistently to understand these risks, learn from previous incidents and implement risk-mitigating processes, technologies and behaviour patterns. We will continue to strive to create an environment free from harm and accidents.

Prestigious Renovation Project of German Embassy in Washington DC

HIGH PERFORMANCE WINDOWS IN THE USA

The German Embassy is a prestigious property combining the main colonial-style Embassy building and a semi-detached house. Both structures were designed in the 1960s by prominent German architect Egon Eiermann.

In recent years, the impressive main Embassy building has suffered from asbestos contamination. As a result, the entire German Embassy had to be renovated in order to meet modern-day health and safety standards - a challenging task for the architects having to balance the constraints of US building regulations with the need to respect and adapt Eiermann's original design.

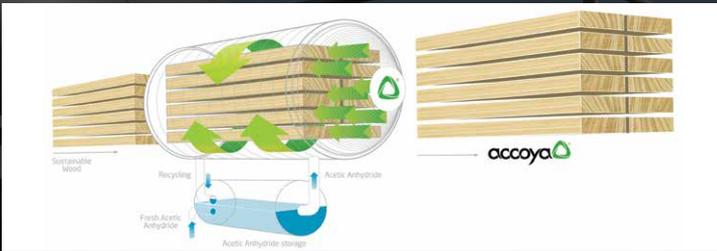
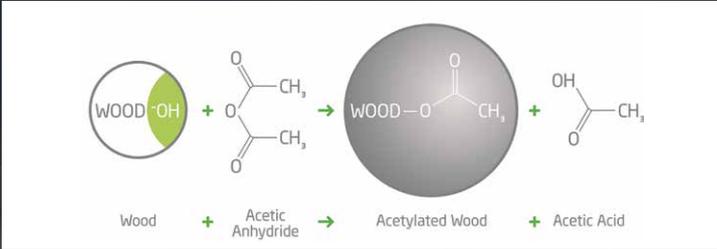
To fulfil the requirements, the architects chose Accoya® windows as part of the overall renovation project.

German Accoya® distributor Roggemann supplied 100m³ of Accoya®. The windows were made by Annen Joinery and were then coated by Remmers Germany.



Accsys' core proprietary acetylation technology

Accsys has continued to file new patent applications in the recent period and now owns seven different Accoya® patent families, with 26 patents granted and 18 further applications, filed in a total of 30 countries world-wide.



Further stringent testing proves Accoya® can last for up to 90 years

Joint research from Heriot Watt University and Imperial College London predicts an estimated service life (ESL) for Accoya® timber windows to be between 77 and 90 years with the range representing exposure conditions from severe to mild. This ESL far exceeds that of PVC-U windows which have an ESL maximum of 35 years in mild exposures, whilst placing Accoya® timber window frames in a similar performance category to aluminium-clad timber (perhaps exceeding the ESL by 6-7 years for each exposure category).

Window Type	Typical Maintenance period	Estimated Service Life		
		Mild	Moderate	Severe
Accoya®	Standard 10-12 years	90	82	77
Timber	Standard 5-7 years	65	59	56
Aluminium-clad Timber	Standard 20-30 years	83	75	71
PVC-U	Annual wash downs only	35	30	25

Chief Executive's Report Continued

LICENSING - FULLY EFFECTIVE ACCOYA® LICENCE AGREED WITH SOLVAY; DECISION ON PLANT LOCATION EXPECTED SHORTLY

In December 2013 our Accoya® licence agreement ('the licence agreement') with Belgian chemical group Solvay was approved by both parties and became fully effective, resulting in a new level of cooperation between the two companies.

The licence agreement grants Solvay exclusive rights for a minimum 15 year period, renewable at agreed terms, to produce and to sell Accoya® within the Council of Europe from an initial plant. The licenced territory includes 47 states in the Council of Europe, but excludes Belgium, Ireland, Luxembourg, the Netherlands and the United Kingdom which are reserved to Accsys. The licence agreement also grants Solvay the option to build additional Accoya® production plants in Europe, with the first plant (the 'plant') having a total capacity of c.63,000 m³ of finished Accoya® output expected to be operational in the course of 2016.

In return, Accsys will receive a series of licence payments, which have already commenced and will be made during the phased construction of the plant, and with royalty payments per volume of Accoya® produced thereafter.

The two companies also signed amendments to the licence agreement which include the possibility of Solvay constructing the plant in Arnhem on land Accsys currently owns, adjacent to the Company's existing manufacturing facility and in a phased manner. Solvay is currently reviewing the two options for the optimal plant location, being either Arnhem, the Netherlands or Freiburg, Germany.

The decision on the investment in the plant and its location is expected to be made by Solvay in the next few months.

In addition the two companies are currently in discussions examining the scope of a possible cooperation agreement between the two companies.

Further to the licence agreement becoming unconditional in December 2013, Accsys and Solvay entered a transitional phase in which Accsys will continue to sell to Accoya® distributors in Solvay's region while working to transfer the relationships to Solvay. Solvay's Accoya® decking product retail trial is now in its second year and is expected to be in 70 outlets in Europe, with several new store chains participating, compared to 40 last year.

Following Solvay's approval of the licence agreement, in January 2014 Accsys delivered a Process Design Package to Solvay which enables Solvay to complete the planning and engineering design required for them to construct their own plant.

In August 2013, we announced that we took the decision to terminate our licence agreement with Diamond Wood as a result of Diamond Wood's failure to comply with their contractual obligations. Diamond Wood subsequently served a notice of arbitration challenging our position. As we have previously stated, we welcome the opportunity to confirm the validity of our termination. The arbitration process is currently in progress and whilst further details of the arbitration are subject to confidentiality, Accsys will provide a further update once the matter has been concluded.

Accsys and TTL continue to develop a number of new and existing potential Accoya® and Tricoya® licence opportunities respectively, with counterparties whose combined existing total wood product manufacturing or processing capacity is in excess of 10 million m³ per annum. While these discussions remain on-going, the complex nature and investment required by a licensee means that the timing and certainty of their completion remain difficult to predict.

TRICOYA TECHNOLOGIES LIMITED ('TTL'); ENCOURAGING PROGRESS TOWARDS FIRST FULLY EFFECTIVE LICENCE

TTL, the INEOS and Accsys joint venture formed to exploit our intellectual property associated with Tricoya®, continues to make progress in all areas including engineering, product development, marketing and business development.

In July 2013 TTL entered into a joint development, production and distribution licence agreement with Medite to allow Medite to build and operate a plant to manufacture, market and sell Tricoya®, with an initial plant capacity of 30,000 metric tonnes per annum. In return, Medite has begun to make a series of technology-based licence payments which will be followed by royalty fees payable per metric tonne of production.

The licence is conditional upon Medite obtaining approval from its Board of Directors, which is expected later this financial year, prior to plant

Chief Executive's Report Continued

construction. Medite will have exclusive rights to market and sell in Ireland, The Netherlands, and the United Kingdom and non-exclusive rights in other territories. TTL has subsequently been developing the Process Design Package which is required to complete the necessary detailed design of the overall plant.

The market evaluation of Medite Tricoya® continues to be positive with increasing acceptance of the product leading to a significant increase in sales to customers. This is partly reflected by the sales of Accoya® to Medite for the manufacture of Medite Tricoya®, prior to dedicated facilities for wood acetylation being built. These sales increased in the period to €2.9m compared to €157,000 in the prior year.

In November 2013, the European Commission awarded the Medite Tricoya project a subsidy under its Life+ programme. The subsidy is worth up to €2.1m and is expected to benefit both Medite and TTL over a three year period.

In May 2014, TTL's relationship with its licence option holder in Latin America, Masisa, took a step forward with the extension of the option and agreement to carry out an evaluation of Tricoya® including market testing, production testing and development of finished end-products with the launch of Masisa Tricoya® Super MDF.

Masisa has industrial facilities in Chile, Argentina, Brazil, Venezuela and Mexico as well as commercial operations in over 40 countries. Its main panel products are MDP (medium density particleboard), MDF (medium density fibreboard) and Melamine boards. The option agreement, originally signed in April 2012, if exercised, grants Masisa exclusive production and distribution rights for Tricoya® for the Latin American market, excluding Brazil, for which the sales and marketing rights are non-exclusive.

INTELLECTUAL PROPERTY

During the period we received confirmation from the Patent Offices in China, Indonesia and the USA of the grant of Accoya® process patent claims which successfully secure monopoly rights for our process in those

territories for 20 years from the patent application filing date. These granted patents further strengthens Accsys' patent portfolio, securing protection for Accsys, its licensees and distributors across the globe.

We can also confirm the purchase from the US company Weyerhaeuser, of their US patent covering the use of electromagnetic radiation in methods for the acetylation of wood.

Accsys has continued to file new patent applications in the recent period and now owns seven different Accoya® patent families, with 26 patents granted and 18 further applications, filed in a total of 30 countries world-wide.

In respect of Tricoya®, TTL benefits from five published patent families with a total of 67 published product and process patent applications filed in key territories across the world.

Our principal brands, Accoya®, Accsys, Tricoya® and the Trimarque Device, including Arabic, Chinese and Japanese transliterations, are protected by trademark registration in 56 countries throughout the world with pending applications in a further single country. These registrations and applications cover our corporate identity and the products we sell as well as those to be sold by our licensees and distributors.

OTHER DEVELOPMENTS

Accoya® recently became Svanen Certified, a world-leading Nordic eco-label, adding to the many eco-labels that Accoya® and Tricoya® have already obtained and further supporting the positive environmental credentials that our products can boast. (See our Sustainability Report for further details). We continue to carry out a wide range of certification and performance tests to confirm the superior performance qualities of Accoya® and Tricoya®.

For example, Accoya® has outperformed leading Class 1 timbers in recent tests carried out by the Australian Forest Research Company (AFRC). Initial laboratory tests by AFRC tested Accoya® against five different fungi found in Australia. Accoya®

showed exceptionally high levels of resistance to decay against all five fungal species and excelled against Western Red Cedar (durability class 2) and Spotted Gum (durability class 1). Accoya® also out-performed chromated copper arsenate (CCA) H4 high level wood preservation, Western Red Cedar, Merbau and Teak in nine year, ground durability testing in New Zealand.

STRONG START TO THE CURRENT FINANCIAL YEAR; CONFIDENT OF MAKING FURTHER PROGRESS

The last financial year has marked a significant step in Accsys' development. The strong sales growth and significant steps forward with our licensees demonstrate the ever increasing acceptance of our products and help confirm what we believe is the very significant long term potential for our technologies.

The new financial year has started well with continuing sales growth, however we face ever evolving challenges. These include how we manage the increasing demand, both in the short term from our facility in Arnhem, and in the longer term by executing the licence agreements we have agreed so far as well as crystallising the other business development discussions which we have been holding.

The financial position of the company is strong and we are becoming ever closer to achieving, first, a cash-flow break-even position, followed by overall profitability. We believe the expected increase in sales this year, together with another planned increase in our prices will enable us to achieve these milestones in the foreseeable future.

Overall, I am confident that Accsys is now very well positioned to take advantage of the significant investment that has been made over the last few years in sales, marketing, R&D and business development, enabling the Company to further increase sales volumes and margins while simultaneously progressing licensing opportunities with existing and potential licensees.

Paul Clegg
Chief Executive Officer
2 July 2014



RO&AD Architects took cues from history when designing additional access points to two historic forts in the Netherlands: Fort de Roovere and Ravelijn op den Zoom. One bridge sits within the water appearing like a trench while the other floats on the water; both designs reflect the ways the forts were accessed historically.

At Fort de Roovere, part of the 17th century Dutch defensive West Brabant Water Line, RO&AD sought to provide pedestrian access while still preserving the fort's trench-like aesthetic aptly nicknamed the Moses Bridge for the way it separates the water, the bridge is built into the slopes of the fort and passes through the water itself, sitting almost flush with the soil and the water surface and thus remaining nearly invisible as visitors approach.

The floating bridge was designed to mimic the path boats used to access Ravelijn op den Zoom. The bridge follows a curved pattern that doubles as a design aesthetic as well as covering the floaters—polyethylene pipes—on which the bridge sits.

Accoya® wood was used for both bridges because it could meet the two biggest needs: historical appearance and the ability to withstand in-water installation.

"Accoya is a smart technology and a fast growing material," says Ad Kil, architect, RO&AD Architects. "We love it for its looks, its sustainability and its durability."

Strategy

PRODUCTS AND PROCESS

Manufactured through Accsys' highly sustainable proprietary acetylation processes, Accoya® wood and Tricoya® wood elements exhibit superior dimensional stability, durability and other important benefits when compared with alternative natural, treated and modified woods as well as more resource intensive man-made materials.

The attributes of Accoya® wood make it a highly effective solution for a wide range of external applications including doors, windows, cladding, decking, shutters, louvers, civil works, landscaping, outdoor furniture and more.

The possibilities for the use of Tricoya® wood elements as the key component with panel products are ever expanding but include facade cladding, fascia and soffit panels and other secondary exterior applications, window components; wet interiors, including wall linings in swimming pools, bathrooms, wet rooms, changing rooms; speciality furniture including lockers, cubicles, chairs and tables, play frames, tree houses and exterior composite furniture; signage; automotive parts and sports equipment.

While the underlying chemistry associated with acetylation has been around for many years, we are the only organisation to have successfully commercialised it on an industrial scale.

MARKET POTENTIAL

We believe the potential market for Accoya® and Tricoya® is in excess of 2.5 million m³ annually. To put this into perspective, during the last year we sold 25,391m³, however the total global solid wood market is understood to exceed 400 million m³ annually. The global wood based panel sector is approximately 290 million m³ annually.

ENVIRONMENTAL BENEFITS

We believe our products offer a significant benefit when considering the global desire to reduce the negative impacts on our environment. Our products are the most environmentally friendly building solutions over their full life cycle, made from abundantly available, fast growing, sustainably sourced, renewable resources, yet with durability and dimensional stability exceeding the best performing tropical hardwoods. They are natural building materials with low maintenance and consistent qualities of the highest

BUSINESS MODEL

Our overall business model is best explained in the following three phases. We have recently entered the third phase:

Phase 1

Completed:
2003 to
2009

Construction and operation of proof of concept acetylation plant:

1. We acquired the pilot production plant assets and all associated intellectual property rights following many years of research and development activities regarding the acetylation of wood species
2. We completed the construction of full scale proof of concept production plant in Arnhem in 2007; a culmination of 16 years R&D in the Netherlands
3. We completed the first commercial production trial runs and carried out stringent product scoping and testing

Phase 2

Completed:
2008 to
2013

This involved the transition of Arnhem proof of concept plant to stand-alone commercial manufacturing facility. This was carried out during a significant global economic recession and during which Accsys completed two fund raisings and wrote off significant amounts from our balance sheet:

1. Formed a stable and experienced management team
2. Created and developed worldwide market and brand for Accoya®
 - Created brand and marketing strategy including web and digital mediums
3. Continuous manufacturing improvement
 - Carried out extensive 3rd party testing and validated Accoya® performance benefits
 - We established and expanded global distribution network to increase sales capacity and prove demand
 - We enabled the provision of technical sales, marketing and operational support

Phase 3

Commencing:
2013
onwards

Manufacturing:

1. Production of Accoya® at Arnhem plant continues to seed new markets and drive demand for Accoya® and for use as a feedstock in the production of Tricoya®
2. Continued focus on reducing cycle time to increase Arnhem capacity and profitability

Meeting global demand:

1. Ongoing licensing of Accoya® acetylation technology to achieve multiple licence agreements, including Solvay, to satisfy global demand for solid wood
2. Development of extended global distributor network

performing non-sustainable man-made materials; while benefitting from all positive attributes of wood (sustainability, strength, beauty) without the downfalls (poor durability & stability).

Accoya®'s carbon footprint significantly outperforms most other commonly used building materials such as concrete, PVC, MDF and plywood as well as a range of tropical hardwoods such as azobe and red meranti. Through the photosynthesis process trees absorb CO₂ and as a result 1m³ of wood may store over 1 ton of CO₂ for its lifetime. Our process takes fast growing, sustainably sourced wood and converts into a long lasting construction material, which can be incinerated for energy production at the end of its life. This has enabled us to demonstrate that Accoya® is carbon negative over its extended life cycle.

See Sustainability report for further details.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties are set out in the directors' report.

KEY PERFORMANCE INDICATORS

We consider the following to be key performance indicators by which progress in the development of the business may be assessed:

- Sales values of Accoya® wood and the geographic spread of these sales;
- Profitability of the Arnhem plant;
- Annual nameplate capacity of the Accoya® wood production facility in Arnhem;
- The volume of Accoya® (in m³) and Tricoya® (in metric tonnes) of licensee production facilities either committed to by third parties, or in use; and
- Process improvements to reduce progressively the direct cost per m³ to produce Accoya® wood, optimising the utilisation of direct materials, utilities and capacity utilised in the wood modification process.

Progress against these indicators is detailed in the Chief Executive's Report.

4. We established a comprehensive global brand strategy for Accoya® and Tricoya®
5. 1st commercial sales of Accoya®

- We streamlined our support activities such as procurement, maintenance and logistics
- 4. Financial stability via generation of positive EBITDA at Arnhem manufacturing Company
 - We increased capacity utilisation
 - Improved gross margin through reduction of unit production costs and market sensitive price increases
 - Focused operating cost control and active working capital management
 - Protection of IP - Established world-wide patent portfolio to cover both core acetylation and enabling technologies

5. Development of Tricoya® feedstock principles and market testing of Tricoya®
6. Establish value adding relationships with key industry players
 - Formed joint venture with INEOS for the exploitation Tricoya® wood elements acetylation technology and processes
 - Key commercial and technical relationships developed with wood suppliers, coatings manufacturers and research institutes on a global basis.
 - Strategic relationships with companies such as BP

3. Development of detailed engineering documents for licensees
4. Development of a model to benefit further from our expertise by assisting 3rd parties in areas including sales, marketing, product and technical development, operations and maintenance.
5. Continued close co-operation between Accsys and INEOS within the TTL joint venture, to further develop and facilitate the licensing of Tricoya®

Research and Development:

1. Continued R&D and product development activities to generate future value
2. Further development of new species, end products, coatings and additional applications to aid licencing discussions and maximise value
3. Strengthened protection of intellectual property

Brand:

1. Continued development, advancement and protection of globally established Accoya® and Tricoya® brands

Financial Review



William Rudge, Finance Director

Progress on all fronts

INCOME STATEMENT

Revenue

Total revenue for the year ended 31 March 2014 increased by 78% to €33.5m (2013: €18.8m). In the same period, Accoya® revenue increased by 61%, excluding sales to Medite for the manufacture of Tricoya®, to €26.4m (2013: €16.4m). We sold €2.9m of Accoya® to Medite for the manufacture of Tricoya®, a significant increase compared to the €157,000 sold in the previous year during which Medite had been utilising their earlier initial build-up of stock. Total revenue also included €1.1m (2013: €0.6m) of licence income attributable to Solvay. Other revenue, which includes the sale of acetic acid, increased by 80% to €3.1m (2013: €1.7m).

Gross margin

Gross profit margin improved from 18% to 23%, resulting from increased Accoya® sales, increased licence income, price increases and improved operating efficiencies. The gross manufacturing margin increased from 15% to 20%.

Other operating costs

Other operating costs increased by 11% to €15.0m (2013: €13.5m). This increase was attributable to higher administration costs and in particular €726,000 of legal costs incurred in the period in respect of the Diamond Wood arbitration process, together with higher staff costs. The Group continued to invest in sales and marketing with costs of €2.9m (2013: €2.9m) and research and development with costs of €1.2m (2013: €1.2m).

Headcount increased marginally to 101 (2013: 96) as a result of the significantly higher overall activity levels. Overall staff costs increased by 9% to €9.0m (2013: €8.3m) attributable to the higher headcount and an increase in the charge for share based payments to €1.2m (2013: €0.9m).

Loss from operations

The loss from operations decreased by 29% to €7.2m (2012: loss of €10.2m) due to the improvement in gross margin described above.

Finance income

Finance income of €155,000 (2013: €206,000) represents interest receivable on bank deposits.

Finance expense

The finance expense of €226,000 (2013: €244,000) is due to interest element arising on the payments attributable to the sale and leaseback of part of the Group's land and buildings in Arnhem.

Share of joint venture loss

On 5 October 2012, Accsys entered into a 50:50 joint venture with INEOS to exploit Accsys' intellectual property surrounding its proprietary Tricoya® wood elements acetylation technology and processes, which is expected to lead to the accelerated global deployment of Tricoya®. The company, Tricoya Technologies Limited ('TTL'), is developing and exploiting Accsys' Tricoya® technology for use within MDF, particle board and wood plastic composites in a worldwide panel products market estimated to be worth more than €60 billion annually.

TTL has been accounted in the Accsys Group accounts using the equity method. During the period, TTL recorded revenue of €153,000 (2013: nil) and total costs of €2.0m (2013: €0.9m) resulting in Accsys' share of loss of €0.9m (2013: €0.4m). (See note 7 for further details.)

Taxation

The net tax charge of €699,000 (2013: €355,000) primarily represents a tax charge arising from the utilisation of tax losses of €866,000 previously recognised offset by research and development tax credits of €169,000 (2013: €286,000) attributable to activities carried out in the current year.

Dividends

No final dividend is proposed in 2014 (2013 final dividend: €Nil). The Board deems it prudent for the Company to maintain as strong a balance sheet as possible during the current phase of the Company's growth strategy.

Earnings per share

Basic and diluted loss per share was €0.02 (2013 basic and diluted loss per share was €0.03).

Cash balance

€15.2m

(2013: €20.5m)

Gross margin increase

132%

Reduction in underlying loss before tax

30%

Underlying loss excludes €726,000 of legal costs associated with the Diamond Wood arbitration.

BALANCE SHEET**Intangible assets**

Intangible asset additions of €459,000 (2013: €953,000) predominantly relate to capitalised internal development costs including €152,000 (2013: €456,000) in respect of the Accoya® licence Process Design Package.

Property, plant and equipment

Property, plant and equipment additions of €0.6m (2013: €0.3m) predominantly relate to technology improvements and items of maintenance equipment at our Arnhem production facility. During the prior period the Group entered into a sale and leaseback agreement for part of the Arnhem land which has been accounted for as an operating lease and has resulted in the disposal of €1.7m of land in the prior period. See note 15.

Available for sale investments

Accsys Technologies PLC has previously purchased a total of 21,666,734 unlisted ordinary shares in Diamond Wood China Limited. The historical cost of the unlisted shares held at 31 March 2014 is €10m (2013: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded, as at 31 March 2014 there is considerable doubt as to whether Diamond Wood will continue as a going concern. See note 16.

Inventory

The Group had total inventory balances of €6.1m (2013: €4.9m). Finished goods consisting of Accoya® represented €2.6m (2013: €3.0m) and raw materials and work in progress, primarily consisting of unprocessed lumber, being €3.5m (2013: €1.8m). The increase is attributable to increased sales in the new financial year.

Cash and cash equivalents

The Group had cash and bank deposits of €15.2m at the end of the period (2013: €20.5m). The decrease in the year is mainly the result of €3.6m of cash out-flows from operating activities before changes in working capital, noting however that this represented a 50% decrease compared to the previous year. Further cash out-flows were attributable to €0.5m expenditure in respect of capitalised development costs, €0.6m in respect of tangible fixed assets and €1.2m investment in Tricoya Technologies Limited, our JV with INEOS. Working capital improved significantly, with a €0.3m decrease in the period compared to a €1.8m increase in the prior year.

Trade and other receivables

Trade and other receivables have increased to €4.5m (2013: €3.7m). Within this, trade receivables increased from €2.3m to €3.1m reflecting the significantly higher sales levels.

Trade and other payables

Trade and other payables have increased to €5.6m (2013: €3.4m). Included within this, trade payables increased from €2.3m to €3.4m largely as a result of the increased activity levels. In addition, accruals and deferred income increased from €0.9m to €1.7m largely as a result of €0.9m received from the European Commission in respect of a Life+ Subsidy relating to the Medite Tricoya project.

Financial review continued

Finance lease creditor

The Group has previously entered into a sale and leaseback agreement for part of the Arnhem land and buildings. The first phase was resulted in proceeds of €2.2m which has been accounted for as a finance lease. At 31 March 2014 there are €3.5m of payments committed to over the remaining life of the lease (2013: €3.7m) (see note 24). The second part of the sale and leaseback of the land in Arnhem was completed in February 2013, however this has been accounted for as an operating lease (see note 23).

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 22. 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.

There are no specific restrictions on the size of a holding nor on the transfer of 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 13. 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, which is deemed to be at least 12 months from the date these financial statements are approved.

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

The Directors have considered the internally agreed budgets and performance measures and believe that appropriate controls and procedures are in place or will be in place to make sure that these are met. The Directors believe, 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
2 July 2014



The city of Kelowna, set in British Columbia's Okanagan Valley and bordering Okanagan Lake, is well known for its hot, desert-like summers and temperate winters.

The new marina, opened in the summer of 2013, offers much-needed temporary moorage for visitors and residents to access downtown by boat. Along with the 350' floating pier, the marina boasts seating areas, watercraft rentals, a fueling station, a store, a sani station, and a separate commercial boat pier, making it an inviting destination for pedestrians visiting the waterfront.

To harmonise with the picturesque lakefront views, Kasian Architecture knew it wanted to utilise the natural beauty of wood for the marina buildings' facades. But with such a diverse local climate, wood, even tropical hardwoods and common local softwoods, would be susceptible to cracking, twisting, and rot. With this in mind, Kasian sought out a wood product that would meet its strict requirements for sustainability, low maintenance, and long life span.

Expectations are being met: Almost one year later, the Accoya® wood looks virtually new, while pressure treated lumber installed and stained elsewhere on the project at about the same time is severely faded and in need of re-staining.

Sustainability Report

OUR CORPORATE VISION

A focus on corporate and social responsibility lies at the very core of our business. Our technologies not only enable us to manufacture wood products that offer 'best in class' durability, dimensional stability and a wide spectrum of other performance and environmental advantages over alternative environmentally threatened or compromised products, but also provide attractive opportunities 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.

Through our research and development group we are continually looking for ways to develop our technologies and products to make them more energy efficient and to reduce as far as possible any adverse impact on the environment.

Accsys aims to reduce the use of environmentally unfriendly building materials and products by the utilisation of our propriety 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 products offer alternative, sustainable new materials that resolve many of the limitations that wood and these other materials have.

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 such as MDF. We are committed to increase the use of these products globally through sales from our manufacturing facility, and on a substantially larger scale by licensing our technologies to other companies so that they too can manufacture these products.

Accsys is also committed to continuing research and development concerning our products (applications and new wood species) and processes. This ongoing development is designed to increase the use, applicability and improve the efficiency and environmental benefits which in turn will benefit many of our stakeholders.

For the complete story please watch our 3 minute movie - Accoya - the sustainable building solution http://www.youtube.com/watch?v=92j0_6WaQJU.

CARBON FOOTPRINT FOR ACCOYA® WOOD

Cradle to Gate Assessment

In a carbon footprint assessment, the greenhouse gas emissions (GHG) during the life cycle of a material can be measured, and compared to alternative products in terms of kg CO₂ equivalent (CO₂e). In 2012, a carbon footprint assessment, following the Greenhouse Gas Reporting Protocol of the World Business Council for Sustainable Development and World Resource Institute, was executed by independent consulting firm Verco for Accoya based on a cradle to gate scenario, which means until the factory gate. This includes sourcing, harvesting and processing of the input timber, as well as all energy and raw material consumption in the acetylation plant of Accsys Technologies in Arnhem, the Netherlands. Figure 1 presents the results per cubic metres of Accoya compared to several other material alternatives, the full report can be found here: <http://www.accoya.com/wp-content/uploads/2013/09/Verco-Cradle-to-gate-carbon-footprint-update-2012.pdf>.

Conclusion

The graph on page 20 shows that, on a cradle to gate basis, Accoya's carbon footprint significantly outperforms most other commonly used building materials such as concrete, PVC, MDF, plywood as well as a range of tropical hardwoods such as Azobe and Red Meranti, even when sourced from sustainable managed plantations.

Cradle to Grave Assessment

In order to account for the use and waste phase aspects (cradle to grave) such as material use, durability, carbon sequestration (following PAS 2050 guidelines), maintenance and recycling scenarios, further analysis was performed by Delft University of Technology (2013), who also executed the Life Cycle Assessment (LCA) for Accoya wood in 2010.

As with the 2010 LCA study, an application, a window frame, was chosen in which Accoya® has been compared with non-renewable materials (metals, plastics). For details of the functional unit and the calculation please refer to the report itself, downloadable via <http://www.accoya.com/wp-content/uploads/2013/09/Delft-University-Carbon-footprint-cradle-to-grave-report-window-frame.pdf>. In order for the comparison to be fair, all alternatives in this application have to meet the same functional requirements. The assessment includes End of Life considerations and the effect of carbon sequestration over a 100 year timeframe following leading standards in carbon footprint and LCA (ILCD, PAS 2050: 2011 and the EN norm under development EN16449). These methods allow for the carbon sequestered in the wood to be included as a negative CO₂ value with respect to the emissions, which can be deducted from the total fossil CO₂ emissions. A higher negative CO₂e value is allocated if the life span of the wood in-use is longer, which is beneficial for acetylated wood due to the predicted longer useful life.

The two co-products of the product system, waste wood (from saw mills, planing, profiling, etc) and acetic acid from the acetylation process are dealt with by the so-called "system expansion" and "credits" for "substitution" in line with ISO 14044. For acetic acid this means that the GHG emissions resulting from the "avoided acetic acid production elsewhere" is subtracted from the total GHG emissions of Accoya®. For the wood waste, it is assumed that 100% is incinerated for energy production, applying the Lower Heating Value of the waste material. For the Western European situation this is a plausible assumption. This energy output from biomass substitutes heat from oil, leading to a "carbon credit" for the avoided use of oil.



BRYANT BUILDING

The Bryant Building - London

London Box Sash Windows was approached by Ben Adams Architects to design long-lasting, low maintenance, high performing timber sash windows for the renovation of the Bryant Building in London's Shoreditch.

London Box Sash Windows selected their unique Accoya product, '50 Year Sash Windows', and produced 45 windows comprising of 24mm 4/16/4 double glazed, low E glass units. The frames were finished with Teknos 'Graphite Black' low maintenance microporous paint.

Jack Ellis, director of London Box Sash Windows said; "The windows provided the ideal solution for Ben Adams Architect as they are covered by Accoya's 50 year guarantee against rot and decay. The stability and durability of Accoya combined with the low maintenance paint from Teknos, means there is very little up keep required. In addition, the paint should last for up to two to three times longer on the Accoya frames than ordinary timbers frames.

He added: "Shoreditch's new-found status as London's creative hub made this a particularly exciting project for London Box Sash Windows to showcase our Accoya product offer. Moreover the architects, Ben Adams, worked to exacting standards including exposing some magnificent original exposed brickwork, cast iron columns and the requirements for the windows were the same. We are delighted to have met and exceeded their expectations with our "50 Year Sash Windows" made solely from Accoya."

Sustainability Report continued

Conclusion

The results of the cradle to grave window frame comparison are presented in the graphs opposite, first per process step (figure 2) then for the total emissions (figure 3).

From the graphs several conclusions can be made:

- Due to limited emissions during production in the case of sustainable sourcing, and credits that can be earned through carbon sequestration (especially in the case of a long lifespan) and incineration for electricity in the End of Life phase, all wood products, including Accoya®, are Carbon negative over the full life cycle. The best performing alternative is Accoya® made from locally sourced species (in this case Scots Pine).
- The non-renewable materials PVC, steel and aluminium perform considerably worse than sustainably sourced wood, especially because of the high embodied energy (emissions during production). Although through recycling aluminium, PVC and steel earn some credits back, this is outweighed by higher emissions during production.
- In the case of tropical hardwood from rain forests (deforestation) the picture totally shifts and wood is the worst performing alternative (see unsustainably sourced Meranti). This shows the importance of conservation of tropical rainforests as they act as important carbon sinks.
- The eco-burden of transport and maintenance (coatings) of the window frames appears to be negligible in the total context.

Accoya wood is carbon negative over full life cycle. Unsustainably sourced hardwood is the worst performing alternative.

Note – details concerning the Company’s Greenhouse Gas emissions, as required under the Companies Act, are included in the Directors Report.

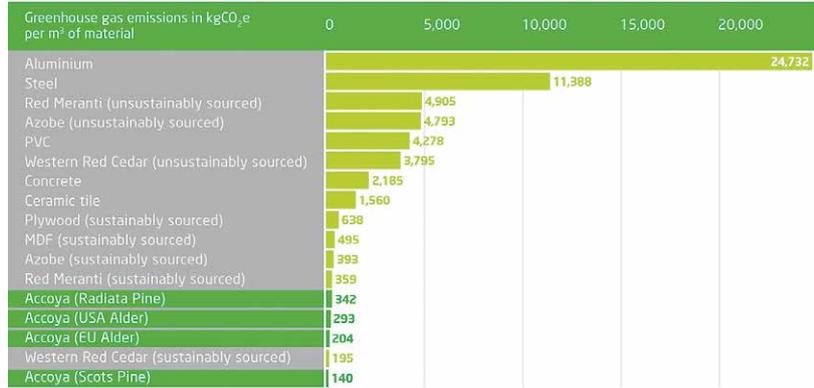


Figure 1: the greenhouse gas emissions of several building materials per cubic meter based on a cradle to gate scenario (Verco 2012, University of Bath 2011, Ecoinvent 2012)



Figure 2

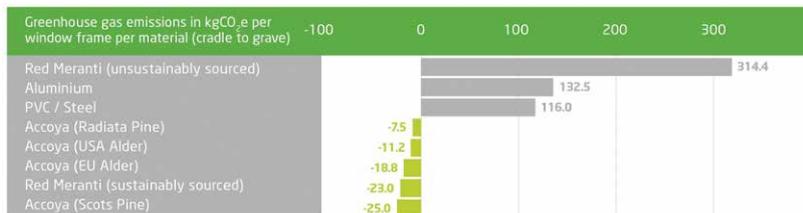


Figure 3

CERTIFICATIONS



Member of the
Timber Trade Federation

Accsys Technologies is a member of the Timber Trade Federation. The TTF is the trade association for the timber industry. All Members are required to adhere to the high business and environmental standards contained in our Code of Conduct. The timber industry is proud of its strong environmental credentials and recognises its responsibility to help protect forests for future generations.



The responsible procurement of wood plays a fundamental role in positioning Accoya® as an environmentally friendly product. All Accoya® wood is produced from well managed sustainable sources including FSC, PEFC and other regionally certified woods and thereby meeting the criteria of the EU timber regulations, in force from on the 3rd March 2013.



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. The 'Green Label' was set up to reward environmentally friendly products sold within the region with eco-labels that can only be obtained by compliance with the strict eco standards specified by the SEC's scheme.

DUBOKEUR®

Dubokeur®

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



Accoya® wood won the prestigious international **Wood Products Association** award (WPA) for innovative excellence in April 2011 at the annual conference in New Orleans.



Of the various schemes for sustainability forestry available, the Forest Stewardship Councils (**FSC**) and the programme for the Endorsement of Forest Certification (**PEFC**) are regarded as the leading and most comprehensive certification programs available. Both programs not only focus on benign environmental performance but also safeguard social interests for all stakeholders involved.

Cradle to Cradle

Accoya® wood is one of only 10 building products worldwide to receive Cradle to Cradle Gold Certification by MBDC. Cradle to Cradle Certification provides a means to tangibility and credibly measure achievement in environmentally-intelligent design and helps customers purchase and specify products that are pursuing a broader definition of quality. This includes using environmentally safe and healthy materials and instituting strategies for social responsibility.



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® wood was rated as excellent or A in 2011.



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 rigor 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. It was developed to help consumers and companies select products that are guaranteed to have met stringent environmental standards.

Of the many green building certification schemes available worldwide, **BREEAM** (mainly used in Europe) and **LEED** (mainly used in North America) are most 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.

Accoya® Deck selected for Chaumont-sur-Loire International Garden Show

Accoya® wood has been selected to provide decking for one of just twenty six gardens on display at Europe's most renowned garden events the Chaumont-sur-Loire International Garden Show.

The festival receives hundreds of entries each year from the world's leading designers keen to showcase their work.

Architectural designer Hay Jung, of London firm Randle Siddeley Associates has been selected to showcase her garden concept, which features Accoya Deck and is entitled 'The Balance'.

The garden includes stone monoliths which represent the seven deadly sins and seven heavenly virtues connected by wooden decked paths, crafted from Accoya wood. There are also 'see-saw' structures of Accoya which connect different sides of the garden and which symbolise the need for balance in life.



Board of Directors



Patrick Shanley,
Non-executive Chairman

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 and Chairman of Cordenka Investments bv. Patrick is currently Chairman of Finacor bv, being the only remaining Acordis operating entity which was acquired by CVC Capital Partners. 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. Patrick joined the Accsys Board in November 2010 and became non-executive chairman in April 2014.



Paul Clegg,
Chief Executive Officer

Paul, born May 1960, assumed the role of Chief Executive Officer on 1 August 2009. Paul had been a Non-Executive Director of the Group since April 2009 and had been working with the Group as part of the Chairman's Office since mid 2008. Prior to this, he was CEO of Cowen International, subsequent to its sale by Société Générale in 2006. Before this, he ran SG Cowen International, part of the Société Générale Group, from 2000 to 2006. Paul started in investment banking in 1981 at The First Boston Corporation. Since then he has held senior positions at various investment banks including James Capel and Schroders. Paul is also a Non-Executive Director at Synairgen and Peel Hunt LLP as well as being Chairman of Tricoya Technologies Limited.



Hans Pauli,
Chief Operating Officer

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 Euronext Pharming Group N.V and OctoPlus N.V. Hans now divides his time between the Group's Arnhem plant and its Windsor headquarters. Hans joined the Accsys board in April 2010.



William Rudge,
Finance Director

Will, born February 1977, had been the Financial Controller for Accsys since joining the Company in January 2010 before being appointed finance director in 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. Will spent a year working at Cadbury plc, including as financial controller at one of their business units, before joining Accsys.



Nick Meyer,
Non-Executive Director

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 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. Nick joined the Accsys board in May 2011.

Directors Report

for the year ended 31 March 2014

The Directors present their report together with the audited consolidated financial statements for the year ended 31 March 2014.

RESULTS AND DIVIDENDS

The consolidated statement of comprehensive income for the year is set out on page 43, 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 activity of the Group is the production and sale of Accoya® solid wood and licensing of technology for the production and sale of Accoya® wood and Tricoya® wood elements via the Company's 100% owned subsidiaries, Titan Wood Limited, Titan Wood B.V., Titan Wood Technology B.V. and Titan Wood Inc (collectively the 'Group') and its joint-venture with INEOS, Tricoya Technologies Limited. Manufactured through the Group's proprietary acetylation processes, these products exhibit superior dimensional stability and durability compared with alternative natural, treated and modified woods as well as more resource intensive man-made materials. A review of the business is set out in the Chairman's statement and the Chief Executive's report on pages 4 to 10. Accsys Technologies PLC is incorporated in the United Kingdom.

STRATEGIC REPORT

The Strategic Report, on page 12, 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 25 of the financial statements.

SHARE ISSUES

On 5 July 2013, a total of 4,765,666 shares were issued to an Employment Benefit Trust, the beneficiaries of which were to be the Executive Directors and Senior Managers (see note 13).

On 13 September 2013, a total of 415,332 of Ordinary shares were issued and released to employees together with the 497,854 of Ordinary shares issued to trust on 12 August 2013. (See note 13).

On 20 January 2014, a total of 369,423 of Ordinary shares were issued and released to employees.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

(a) Economic and market conditions

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

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

The Group has intangible assets amounting to €8.3m. The carrying values of these assets are dependent on new or existing licensees building their production plants and executing their business plans.

(b) Regulatory, legislative and reputational risks

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

(c) Employees

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

(d) Intellectual property

The Group's strategy of licensing technology depends upon maintaining effective protection of its intellectual properties worldwide. Protection is afforded by a combination of trademarks, patents, secrecy, confidentiality agreements and the structuring of legal contracts relating to key licensing, engineering and supply arrangements. Unauthorised use of the Group's intellectual property may adversely impact its ability to license the technology and lead to additional

expenditure to enforce legal rights. The wide geographical spread of our products increases this risk due to the increasingly varied and complex laws and regulations in which we seek to protect the Group's intellectual property.

(e) Litigation

During the period the group terminated its licence agreement with Diamond Wood who subsequently served a notice of arbitration against Accsys. Further details are provided in note 28.

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.

	2014 kg CO ₂ eq	2013 kg CO ₂ eq
Electricity, heat, steam and cooling for own use - GROSS	2,800,294	2,292,045
Electricity, heat, steam and cooling for own use - NET (including Renewable Energy Credits)	40,211	49,128
Combustion of fuel & operation of production facility (MP4), in Arnhem, the Netherlands	2,263,107	2,194,196
TOTAL - GROSS	5,063,401	4,486,241
TOTAL - NET (including Renewable Energy Credits)	2,303,318	2,243,324
Chosen intensity measurement: Emissions per cubic meter Accoya produced - GROSS	210	303
Chosen intensity measurement: Emissions per cubic meter Accoya produced - NET (including Renewable Energy Credits)	95	151

Notes:

- Due to unavailability of data, GHG emissions related to our offices and staff travel are not included. 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.
- Following Environmental Reporting Guidelines of Defra (2013), carbon offsets due to e.g. purchase of Renewable Energy Credits may be accounted for separately as a "NET" figure, while the original electricity consumption figures are presented as a "GROSS" figure.
- 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>.
- Further details concerning the environmental impact of our products as a whole are detailed in the Sustainability Report, including an assessment of the overall life cycle of Accoya.

DIRECTORS

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

Paul Clegg
 Hans Pauli
 Gordon Campbell (Died, 26 April 2014)
 Patrick Shanley
 Montague John 'Nick' Meyer
 William Rudge

DIRECTORS' INDEMNITIES

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

EMPLOYMENT POLICIES

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

17% of employees in the period were female. 10% of the senior management team were female and none of the Board of Directors was female.

Directors Report continued

for the year ended 31 March 2014

HEALTH AND SAFETY

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

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

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%:

• Royal Bank of Canada	5.73%
• OP-Pohjola Group Central Cooperative	5.55%
• INEOS	5.43%
• OP-Henderson Global Investors	5.16%
• The London & Amsterdam Trust Company Limited	5.13%
• FIL Limited (formerly known as Fidelity International Limited)	4.93%
• Invesco Limited	4.87%
• Saad Investments Company Limited	3.92%
• Zurab Lysov	3.71%

There are no restrictions in respect of voting rights.

GOING CONCERN

The Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future. 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 39 to 40 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
2 July 2014

Remuneration Report

I am pleased to welcome you to our 2014 Remuneration Report in which we have summarised the Company's remuneration policy and described how the policy was implemented in the year to 31 March 2014 and how it will be implemented in the year ending March 2015 and over the following years.

YEAR ENDED 31 MARCH 2014 - PERFORMANCE AND PAY

The year ended 31 March 2014 was a very strong year for Accsys. This is fully detailed in the Chairman's statement at the beginning of this Annual Report. This included a 78% increase in revenue, an 88% increase in sales volumes, a 34% reduction in EBITDA loss and significant progress in respect of the group's licensing activities.

REMUNERATION POLICY CONSIDERATIONS FOR 2014

The key policy initiatives which the Committee undertook in the year included the establishment of a new Long Term Incentive Plan ('LTIP').

As a result of the achievements of the current management team to turn around the Company since 2009, Accsys reached a stage where it is geared for future growth and its next phase of development. To support this development, the Company recognised the importance of putting in place a remuneration structure for the management team to retain, motivate and align their interests to the future growth of the organisation.

The Remuneration Committee (the "Committee") of the Company, the members of which are non-executive directors, therefore undertook a comprehensive review of the existing remuneration structure in place. Following the review of the respective components of the management team's remuneration package (base salary, annual bonus, long-term incentive), the Committee identified that a new long-term incentive plan was critical in providing market competitive levels of total remuneration to executives, aligning their interests to the business strategy and future development of the Company.

The new LTIP was developed taking into account the key issues of:

- retention and motivation concerns around the current management team who are critical to the success of the Company;
- the current share option plan which was not providing a leveraged incentive to the management team and the structure of which was increasingly becoming out of line with market practice for executive remuneration design; and
- the previous level of potential dilution from the previous share awards was high, impacting the ability for the Company to make future equity awards. The Committee recognised that putting in place a new incentive plan to motivate the management team more effectively than the existing plan required action to reduce the previous level of outstanding dilution.

The continued development of the Company and the successful execution of the business strategy depends on the retention, motivation and potential recruitment of top talent into the organisation. This required the development of an appropriate long-term incentive policy that can support the current and future business strategy.

In developing the new LTIP, the Committee's guiding principles were:

- being forward looking and developing an incentive structure which will support the Company's strategy over the next phase of its development;
- key members of the management team are participants in the plan, ensuring their interests are aligned to that of shareholders; and
- provide market competitive levels of awards to participants with the opportunity to earn higher levels of awards for the achievement of stretching performance targets.

FORMAT OF THE REPORT AND CONTEXT OF OUR POLICY

This year's Remuneration Report is prepared under the new UK regime for the reporting of executive pay. Although we are quoted on AIM in the UK, our cross-listing on NYSE Euronext in the Netherlands and 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 therefore legally required to comply with the new regime for the reporting and approval of directors' remuneration by UK quoted companies, including a binding vote on the directors' remuneration policy, which has applied to UK companies fully listed on the UK stock exchange from October 2013.

The new reporting regime has not altered our core approach to director remuneration. We remain committed to pay at appropriate, but not excessive, levels and to reflect market practice amongst AIM companies.

To present the Remuneration Report in the format required by the new UK reporting regime, we have made some changes to the order in which the report is being presented this year. Accordingly, over the following pages we have set out:

- The Group's forward-looking Directors' Remuneration Policy which, for the first time, is subject to a separate vote by shareholders at our 2014 AGM. If approved by our shareholders, this policy will become binding and all payments made to directors from that time must be made consistently with this policy.
- Details of the implementation of our reward policy for the year ended 31 March 2014, within the Remuneration Report.

Remuneration Report continued

As with many other AIM companies, our remuneration policy is more dynamic than would be typical on the Official List with long-term incentive awards not necessarily granted on an annual basis and the basis for determining bonus levels being more judgmental although the Company will increasingly look to formalise KPIs for bonuses as the Company matures.

Our policy, as set out in this report, focuses on our actual approach to pay which we believe is in our shareholders' best interests. It includes the required formal caps (which we have set at higher levels than we envisage needing and which are not in any way an aspiration) but also retains appropriate, but limited, flexibility to address changing circumstances in the 3-year period in which it is planned to operate the policy.

I hope that we can rely on the support of our shareholders for the Remuneration Report resolutions at the 2014 AGM

Yours sincerely

Nick Meyer
Remuneration Committee Chairman
2 July 2014

INTRODUCTION

The following section contains the material required to be set out as the directors' remuneration policy for the purposes of Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, which amended The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. This policy will take effect, subject to the approval of the shareholders, immediately after the 2014 AGM.

At our 2014 AGM we will be holding two votes on remuneration matters:

- 1) a vote on the Directors' Remuneration Policy as set out in Part A of this Remuneration Report
- 2) a vote on the remaining implementation sections of this Remuneration Report.

The auditors have reported on certain parts of the Remuneration Report and stated whether, in their opinion, those parts of the Remuneration Report have been properly prepared in accordance with the Companies Act 2006. Those sections of the Report which have been subject to audit are clearly indicated.

PART A: DIRECTORS' REMUNERATION POLICY

The Directors' Remuneration Policy as set out in this section of the Remuneration Report will take effect for all payments made to Directors from the date of the AGM, which is expected to be held in September 2014.

Remuneration policy

The Company's remuneration policy has been designed to attract, retain and motivate Executive Directors of the calibre required to deliver the business strategy. Individual remuneration packages are structured to align rewards with the performance of the Company and the interests of shareholders. The main principles are to:

- ensure that salaries are set at a market competitive level by benchmarking against appropriate external comparators,
- support high performance culture by rewarding upper quartile performance with upper quartile reward,
- maintain an appropriate balance between fixed and performance related pay,
- align long-term rewards with shareholders; and
- ensure that the overall package reflects market practice and takes account of remuneration elsewhere in the group.

Future Policy Table

Element and purpose	Policy and operation	Maximum	Performance measures
<p>Base salary This is the core element of pay and reflects the individual's role and position within the Group with some adjustment to reflect their capability and contribution.</p>	<p>Base salaries are reviewed against suitable external comparators, although the Committee does not strictly follow data but uses it as a reference point in considering, in its judgment, the appropriate level of salary having regard to other relevant factors including corporate and individual performance and any changes in an individual's role and responsibilities.</p> <p>Base salary is paid monthly in cash.</p>	<p>In the normal course of events, the executive directors' salaries would not normally be increased by more than the average awarded to staff generally and, in any event, no increase from current salary levels would be made that would take an executive directors' salary above a limit of €400,000 p.a.</p>	N/A
<p>Benefits To provide benefits valued by recipient.</p>	<p>Provide market competitive benefits in kind. Details of the benefits provided in 2013/14 are set out in the section below. The Committee reserves discretion to introduce new benefits where it concludes that it is in the interests of Accsys to do so, having regard to the particular circumstances and to market practice.</p> <p>Where appropriate, the Company will meet certain costs relating to Executive Director relocations.</p>	<p>It is not possible to prescribe the likely change in the cost of insured benefits or the cost of some of the other reported benefits year-to-year, but the provision of benefits will operate within an annual limit of 20% of an Executive Director's base salary (plus a further 100% in the case of relocations).</p> <p>The Committee will monitor the costs in practice and ensure that the overall costs do not increase by more than the Committee considers to be appropriate in all the circumstances.</p>	N/A
<p>Pension To provide retirement benefits and remain competitive within the market place.</p>	<p>Accsys contributes to personal pension arrangements and/ or offers a salary supplement in lieu.</p>	<p>A contribution limit of 15% of base salary p.a. per Executive Director has been set for the duration of this policy.</p>	N/A
<p>Annual Bonus Plan To motivate employees and incentivise delivery of annual performance targets.</p>	<p>Annual bonus levels and the appropriateness of measures are reviewed annually to ensure they continue to support the strategy.</p> <p>Annual bonus is delivered primarily in shares although the Committee proposes to pay annual bonuses substantially or entirely in cash once the business sustains a constant and steady level of working capital to support the Company's growth strategy.</p> <p>Shares awarded as bonus vest one year after the date of award.</p> <p>Share awards attract dividends, should the company award any dividends.</p>	<p>To date, the annual bonus has operated on an uncapped ad hoc basis without a formal cap although the Committee has, in practice, remained within 120%.</p> <p>To comply with the legislation, a cap of 200% of base salary p.a. has been introduced but it should be particularly noted that this is not an aspiration.</p>	<p>The performance measures applied may be financial or non-financial and corporate, divisional or individual and in such proportions as the Committee considers appropriate.</p> <p>Attaining the threshold level of performance produces a nil pay-out.</p> <p>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 originally set.</p>

Remuneration Report continued

Element and purpose	Policy and operation	Maximum	Performance measures
<p>Long-Term Incentives To motivate and incentivise delivery of sustained performance over the long-term, and to promote alignment with shareholders' interests, the Group operates the Accsys Technologies 2013 Long-Term Incentive Plan.</p>	<p>Awards under the LTIP may be granted as nil-cost options.</p> <p>Given the current absence of distributable reserves, it may not be possible to allot shares as fully paid so the Company reserves the right to require participants to pay par value and, in turn, allot further shares at par value which will generate a gain equal to the par value on shares subject to the award.</p> <p>Malus provisions apply to unvested awards on the discovery of deficient performance, or alternatively, award cash bonuses to the equivalent amount.</p> <p>Clawback of vested awards apply in the event of mis-booking of reserves, misstatement of earnings, censure by a regulatory authority or any other serious damage to Company reputation.</p> <p>Three types of awards can be granted:</p> <ul style="list-style-type: none"> • Retention based awards, not subject to performance conditions but subject to continued employment for 3 years • Performance based awards, subject to performance conditions • Exceptional multiplier awards, subject to performance conditions which require the creation of significant value for shareholders 	<p>The LTIP allows for the grant of awards over up to 10% of issued share capital over a 10 year period (including outstanding awards under all other share plans but excluding shares issued in respect of annual bonus arrangements, any options or awards which have lapsed and any awards to be satisfied by shares purchased by an employees' shares trust).</p> <p>The Committee expressly reserves discretion to make such awards as it considers appropriate within these limits.</p>	<p>The Committee may set such performance conditions on LTIP awards as it considers appropriate (whether financial or non-financial and whether corporate, divisional or individual).</p> <p>Once set, performance measures and targets will generally remain unaltered unless events occur which, in the Committee's opinion, make it appropriate to substitute, vary or waive the performance conditions in such manner as the Committee thinks fit.</p> <p>Performance periods may be over such periods as the Committee selects at grant.</p> <p>No less than 25% of awards vest for attaining the threshold level of performance conditions.</p>
<p>Employee Share Participation Plan To encourage share ownership by employees, thereby allowing them to share in the long-term success of the Group and align their interests with those of the shareholders.</p>	<p>Executive Directors are able to participate in all-employee share plans on the same terms as other Group employees.</p>	<p>The Employee Share Participation Plan allows for individuals to subscribe for shares on two occasions during the year up to a limit of €5,000 per annum.</p> <p>On each occasion a 1:1 match for shares subscribed is offered subject to still being employed by the Company after one year.</p>	<p>Consistent with normal practice, such awards are not subject to performance conditions.</p>

Element and purpose	Policy and operation	Maximum	Performance measures
Chairman and Non-Executive Director fees	<p>The fees paid to the Chairman and the fees of the other Non-executive directors are set to be competitive with other listed companies of equivalent size and complexity.</p> <p>Fee levels are periodically reviewed. The Company does not adopt a quantitative approach to pay positioning and exercises judgment as to what it considers to be reasonable in all the circumstances as regards quantum.</p> <p>Fees are paid quarterly in cash.</p> <p>Non-Executive Directors are not eligible to participate in incentive arrangements or receive pension provision or other benefits such as private medical insurance and life insurance.</p>	<p>The aggregate fees of the Chairman and Non-executive directors will not exceed €250,000 p.a. in aggregate.</p> <p>The Company reserves the right to vary the structure of fees within this limit including, for example, introducing time-based fees or reflecting the establishment of new Board Committees.</p>	N/A

Notes to the policy table

1. Annual bonus performance measures for year ended March 2015

The Committee will continue to operate the annual bonus plan as it has in past years, with the award of bonuses being determined by the Committee taking account of a broad range of financial and operational performance measures. Given the competitive nature of the Company's sector these performance measures and related targets are considered to be commercially sensitive and accordingly are not disclosed, and are likely to remain so. As the Company matures, the Committee may seek to develop more formulaic KPIs and will consider the extent to which it is feasible to disclose such targets on a retrospective basis.

2. Performance conditions for LTIP awards in the year ending March 2015

If LTIP awards are made in the year ending March 2015, then the performance conditions will be set within the permitted provisions of the rules. For awards made in the year ended March 2014, the conditions are set out in the Remuneration Report.

The Committee selected these performance metrics for the year ended March 2014 as they provide a balance between delivery of earnings and external market performance, both of which are key measures of success for the Company.

3. Differences between the policy on remuneration for Directors from the policy on remuneration of other employees

Where Accsys' pay policy for Directors differs to its pay policies for groups of employees, this reflects the appropriate market rate position for the relevant roles.

4. Stating maximum amounts for the remuneration policy

The new UK regulations and related investor guidance encourages companies to disclose a cap within which each element of Remuneration Policy will operate. Where maximum amounts for elements of remuneration have been set within the Directors' Remuneration Policy, these will operate simply as caps and are not indicative of any aspiration.

5. Travel and hospitality

While the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality (whether paid for by the Company or another) and business travel for directors (and exceptionally their families) may technically come within the applicable rules and so the Committee expressly reserves the right for the Committee to authorise such activities within its agreed policies.

Remuneration Report continued

Recruitment remuneration policy

The Company's recruitment remuneration 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. However, as an external recruitment has not taken place for a considerable period of time, the preparation of this policy is challenging as it provides for an event which has not been the Company's practice.

In terms of the principles for setting a package for a new Executive Director, the starting point for the Committee will be to apply the general policy for Executive Directors as set out above and structure a package in accordance with that policy. Consistent with the new UK regulations, the caps contained within the policy for fixed pay do not apply to new recruits, although the Committee would not envisage exceeding these caps in practice.

The annual bonus and long-term incentive compensation arrangements will operate (including the maximum award levels) as detailed in the general policy in relation to any newly appointed Executive Director. 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.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as it considers appropriate.

For external candidates, it may be necessary to make additional awards in connection with the recruitment to buy-out awards forfeited by the individual on leaving a previous employer.

For the avoidance of doubt, buy-out awards are not subject to a formal cap. Any recruitment-related awards which are not buy-outs will be subject to the limits for incentive pay as stated in the general policy.

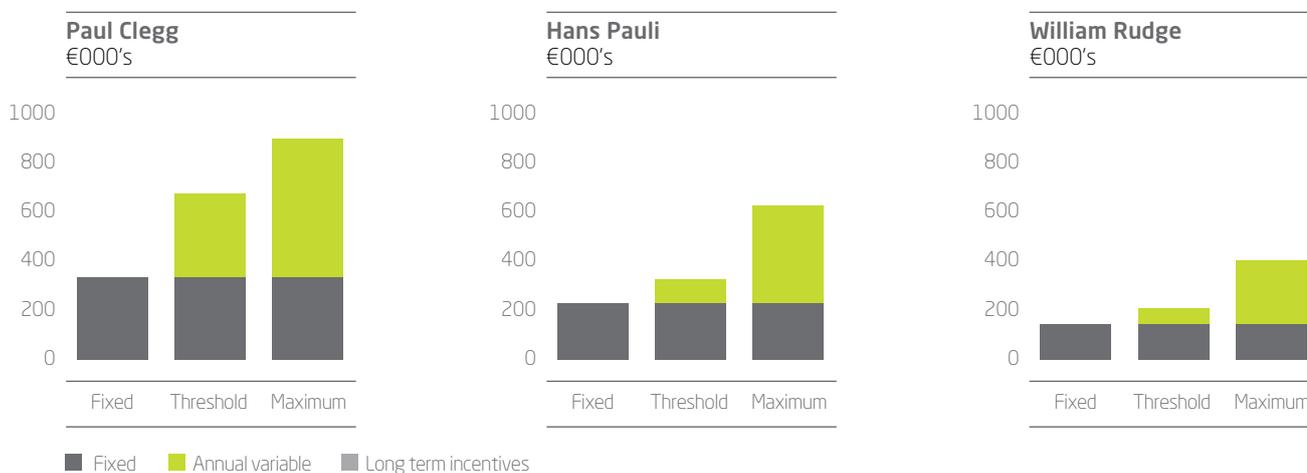
For any buy-outs the Company will not pay more than is, in the view of the Committee, necessary and will in all cases seek, in the first instance, to deliver any such awards under the terms of the existing incentive pay structure. It may, however, be necessary in some cases to make buy-out awards on terms that are more bespoke than the existing annual and equity-based pay structures. Details of any recruitment-related awards will be appropriately disclosed.

All buy-outs, whether under the annual bonus plan, LTIP or otherwise, will take account of the service obligations and performance requirements for any remuneration relinquished by the individual when leaving a previous employer. The Committee will seek to make buy-outs subject to what are, in its opinion, comparable requirements in respect of, service and performance. However, the Committee may choose to relax this requirement in certain cases (such as where the service and/or performance requirements are materially completed), and where the Committee considers it to be in the interests of shareholders, or where such factors are, in the view of the Committee, reflected in some other way, such as a significant discount to the face value of the awards forfeited.

A new Non-Executive Director would be recruited on the terms explained above in respect of the main policy for such Directors.

Potential rewards under different scenarios

The charts below show the payout under the proposed arrangements for each executive director under different scenarios.



Notes:

- Fixed pay out reflects basic salaries, benefits in kind and pension allowances (and assuming maximum take-up of the all-employee share award) in place at the start of the year ending 31 March 2015.
- As the Company does not have a formal on-target level for bonus, the pay-out levels for the last financial year (120% of salary for the CEO and 50% for each of the other Executive Directors) has been taken with the maximum based on a payment at 200% (the latter figure very much being regarded as cap rather than a realistic estimate).
- Options were granted under the new LTIP plan in the year ended 31 March 2014 and no new grants are expected in the year ended 31 March 2015 so no figure has been included in the above chart.

Directors' service contracts

The Company's general approach on recruiting a new Executive Director would be to follow the terms of the contracts of Mr Pauli and Mr Rudge. However, it is difficult to be definitive regarding a currently unforeseen event and the Company reserves the right to introduce a longer initial notice period (of up to 2 years) reducing over time.

Executive Director service contracts, which do not contain expiry dates, provide that compensation provisions for termination without notice will only extend to salary, certain fixed benefits and pension. In the case of William Rudge and Hans Pauli such 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.

Name	Date of contract	Notice period from either party (months)
Paul Clegg	2 September 2009	12
Hans Pauli	1 March 2010	6
William Rudge	1 October 2012	3

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 practice, the facts surrounding any termination do not always fit neatly into defined categories for good or bad leavers. Therefore, it is appropriate for the Committee to consider the suitable treatment on a termination having regard to all of the relevant facts and circumstances available at that time. This policy applies both to any negotiations linked to notice periods on a termination and any treatment which the Committee may choose to apply under the discretions available to it under the terms of the annual bonus and LTIP plans. The potential treatments on termination under these plans are summarised below.

Incentives	Good leaver ¹	Bad leaver ²	Exceptional events ³
Annual bonus	Pro-rated bonus. Pro-rating to reflect only the period worked. Performance metrics determined by the Remuneration Committee. Annual bonus awarded in shares, but still held in the Employee Benefit Trust for a year, will fully vest.	No awards made	Either the annual bonus will continue for the year or there will be a pro-rated bonus. Performance metrics determined by the Remuneration Committee
LTIP	Will receive a pro-rated award subject to the application of the performance conditions at the normal measurement date.	All awards will normally lapse	Awards vest after taking into account both the application of the performance conditions at the date of the event and the period of time served (other than in the respect of retention based awards)

1 If a leaver is deemed to be a 'good leaver'; i.e. leaving through redundancy, retirement, ill health, disability or death, sale of part of the Group or otherwise at the discretion of the Remuneration Committee.

2 If a leaver is deemed to be a 'bad leaver'; typically voluntary resignation or leaving for disciplinary reasons.

3 For example change in control or winding up of the Company.

Remuneration Report continued

The Company has power to enter into settlement agreements with executives and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of termination of an Executive Director, the Company may pay a contribution towards the individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees would be disclosed as part of the detail of termination arrangements. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.

Non-Executive Directors' contracts

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

Name	Date of letter of appointment ¹	Appointment end date	Unexpired term (months)
Nick Meyer	17 May 2011	17 May 2017	34
Patrick Shanley	18 November 2010	18 November 2016	28

1. As amended by agreements dated 21 November 2013 and 10 June 2014.

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.

Consistent with normal practice, the Committee did not consult with employees in preparing the Directors' Remuneration Policy.

Consideration of shareholders' views

Each year the Committee takes into account the approval levels of remuneration related matters at our annual general meeting in determining that the current Directors' remuneration policy remains appropriate for the Company.

The Committee seeks to build an active and productive dialogue with investors on developments in the remuneration aspects of corporate governance generally and any changes to the Company's executive pay arrangements in particular.

PART B: DIRECTORS' REMUNERATION

Performance graph

The following graph shows the Company's performance for the past five 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.



Directors' remuneration

Directors' remuneration for the year ended 31 March 2014:

	Fees/Basic Salary €'000	Cash bonus ¹ €'000	Share bonus ² €'000	Pension €'000	Benefits in kind €'000	Employee Share Plan benefit €'000	2014 Total €'000
Paul Clegg	284	56	233	28	16	-	617
Hans Pauli	201	31	83	12	10	3	340
William Rudge	130	19	53	7	2	3	214
Gordon Campbell	75	-	-	-	-	-	75
Patrick Shanley	35	-	-	-	-	-	35
Montague John 'Nick' Meyer	35	-	-	-	-	-	35
	760	106	369	47	28	6	1,316

Directors' remuneration for the year ended 31 March 2013:

	Fees/Basic Salary €'000	Cash bonus ¹ €'000	Share bonus ² €'000	Pension €'000	Benefits in kind €'000	Employee Share Plan benefit €'000	2013 Total €'000
Paul Clegg	293	51	229	29	16	-	618
Hans Pauli	205	4	102	12	10	3	336
William Rudge ³	66	-	-	3	1	-	70
Gordon Campbell	77	-	-	-	-	-	77
Patrick Shanley	35	-	-	-	-	-	35
Montague John 'Nick' Meyer	35	-	-	-	-	-	35
Russell Sanderson ⁴	36	-	-	-	-	-	36
	747	55	331	44	27	3	1,207

1. Represents annual bonus paid in cash in the period, relating to performance for the previous financial year.
2. Represents annual bonus awarded in form of Ordinary shares, relating to performance for the previous financial year. Shares are held in an Employment Benefit Trust and will fully transfer to the individual after a period of 1 year, assuming still employed or a good leaver and subject to regulation.
3. William Rudge was appointed as a Director on 1 October 2012.
4. Lord Sanderson resigned as a Director with effect from 31 March 2013.

Bonuses awarded in the form of cash and shares were determined by the Committee having taken into account of a broad range of financial and operational performance measures and also taking into account a degree of discretion, reflecting the longer term and strategic objectives of the Company. Given the competitive nature of the Company's sector these performance measures are considered to be commercially sensitive and accordingly are not disclosed.

Pension entitlements relate to Company contributions to personal pension schemes. The Company does not operate any defined benefit pension scheme.

The above section has been audited.

Remuneration Report continued

Directors' share options

Directors' share options for the year ended 31 March 2014:

	At 1 April 2013	Granted during year	Cancelled during year	At 31 March 2014
Paul Clegg				
Unvested at €0.35	2,557,424	-	(2,557,424)	-
Unvested at €0.24	3,057,676	-	(3,057,676)	-
Unvested at €0.10	4,237,982	-	(4,237,982)	-
Unvested at €0.15	1,000,000	-	(1,000,000)	-
Unvested - LTIP Element A (nil cost)	-	3,500,000	-	3,500,000
Unvested - LTIP Element B (nil cost)	-	5,200,000	-	5,200,000
Unvested - LTIP Element C (nil cost)	-	2,200,000	-	2,200,000
Total	10,853,082	10,900,000	(10,853,082)	10,900,000
Hans Pauli				
Unvested at €0.32	1,017,354	-	(1,017,354)	-
Unvested at €0.17	718,173	-	(718,173)	-
Unvested at €0.15	718,173	-	(718,173)	-
Unvested - LTIP Element A (nil cost)	-	1,000,000	-	1,000,000
Unvested - LTIP Element B (nil cost)	-	800,000	-	800,000
Unvested - LTIP Element C (nil cost)	-	400,000	-	400,000
Total	2,453,700	2,200,000	(2,453,700)	2,200,000
William Rudge				
Unvested at €0.24	212,488	-	(212,488)	-
Unvested at €0.10	350,000	-	(350,000)	-
Unvested at €0.15	350,000	-	(350,000)	-
Unvested - LTIP Element A (nil cost)	-	500,000	-	500,000
Unvested - LTIP Element B (nil cost)	-	550,000	-	550,000
Unvested - LTIP Element C (nil cost)	-	250,000	-	250,000
Total	912,488	1,300,000	(912,488)	1,300,000
Total	14,219,270	14,400,000	(14,219,270)	14,400,000

The Company's share price on the day on which the LTIP Awards were made (20 September 2013) was €0.14, and thus the face value of the awards made to the Executive Directors was as follows: Paul Clegg €1,526,000, Hans Pauli €308,000, William Rudge €182,000.

The above table has been audited.

Further details in respect of the cancelled share options are included in note 13. Awards granted under the LTIP are subject to continued employment and satisfaction of the performance conditions. Performance will be measured at the end of a three year performance period (following the grant date) for each Element.

Element A - Vesting is contingent upon continued employment for three years and share price not falling below €0.13 at the end of the performance period.

Element B - Measured against two equally weighted performance conditions:

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

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

Element C - This element vests in full if the share price is at or above €0.26 at the end of the performance period.

Share Bonus Award - Employee Benefit Trust

On 5 July 2013, in connection with employee remuneration and incentivisation arrangements for the period from 1 July 2012 to 30 June 2013, 4,765,666 new ordinary shares were issued to an Employee Benefit Trust, the beneficiaries of which included the Executive Directors as follows:

	Ordinary Shares
Paul Clegg	1,900,000
Hans Pauli	678,000
William Rudge	432,666

Such new ordinary shares were to vest if the Directors remained in employment with the Company at the vesting date, being 1 July 2014 (subject to certain other provisions including regulatory requirements, good-leaver, take-over and nomination and remuneration committee discretion provisions).

Employee Share Participation Plan

Details of the Employee Share Participation Plan (the 'Plan') are set out in Note 13. During the year, the Directors participated in the Plan as follows:

During the year ended 31 March 2014 the plan was open for subscription once. In July 2013 the following executive Directors subscribed for Shares at an acquisition price of €0.14 per Share:

Hans Pauli	17,857
William Rudge	17,857

During the year ended 31 March 2014, 1 for 1 matching shares were issued to the trust following the January 2013 subscription period which were then issued to Directors as follows:

Hans Pauli	17,857
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Relative importance of spend on pay

During the year ended 31 March 2014, the total pay for all group employees was €6,469,000 (2013: €6,160,000). This compared to a total of nil (2013: €nil) in respect of dividends and share buybacks.

Consideration of matters relating to directors' remuneration

The Nominations and Remuneration Committee consists of Nick Meyer (Chairman), Patrick Shanley and, until April 2014, Gordon Campbell. The Committee's adviser is FIT Remuneration Consultants LLP which was appointed by the Committee in 2011 and which the Committee is satisfied remains independent and objective. It provided no services to the Committee or the Company more generally during the financial year. During the period, the Committee did not receive formal independent advice but reviewed advice obtained by management from PwC in respect of the establishment of the new LTIP, for which they received fees of €27,000.

Directors' interests in the Ordinary shares of the Company

The Directors' interests in the Ordinary shares at the year-end were as follows:

	Legal holdings		Beneficial interests ²	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Gordon Campbell	173,333	173,333	-	-
Paul Clegg ¹	341,110	407,810	2,300,200	1,833,500
Hans Pauli	818,424	446,043	695,857	684,523
Patrick Shanley	166,666	166,666	-	-
Montague John 'Nick' Meyer	75,000	75,000	-	-
William Rudge	250,000	169,686	450,523	200,000

1. Beneficial interests at 31 March 2014 include 400,200 (2013: 333,500) shares held directly or indirectly by other members of Paul Clegg's immediate family.

2. Beneficial interests include shares awarded as part of the annual bonus and held in the Employment Benefit Trust.

The above table has been audited.

Remuneration Report continued

CEO's relative remuneration

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
Total remuneration	341	421	325	619	616
Bonus/vested incentives	94	139	-	280	288
% Bonus/vested incentives	27%	33%	0%	45%	47%

As no formal cap or maximum bonus existed in the year or previous years, no figure has been disclosed setting out this percentage.

The CEO's total salary, taxable benefits and annual bonus increased by 0% in the period compared to the prior year (2013 increase: 91%). Excluding Directors, the average group salary, benefits and bonus increased by 0% (2013: 4%).

Statement of voting at general meeting

At the AGM held on 19 September 2013, an ordinary resolution was passed in respect of the approval of the Directors' remuneration report for the year ending 31 March 2013. 130,921,334 (82.7%) votes were cast for the resolution, 27,467,370 against and 740 withheld.

Auditable part of the remuneration report

In their audit opinion on page 42, PricewaterhouseCoopers LLP refer to their audit of the disclosures required by the Companies Act 2006. These comprise the following disclosures in this Report:

- The table on page 35 showing total remuneration received by Directors during the year ended 31 March 2014;
- The table on page 35 showing total pension contributions made on behalf of the Directors during the year to 31 March 2014; and
- The share options table for the year ended 31 March 2014 on page 36.

Further details of the share option awards are set out in Note 13 of the financial statements.

Corporate Governance

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

THE BOARD OF DIRECTORS

During the period, the Board comprised a Non-executive Chairman, two Non-executive Directors and three Executive Directors. Gordon Campbell, the Non-executive Chairman in the period, very sadly died in April 2014. Patrick Shanley was appointed Chairman while a permanent replacement is being considered.

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 Chief Operating Officer and Finance Director are members.

AUDIT COMMITTEE

The Audit Committee consists of Patrick Shanley (Chairman), Nick Meyer and, until April 2014, Gordon Campbell. 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 Nick Meyer (Chairman), Patrick Shanley and, until April 2014, Gordon Campbell. The Committee's role is to consider and approve the nomination of Directors and the remuneration and benefits of the Executive Directors, including the award of share options and bonus share awards. In framing the Company's remuneration policy, the Nominations & Remuneration Committee has given full consideration to Section D of The UK Corporate Governance Code.

INTERNAL FINANCIAL CONTROL

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

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

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

Corporate Governance continued

RELATIONS WITH SHAREHOLDERS

Communications with shareholders are given high priority.

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

DIRECTORS' ATTENDANCE RECORD

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

Number of meetings	Board		Audit Committee		Nominations & Remuneration Committee	
	Attended ¹	Serving	Attended	Serving	Attended	Serving
Gordon Campbell	7	13	3	3	4	4
Paul Clegg	11	13	3	-	3	-
Hans Pauli	10	13	3	-	-	-
Patrick Shanley	7	13	3	3	4	4
Montague John 'Nick' Meyer	7	13	3	3	4	4
William Rudge	11	13	3	-	-	-

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

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

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

Statement of Directors' Responsibilities

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the 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 (IFRSs) 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 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 the company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group 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. They are also responsible for safeguarding the assets of the Company and the Group 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.

Independent Auditor's Report to the Members of Accsys Technologies PLC

REPORT ON THE GROUP FINANCIAL STATEMENTS

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's affairs as at 31 March 2014 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements (the "financial statements"), which are prepared by Accsys Technologies PLC, comprise:

- the consolidated statement of financial position as at 31 March 2014;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flow for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report & Financial Statements 2014 (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material

misstatements or inconsistencies we consider the implications for our report.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of information and explanations received

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. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 41, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 matter

We have reported separately on the parent company financial statements of Accsys Technologies PLC for the year ended 31 March 2014 and on the information in the Directors' Remuneration Report that is described as having been audited.

Simon O'Brien (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
2 July 2014

- The maintenance and integrity of the Accsys Technologies PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2014

	Note	2014 €'000	2013 €'000
Accoya® wood revenue		29,293	16,555
Licence revenue		1,134	553
Other revenue		3,085	1,714
Total revenue	2	33,512	18,822
Total cost of sales		(25,753)	(15,474)
Gross profit		7,759	3,348
Other operating costs	3	(14,973)	(13,548)
Operating loss	6	(7,214)	(10,200)
Share of joint venture loss	7	(905)	(430)
Finance income	8	155	206
Finance expense	9	(226)	(244)
Loss before taxation		(8,190)	(10,668)
Tax charge	10	(699)	(355)
Loss for the period		(8,889)	(11,023)
(Loss)/Gain arising on translation of foreign operations, which could subsequently be reclassified into profit or loss		(36)	14
Total comprehensive loss for the year		(8,925)	(11,009)
Basic and diluted loss per ordinary share	12	€(0.02)	€(0.03)

The notes on pages 47 to 69 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 March 2014

Registered Company 05534340

	Note	2014 €'000	2013 €'000
Non-current assets			
Intangible assets	14	8,333	8,226
Investment in joint venture		340	62
Property, plant and equipment	15	20,740	22,271
Available for sale investments	16	-	-
Deferred tax	17	-	866
		29,413	31,425
Current assets			
Inventories	19	6,053	4,860
Trade and other receivables	20	4,477	3,688
Cash and cash equivalents		15,185	20,467
Corporation tax		446	623
		26,161	29,638
Current liabilities			
Trade and other payables	21	(5,557)	(3,357)
Obligation under finance lease	24	(264)	(264)
		(5,821)	(3,621)
Net current assets			
		20,340	26,017
Non-current liabilities			
Obligation under finance lease	24	(1,871)	(1,924)
		(1,871)	(1,924)
Net assets			
		47,882	55,518
Equity and reserves			
Share capital - Ordinary shares	22	4,392	4,332
Share premium account		128,648	128,588
Capital redemption reserve		148	148
Warrants reserve		235	235
Merger reserve		106,707	106,707
Accumulated loss		(192,223)	(184,511)
Own shares		(47)	(39)
Foreign currency translation reserve		22	58
Total equity		47,882	55,518

The financial statements were approved by the Board and authorised for issue on 2 July 2014, and signed on its behalf by;

Paul Clegg
Director

William Rudge
Director

The notes on pages 47 to 69 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Share capital Ordinary €'000	Share premium €'000	Capital redemption reserve €'000	Warrant reserve €'000	Merger reserve €'000	Own Shares €'000	Foreign currency translation reserve €'000	Retained earnings €'000	Total €'000
Balance at 31 March 2012	4,040	124,887	148	82	106,707	-	44	(174,415)	61,493
Total comprehensive income/ (expense) for the period	-	-	-	-	-	-	14	(11,023)	(11,009)
Expiry of warrants	-	82	-	(82)	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	927	927
Shares issued	292	-	-	-	-	(39)	-	-	253
Premium on shares issued	-	3,619	-	-	-	-	-	-	3,619
Share Warrants issued	-	-	-	235	-	-	-	-	235
Balance at 31 March 2013	4,332	128,588	148	235	106,707	(39)	58	(184,511)	55,518
Total comprehensive income/ (expense) for the period	-	-	-	-	-	-	(36)	(8,889)	(8,925)
Share-based payments	-	-	-	-	-	-	-	1,177	1,177
Shares issued	60	-	-	-	-	(8)	-	-	52
Premium on shares issued	-	60	-	-	-	-	-	-	60
Balance at 31 March 2014	4,392	128,648	148	235	106,707	(47)	22	(192,223)	47,882

Share capital is the amount subscribed for shares at nominal value (note 22).

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.

Capital redemption reserve represents the amounts transferred from share capital on redemption of deferred shares.

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

Own shares represents 4,765,666 shares issued to an Employee Benefit Trust at nominal value on 5 July 2013. These shares shall vest if the employees, including the Executive Directors, remain in employment with the Company to the vesting date, being 1 July 2014 (subject to certain other provisions including good-leaver, take-over and committee discretion provisions). See note 13.

Shares issued in the prior year together with share premium arose from the subscription for 23,529,412 new ordinary shares in Accsys, at a price of €0.17 per share by INEOS Industries Holdings Limited and 1,698,869 shares issued under the Employee Share Participation Plan. See note 13. At the same time the Company executed a warrant instrument in favour of INEOS, allowing INEOS the opportunity to purchase up to a further 16,468,236 shares at a price of €0.21 per share at certain times until October 2016. The warrant reserve represents the value attributable to these warrants. During the prior period, €82,000 attributable to previously issued warrants was transferred to retained earnings as the warrants expired.

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 47 to 69 form part of these financial statements.

Consolidated Statement of Cash Flow

For the year ended 31 March 2014

	2014 €'000	2013 €'000
Loss before taxation	(8,190)	(10,668)
Adjustments for:		
Amortisation of intangible assets	352	306
Depreciation of land, property, plant and equipment	2,024	1,950
Recognition of reduction of investment in joint venture	922	438
Net loss/(gain) on disposal of property, plant and equipment	77	(113)
Net finance expense	71	39
Equity-settled share-based payment expenses	1,177	927
Cash flows from operating activities before changes in working capital	(3,567)	(7,121)
(Decrease) in trade and other receivables	(253)	(12)
(Increase) in inventories	(1,194)	(1,739)
Increase/(decrease) in trade and other payables	1,757	(66)
Net cash used by operating activities before tax	(3,257)	(8,938)
Tax received	344	795
Net cash flows from operating activities	(2,913)	(8,143)
Cash flows from investing activities		
Interest received	124	206
Expenditure on capitalised internal development	(459)	(861)
Disposal of property, plant and equipment	-	1,699
Purchase of property, plant and equipment	(572)	(293)
Purchase of intangible assets	(23)	(44)
Investments in joint ventures	(1,200)	(500)
Net cash absorbed by investing activities	(2,130)	207
Cash flows from financing activities		
Interest paid	(226)	(244)
Repayment of finance lease	(54)	(36)
Proceeds from issue of share capital	70	4,112
Share issue costs	-	(15)
Net cash from financing activities	(210)	3,817
Net decrease in cash and cash equivalents	(5,253)	(4,119)
Effect of exchange rate changes on cash and cash equivalents	(29)	12
Opening cash and cash equivalents	20,467	24,574
Closing cash and cash equivalents	15,185	20,467

The notes on pages 47 to 69 form part of these financial statements.

Notes to the Financial Statements

For the year ending 31 March 2014

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 and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements under adopted IFRS. The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). These are presented on page 70.

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, which is deemed to be at least 12 months from the date these financial statements are approved.

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

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

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

Risks and uncertainties

The net assets as at 31 March 2014 of €48m contain balances in relation to the Group's goodwill, capitalised internal development costs and intellectual property rights of €8.3m. The recoverability of these balances is dependent upon the Group's existing licensees progressing with the completion of their manufacturing facilities or the signing of other new licence agreements. While the scope and timing of the production facilities to be built by the Group's existing and future licensees remains uncertain, the Directors remain confident that revenue from either existing licensees or new licensees will be generated, demonstrating the recoverability of these balances.

In addition, the carrying value of the €20.7m of property, plant and equipment, which primarily relate to the Arnhem plant, are dependent upon the future profitable sales of Accoya® wood made there. 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 as Accoya® competitive, then the carrying value of the property, plant and equipment may be in doubt and become impaired. The Directors consider that the current market and best estimates of future prices means that this risk is limited.

Changes in accounting policies

In the current period, the following new and revised Standards and Interpretations have been adopted. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements:

- IFRS 13 'Fair Value Measurement' - The Group has applied IFRS 13 for the first time in the current period. IFRS 13 establishes a single source of guidance for fair value measurements and associated disclosures. The scope of IFRS 13 is broad, applying to both financial instruments and non-financial instruments. The application of IFRS 13 has not had any impact on the amounts recognised in the consolidated financial statements.
- IAS 1 (amendment) 'Financial Statement Presentation' - This amendment requires that items of other comprehensive are identified between those that could be subsequently reclassified into profit and loss and those which could not.

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.

Notes to the Financial Statements *continued*

For the year ending 31 March 2014

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

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

Joint ventures

A jointly controlled entity is an entity in which the Group holds a long term interest and shares joint control over strategic, financial and operating decisions with one or more other venturers under a contractual arrangement. The Group's share of the assets, liabilities, income, expenditure and cash flows of such jointly controlled entities are accounted for using the equity method. The equity method records the Group's share of the results of the joint venture entity on a separate line in the Group's financial statements.

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

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

Revenue recognition

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

Manufacturing revenue

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

Licence fee income

Licence fee income is recognised over the period of the relevant agreements according to the specific terms of each agreement or the quantities and/or values of the licensed product sold. 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. The amount of any cash or billings received but not recognised as income is included in the financial statements as deferred income and shown as a liability.

Finance income

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

Finance expense

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

Finance expenses also include an allocation of finance charges in respect of the sale and leaseback of the Arnhem land and buildings 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.

1. ACCOUNTING POLICIES CONTINUED

Share-based payments

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

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

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

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

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

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.

Notes to the Financial Statements *continued*

For the year ending 31 March 2014

1. ACCOUNTING POLICIES *CONTINUED*

Foreign currencies

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

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with the attached conditions. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset they are credited to a deferred income account and released to the statement of comprehensive income over the expected useful life of the relevant asset on a straight line basis.

Goodwill

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

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	Land held under a finance lease is depreciated over the life of the lease.
Freehold land	Freehold land is not depreciated.

1. ACCOUNTING POLICIES CONTINUED

Impairment of non-financial assets

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

Leases

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

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

Inventories

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

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

Financial assets

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

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

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

Trade and other receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise principally from the provision of goods and services to customers. Trade receivables are initially recognised at fair value less an allowance for any uncollectible amounts. A provision for impairment is made when there is objective evidence that the Group will not be able to collect debts. Bad debts are written off when identified.

Cash and cash equivalents

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

Notes to the Financial Statements *continued*

For the year ending 31 March 2014

1. ACCOUNTING POLICIES *CONTINUED*

Financial liabilities

Other financial liabilities

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

Share capital

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

Accounting estimates and judgements

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

Revenue recognition

The Group has considered the criteria for the recognition of licence fee income over the period of the agreement and is satisfied that the recognition of such revenue is appropriate. The recognition of licence 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 judgments in relation to discount rates and future forecasts. (See note 14).

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 14).

Inventories

The Group reviews the net realisable value of, and demand for, its inventory on a monthly basis to provide assurance that recorded inventory is stated at the lower of cost and net realisable value after taking into account the age and condition of inventory. (See note 19).

Available for sale investments

The Group has an investment in unlisted equity shares carried at nil value. The investment is valued at cost less any impairment as a reliable fair value cannot be obtained since there is no active market for the shares and there is currently uncertainty around the future funding of the business. The Group makes appropriate enquiries and considers all of the information available to it in order to assess whether any impairment has occurred. (See note 16).

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

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

- IFRS 9 'Financial Instruments'
- IFRS 10 'Consolidated Financial Statements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IAS 27 (amendments) 'Separate financial statements'
- IAS 28 (amendments) 'Associates and joint ventures'
- IAS 32 (amendments) 'Financial instruments presentation'
- IAS 36 (amendments) 'Recoverable Amount Disclosures for Non-Financial Assets'

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

2. SEGMENTAL REPORTING

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

Result by Segment:

Licensing, Management & Business Development

	2014 €'000	2013 €'000
Revenue	1,134	553
Cost of sales	-	-
Gross profit	1,134	553
Other operating costs	(7,680)	(6,780)
Impairment of licensee receivables	-	-
Loss from operations	(6,546)	(6,227)
Loss from operations	(6,546)	(6,227)
Depreciation and amortisation	412	347
EBITDA	(6,134)	(5,880)

Revenue is attributable to fees in relation to the licensing of the Group's technology to third parties.

Other operating costs include all remaining costs unless they are directly attributable to Manufacturing or Research and Development. This includes marketing, business development, management and the majority of the Group's administration costs including the head office in Windsor as well as the US office. Headcount = 21 (2013: 21)

Manufacturing

	2014 €'000	2013 €'000
Revenue	32,378	18,269
Cost of sales	(25,753)	(15,474)
Gross profit	6,625	2,795
Other operating costs	(6,142)	(5,528)
Profit/(loss) from operations	483	(2,733)
Profit/(loss) from Operations	483	(2,733)
Depreciation and amortisation	1,910	1,833
EBITDA	2,394	(900)

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

All costs of sales are allocated against manufacturing activities in Arnhem unless they can be directly attributable to a licensee.

Other operating costs include depreciation of the Arnhem property, plant and equipment together with all other costs associated with the operation of the Arnhem manufacturing site, including directly attributable administration costs. Headcount = 67 (2013: 62)

Research and Development

	2014 €'000	2013 €'000
Revenue	-	-
Cost of sales	-	-
Gross profit/(loss)	-	-
Other operating costs	(1,151)	(1,240)
Loss from operations	(1,151)	(1,240)
Loss from operations	(1,151)	(1,240)
Depreciation and amortisation	54	76
EBITDA	(1,096)	(1,164)

Costs are associated with various R&D activities associated with Accoya® and processes. The costs are reported excluding €455,000 of costs which have been capitalised in accordance with international financial reporting standards. (2013: €861,000). Headcount = 13 (2013: 13)

Total

	2014 €'000	2013 €'000
Revenue	33,512	18,822
Cost of sales	(25,753)	(15,474)
Gross profit	7,759	3,348
Other operating costs	(14,973)	(13,548)
Impairment of licensee receivables	-	-
Loss from operations	(7,214)	(10,200)
Share of joint venture loss	(905)	(430)
Finance income	155	206
Finance expense	(226)	(244)
Loss before taxation	(8,190)	(10,667)
Loss from Operations	(7,214)	(10,200)
Share of joint venture loss	(905)	(430)
Depreciation and amortisation	2,376	2,256
EBITDA	(5,743)	(8,374)

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

Notes to the Financial Statements continued

For the year ending 31 March 2014

2. SEGMENTAL REPORTING CONTINUED

Analysis of Revenue by geographical area of customers:

	2014 €'000	2013 €'000
UK and Ireland	11,300	3,983
Benelux	8,822	6,842
Rest of Europe	7,501	4,611
Americas	3,376	1,585
Asia-Pacific	1,901	1,292
Rest of World	612	509
	33,512	18,822

Revenue generated from one customer exceeded 10% of Group revenue of 2014, represented by 43% of the revenue from the United Kingdom and relates to manufacturing revenue. Revenue generated from no single customer exceeded 10% of Group revenue in 2013:

	2014 €'000	2013 €'000
UK	4,491	4,133
Other countries	20,690	22,195
Un-allocated - Goodwill	4,231	4,231
	29,412	30,559

The segmental assets in the current year and the previous year were predominantly held in Europe. Additions to property, plant, equipment and intangible assets in the current year and the previous year were predominantly incurred in Europe.

3. OTHER OPERATING COSTS

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

	2014 €'000	2013 €'000
Sales and marketing	2,882	2,908
Research and development	1,151	1,240
Depreciation and amortisation	2,377	2,256
Other operating costs	2,243	2,104
Administration costs	6,320	5,040
	14,973	13,548

During the period €726,000 of Administration costs related to legal costs incurred in the period associated with the Diamond Wood arbitration. (See Note 28)

During the period, €459,000 (2013: €953,000) of development costs were capitalised and included in intangible fixed assets. This includes €152,000 in respect of the Accoya® licence Process Design Package (2013: €456,000).

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

4. EMPLOYEES

	2014 €'000	2013 €'000
Staff costs (including Directors) consist of:		
Wages and salaries	6,469	6,160
Social security costs	926	756
Other pension costs	434	422
Share based payments	1,177	927
	9,006	8,265

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

	Number	Number
Administration, research and engineering	67	66
Operating	34	30
	101	96

5. DIRECTORS' REMUNERATION

	2014 €'000	2013 €'000
Directors' remuneration consists of:		
Directors' emoluments	894	829
Company contributions to money purchase pension schemes	47	44
	941	873

Compensation of key management personnel included the following amounts:

	Salary, bonus and short term benefits €'000	Pension €'000	Share-based payments charge €'000	2014 Total €'000	2013 Total €'000
Paul Clegg	356	28	442	826	761
Hans Pauli	242	12	139	393	365
William Rudge ¹	151	7	74	232	93
	749	47	655	1,451	1,219

¹ William Rudge was appointed as Finance Director on the 1 October 2012.

The Group made contributions to 3 (2013: 3) Directors' personal pension plans.

6. OPERATING LOSS

	2014 €'000	2013 €'000
This has been arrived at after charging:		
Staff costs	9,006	8,265
Legal costs - Diamond Wood arbitration (note 28)	726	-
Depreciation of property, plant and equipment	2,024	1,950
Amortisation of intangible assets	352	306
Operating lease rentals	1,011	165
Fees payable to the Company's auditors for the audit of the Company's annual accounts	63	62
Fees payable to the Company's auditors for other services:		
- audit of the Company's subsidiaries pursuant to legislation	80	79
- audit related assurance services	24	25
-tax compliance services	53	57
-all other services	27	5
Foreign exchange losses	65	65
Research & Development (excluding staff costs)	535	636
Loss on disposal of property, plant and equipment	77	114

Notes to the Financial Statements continued

For the year ending 31 March 2014

7. SHARE OF JOINT VENTURE LOSSES

On 5 October 2012, Accsys entered into a 50:50 joint venture with INEOS to exploit Accsys' intellectual property surrounding its proprietary Tricoya® wood elements acetylation technology and processes, which is expected to lead to the accelerated global deployment of Tricoya. The company, Tricoya Technologies Limited ('TTL'), will develop and exploit Accsys' Tricoya technology for use within MDF, particle board and wood plastic composites in a worldwide panel products market estimated to be worth more than €60 billion annually.

As part of the transaction, TTL was granted rights to exploit Accsys' Tricoya® technology and will also benefit from a licence of any intellectual property held by INEOS that may assist the joint venture in maximising the value of the Tricoya® proposition. Profits generated by TTL will be shared between Accsys and INEOS in a way that reflects each party's interest. The contribution of Accsys' Tricoya® intellectual property to the Joint Venture is reflected through a disproportionate future profit share which is expected to create significant value for Accsys.

TTL has been accounted for in the Accsys Group accounts using the equity method. The TTL results in the prior year are for the period from 5 October 2012 to 31 March 2013.

Income statement of TTL joint venture:

	2014 €'000	2013 €'000
Revenue	153	-
Costs:		
Staff costs	1,230	590
Research & development (excluding staff costs)	278	163
Intellectual property	133	76
Sales & marketing	322	31
Joint venture loss	1,810	860
Group share of joint venture loss	905	430
Investment in joint venture at 1 April	62	-
Group share of loss reported	(905)	(430)
Less elimination of mark-up on recharged staff costs	(17)	(8)
Investments in joint venture	1,200	500
Carrying value of joint venture at 31 March	340	62

Tricoya Technologies Limited statement of financial position at 31 March 2014:

	2014 €'000	2013 €'000
Non-current assets		
Intangible assets	1,382	93
Current assets		
Receivables due within one year	150	89
Cash and cash equivalents	499	324
	649	413
Current liabilities		
Trade and other payables	(1,302)	(366)
Net current assets	(653)	47
Net assets	729	140
50% attributable to Accsys Technologies	364	70
Less elimination of mark-up on recharged costs	(17)	(8)
Equity and reserves		
Share capital	3,400	1,000
Accumulated loss	(2,671)	(860)
Total equity	729	140

8. FINANCE INCOME

	2014 €'000	2013 €'000
Interest receivable on bank and other deposits	155	206

9. FINANCE EXPENSE

	2014 €'000	2013 €'000
Arnhem land sale and leaseback finance charge	226	244

10. TAX EXPENSE**(a) Tax recognised in the statement of comprehensive income comprises:**

	2014 €'000	2013 €'000
Current tax expense		
UK Corporation tax on profits for the year	-	-
Research and development tax credit in respect of prior years	-	(26)
Research and development tax credit in respect of current year	(169)	(286)
	(169)	(312)
Overseas tax at rate of 15%	2	11
Overseas tax at rate of 25%	-	-
Deferred Tax		
Under/(over) provision in respect of prior years	-	-
Utilisation of deferred tax asset	866	656
Total tax charge reported in the statement of comprehensive income	699	355

(b) The tax credit for the period is lower than the standard rate of corporation tax in the UK (2014: 23%, 2013: 24%) due to:

	2014 €'000	2013 €'000
Loss before tax	(8,190)	(10,668)
Expected tax credit at 23% (2013 - 24%)	(1,884)	(2,560)
Expenses not deductible in determining taxable profit	367	295
Over provision in respect of prior years	(383)	(7)
Losses transferred to deferred tax asset but not recognised	2,420	2,293
Effects of overseas taxation	67	21
Other temporary differences	(57)	1
Research and development tax credit in respect of prior years	-	26
Research and development tax credit in respect of current year	169	286
Total tax charge reported in the statement of comprehensive income	699	355

11. DIVIDENDS PAID

	2014 €'000	2013 €'000
Final Dividend €Nil (2013: €Nil) per Ordinary Share proposed and paid during year relating to the previous year's results	-	-

Notes to the Financial Statements continued

For the year ending 31 March 2014

12. 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

	2014	2013
Weighted average number of Ordinary shares in issue ('000)	437,412	419,650
Loss for the year (€'000)	(8,889)	(11,023)
Basic and diluted loss per share	€(0.02)	€(0.03)

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.

13. SHARE-BASED PAYMENTS

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

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

Long Term Incentive Plan ('LTIP')

During the period, the group established a new Long Term Incentive Plan, the participants of which are key members of the management team. The establishment of the LTIP was approved by the shareholders at the AGM in September 2013. Further background details are set out in the Remuneration Report and were included in the Notice of 2013 Annual General Meeting.

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

LTIP overview

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

Element	Objective	Description
A	Retention based award to lock-in executives who have contributed to the turnaround	In consideration to agreeing to the cancellation of the participant's existing options, a proportion of the new share award vests on continuity of employment over the next three years. To ensure there is no value shift to the participants via the cancellation, this element requires an additional three years of services from the participant and will be forfeited if the share price at the end of the performance period is below €0.13.
B	Performance based share award	This element aligns the participant to the future success of the Company by linking the level of vesting to EBITDA and share price growth against the constituents of the MSCI Europe Index (or another other broad based European index as deemed appropriate by the Remuneration Committee).
C	Exceptional performance multiplier	This element ensures that if significant value is created for shareholders then participants will be entitled to receive an appropriate proportion of this value.

13. SHARE-BASED PAYMENTS CONTINUED

Performance conditions

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

Element A - Vesting is contingent upon continued employment for three years and share price not falling below €0.13 at the end of the performance period.

Element B - Measured against two equally weighted performance conditions:

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

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

Element C - This element vests in full if the share price is at or above €0.26 at the end of the performance period.

Awards made in period

Immediately following the establishment of the new LTIP in September 2013, awards were made to members of the management team. A total of 21,393,185 nil cost options were awarded. 7,966,667 were allocated as Element A, 9,187,881 as Element B and 4,238,637 were allocated as Element C. At the same time, a total of 22,281,146 of old options were cancelled.

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

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

Element	Element B (i)	Element B (ii)	Element C
Grant date	19 Sep 13	19 Sep 13	19 Sep 13
Share price at grant date (€)	0.14	0.14	0.14
Exercise price (€)	0.00	0.00	0.00
Expected life (years)	3	3	3
Contractual life (years)	10	10	10
Vesting conditions (Details set out above)	EBITDA	Share Price	Exceptional Multiplier
Risk free rate	0.48%	0.48%	0.48%
Expected volatility	40%	40%	40%
Expected dividend yield	0%	0%	0%
Fair value of option	€ 0.129	€ 0.078	€ 0.044

No LTIP options vested in the period.

Notes to the Financial Statements continued

For the year ending 31 March 2014

13. SHARE-BASED PAYMENTS CONTINUED

2005 and 2008 Share Option schemes

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

Options granted on 1 March 2005 fully vested during 2011. These options may be exercised until 30 March 2015. At 31 March 2014, 269,265 (2013: 269,265) of these options were outstanding with an exercise price of €0.32.

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

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

Once vested, these options may be exercised until 31 March 2017. At 31 March 2014, 896,699 (2013: 2,343,034) of these options were outstanding at an exercise price of €1.83.

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

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

Once vested these options may be exercised until 20 November 2017. At 31 March 2014, 242,236 (2013: 298,900) of these options were outstanding at an exercise price of €2.58.

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

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

Once vested these options may be exercised until 18 June 2018. At 31 March 2014, 42,498 (2013: 99,161) of these options were outstanding at an exercise price of €1.98.

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

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

Once vested these options may be exercised until 8 December 2018. At 31 March 2014, 206,822 (2013: 213,905) of these options were outstanding at an exercise price of €0.97.

Options granted on 19 November 2009 were fully exchanged in the period for new awards issued under the LITP. Previously, 30% of the options were to vest upon achievement of median Total Shareholder Return ('TSR'). Full vesting of the options granted was to occur upon achievement of upper quartile TSR measured over a three year period. At 31 March 2014, nil (2013: 2,557,424) of these options were outstanding at an exercise price of €0.35.

Options granted on 1 April 2010 were fully exchanged in the period for new awards issued under the LITP. Previously 30% of the options were to vest upon achievement of median TSR. Full vesting of the options granted was to occur upon achievement of upper quartile TSR measured over the three year period. At 31 March 2014, nil (2013: 1,017,354) of these options were outstanding at an exercise price of €0.32.

Options granted on 27 July 2010 were partially exchanged in the period for new awards issued under the LITP. 30% of the options vest on achievement of median TSR. Once vested, these options may be exercised until 27 July 2020. Full vesting of the options granted occurs upon achievement of upper quartile TSR measured over the three year period. At 31 March 2014, 821,620 (2013: 6,075,005) of these options were outstanding at an exercise price of €0.24.

Options granted on 1 April 2011 were fully exchanged in the period for new awards issued under the LITP. Previously, 30% of the options were to vest upon achievement of median TSR. Full vesting of the options granted was to occur upon achievement of upper quartile TSR measured over the three year period. At 31 March 2014, nil (2013: 718,173) of these options were outstanding at an exercise price of €0.17.

13. SHARE-BASED PAYMENTS CONTINUED

Options granted on 1 August 2011 were partially exchanged in the period for new awards issued under the LTIP. 30% of the options vest on achievement of median TSR. Full vesting of the options granted occurs upon achievement of upper quartile TSR measured over the three year period. Once vested, these options may be exercised until 1 August 2021. At 31 March 2014, 800,000 (2013: 7,437,982) of these options were outstanding at an exercise price of €0.10.

Options granted on 2 August 2012 were fully exchanged in the period for new awards issued under the LTIP. Previously, 30% of the options were to vest on achievement of median TSR. Full vesting of the options was to occur upon achievement of upper quartile TSR measured over the three year period. At 31 March 2014, nil (2013: 4,418,173) of these options were outstanding at an exercise price of €0.15.

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

The weighted average fair value of each option granted during the prior year was €0.06. No options were granted under the 2005 or 2008 Share Option schemes in the period.

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

Grant date	August 2012	August 2011	April 2011	July 2010	April 2010
Share price at grant date (€)	0.15	0.10	0.17	0.34	0.46
Exercise price (€)	0.15	0.10	0.17	0.34	0.46
Expected life (years)	3	3	3	3	3
Contractual life (years)	10	10	10	10	10
Risk free rate	1.83%	1.54%	2.25%	2.30%	2.00%
Expected volatility	85%	85%	85%	60%	60%
Expected dividend yield	0%	0%	0%	0%	0%
Fair value of option	€0.060	€0.040	€0.070	€0.106	€0.143

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

Options - total

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

Outstanding options granted are as follows:

Date of grant	Number of outstanding options at 31 March		Weighted average remaining contractual life, in years	
	2014	2013	2014	2013
1 March 2005	269,265	269,265	0.9	1.9
28 March 2007	747,958	2,343,034	3	4
20 November 2007	242,236	298,900	3.6	4.6
18 June 2008	42,498	99,161	4.3	5.3
8 December 2008	206,821	213,905	4.7	5.7
19 November 2009	-	2,557,424	5.6	6.6
1 April 2010	-	1,017,354	6	7
27 July 2010	821,620	6,075,005	6.3	7.3
1 April 2011	-	718,173	7	8
1 August 2011	800,000	7,437,982	7.3	8.3
2 August 2012	-	4,418,173	8.3	9.3
19 September 2013 (LTIP)	21,393,185	-	9.5	-
Total	24,523,583	25,448,374	8.9	7.5

Notes to the Financial Statements continued

For the year ending 31 March 2014

13. SHARE-BASED PAYMENTS CONTINUED

Movements in the weighted average values are as follows:

	Weighted average exercise price	Number
Outstanding at 31 March 2012	€0.43	21,257,694
Granted during the year	€0.15	4,418,173
Forfeited during the year	€0.22	(227,493)
Outstanding at 31 March 2013	€0.38	25,448,374
Granted during the year - LTIP	€ 0.00	21,393,185
Cancellation of options (in relation to LTIP)	€ 0.32	(22,281,147)
Forfeited during the year	€1.66	(36,831)
Outstanding at 31 March 2014	€0.11	24,523,582

The exercise price of options outstanding at the end of the year ranged between €nil (for LTIP options) and €2.58 (2013: €0.10 and €2.58) and their weighted average contractual life was 8.9 years (2013: 7.5 years).

Of the total number of options outstanding at the year-end, 1,012,500 (2013: 1,831,287) had vested and were exercisable at the end of the year. No options were exercised in the current or previous year.

Employee Benefit Trust - Share bonus award

On 5 July 2013, in connection with employee remuneration and incentivisation arrangements for the period from 1 July 2013 to 30 June 2014, 4,765,666 (2013: 3,926,666) new Ordinary shares were issued to an Employee Benefit Trust, the beneficiaries of which are primarily the Executive Directors and Senior Managers. Such new Ordinary Shares vest if the employees remain in employment with the Company at the vesting date, being 1 July 2014 (subject to certain other provisions including regulations, good-leaver, take-over and nomination and remuneration committee discretion provisions).

As at 31 March 2014, the Employment Benefit Trust was consolidated by the Company and the 4,765,666 shares are recorded as Own Shares within equity. During the period, all 3,926,666 awarded in the prior year vested.

Employee Share Participation Plan

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

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

During the year ended 31 March 2014 the plan was open for subscription once. In July 2013 various employees subscribed for a total of 497,854 Shares at an acquisition price of €0.14 per Share.

Also during the year, 1 for 1 Matching shares were awarded in respect of subscriptions that were made in the previous year as a result of all participants continuing to remain in employment at the point of vesting. 369,423 Matching shares were issued to employees in January 2014 and 415,423 Matching shares were issued to employees in July 2013.

14. INTANGIBLE ASSETS

	Internal development costs €'000	Intellectual property rights €'000	Goodwill €'000	Total €'000
Cost				
At 31 March 2012	535	73,200	4,231	77,966
Additions	861	92	-	953
At 31 March 2013	1,396	73,292	4,231	78,919
Additions	459	-	-	459
At 31 March 2014	1,855	73,292	4,231	79,378
Accumulated amortisation				
At 31 March 2012	16	70,371	-	70,387
Amortisation	39	267	-	306
At 31 March 2013	55	70,638	-	70,693
Amortisation	77	275	-	352
At 31 March 2014	132	70,913	-	71,045
Net book value				
At 31 March 2014	1,723	2,379	4,231	8,333
At 31 March 2013	1,341	2,654	4,231	8,226
At 31 March 2012	519	2,829	4,231	7,579

The carrying value of internal development costs, intellectual property rights and goodwill on consolidation have been allocated for impairment testing purposes to one cash generating unit being the Group's licensing operations. The recoverable amount of internal development costs, intellectual property rights and goodwill relating to this operation is determined based on a value in use calculation which uses cash flow projections based on board approved financial budgets. Cash flows have been projected for a period of 10 years plus assumptions concerning a terminal value, corresponding with the expected minimum life of the intellectual property rights and based on a pre tax discount rate of 20% per annum (2013: 20%). The key assumption used in the value in use calculations is the level of future licence fees estimated by management over the budget period. These have been based on past experience and expected future revenues. A 5% increase in the discount rate or a 15% reduction in expected revenues would not give rise to an impairment.

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15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
Cost or valuation				
At 31 March 2012	6,880	26,958	612	34,450
Additions	-	252	41	293
Disposals	(1,672)	(20)	-	(1,692)
Foreign currency translation gain/(loss)	-	-	3	3
At 31 March 2013	5,208	27,190	656	33,054
Additions	43	444	85	572
Disposals	-	(116)	-	(116)
Foreign currency translation gain/(loss)	-	-	(9)	(9)
At 31 March 2014	5,251	27,518	732	33,501
Depreciation				
At 31 March 2012	75	8,293	468	8,836
Charge for the year	117	1,771	62	1,950
Disposals	-	(7)	-	(7)
Foreign currency translation gain/(loss)	-	-	4	4
At 31 March 2013	192	10,057	534	10,783
Charge for the year	115	1,818	91	2,024
Disposals	-	(39)	-	(39)
Foreign currency translation gain/(loss)	-	-	(7)	(7)
At 31 March 2014	307	11,836	618	12,761
Net book value				
At 31 March 2014	4,944	15,682	114	20,740
At 31 March 2013	5,016	17,133	122	22,271
At 31 March 2012	6,805	18,665	144	25,614

Included within property, plant and equipment are assets with an initial cost of €6,252,000 and a net book value at 31 March 2014 of €4,056,000 which has been accounted for as a finance lease under the terms of the sale and leaseback agreement entered into in the prior year. See note 24.

16. OTHER FINANCIAL ASSETS

	2014 €'000	2013 €'000
Available for sale investments	-	-

Accsys Technologies PLC has previously purchased a total of 21,666,734 unlisted ordinary shares in Diamond Wood China. The Group does not currently have an intention to dispose of its investment in Diamond Wood in the foreseeable future.

The carrying value of the investment is carried at cost less any provision for impairment, rather than at its fair value, as there is no active market for these shares, and there is significant uncertainty over the future of Diamond Wood, and as such a reliable fair value cannot be calculated.

The historical cost of the unlisted shares held at 31 March 2014 is €10m (2013: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded, as at 31 March 2014 there is considerable doubt as to whether Diamond Wood will continue as a going concern. See note 28.

17. DEFERRED TAXATION

The Group has a deferred tax asset of €nil (2013: €866,000) relating to trading losses brought forward. The deferred tax asset has been recognised on the basis that trading profits are expected to be recorded in the related legal entities in the foreseeable future. These expected trading profits are attributable to the production of Accoya® wood and the recharge of research and development activities to other Group companies.

The Group also has an unrecognised deferred tax asset of €23,087,000 (2013: €21,543,000) which is largely in respect of trading losses of the UK subsidiary. The deferred tax asset has not been recognised due to the uncertainty of the timing of future expected profits of the related legal entity attributable to licensing activities.

Movements in recognised deferred tax asset:

	2014 €'000	2013 €'000
Opening balance	866	1,522
Recognition of deferred tax asset	-	-
Derecognition of deferred tax asset	-	-
Utilisation of deferred tax asset	(866)	(656)
Closing balance	-	866

18. 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.

19. INVENTORIES

	2014 €'000	2013 €'000
Materials and work in progress	3,492	1,816
Finished goods	2,561	3,044
	6,053	4,860

The amount of inventories recognised as an expense during the year was €23,969,284 (2013: €13,172,827). The cost of inventories recognised as an expense includes a net credit of €409,412 (2013: €512,813) in respect of the inventories sold in the period which had previously been written down to net realisable value.

20. TRADE AND OTHER RECEIVABLES

	2014 €'000	2013 €'000
Trade receivables	3,060	2,294
Other receivables	385	249
Prepayments	1,031	1,145
	4,476	3,688

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 €355,000 of the trade receivables denominated in US\$ (2013: €166,000).

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

	2014 €'000	2013 €'000
Up to 30 days overdue	183	755
Over 30 days and up to 60 days overdue	136	49
Over 60 days and up to 90 days overdue	(14)	11
Over 90 days overdue	3	9
	308	824

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20. TRADE AND OTHER RECEIVABLES CONTINUED

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 (2013: €25,001,000) due from Diamond Wood.

Movement in provision for doubtful debts:

	2014 €'000	2013 €'000
Balance at the beginning of the period	25,051	25,110
Release of impairment	(32)	(59)
Balance at the end of the period	25,019	25,051

Summary of Receivable Impairments:

	2014 €'000	2013 €'000
Trade receivables - Accoya® wood*	18	50
	18	50

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

21. TRADE AND OTHER PAYABLES

	2014 €'000	2013 €'000
Trade payables	3,790	2,333
Other taxes and social security payable	110	86
Accruals and deferred income	1,657	938
	5,557	3,357

22. SHARE CAPITAL

	2014 €'000	2013 €'000
Allotted - Equity share capital		
439,219,864 (2013: 433,171,589) Ordinary shares of €0.01 each	4,392	4,332
	4,392	4,332

On 5 July 2012, a total of 3,926,666 shares were issued to an Employment Benefit Trust, the beneficiaries of which were to be the Executive Directors and Senior Managers (see note 13).

On 8 August 2012, a total of 783,283 of Ordinary shares were issued and released to employees together with the 783,283 of Ordinary shares issued to trust on 2 August 2011. (See note 13).

On 7 September 2012, a total of 415,332 of Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan. (See note 13).

On 19 October 2012, a total of 23,529,412 of Ordinary shares were issued to INEOS following the receipt of subscription monies totalling €4,000,000.

On 18 January 2013, a total of 369,423 of Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan. (See note 13).

On 23 January 2013, a total of 130,831 of Ordinary shares were issued and released to employees together with the 130,831 of Ordinary shares issued to trust on 23 August 2012. (See note 13).

On 5 July 2013, a total of 4,765,666 shares were issued to an Employment Benefit Trust, the beneficiaries of which were to be the Executive Directors and Senior Managers (see note 13).

On 13 September 2013, a total of 415,332 of Ordinary shares were issued and released to employees together with the 497,854 of Ordinary shares issued to trust on 12 August 2013. (See note 13).

On 20 January 2014, a total of 369,423 of Ordinary shares were issued and released to employees.

23. 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::

	2014 €'000	2013 €'000
Operating lease payments due		
Within one year	1,003	978
In the second to fifth years inclusive	1,210	1,345
In greater than five years	1,477	1,475
	3,690	3,798

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

24. 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 prior year, but accounted for as an operating lease. The transaction has resulted in a finance lease creditor of €2.1m as at 31 March 2014:

	Minimum lease payments	
	2014 €'000	2013 €'000
Amounts payable under finance leases:		
Within one year	280	280
In the second to fifth years inclusive	1,120	1,120
After five years	2,053	2,332
Less: future finance charges	(1,318)	(1,544)
Present value of lease obligations	2,135	2,188

25. FINANCIAL INSTRUMENTS

Financial instruments

Finance lease

Agreements were reached in August 2011 for the sale and leaseback of the land and buildings in Arnhem under which a total of €4m was to be received. €2.2m was received in 2011 with the remaining amount received in the prior year. Subject to the terms of the agreement, the buyer has committed to build new storage facilities which will also allow for an improvement in wood handling logistics. The transaction has resulted in a finance lease creditor of €2,135,000 as at 31 March 2014 (2013: €2,188,000). The total lease term is 15 years. (See note 23 and 24).

Warrants

In addition to INEOS's joint investment programme with Accsys into the Tricoya business, where INEOS Industries Holdings Limited subscribed to 23,529,412 new ordinary shares in Accsys, at a price of €0.17 per share on 19 October 2012, the Company also executed a warrant instrument in favour of INEOS, allowing INEOS the opportunity to purchase up to a further 16,468,236 shares at a price of €0.21 per share at certain times up until 19 October 2016. All 16,468,236 warrants remained unexercised at 31 March 2014.

Capital risk management

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

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

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

No final dividend is proposed in 2014 (2013: €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 2014

Categories of financial instruments

	2014 €'000	2013 €'000
Available for Sale investments	-	-
Loans and receivables		
Trade receivables	3,060	2,294
Other receivables	385	249
Money market deposits in Euro	11,791	15,768
Money at call in Euro	2,483	2,180
Money at call in US dollars	602	459
Money at call in Sterling	114	671
Money at call in New Zealand dollars	195	375
Liquidity fund in Euro	-	1,013
Financial liabilities at amortised cost		
Trade payables	(3,790)	(2,333)
Accruals	(1,149)	(938)
Finance lease creditor	(2,135)	(2,188)
	11,556	21,886

Money market deposits have interest rates fixed for less than three months at a weighted average rate of 1.58% (2013: 1.17%). 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 lease, for which details are given in note 24.

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

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There is also a risk associated with the available for sale investment.

Financial risk management objectives

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

Foreign currency risk management

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

Interest rate risk management

The Group's borrowings are limited to the sale and leaseback of the Arnhem land and buildings and therefore it is not exposed to interest rate risk in relation to financial liabilities. Surplus funds are invested in short term interest rate deposits to reduce exposure to changes in interest rates. The Group does not enter into any hedging arrangements.

Credit risk management

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

The Group ensures that sales are made to customers with an appropriate credit history to reduce the risk where this is considered necessary. The Directors consider the trade receivables at year end to be of good credit quality including those that are past due (note 20). 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 20.

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.

25. FINANCIAL INSTRUMENTS CONTINUED

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.

In addition to the sale and leaseback of the Arnhem land and buildings described above, the Group entered new finance facilities secured on trade receivables and inventories:

Trade receivables facility

On 28 February 2011 the Group entered a trade receivable financing and credit management agreement with Fortis Commercial Banking for a period of at least two years from the closing date and with a facility limit of €1.5m. After two years the agreement renews for rolling one year periods. The facility is secured upon the Group's trade receivable. At 31 March 2014, €nil had been drawn down under the agreement.

Inventories facility

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

Both facilities are subject to interest at 1.5% above the ABN AMRO base rate of 4.0% as at 31 March 2014 (2013: 4.2%). At 31 March 2014, the Group had €nil (2013: €nil) borrowed under both of the facilities.

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.

26. RELATED PARTY TRANSACTIONS

In the year ended 31 March 2014, there were a number of related party transaction with the Tricoya Technologies Limited joint venture, all of which arose in the normal course of business, totalling €1,070,000 (2013: €618,000). The 2013 amount covered the period from October 2012 to March 2013. At the end of the period €298,404 (2013: €237,000) of the total amount was payable from TTL to Accsys group companies (2013: €237,000).

27. CAPITAL COMMITMENTS

	2014 €'000	2013 €'000
Contracted but not provided for in respect of property, plant and equipment	-	72

28. OTHER MATTERS

On 16 August 2013 Accsys announced it had terminated its licence agreement with Diamond Wood China Limited ('Diamond Wood').

Accsys entered a licence agreement with Diamond Wood in 2007 which was subsequently amended and superseded on various occasions, the last being in August 2010. Under the terms of the licence agreement, Diamond Wood was granted exclusive rights to construct and then run an Accoya acetylation plant in China and parts of South East Asia. However as the Company has previously reported, Diamond Wood failed to make progress in this respect despite the significant amount of support and work carried out by Accsys since 2007.

Following legal advice, notice of termination of the licence agreement was served by Accsys in August 2013, in accordance with Accsys' contractual and legal rights, as a result of Diamond Wood's failure to comply with its contractual obligations (the "Termination").

On 17 September 2013 a notice of arbitration was served by Diamond Wood in which it indicated it is seeking confirmation that the licence agreement is still in force and seeking damages for the losses it has suffered from the Termination. The arbitration is on-going and as has been previously stated, we welcome the opportunity to confirm the validity of our termination.

Following robust legal advice firmly supporting Accsys' Termination no provision has been booked in respect of the potential amounts which could become due should Accsys not be successful in the arbitration process.

Legal costs of €726,000 have been incurred and recorded in the period within Other Operating Costs in relation to the arbitration.

The arbitration process is currently in progress and, whilst further details of the arbitration are subject to confidentiality, Accsys will provide a further update once the matter has been concluded.

Independent Auditor's Report to the Members of Accsys Technologies PLC

REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the parent company's affairs as at 31 March 2014;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The parent company financial statements (the "financial statements"), which are prepared by Accsys Technologies PLC, comprise: the company balance sheet as at 31 March 2014;

- the reconciliation of movements in shareholders' funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report & Financial Statements 2014 (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

OPINION ON ADDITIONAL DISCLOSURES

Directors' Remuneration Report

The parent company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The directors have requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the parent company were a quoted company.

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

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

MATTER ON WHICH WE HAVE AGREED TO REPORT BY EXCEPTION

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 41, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 matter

We have reported separately on the group financial statements of Accsys Technologies PLC for the year ended 31 March 2014.

Simon O'Brien (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 July 2014

- a) The maintenance and integrity of the Accsys Technologies PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company Balance Sheet

At 31 March 2014

Registered Company 05534340

	Note	2014 €'000	2013 €'000
Fixed assets			
Investments in subsidiaries	4	11,394	10,217
Other investments	5	-	-
		11,394	10,217
Current assets			
Debtors	6	122,253	117,247
Cash at bank and in hand		6,270	11,682
		128,523	128,929
Creditors: amounts falling due within one year	7	(3,740)	(3,697)
Net current assets		124,783	125,232
Total assets less current liabilities		136,177	135,449
Capital and reserves			
Share capital	8	4,392	4,332
Share premium account	9	128,648	128,588
Own shares	9	(47)	(39)
Capital redemption reserve	9	148	148
Warrant reserve	9	235	235
Profit and loss account	9	2,801	2,185
Total shareholders' funds	10	136,177	135,449

The financial statements were approved by the Board and authorised for issue on 2 July 2014, and signed on its behalf by;

Paul Clegg
Director

William Rudge
Director

The notes on pages 73 to 76 form part of these financial statements.

Notes to the Company Financial Statements

For the year ending 31 March 2014

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom applicable accounting standards. The following principal accounting policies have been applied:

Investments

Except where a reliable fair value cannot be obtained, unlisted shares held by the Group 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 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, as calculated in accordance with FRS 20, 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.

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.

Related party transactions

The Company has taken advantage of the exemption available under FRS 8, 'Related Party Disclosure', not to disclose transactions between Group companies on the grounds that 100% of the voting rights are controlled within that Group and that Company is included in the consolidated financial statements.

2. PROFIT AND LOSS ACCOUNT

A loss of €561,000 (2013: loss of €599,000) 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. Audit fees payable to the Group's auditors were €63,000 (2013: €72,000) and fees payable for other services were €55,000 (2013: €30,000).

3. EMPLOYEES

The Company had no employees other than Executive Directors (2014: 3 and 2013: 4) during the current or prior year. Non-executive Directors received emoluments in respect of their services to the Company of €145,000 (2013: €183,000). The Company did not operate any pension schemes during the current or preceding year.

Notes to the Company Financial Statements continued

For the year ending 31 March 2014

4. INVESTMENT IN SUBSIDIARIES

	€'000
Cost	
At 31 March 2013	14,897
Share based payments	1,177
At 31 March 2014	16,074
Impairment	
At 1 April 2013 and 31 March 2014	4,680
Net book value	
At 31 March 2014	11,394
At 31 March 2013	10,217
At 31 March 2012	9,290

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	2014 % shares and voting rights held	2013 % shares and voting rightsheld
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

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

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 Inc.	Provision of Sales, Marketing and Technical services.
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.

5. OTHER INVESTMENTS

	2014 €'000	2013 €'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. The Group does not currently have an intention to dispose of its investment in Diamond Wood in the foreseeable future.

The carrying value of the investment is carried at cost less any provision for impairment, rather than at its fair value, as there is no active market for these shares, and there is significant uncertainty over the future of Diamond Wood, and as such a reliable fair value cannot be calculated.

The historical cost of the unlisted shares held at 31 March 2014 is €10m (2013: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded, as at 31 March 2014 there is considerable doubt as to whether Diamond Wood will continue as a going concern. See note 28 of the group financial statements.

6. DEBTORS

	2014 €'000	2013 €'000
Amounts owed by subsidiary undertakings	122,109	117,231
Prepayments and accrued income	144	16
	122,253	117,247

The amounts owed by subsidiary undertakings are payable on demand, however the Company has indicated it has no intention of demanding payment within the next twelve months. 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. However, a degree of risk remains over the carrying value given the relative uncertainty of the future results.

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 €'000	2013 €'000
Trade creditors	202	190
Amounts owed to subsidiary undertakings	3,452	3,379
Accruals and deferred income	86	128
	3,740	3,697

8. SHARE CAPITAL

	2014 €'000	2013 €'000
Allotted - Equity share capital		
439,219,864 (2013: 433,171,589) Ordinary shares of €0.01 each	4,392	4,332
	4,392	4,332

On 5 July 2012, a total of 3,926,666 shares were issued to an Employment Benefit Trust, the beneficiaries of which were to be the Executive Directors and Senior Managers (see note 13).

On 8 August 2012, a total of 783,283 of Ordinary shares were issued and released to employees together with the 783,283 of Ordinary shares issued to trust on 2 August 2011. (See note 13).

On 7 September 2012, a total of 415,332 of Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan. (See note 13).

On 19 October 2012, a total of 23,529,412 of Ordinary shares were issued to INEOS following the receipt of subscription monies totalling €4,000,000.

On 18 January 2013, a total of 369,423 of Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan. (See note 13).

On 23 January 2013, a total of 130,831 of Ordinary shares were issued and released to employees together with the 130,831 of Ordinary shares issued to trust on 23 August 2012. (See note 13).

On 5 July 2013, a total of 4,765,666 shares were issued to an Employment Benefit Trust, the beneficiaries of which were to be the Executive Directors and Senior Managers (see note 13).

On 13 September 2013, a total of 415,332 of Ordinary shares were issued and released to employees together with the 497,854 of Ordinary shares issued to trust on 12 August 2013. (See note 13).

On 20 January 2014, a total of 369,423 of Ordinary shares were issued and released to employees.

9. RESERVES

	Share capital Ordinary €000	Share premium €000	Capital redemption Reserve €000	Own Shares €000	Warrant Reserve €000	Profit and loss account €000	Total €000
Balance at 1 April 2013	4,332	128,588	148	(39)	235	2,185	135,449
Total comprehensive income for the period	-	-	-	-	-	(561)	(561)
Expiry of warrants	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	1,177	1,177
Shares issued	60	-	-	(8)	-	-	52
Premium on shares issued	-	60	-	-	-	-	60
Share issue costs	-	-	-	-	-	-	-
Share Warrants issued	-	-	-	-	-	-	-
Balance at 31 March 2014	4,392	128,648	148	(47)	235	2,801	136,177

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 €4,902,000 of non-distributable reserves relating to share based payments.

10. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2014 €'000	2013 €'000
Loss for the financial year	(561)	(599)
Share based payments charged to subsidiaries	1,177	927
Proceeds from issue of shares	112	3,888
Share issue costs	-	(16)
Warrants issued	-	235
Net increase/(decrease) in shareholders' funds	728	4,435
Opening shareholders' funds	135,449	131,014
Closing shareholders' funds	136,177	135,449

11. DIVIDENDS PAID

	2014 €'000	2013 €'000
Final Dividend €Nil (2013: €Nil) per Ordinary share proposed and paid during year relating to the previous year's results	-	-

12. DEFERRED TAXATION

The Company has an unrecognised deferred tax asset of €807,000 (2013: €714,000) 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 England

Directors	Patrick Shanley Paul Clegg Nick Meyer Hans Pauli William Rudge	Non-Executive Chairman Chief Executive Officer Non-Executive Director Chief Operating Officer Financial Director
Company Secretary	Angus Dodwell	
Company Number	5534340	
Registered Office	Royal Albert House Sheet Street Windsor SL4 1BE	
Bankers	Barclays Bank 50 Pall Mall London SW1A 1QJ	Rabobank Croeselaan 18 Utrecht 3521 CB The Netherlands
	JPMorgan Chase Bank PO Box 260180 Baton Rouge LA, 70826-0180 USA	ABN AMRO Bank Velperweg 37 6824 BM Arnhem The Netherlands
Registrars	SLC Registrars Thames House Portsmouth Road Esher Surrey KT10 9AD	
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London, WC2N 6RH	
Lawyers	Bristows LLP 100 Victoria Embankment London, EC4Y 0DH	
Broker and Nomad	Numis Securities Ltd The London Stock Exchange Building 10 Paternoster Square London, EC4M 7LT	

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