

Company Accsys Technologies PLC
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Accsys Technologies PLC
 ("Accsys", the "Group" or the "Company")

Preliminary Results for the year ended 31 March 2020

Continued strategic progress – strong revenue and profitability growth

Accsys, the fast-growing and eco-friendly company that combines chemistry and technology to create high performance, sustainable wood building products, announces its preliminary results for the financial year ended 31 March 2020 ("FY 20").

	Year to 31 March 2020 ⁵	Year to 31 March 2019		
	Underlying	Statutory	Underlying	Statutory
Total Group Revenue¹	€90.9m	€94.1m	€75.2m	€75.2m
Gross profit	€27.5m	€30.7m	€18.6m	€18.6m
EBITDA²	€7.0m	€10.0m	€0.9m	€0.9m
EBIT³	€1.4m	€4.4m	(€3.1m)	(€3.0m)
(Loss)/profit before tax	(€2.2m)	€1.5m	(€6.2m)	(€7.7m)
Period end net (debt)⁴		(€25.2m)		(€50.1m)
Accoya® sales volume		57,842m³		49,716m ³

¹ Underlying revenue excludes €3.2m Cerdia licence termination fee payable to Accsys. (See note 5 to the financial statements)

² Underlying EBITDA is defined as Operating profit/(loss) before Exceptional items and other adjustments, depreciation and amortisation. (See note 5 to the financial statements).

³ Underlying EBIT is defined as Operating profit/(loss) before Exceptional items and other adjustments. (See note 5 to the financial statements).

⁴ Net debt is defined as short term and long term borrowings (including lease obligations) less cash and cash equivalents. (See note 28 to the financial statements).

⁵ FY 20 results reflect the adoption of IFRS 16, which resulted in an increase in Underlying EBITDA by €0.9m and a corresponding increase in depreciation of €0.9m and finance expense of €0.1m. (See note 27 to the financial statements).

Key highlights:

- Underlying group revenues up 21% with continued strong demand from existing customers for our Accoya® and Tricoya® products;
- Underlying gross margin up to 30% (2019: 25%) as a result of higher sales volumes, an improved product mix and higher selling prices;
- Third sequential half year period of EBITDA growth and Group now also profitable at EBIT level;
- Accoya® segment underlying EBIT increased by 130% to €12.6m (EBIT margin of 14% (2019: 7%));
- Cash-flow generated from operations continued to improve with a positive cash inflow for the year of €2.4m (FY 19: €0.3m);
- €25m reduction in net debt to €25.2m resulting from proceeds from December 2019 equity issue offset by €22m strategic investment in property, plant and equipment.

Operational update

- 16% increase in Accoya® volume sold, to 57,842 cubic meters, with the increase due to ongoing demand in the year being met by the expanded Accoya® plant being operational for the full year.
- Progressing Arnhem expansion by addition of fourth reactor:
 - Initial engineering and design work completed;
 - Commenced the detailed engineering and procurement phases;
 - Further milestones and timing of capital commitment being monitored in light of continued COVID-19 uncertainty.
- Continued progress with our other strategic projects: working towards the construction of an Accoya® plant in the USA in a joint venture with Eastman, and a Tricoya® plant in Malaysia with PETRONAS Chemicals Group Berhad.

COVID-19 - update

Health and safety of our people:

- Accsys remains committed to the health and well-being of the Group's staff and the wider communities in which we operate. We continue to follow government guidelines to keep workplaces safe for our employees and contractors.

Accoya® sales:

- As previously announced, the Group saw a significant reduction in demand at the start of the new financial year as a result of the restrictions affecting our customers' operations. Sales volumes in April were nearly half our original expectations.
- We have seen differences in demand between regions, with the UK being most impacted, and we are actively adjusting our Accoya® production output to meet demand as necessary.
- More recently, we have seen orders start to increase again as government restrictions are eased and as we reallocate resources to meet the increasing activity levels across our geographic markets in particular the USA and mainland Europe.
- These improvements are at an early stage however, and we continue to monitor the on-going situation closely and take appropriate measures to carefully manage our cash balance and inventory during this uncertain time;
- We remain confident of the strong underlying demand for Accoya® wood despite current market difficulties.

Tricoya® Hull plant construction:

- All work has safely resumed on the construction site following the easing of restrictions by the UK government and the implementation of new protective work procedures.
- The combination of time lost together with new working practices means that the plant is now expected to be completed in the first quarter of the new calendar year.
- The delay caused by COVID-19 is also likely to result in some additional costs however these have not yet been fully quantified and we are working to ensure the additional costs and delays are minimised and do not become material in the context of the project as a whole.

Robert Harris, CEO commented:

"We made excellent progress in FY 20 with increased Accoya® production capacity matched with increased sales, driven by continuing strong demand for our products. By combining outstanding sustainability credentials with performance that matches or improves on the alternatives, we provide a compelling value proposition for our distributors, manufacturers, specifiers, architects and end users. As sustainability continues to grow in importance across markets and societies, so does the strong appetite and enthusiasm for Accoya® and Tricoya®.

The COVID-19 pandemic had a very limited impact on the FY 20 financial year. We realised almost all of the benefits of our expansion of the Arnhem plant over the course of the year, achieving record production and sales. Our customers' ability to operate at the beginning of the new financial year was affected however, and we have managed our operations to preserve resources while still supporting our customers. We are well-positioned to resume growth plans and strategic advancement as and when market conditions further improve.

Our Accoya® expansion plan has progressed well, with planning and engineering design for the fourth reactor at an advanced stage. Progress in our Tricoya® Hull facility had accelerated in the latter part of FY2019/20. Some unavoidable delays were caused by working restrictions to prevent the spread of COVID-19, however careful planning and prioritisation allowed us to quickly restart full construction operations and will help minimise impacts on our timeline. Demand for Tricoya®, and the unique benefits it offers in design and building, remains very strong as reflected in continued sales growth to our Tricoya® panel manufacturing partners MEDITE and FINSA.

In addition to our UK and Netherlands operations, progress in our work with Eastman Chemicals in the USA and PETRONAS Chemicals Group Berhad in Malaysia continue to show the promising, scalable and global potential for our growth ambitions.

We remain excited about the future long-term prospects for the Group and are endeavouring to come out of COVID-19 as a stronger and better placed business.”

There will be a presentation relating to these results at 10:00am UK time on 23 June 2020. The presentation will take the form of a webcast and conference call, details of which are below:

Webcast link (for audio and visual presentation):

Click on the link below or copy and paste ALL of the following text into your browser:

<https://edge.media-server.com/mmc/p/jzoic72u>

Conference call details (audio only – not recommended for use in conjunction with the webcast link):

Event Passcode: 1246057

Local - United Kingdom: +44 (0) 2071 928338

National free phone - United Kingdom: 0800 279 6619

Local - Amsterdam, Netherlands: +31 (0) 207 956 614

National free phone - Netherlands: 0800 023 5015

Local - USA: +1 6467 413 167

National free phone - USA: 18 778 709 135

Ends

For further information, please contact:

Accsys Technologies PLC

Robert Harris, CEO

Will Rudge, FD

via FTI Consulting

Numis Securities – Nominated Adviser and Joint Broker

Oliver Hardy (NOMAD)

Ben Stoop

+44 (0) 20 7260 1000

Investec Bank plc – Joint Broker

Carlton Nelson

James Rudd

Alex Wright

+44 (0) 20 7597 5970

FTI Consulting

Matthew O'Keeffe

Alex Le May

+44 (0) 20 3727 1340

Off the Grid (The Netherlands)

Frank Neervoort

Yvonne Derske

+31 681 734 236

+31 622 379 666

Accsys Technologies PLC

Chairman's Statement

I am pleased to report on a year which has seen Accsys make continued strong progress towards our long-term objectives, and specifically we have moved into positive EBIT territory. However, we have also had our challenges and I will openly explain where we have encountered these.

We are delighted to report record financial results following the continued strong demand for our Accoya® product and the full year of benefits from the third reactor in Arnhem. The fourth reactor is progressing well and is already beyond the design phase. We have also seen progress towards adding Tricoya® manufacturing capacity in Hull although, as previously announced, this project saw some notable challenges in the period under review. We have had to overcome significant construction issues which resulted in a delay to the project and additional funding being required from our shareholders in November 2019 alongside funds to further the expansion of our Accoya® plant given the strong demand for this product.

Since the year-end, the Coronavirus pandemic has resulted in a very different set of challenges for the entire business and our overarching priority has been to ensure the safety of our people and business continuity. I am pleased with the way the entire organisation has adapted and addressed these challenges while continuing our focus on improving our health and safety performance. While a significant amount of uncertainty remains concerning on-going COVID-19 restrictions and the impact on the economy, I am increasingly confident we will come through this period in a robust position. Our sales channels were particularly affected during this period but there are signs of the market improving. The biggest disappointment is further delays to the Tricoya® investment in Hull where the project was delayed during the lock down and social distancing measures will result in further delays with the project now expected to be complete in the first quarter of next calendar year.

We welcomed Rob Harris to the Board in November 2019 and have been encouraged by the immediate positive impact he has driven with his focus on our people, capital deployment effectiveness and operational progress. We remain grateful to Paul Clegg for the stellar groundwork he put into the Company particularly in those early years of his tenure - without his drive we would not be where we are today. More recently, we have also announced that Stephen Odell will be taking over from me as Chairman in September 2020 following our AGM. I believe Stephen will be stepping into this role at an incredibly exciting time and the Group will benefit from his extensive operational and international experience as we continue into our next phase of growth.

Demand for Accoya® and Tricoya® remained strong throughout the financial year and as a result our financial results benefitted from the third Accoya® reactor being at capacity for the full year, enabling underlying group revenue to increase by 21% to €90.9m for the year ended 31 March 2020. The economies of scale associated with operating at these higher levels together with improved pricing also helped the Accoya® segment underlying EBIT to increase 130% to €12.6m. In turn, this enabled the Group to report a positive Underlying EBIT of €1.4m (2019: loss of €3.1m).

The financial position of the Group improved with net debt decreasing from €50.1m to €25.2m as at 31 March 2020. While the cash in-flow from operations improved, the decrease in net debt was due to the successful completion of the equity capital raise completed in December 2019, resulting in net proceeds of €43m. The majority of these proceeds are earmarked for the completion of the Tricoya® plant in Hull and the further expansion of our Accoya® plant in Arnhem.

The speed of construction of the Tricoya® plant in Hull increased in the second half of the financial year following resolution of the previously reported construction issues. Much of the site is now at an advanced state of construction with some areas being prepared for commissioning. However, as noted above, the restrictions in place concerning the construction industry as a consequence of COVID-19 resulted in a significant proportion of construction workers temporarily stopping work for two months into the new financial year.

While they have now resumed work, new working protocols means the productivity is much reduced and the remaining construction work will take longer to complete such that it is now anticipated the plant will be operational in the first quarter of the new calendar year. Some additional construction and project costs are expected however these have not yet been fully quantified and we are working to ensure the additional costs and delays are minimised and do not become material in the context of the project as a whole.

The preliminary design and engineering work for the fourth Accoya® reactor in Arnhem has been completed and we are now progressing with the next stage of the project which will include detailed engineering and procurement of key items of equipment. The €22m capital project continues on budget and as scheduled with completion expected by the end of the financial year ending 31 March 2022. Given that some uncertainty remains concerning COVID-19 and its impact, we will continue to monitor the progress of the expansion project and will retain control over as much of the project expenditure and timing as possible in order to ensure the Group maintains necessary liquidity.

The new financial year has been impacted by COVID-19, with sales volumes to our Accoya® customers in April nearly half of our previous expectations. More recently we have seen signs of orders beginning to increase again as some of the government restrictions are eased and markets reopen. We are regularly adjusting our production volumes to ensure we meet this increasing order volume while managing our inventory levels as efficiently as possible. We remain cautiously optimistic that sales volumes will continue to increase during the remainder of the financial year driven by the highly compelling attributes of the product in the market place and the previous demand profile.

In the short term we will continue to mitigate the effects of lower sales volumes by limiting non-essential expenditure and staff costs, although we anticipate easing these actions as order levels increase. We will do this because we remain confident that the medium and long-term opportunities for Accoya® and Tricoya® remain very strong and we will therefore continue our targeted investment into sales, marketing and engineering to support our growth.

I believe the fundamental strengths of the Company remain unchanged and as a result we have continued to progress our projects assessing the feasibility of constructing Accoya® and Tricoya® plants in the USA and Malaysia respectively, with a view to increasing our total construction capacity from 60,000m³ today to a potential equivalent of 200,000m³ within five years.

Accsys Technologies PLC

Chairman's Statement continued

As we look forward, I am also pleased to report that we have commenced a full review of how we assess Environmental Social and Governance (ESG) criteria. Over the past number of years everyone at Accsys has been immensely proud to be associated with manufacturing and selling highly sustainable building materials. This has enabled us to attain a number of sustainability accolades, including being awarded a Green Economy mark by the London Stock Exchange in October 2019. However we also understand the importance of ensuring this mindset is not limited to our products but is embedded in our organisation in a way which will also support our on-going growth and success, and that of all our stakeholders. We look forward to reporting on the outcome of this review and subsequent progress in future periods. We have provided some initial indications of the outcome of the first stages of this review in this Annual Report.

Finally, it has been a pleasure to serve the Company for over 9 years. We now sell more in a month than in the first year I joined. Equally we now have our future in our own hands and we are more than capable of delivering on 200,000m³ of production capacity within five years. These are exciting times for our management, employees, shareholders and key partners. Execution of our plans is critical but I have confidence in our ability to deliver.

Patrick Shanley
Non-Executive Chairman
22 June 2020

Accsys Technologies PLC

Chief Executive's Report

Introduction

I took over as CEO at the end of the 2019 calendar year at an incredibly exciting time. I am grateful for the support of all of our shareholders that enabled us to complete the equity capital raise in December 2019, raising €43m net proceeds, which will allow us to complete the Tricoya® plant construction and the next stage of the expansion of our Accoya® plant in Arnhem. These two projects are critical to the Group satisfying the strong demand for our products and executing our strategy.

We went on to complete another record breaking financial year as far as production, sales, revenue and profitability are concerned, before hitting the challenges of COVID-19 in the final days of the financial year and into the new one.

While COVID-19 has impacted our sales channels in the first part of the new financial year, I am confident that the Group's growth trajectory will return and that the strong fundamentals of Accsys and its products will not be affected by any longer term changes resulting from COVID-19. In addition, I share the view of many of those familiar with Accsys, that the ever-increasing focus on sustainability means that our products' environmental credentials will become only more relevant in our society and that this will help drive our on-going growth.

Health, Safety and the Environment (HSE) remains a key manageable risk and priority for the Group. The Group's HSE performance was good however we will always look for improvement. Our HSE goal is clearly and simply stated; no harm to people, the environment or to property in Accsys.

We will continue to seek to improve our HSE performance and expectations, in particular to reflect us turning into a two operational site organisation and in anticipation of our continued growth into new locations.

The Group's financial results, in particular achieving positive EBIT for the full year, mark an important step for us as we continue this growth journey. I believe the results of our Accoya® segment clearly demonstrate the significant potential returns which are achievable in the long term. I am incredibly excited by the opportunities which lie ahead for the Group and am now looking forward to the completion of the Hull Tricoya® plant, the further expansion of the Accoya® plant and working towards our first plants outside of Europe in USA and Malaysia.

Our talent

Accsys is committed to increasing its manufacturing and sales of Accoya® and Tricoya®. However in order to achieve the growth to date and to continue to expand, we are very much reliant on our talented people. As a result, one of my priorities since joining is to better understand what makes all of the staff at Accsys drive the business forward and I have been very pleased that we completed a detailed employee engagement survey in the final quarter of the year and we are now in the process of developing a number of key workstreams coming directly from this.

Accoya® – Global performance

<u>Accoya® segment – summary of results</u>	Year ended 31 March 2020	Year ended 31 March 2019	Change - %
Accoya® sales volume – cubic metres	57,842	49,716	+16%
Underlying Accoya® segmental revenue	€90.0m	€73.9m	+22%
Accoya® sales	€82.8m	€66.9m	+24%
Licence income ¹	€3.2m	€1.0m	
Acetic acid sales	€6.7m	€5.5m	+22%
Manufacturing margin	30.0%	23.0%	Up 7%
Underlying EBITDA	€16.9m	€9.0m	+88%
Underlying EBIT	€12.6m	€5.5m	+130%

Note 1 – FY20 Licence income has been reported as exceptional income and relates to the Cerdia termination agreement.

Total Accoya® sales volume for the year ended 31 March 2020 increased by 16% to 57,842 cubic metres (2019: 49,716 cubic metres). This volume coupled with price increases in January led to total Accoya® wood revenue increasing by 24% to €82.8m (2019: €66.9m). When excluding sales to MEDITE and FINSA for Tricoya® panel production, sales volumes increased by 16% to 43,708 cubic metres (2019: 37,716 cubic metres).

The 16% growth in Accoya® sales volumes continues to be driven by repeat business, primarily for use in windows, doors, decking and cladding, and has been fulfilled by our reliable and consistent network of global distributors.

Demand for our products remained strong with the increase in sales benefiting from a full year of production capacity from the third Accoya® reactor, which commenced operation part way through the previous financial year. The increasing order volume during the financial year meant that our sales volumes had been limited only by production capacity for much of the financial year and with COVID-19 only impacting sales in the final month.

Accsys Technologies PLC

Chief Executive's Report continued

We remain appreciative for the understanding of our partners and customers throughout this period and more recently as we now work with them to start increasing orders through those sales channels which have been impacted by COVID-19.

Sales volumes by region are set out in the table below:

	2020 m3	2019 m3	Increase %
UK & Ireland	15,564	13,419	16%
Tricoya®	14,134	12,000	18%
Cerdia	13,567	10,640	28%
Americas	5,935	5,602	6%
Benelux	4,201	4,179	1%
Asia-Pacific	4,118	3,553	16%
ROW	323	323	0%
	57,842	49,716	16%

Sales volumes to UK & Ireland increased by 16% as we continued to ensure delivery to manufacturers producing doors, windows and conservatories as part of on-going repeat business.

Sales volumes for Tricoya® largely represented sales to MEDITE although part of the increase arose from sales to FINSA ahead of their formal launch of their Tricoya® product range.

The more significant increase in the Cerdia region reflected our contractual commitment with Cerdia to supply a minimum volume of Accoya®. However, in February 2020 we announced that all of our commercial arrangements with Cerdia were to end on 1 April 2020, nine months earlier than previously anticipated. As a result, Accsys is now selling Accoya® directly into central Europe and Scandinavia without any discount being applied. The €3.2m exceptional licence income represents the associated fee due to Accsys from Cerdia for the termination of these commercial agreements.

The 6% increase in sales to Americas included a 13% increase in the USA. This was partially offset by a reduction in sales to Canada where a key distributor rebalanced inventory levels. Sales to the Americas were limited by a reduction in shipments in the final month of the year due to uncertainty over COVID-19 but North America remains a key target region with the largest market potential for Accoya®.

Within the Benelux, sales to the Netherlands were affected by broader regulatory issues in the construction industry relating to nitrogen emissions regulations which has seen a significant number of construction projects delayed for reasons unrelated to Accoya®, although this is not anticipated to be a permanent impact.

Sales to customers in Asia-Pacific grew by 16% with increases in Australia, New Zealand and Japan.

Whilst demand continues to be strong, sales in the Rest of the World were flat as we prioritised allocations with our more established regions and customers.

Accoya® pricing and margin

Profitability improved substantially compared to the previous financial year with the manufacturing margin increasing from 23.0% to 30.0%, as a result of the benefits of operating at higher volumes following the completion of the third reactor last year together with higher sales prices. Within the financial year, the gross manufacturing margin also improved, increasing from 28.6% in the first half to 31.5% in the second half. The second half of the year benefitted from the absence of a planned maintenance shut down which enabled higher manufacturing and sales volumes.

Raw material costs remained relatively steady, with marginal increases in raw wood costs and with net acetyls costs marginally decreasing over the year. We anticipate costs remaining relatively flat into the new financial year.

The gross margin continued to be influenced by the quantity of material sold for Tricoya® production as well as to Cerdia, under our off-take agreement. Together this made up 48% of total volume sold in the period (2019: 46%). As set out above, the Cerdia discounted prices have ended with effect from 1 April 2020 and the discounted (market seeding) prices for Tricoya® production are expected to end with the start-up of the Hull plant.

Accoya® manufacturing capacity

We believe the long-term demand for our products remains strong with a substantial market opportunity as consumers recognise the compelling sustainable benefits of our products and substitute traditional materials. Given the time it takes to complete the construction of a plant or the expansion of a plant, we have continued to progress with our plans for the expansion of the Arnhem plant by the addition of a fourth reactor. This will add a further 20,000 cubic metres of capacity, taking the total annual production capacity of the Arnhem plant to 80,000 cubic metres.

During the year we completed the preliminary design and engineering work or FEED (Front End Engineering and Design) package. This has enabled us to progress to the next stage of the project which will see the detailed engineering undertaken together with procurement of key equipment orders and detailed construction work contracts.

Accsys Technologies PLC

Chief Executive's Report continued

We continue to expect the project capex to be circa €22m including the required additional chemical storage. The expanded plant is anticipated to be operational by the end of March 2022 with a three year payback assuming a two year ramp-up to full capacity.

We are also progressing the project to add capacity to and enhance our wood handling equipment. This €4m project will benefit the entire Accoya® plant. This equipment is also a requirement in order to be able to satisfy the full 80,000 cubic metre capacity of the expanded chemical plant.

Our discussions with Eastman Chemical Company have also continued as we plan the next stages of the study to evaluate the possibility of constructing an Accoya® plant in USA as part of a joint venture ('JV'). The initial evaluation work has progressed well and we are working towards the next stage of the evaluation which would include the completion of a site specific FEED package. It is anticipated this will be completed later in the new financial year and would enable an investment decision in respect of the full plant construction to be made. €1.5m of the proceeds of the capital raise in December 2019 are earmarked to our share of costs associated with the next stage of the project.

Tricoya® plant construction

The construction of the first dedicated Tricoya® wood chip acetylation plant has substantially progressed in the year. All key items of equipment are on site and in place. Substantial parts of the plant have been constructed and are ready for or close to ready to be commissioned including the wood handling elements of the plant.

However, as reported in November 2019, we have had to overcome significant issues concerning civil engineering works which resulted in a noteworthy delay to the project and significant additional forecast project costs of €28m for the Tricoya® consortium. These issues primarily concerned the civil works associated with the acetylation tower. The core acetylation plant design was not changed during this delay. Construction work in the latter part of FY20 accelerated following resolution of the issues.

Unfortunately COVID-19 has had a further impact on the construction progress. Key parts of the construction workforce stopped working for more than two months from the end of March 2020 as a result of COVID-19 working protocols. In addition, while the full workforce has recommenced work on site, social distancing guidance has resulted in different working practices being followed. The combination of the delay and changed working conditions means we now anticipate the plant will be operational in the first quarter of the new calendar year.

Recruitment of the full operations team has been postponed and some of those who had already been hired have been furloughed. However, even after taking this into account, this further delay is expected to result in some additional project costs. These have not yet been fully quantified and we are working to ensure the additional costs and delays are minimised and do not become material in the context of the project as a whole.

Following completion of construction, the plant will undergo a period of commissioning before full operational ramp-up can commence. We continue to expect this ramp-up to take approximately three years given it is the first plant of its type. This will allow for necessary operational refinement and modifications which may be required to achieve the full targeted 30,000 metric tonnes capacity.

We continue to expect demand from MEDITE and FINSA will utilise the majority of the capacity of the Hull plant and that breakeven EBITDA is anticipated to be achievable at 40% of capacity. Current market expectations indicate we will be at that level when the plant is commissioned.

We have also continued to work closely with PETRONAS Chemicals Group Berhad ('PCG') concerning the feasibility evaluation for an integrated acetic anhydride and Tricoya® production plant in Malaysia. The initial market assessment has been completed and work is progressing on the remaining areas of the feasibility project including evaluating the site design requirements. The timing of an investment decision will only follow after the Tricoya® plant in Hull is operational given the importance of learning from its start-up and initial operations.

Intellectual Property

We continue to focus on and invest heavily in the generation and protection of intellectual property ('IP') relating to the innovation associated with our acetylation processes, equipment and products, ensuring ongoing differentiation and competitive advantage in the market place. Accsys has increased its number of patent applications in the recent period to 331 in 42 countries and across 25 patent families. The number of granted patents has significantly increased to 179, including patents relating to key technologies in various countries throughout the world, noting that 19 of the 25 patent families have been granted in at least one key territory.

Using a combination of patents and know-how, Accsys continues to invest in the generation and protection of core IP associated with our technology for the acetylation of solid wood and wood chips, as well as on complementary technologies for use with Accoya® and Tricoya® wood products.

Management of valuable know-how remains an essential element of safeguarding our innovations and market position, with confidentiality protocols in place to prevent unauthorised access to such know-how. We also place strict contractual obligations on third parties collaborating with Accsys, with particular focus on minimising risks by ensuring Accsys' know-how is only shared when absolutely necessary. Controls are also placed on receiving confidential information from third parties, to prevent protection associated with our internal research efforts being compromised. Regular training ensures Company-wide awareness of the importance of protecting and controlling our know-how. Critical attention continues to be given to protecting Accsys Confidential Information and IP as it expands its' production capabilities and licensing opportunities through collaborations with third parties.

Accsys Technologies PLC

Chief Executive's Report continued

Our well-established trade mark portfolio continues to grow geographically and covers the key distinctive brands Accoya®, Tricoya® and the unique device under which products are marketed, alongside the corporate Accsys® brand, including transliterations in Arabic, Chinese and Japanese. All of our key brands have now been registered in over 60 countries, becoming valuable and recognisable names in the timber and panel industries. Additional trade mark registrations have increased the strength of the Company brands, with more recent and ongoing activity focused on securing protection for our new Company logo and 'Changing Wood to Change the World' slogan.

Accsys continues to maintain an active watch on the commercial and IP activity of third parties to monitor and take action if its IP rights are infringed, to identify potentially valuable third-party IP which could be exploited via a strategic alliance, in-licence or acquisition, and to obtain an early insight into any IP which could potentially hinder our commercial activity. The scope of the IP watch is under regular review so as to align with the increased diversity of our research programmes.

Careful IP management, effected via our qualified in-house IP manager, working in close conjunction with our technology, engineering, product development, marketing and commercial teams, and supported where appropriate by external patent and trade mark attorneys, ensures our IP portfolio is maintained, protected and grown in a cost-effective manner, adding value to our manufacturing and licensing businesses. The IP portfolio continues to be regularly reviewed to ensure alignment with the Company objectives, and to confirm fulfilment of obligations to current and potential future licensees.

COVID-19 mitigating actions

As previously announced, the start of the new financial year has been impacted by COVID-19. The impact has included a reduction in our Accoya® sales compared to our previously anticipated levels and a delay in the construction of the Tricoya® plant in Hull, as explained above.

As soon as the likely impact became apparent, we worked to put in place a number of mitigating actions. Management's priorities have been to ensure the safety and well-being of all our people, to maintain the liquidity of the Company and, as far as possible, preserve the capital raised in December 2019 to enable our current expansion projects to be completed.

Our Arnhem production site has remained operational throughout the entire COVID-19 period, successfully balancing supply with market demand. We have significantly reduced the non-essential staff present at the location and introduced new working protocols. Our London head office has effectively been closed throughout the period with all staff productively working remotely. The Hull construction site saw a reduction in activity levels, as set out above.

The key mitigating actions have included the Board of Directors, the Senior Management team and other senior and mid-level staff reducing their salaries by 20%. In the UK a number of employees have been furloughed, principally those relating to the Tricoya® project in Hull, given the delay in the construction. We have also applied for compensation for payroll costs in the Netherlands under the NOW scheme, with the quantum of this benefit dependent upon the relative reduction in revenue for the first quarter.

In the short term we have also sought to reduce and minimise other third party costs including sales and marketing and research and development costs. We have also frozen non-essential hires and increased focus on managing working capital.

We have not applied for any government backed COVID-19 related loan schemes or tax deferral schemes as we have not yet believed this to have been necessary.

Outlook

Accoya® sales volumes in April were 43% less than April last year with the UK in particular being impacted. In May we successfully completed our annual maintenance stop. While our distributors continued to operate at a reduced capacity, their customers and Accoya® end-users have not been able to; either finding the restrictive working conditions initially put in place too difficult to achieve or finding that there were shortages of other required raw materials. While most regions have been impacted the severity has varied; for example orders from North America and Germany have been more resilient.

More recently, we have seen order levels starting to increase in all regions as government restrictions start to be eased and markets start to reopen. Following the annual maintenance stop, our production levels have increased and we are currently operating all three Accoya® reactors. However it remains too early to conclude when customers and end users will return to their normal working levels or if the broader economic conditions and on-going uncertainty will continue to limit the effective demand in the short term. As a result we are working to stimulate and develop new sales channels and opportunities, with a particular focus on USA and mainland Europe where we also believe there remains significant opportunity to grow our market presence.

Given the relative uncertainty that COVID-19 continues to have, we will carry on adjusting our production levels and minimising costs with the intention of maximising EBITDA, preserving the Group's liquidity and as much of the capital raised in December 2019 as possible with a view to enabling both the Hull construction and further Arnhem expansion projects to be completed. We anticipate increasing expenditure and investment as our order levels increase again to support our commitment to delivering our sustained strategic objectives.

Looking beyond COVID-19 the long-term opportunity for Accsys remains very positive and it is important to drive new growth opportunities whilst maintaining the momentum of our longer term projects.

Rob Harris
Chief Executive Officer
22 June 2020

Accsys Technologies PLC

Financial Review

	FY 2020	FY 2019	Change %
Underlying Group Revenue	€90.9m	€75.2m	21%
Underlying Gross Profit	€27.5m	€18.6m	48%
Underlying EBITDA	€7.0m	€0.9m	
Underlying EBIT	€1.4m	(€3.1m)	
Underlying (loss) before tax	(€2.2m)	(€6.2m)	
Statutory profit/(loss) before tax	€1.5m	(€7.7m)	
Year-end cash balance	€37.2m	€8.9m	
Year-end net (debt) balance	(€25.2m)	(€50.1m)	

Statement of comprehensive income

Underlying Group revenue increased by 21% to €90.9m for the year ended 31 March 2020 (2019: €75.2m). Revenue from Accoya® wood increased by 24% to €82.8m largely as a result of higher sales volumes and higher average selling prices. Included within Accoya® revenue, are sales for the manufacture of Tricoya® panels, which increased to €15.3m (2019: €11.8m). These sales are used to develop the market for Tricoya® products, ahead of the start-up of the Tricoya® plant, currently under construction in Hull.

Tricoya® panel revenue of €0.5m (2019: €0.6m) represented sales of Tricoya® panels, purchased from our Tricoya® licensees, to sell into other geographies in order to provide initial market seeding material for the global Tricoya® market.

Licence revenue of €0.3m (2019: €0.6m) was reflected in our Tricoya® segment. €1.0m of licence income recognised in the prior year was attributable to our former Accoya® licensee, Cerdia International GmbH ('Cerdia') and was not contracted to reoccur this year. A further €3.2m of revenue has been recorded as exceptional revenue which related to the termination fee associated with the early termination of the Cerdia commercial arrangements. The amount is to be deducted from the on-going loan from Cerdia on 1 April 2020 and will therefore reduce net debt in the new financial year.

Other revenue of €7.3m (2019: €6.0m) predominantly relates to the sale of acetic acid which increased compared to the prior year given higher production levels.

Underlying Gross margin increased from 25% to 30% compared to the previous year with the Accoya® manufacturing gross margin increasing from 23% to 30%. These increases were driven by economies of scale from the higher sales volumes following the ramp-up of Reactor 3 in H2 FY19 and higher average selling prices. This was partially offset by an increase in the proportion of lower margin sales. 48% of Accoya® sold in the year was sold to Cerdia or for Tricoya®, both of which are at discounted prices, compared to 46% in the prior year. As previously announced, from 1 April 2020, the commercial agreements with Cerdia have been terminated. As a result the volumes sold at a discount to Cerdia (accounting for 24% of sales volume in FY20) are expected to be sold to customers in the same region at non-discounted prices in FY21.

The higher levels of gross margin for the Accoya® business, as described above, are expected to continue to be achievable over the medium to longer term.

Underlying other operating costs excluding depreciation and amortisation, increased from €17.7m to €20.5m. This increase was primarily due to higher underlying staff costs which increased by €1.4m to €15.4m including costs associated with the change in CEO announced during the year. The increase was also due to higher recruitment and training costs (€0.5m), higher third party sales & marketing costs (€0.4m) and higher IT related costs (€0.3m). This increased cost was partially offset by the implementation of the IFRS 16 'Leases' standard, which had the effect of decreasing operating costs by €0.7m. See note 27 to the financial statements.

Average headcount increased by 20 compared to the prior year with the increase in headcount predominantly attributable to an increase in Arnhem operations staff following the commissioning of the third Accoya® reactor in H2 FY19 and recruitment of approximately half the required 31 operational staff for the Hull Tricoya® plant by the end of FY20.

Depreciation increased in the year compared to the prior year following the completion of the third reactor, the purchase of the previously leased Arnhem land and buildings (both occurring towards the end of H1 FY19) and the implementation of the IFRS 16 'Leases' standard from the beginning of this financial year. See note 27 to the financial statements.

Underlying finance expenses increased to €3.5m (FY19: €3.1m) due to interest payable on our loan with Cerdia no longer being capitalised following the completion of the third Accoya® reactor, and to a smaller extent, the inclusion of finance charges related to the implementation of the IFRS 16 'Leases' standard.

Accsys Technologies PLC

Financial Review continued

Other adjustments for the year include a foreign exchange gain of €0.5m (FY19: loss of €0.4m) on loans held in pounds sterling with BGF and Volantis and foreign exchange differences on cash held in pounds sterling, which is used primarily to act as a cash flow hedge against future sterling project expenditure on the new plant being constructed in Hull. The effective portion of the cash flow hedge is recognised in Other comprehensive income. An exceptional finance charge (€1.1m) was recognised in the prior year in respect of the acquisition of the land and buildings in Arnhem from Bruij. See note 5 for further details.

Underlying loss before tax decreased by €4.0m to €2.2m (FY19: €6.2m). After taking into account exceptional items and other adjustments, a profit before tax was reported of €1.5m (FY19: (€7.7m) loss).

The tax charge of €0.6m (FY19: tax credit of €0.8m) reflects the improved profitability of the Group.

Cash-flow

Cash-flow generated from operating activities of €2.4m increased compared to €0.3m in the previous year, and reflects the improving operational cash-flow being generated by the Group.

At 31 March 2020, the Group held cash balances of €37.2m, representing a €28.3m increase in the year. The increase in cash in the year is principally attributable to the successful equity issue in December 2019 of €46.3m (before expenses of €3.3m) with the funds raised to fund the Arnhem plant expansion, completion of the Tricoya® plant in Hull (49% Accsys effective shareholding), preliminary work in the United States and working capital requirements related to these activities. The Group also received €9.2m of equity during the year from our Tricoya® consortium partners principally related to funding the completion of the Tricoya® plant in Hull and other Tricoya® related activities.

Investment in property, plant and equipment of €22.0m during the year primarily relates to the Tricoya® plant in Hull and the construction progress made on the project during the year which was partially funded by a drawdown of €4.5m on the Tricoya® RBS facility.

Loan repayments (including rolled up interest) & interest payments of €5.3m occurred during the year (2019: €4.4m), with repayments to Cerdia and ABN AMRO.

In the prior year, €23.0m of loan proceeds were received from ABN AMRO and Bruij to purchase the previously leased land and buildings in Arnhem, affecting both investing and financing activities, with the freehold purchase included within Property, plant & equipment, offset by the termination of the associated finance lease. See note 28 to the financial statements.

Financial position

Plant and machinery additions of €22.0m (2019: €36.7m) in the year principally consisted of the continuing Tricoya® plant construction in Hull, with the construction of the third Accoya® reactor (2019: €8.4m) completed during the prior year. The prior year also included net additions of €9.8m as a result of the purchase of the land and buildings in Arnhem, representing the purchase price of €23.0m net with €13.2m of assets which had previously been accounted for as a finance lease.

Trade and other receivables increased to €15.3m (2019: €13.0m) largely as a result of the Cerdia termination fee (€3.2m) which has been raised as a receivable at the year end. The amount will be deducted from the on-going loan from Cerdia on 1 April 2020 and will therefore reduce net debt in the new financial year. Trade receivables decreased to €8.6m (2019: €10.7m) following a higher than optimal balance in the prior year.

Inventory levels increased in the year to €16.9m (2019: €14.0m), mainly due to finished goods increasing to €6.3m (2019: €4.3m), with the finished goods balance representing approximately 4 weeks of sales.

The decrease in trade and other payables to €16.9m (2019: €20.0m) is primarily due to the timing of accruals associated with the capital projects, with Trade payables in-line with the prior year.

The Group has implemented the IFRS 16 'Leases' standard with effect from 1 April 2019. On adoption of the new standard, the Group recognised €2.2m of right of use assets and €2.2m of lease liabilities. The impact on the consolidated statement of comprehensive income in the year has been to increase underlying EBITDA by €0.9m, increase depreciation by €0.9m and increase interest expense by €0.1m. Comparative information for the prior year has not been restated. See note 27 to the financial statements.

Amounts payable under loan agreements increased to €57.3m (FY19: €56.9m), with €4.5m drawn down on the Tricoya® RBS €17.2m facility during the year, as anticipated, in conjunction with funding the ongoing construction of the Tricoya® plant in Hull. The drawdown was partially offset by scheduled repayments on other loans over this period.

The remainder of the Tricoya® RBS facility remains as available headroom, as well as the €6.0m committed working capital facility with ABN AMRO which was undrawn at the end of the financial year.

Net debt decreased by €24.9m in the year to €25.2m largely due to proceeds from the December 2019 equity issue offset by Capex investment of €22.0m and the adoption of the IFRS 16 'Leases' standard, with leased liabilities increasing by €3.1m during the year.

Accsys Technologies PLC

Financial Review continued

COVID-19 and mitigating actions

Unfortunately, the beginning of the FY21 financial year has been substantially impacted by the effects of the COVID-19 pandemic as set out in the Chairman and CEO report.

We have continued to carry out mitigating actions to help offset the impact of lower sales and to maximise our liquidity including:

- A continued focus on working capital management, in particular a reduction of inventory levels and close management of our debtors collections;
- A reduction or deferral of variable pay including with the Directors and Senior Management team agreeing to a temporary 20% reduction in their base salaries effective from 1 April 2020;
- Utilising UK and Netherlands government schemes in respect of payroll costs; and
- A reduction or deferral of non-essential operating costs, capital expenditure and new recruitment.

Following the Group's €46.3 million (before expenses) capital raise in December 2019 the Group's balance sheet remains robust.

- The Group held cash balances of €37.2m at 31 March 2020, as well as €6.0m headroom on the ABN AMRO committed working capital facility and €8.5m headroom on the Tricoya® RBS €17.2m (€14.6m net) facility;
- The ABN facilities banking covenants include a minimum EBITDA level for the Netherlands operating entity. The previous expected headroom relating to this covenant was in excess of €10m EBITDA and we therefore do not currently anticipate any issues in meeting this when taking into account the effect of the mitigating actions set out above;
- The Board is therefore confident that the Company has adequate liquidity for the foreseeable future and is focussed on minimising the utilisation of cash resources so as to enable the execution of our longer-term capital projects.

We remain very confident as to the Group's long-term prospects, our business fundamentals and the significant opportunities for our sustainable products.

Going concern

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

As part of the Group's going concern review, the Directors have reviewed the Group's trading forecasts and working capital requirements for the foreseeable future taking into account the banking and finance facilities which are currently in place (see note 28 for details of these facilities) and the possible further impact of COVID-19. These forecasts indicate that, in order to continue as a going concern, the Group is dependent on achieving certain operating performance measures relating to the production and sales of Accoya® wood from the plant in Arnhem with the collection of on-going working capital items in line with internally agreed budgets. The Directors' have also considered the level and timing of capital expenditure required in relation to the new plant in Hull which is currently being built and further expansion of the Arnhem operation noting that the full forecast project cost has not yet been committed to.

The Directors believe that while some uncertainty always inherently remains in achieving the budget, in particular in relation to market conditions outside of the Group's control and on this occasion with the heightened risk that COVID-19 entails, that there is no material uncertainty. There are a sufficient number of alternative actions and measures within the control of the Group that can and would be taken in order to ensure on-going liquidity including reducing / deferring costs in some discretionary areas as well as larger capital projects if necessary.

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

William Rudge
Finance Director
22 June 2020

Our Market

Market Overview

Our products offer the world a choice to build sustainably, without compromising on quality. They open new opportunities in design, specification, building and manufacturing with their unique characteristics – the best properties of natural wood, enhanced by our acetylation process into a high performance, sustainable building material.

The World Economic Forum estimates that 60% of the urban development required by 2030 is yet to be built, and there is increasing focus, enthusiasm and preference for sustainable, responsible offerings in all areas of life. The built environment is no different and with 36% of global energy use accounted for by buildings and construction, there is both a substantial opportunity and necessary obligation to reduce the environmental costs of both new buildings and refurbishments.

Based on our market research and intelligence, we believe that the potential market for Accoya® and Tricoya® is between 2.6 and 5.5 million cubic metres annually.

Accoya® solid wood has class-leading properties that match or improve upon the unsustainable alternatives, combined with its certified sustainability credentials. Our acetylation process substantially reduces the effects of water on the wood, dramatically reducing susceptibility to swelling, shrinking and decay – all but eliminating the traditional drawbacks of wood, while enhancing the positives.

Architects, specifiers, manufacturers and end-customers no longer have to choose between performance and sustainability, with Accoya® offering clear advantages over non-renewable, unsustainable and heavily polluting alternatives such as tropical hardwoods, synthetics and plastics or mined metals.

In the year ended 31 March 2020 we sold 57,842 cubic metres of Accoya® utilising our expanded production capacity for a full year. With the global market for solid wood exceeding 400 million cubic metres, our target of a potential 1 million cubic metres for Accoya® still only represents the fraction of the potential opportunity.

The global market for Tricoya® panel products is estimated to between 1.6 million cubic metres and 4.5 million cubic metres per annum, equating to around 1% of global MDF manufacturing capacity. Sales of Accoya® for use in Tricoya® panels in FY20 were 14,134 cubic metres.

Tricoya® panels' enhanced performance and suitability for use in 'wet' environments not only improves their appeal compared to traditional panel products, but also opens completely new use scenarios and design possibilities. Tricoya® displaces alternative more expensive or less easily handled products and opens up major new market opportunities in the construction sector; and sales of Tricoya® panels have increased significantly each year since their introduction to the market.

Both products offer market-leading warranties and service life, along with the sustainable benefits that make them so attractive in this increasingly environmentally responsible world. New attention on the embedded carbon costs of construction, as evidenced by programmes such as Materials Passports (Europe) and Circular Economy Statements (London), are set to further increase focus on the provenance of building materials, further increasing the appeal of Accoya® and Tricoya® in the market.

Our Market Strategy

Accsys has developed as a company and has developed its markets substantially since proving the commercial viability of acetylated wood. We have grown market share and brand awareness in the industry through market seeding under our current model of distributor supply and manufacturer support.

The majority of our Accoya® sales are to a network of timber distributors which in turn supply a variety of industries, principally for joinery (windows and doors), decking and cladding. Accoya® is primarily selected for use by architects, manufacturers and specifiers for its high performance characteristics. We focus on these applications as Accoya® offers particularly clear and compelling advantages over traditional alternatives, both in material performance as well as sustainability. As we expand our manufacturing capacity, we will be targeting further applications as well as meeting the demands of larger scale manufacturers and continuing to develop our product range.

Tricoya® panels are currently manufactured using chipped Accoya® wood, in advance of the completion of the dedicated Tricoya® wood chip acetylation plant in Hull, UK. Agreements have been secured with MEDITE & FINSA, who are expected to use the Tricoya® acetylated wood elements in place of traditional wood chip feedstock to create, market and sell Tricoya® panels. Sales of Tricoya® panels have increased significantly each year since MEDITE introduced them to the market in 2012, being used both in place of 'traditional' panels and in applications where wood panels would not have previously been feasible.

Our focus on marketing and selling to our distributors and their customers has been a very successful route to establish our products in the market as we challenge traditional preconceptions about material choice. We have built and developed strong relationships with our distributor network in key territories and the training, support and engagement with their manufacturing customers mean that we have brand and product advocates throughout the value chain.

Our Market continued

In the year ended 31 March 2020 we saw good growth in our main geographical markets, with UK & Ireland sales up 16% year on year to 15,564m³, mainland Europe up 20% to 17,872m³ and sales in USA increasing 13% to 5,150m³. Alongside our focus on developing the potential in the substantial USA market, we resumed direct sales and marketing across Europe following the ending of the license agreement with Cerdia from 1st April 2020 and are looking forward to both improved margins and closer relationships with our customers in the region.

We are seeking to significantly increase the awareness of the benefits of Accoya® with end users and consumers. Currently our extended sales network with our partners and customers is a major driver of end-user demand – expert recommendation being highly valued in our markets – however we are already seeing evidence of Accoya® in particular gaining a very positive reputation with enthusiastic property and home owners as well.

We remain focused on creating bottom-up demand to match the top-down sales proposition. An upcoming refresh of the Accoya® brand will be supported by a new website and consumer-facing digital campaigns, coupled with continued close support for the manufacturers and distributors that turn our products into doors, windows, cladding and decking ready for use.

The combination of our sustainable proposition with excellent performance and ownership benefits is compelling to a wide variety of audiences and consumer, industry and market trends all favour further shifts towards the benefits our products offer. By developing our multi-channel marketing strategy, we will ensure that we reach this broader range of potential customers and build on our already strong position in our markets.

Our Business model

Creating value for all our stakeholders

Our differentiators

We utilise the following resources and relationships, which offer us a competitive advantage in our marketplace:

Our technology and IP

We have developed families of patents, providing robust protection over our proprietary products and processes.

42 countries in which we hold 331 patents and patent applications

Our People & Engineering expertise

Our passionate employees are key to the successful execution of the Group's strategy, together with their valuable know-how and a dedication to the future success of the Group.

45% headcount increase over past 3 years

Environment

Accoya® & Tricoya® fit perfectly in the bio-cycle of the circular economy.

Cradle to Cradle Certified™ at the Gold level

Strong industry relationships

We work with equipment manufacturers, wood suppliers, the acetyls industry, testing and certification bodies, and other system supply specialists, to help us develop our technology, products and their place in the market.

Industry leading brands

Our brands Accoya® and Tricoya® are globally registered trademarks, portraying our products' sustainable, high quality and long-term performance.

64 countries in which our products are registered trademarks

Financial strength

Solid financial base to fund growth organically and through further investment.

EBIT positive for the Group this year

Accoya® Underlying EBIT up 130% vs FY19

Proven sustainability credentials

Our products are fully recyclable and lock in CO₂ during their longer lifespan. We give the world a choice to build sustainably, with our wood products offering a sustainable alternative to fossil fuel based or man-made products.

Our activities

We combine chemistry, technology and ingenuity to make high performance wood products that are extremely durable and stable, opening new opportunities for the built environment. We continue to prove the value and quality of our products and processes, opening up growth opportunities for the Group.

Sourcing

We obtain timber from FSC® certified, sustainable, fast-growing forests, primarily in New Zealand and Europe.

Proprietary manufacturing

We manufacture our wood products using our proprietary low emission, acetylation wood modification process at our existing plant in the Netherlands.

57,842 m³ Accoya® wood sold this year

Global sales and distribution

We work with a network of global distributors to get our sustainable wood products to our customers, who utilise Accoya® and Tricoya® materials to create branded products such as windows, doors, decking, cladding, façades and other external applications.

21% revenue growth this year which continues to be driven by repeat business

Our Business model continued

How we are investing in our future

A key part of our business model involves focusing on growth opportunities, to take advantage of the substantial global market opportunity we believe is achievable with our products.

Building new plants and optimising existing sites

We develop and optimise existing sites and processes to benefit from existing skills and leverage operational and financial scale.

We identify new international locations and appropriate partners to develop additional capacity in order to meet our longer-term growth potential in global markets.

30,000 metric tonne Tricoya® plant under construction in Hull, UK

20,000m³ Accoya® reactor approved for Arnhem

Research and development (R&D)

We have developed innovative, proprietary and protected technologies which chemically modify wood through a low emissions acetylation process.

We continue to invest in R&D, focused on optimising our existing product offering and technologies and investing in focused technology solutions, which materially enhance our productivity and cost of production.

Launch of a new coloured Accoya® product to customers from FY21– expected to provide even more choice to customers while retaining the key attributes of durability and stability.

Working with business partners

Working with business partners provides the greatest prospect for taking advantage of the substantial global market opportunity for our products.

We continue to work with our partners in order to achieve our objective of expanding the production footprint globally, in particular, with partners which have resources or technologies which complement our own.

Work progressing towards the construction of an Accoya® plant in the USA through a potential joint venture with Eastman Chemical Company.

Accsys Technologies PLC

Our strategy

Strategic Objective	Grow product demand
Ambition	<p>To develop market opportunities to drive revenue growth</p> <p>KPIs:</p> <ul style="list-style-type: none"> - Accoya® and Tricoya® volume sold by key target geographies
Approach	<ul style="list-style-type: none"> - Focus on significant and growth markets, for example Original Equipment Manufacturers and joinery market - Working with our customers to sell our products: <ul style="list-style-type: none"> o Building long term customer relationships o Targeting repeat business o Develop critical mass within key markets - Build and protect our brands - Developing the substantial environmental advantages that our products offer - Development of partnerships to allow the above in a cost effective manner
Progress in year ended March 2020	<ul style="list-style-type: none"> - Total volume sold increased by 16% to 57,842m³ <ul style="list-style-type: none"> o Sales to Tricoya® customers increased by 18% to 14,134m³ o Sales to Accoya® customers increased by 16% to 43,708m³ - Sales volumes were close to or above production capacity for much of the year, making more significant increases in sales volumes impossible in the short term - Sales continued to be driven through our existing distributor base, allowing for repeat business to be continued - Early termination of Cerdia agreement has allowed direct relationships with key European distributors to be regained/assumed - Tricoya® feasibility study with PETRONAS Chemicals Group Berhad progressed during year and included undertaking a market evaluation study which confirmed the potential market opportunity supporting the continuation of the feasibility project.
Key results to be achieved for year ending March 2021	<ul style="list-style-type: none"> - In the short term - managing the impact COVID-19 has had on our customers and end-users with a focus on limiting the short term impact on sales. - Completing the construction of the Tricoya® plant in Hull in order to enable a significant increase in Tricoya® production capacity - Increased focus on marketing to end consumers to supplement the successful approach so far which has been focussed on B2B.

Strategic Objective	Practice manufacturing excellence
Ambition	<p>To grow manufacturing position in Europe, USA and Malaysia and establish new platforms in key markets in support of, and to enable, demand growth.</p> <p>KPIs, by geography:</p> <ul style="list-style-type: none"> - Operational manufacturing capacity - Manufacturing capacity under construction
Approach	<ul style="list-style-type: none"> - Safe operations, everywhere - Develop and optimise existing sites and leverage operational and financial scale - Develop existing skills to ensure continuous improvement at all locations - Identify new international locations and appropriate partners to develop additional capacity in order to meet longer term growth potential in global markets - Product development focused on significant volume and value propositions - Ensuring adequate supply of raw materials at acceptable economics
Progress in year ended March 2020	<ul style="list-style-type: none"> - Hull plant construction has been significantly progressed, however the previously reported delays have been resolved with work accelerating in the latter part of the financial year.
Key results to be achieved for year ending March 2021	<ul style="list-style-type: none"> - Appropriately adapting working practices in light of COVID-19 given the importance of the health and safety of our people - Completion of the Tricoya® plant in Hull following the delays incurred last year and more recently due to COVID-19. - Next stages of the expansion of the Accoya® plant in Arnhem by the addition of a fourth reactor and new automated wood handling equipment. Work in the year is expected to include detailed engineering, the placement of orders for key equipment and commencement of construction works on site. - Progressing work with Eastman in respect of a potential Accoya® plant in USA with commencement of site specific preliminary engineering work. - Continuation of feasibility project with PETRONAS Chemical Group Berhad in respect of potential Tricoya® plant in Malaysia

Accsys Technologies PLC

Our strategy continued

Strategic Objective	Develop our technology
Ambition	To develop technology and IP programmes based on evidence and commercial viability.
Approach	<ul style="list-style-type: none"> - Optimisation of existing products and technologies - Pursuit of focused technology solutions which materially enhance productivity and cost of production.
Progress in year ended March 2020	<ul style="list-style-type: none"> - Coloured Accoya® project has been significantly progressed to enable commencement of commercialisation - Further progress on a number of other projects including acetylation of veneers.
Key results to be achieved for year ending March 2021	<ul style="list-style-type: none"> - Commercialisation of coloured Accoya® by working with key third parties with a view to introducing limited quantities of coloured Accoya® to the market - Continued development of application of acetylation to other solid wood applications - Define detailed and focused technology development programme for implementation based on existing assets, know-how and development programmes - Continue to develop and enhance our IP portfolio.

Strategic Objective	Build organisational capability
Ambition	To develop our people and organisational capability to enable us to meet our growth objectives
Approach	<ul style="list-style-type: none"> - Develop, articulate and live our values and culture - Develop management and leadership capabilities to support growth ambition - Engagement and investment throughout the whole workforce - Develop the governance appropriate for the growth of the business
Progress in year ended March 2020	<ul style="list-style-type: none"> - Developed framework to help fully align all Group employees' objectives and key results - Completed detailed employee engagement survey - Rolled out corporate brand identity.
Key results to be achieved for year ending March 2021	<ul style="list-style-type: none"> - Embed the framework that aligns all employees' objectives and key result to the Group goals - Aligning actions and decisions throughout the Company with our values and strategy - Improve Employee Engagement - Further develop compensation strategy to align with growth ambitions - Review and evolve Company's approach to ESG strategy.

Accsys Technologies PLC

Consolidated statement of comprehensive income for the year ended 31 March 2020

		2020 €'000	2020 €'000	2020 €'000	2019 €'000	2019 €'000	2019 €'000	
		Note	Underlying	Exceptional items and other adjustments *	Total	Underlying	Exceptional items and other adjustments *	Total
Accoya® wood revenue		82,836	-	82,836	66,949	-	66,949	
Tricoya® panel revenue		512	-	512	634	-	634	
Licence revenue		293	3,200	3,493	1,614	-	1,614	
Other revenue		7,268	-	7,268	5,956	-	5,956	
Total revenue	3	90,909	3,200	94,109	75,153	-	75,153	
Cost of sales		(63,402)	-	(63,402)	(56,517)	-	(56,517)	
Gross profit		27,507	3,200	30,707	18,636	-	18,636	
Other operating costs excluding depreciation and amortisation	4	(20,540)	(165)	(20,705)	(17,733)	24	(17,709)	
EBITDA		6,967	3,035	10,002	903	24	927	
Depreciation and amortisation	4	(5,603)	-	(5,603)	(3,965)	-	(3,965)	
Total other operating costs	4	(26,143)	(165)	(26,308)	(21,698)	24	(21,674)	
Operating profit/(loss)	8	1,364	3,035	4,399	(3,062)	24	(3,038)	
Finance income	10	-	-	-	-	-	-	
Finance expense	11	(3,517)	626	(2,891)	(3,117)	(1,529)	(4,646)	
Profit/(Loss) before taxation		(2,153)	3,661	1,508	(6,179)	(1,505)	(7,684)	
Tax (expense)/credit	12	(454)	(177)	(631)	782	-	782	
Profit/(Loss) for the year		(2,607)	3,484	877	(5,397)	(1,505)	(6,902)	
(Loss)/gain arising on translation of foreign operations		(11)	-	(11)	54	-	54	
(Loss)/gain arising on foreign currency cash flow hedges		-	(280)	(280)	-	11	11	
Total other comprehensive (loss)/income		(11)	(280)	(291)	54	11	65	
Total comprehensive gain/(loss) for the year		(2,618)	3,204	586	(5,343)	(1,494)	(6,837)	
Total comprehensive gain/(loss) for the year is attributable to:								
Owners of Accsys Technologies PLC		(1,080)	3,204	2,124	(4,337)	(1,494)	(5,831)	
Non-controlling interests		(1,538)	-	(1,538)	(1,006)	-	(1,006)	
Total comprehensive gain/(loss) for the year		(2,618)	3,204	586	(5,343)	(1,494)	(6,837)	
Basic and diluted gain/(loss) per ordinary share	14	€(0.01)			€0.02	€(0.04)		€(0.05)

The notes form an integral part of these financial statements.

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

Accsys Technologies PLC

Consolidated statement of financial position as at 31 March 2020

Registered Company 05534340

	Note	2020 €'000	2019 €'000
Non-current assets			
Intangible assets	16	10,986	10,790
Property, plant and equipment	17	122,123	105,272
Right of use assets	27	4,536	-
Financial asset at fair value through profit or loss	18	-	-
		137,645	116,062
Current assets			
Inventories	21	16,932	14,008
Trade and other receivables	22	15,308	13,038
Cash and cash equivalents		37,238	8,857
Corporation tax receivable		283	478
FX derivative asset		-	143
		69,761	36,524
Current liabilities			
Trade and other payables	23	(16,867)	(19,963)
Obligation under lease liabilities	27	(859)	(246)
Short term borrowings	28	(5,265)	(6,176)
Corporation tax payable		(640)	(34)
FX derivative liability		(330)	-
		(23,961)	(26,419)
Net current assets		45,800	10,105
Non-current liabilities			
Obligation under lease liabilities	27	(4,262)	(1,775)
Other long term borrowing	28	(52,048)	(50,733)
		(56,310)	(52,508)
Net assets		127,135	73,659
Equity			
Share capital	24	8,114	5,900
Share premium account		186,390	145,429
Other reserves	25	112,551	109,521
Accumulated loss		(214,394)	(217,348)
Own shares		-	(9)
Foreign currency translation reserve	32		43
Capital value attributable to owners of Accsys Technologies PLC		92,693	43,536
Non-controlling interest in subsidiaries	9	34,442	30,123
Total equity		127,135	73,659

The financial statements were approved by the Board of Directors on 22 June 2020 and signed on its behalf by

Robert Harris

William Rudge

Directors

The notes form an integral part of these financial statements.

Accsys Technologies PLC

Consolidated statement of changes in equity for the year ended 31 March 2020

	Share capital Ordinary €000	Share premium €000	Other reserves €000	Own Shares €000	Foreign currency trans-lation reserve €000	Accumula-ted Loss €000	Total equity attributable to equity shareholders of the company €000	Non-Controlling interests €000	Total Equity €000
Balance at 1 April 2018	5,576	140,036	109,425	(15)	(11)	(211,830)	43,181	30,314	73,495
Total comprehensive income/(expense) for the period	-	-	11	-	54	(5,896)	(5,831)	(1,006)	(6,837)
Share based payments	-	-	-	-	-	382	382	-	382
Shares issued Premium on shares issued	324	-	-	6	-	(4)	326	-	326
Share issue costs	-	5,421	-	-	-	-	5,421	-	5,421
Issue of subsidiary shares to non-controlling interests	-	(28)	-	-	-	-	(28)	-	(28)
	-	-	85	-	-	-	85	815	900
Balance at 31 March 2019	5,900	145,429	109,521	(9)	43	(217,348)	43,536	30,123	73,659
Adjustment on initial application of IFRS 16	-	-	-	-	-	(76)	(76)	-	(76)
Adjusted opening balance at 01 April 2019	5,900	145,429	109,521	(9)	43	(217,424)	43,460	30,123	73,583
Total comprehensive income/(expense) for the period	-	-	(280)	-	(11)	2,415	2,124	(1,538)	586
Share based payments	-	-	-	-	-	615	615	-	615
Shares issued Premium on shares issued	2,214	-	-	9	-	-	2,223	-	2,223
Share issue costs	-	44,281	-	-	-	-	44,281	-	44,281
Issue of subsidiary shares to non-controlling interests	-	(3,320)	-	-	-	-	(3,320)	-	(3,320)
	-	-	3,310	-	-	-	3,310	5,857	9,167
Balance at 31 March 2020	8,114	186,390	112,551	-	32	(214,394)	92,693	34,442	127,135

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

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

See note 25 for details concerning Other reserves.

Non-controlling interests relates to the investment of various parties into Tricoya Technologies Limited and Tricoya Ventures UK Limited (notes 9 and 26).

In the prior year, own shares represented a total of 173,915 shares issued to an Employee Benefit Trust ('EBT') at nominal value on 25 June 2018. Of this amount, 145,918 shares vested on 1 July 2019 (note 15).

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

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

The notes form an integral part of these financial statements.

Accsys Technologies PLC

Consolidated statement of cash flow for the year ended 31 March 2020

	2020 €'000	2019 €'000
Loss before taxation before exceptional items and other adjustments	(2,153)	(6,179)
<i>Adjustments for:</i>		
Amortisation of intangible assets	664	611
Depreciation of property, plant and equipment, and right of use assets	4,939	3,354
Net finance expense	3,352	3,117
Equity-settled share-based payment expenses	614	382
Currency translation (gains)	(78)	(38)
Cash inflows from operating activities before changes in working capital and exceptional items	<hr/> 7,338	1,247
Exceptional Items in operating activities (see note 5)	3,200	-
Cash inflows from operating activities before changes in working capital	<hr/> 10,538	1,247
(Increase) in trade and other receivables	(2,427)	(3,693)
Increase in deferred income	190	994
(Increase) in inventories	(2,924)	(882)
(Decrease)/Increase in trade and other payables	(3,164)	960
Net cash generated from/(used in) operating activities before tax	<hr/> 2,213	(1,374)
Tax received	165	1,674
Net cash from operating activities	<hr/> 2,378	300
Cash flows from investing activities		
Interest received	19	70
Investment in property, plant and equipment	(22,040)	(48,166)
FX deal settlement related to hedging of Hull Capex	307	-
Investment in intangible assets	(861)	(749)
Net cash (used in) investing activities	<hr/> (22,575)	(48,845)
Cash flows from financing activities		
Proceeds from loans	4,500	26,000
Other finance costs	(79)	(93)
(Repayment of)/Proceeds from trade facility draw down	(1,825)	1,825
Interest Paid	(2,370)	(1,157)
Repayment of lease liabilities	(1,022)	(12,209)
Repayment of loans/rolled up interest	(2,942)	(3,208)
Proceeds from issue of share capital	46,504	5,747
Proceeds from issue of subsidiary shares to non-controlling interests	9,167	900
Share issue costs	(3,320)	(28)
Net cash from financing activities	<hr/> 48,613	17,777
Net increase/(decrease) in cash and cash equivalents		
Effect of exchange rate changes on cash and cash equivalents	28,416	(30,768)
Opening cash and cash equivalents	(35)	(73)
	8,857	39,698
Closing cash and cash equivalents	<hr/> 37,238	8,857

The notes form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 March 2020

1. Accounting Policies

General Information

The financial information set out in these preliminary results does not constitute the company's statutory accounts for the periods ended 31 March 2020 or 31 March 2019. Statutory accounts for the period ended 31 March 2019 have been filed with the Registrar of Companies and those for the period ended 31 March 2020 will be delivered to the Registrar in due course; both have been reported on by the auditors. The auditors' report on the Annual Report and Financial Statements for the period ended 31 March 2019 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. The auditors' report on the Annual Report and Financial Statements for the period ended 31 March 2020 is unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Basis of accounting

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

Going Concern

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

As part of the Group's going concern review, the Directors have reviewed the Group's trading forecasts and working capital requirements for the foreseeable future taking into account the banking and finance facilities which are currently in place (see note 28 for details of these facilities) and the possible further impact of COVID-19. These forecasts indicate that, in order to continue as a going concern, the Group is dependent on achieving certain operating performance measures relating to the production and sales of Accoya® wood from the plant in Arnhem with the collection of on-going working capital items in line with internally agreed budgets. The Directors' have also considered the level and timing of capital expenditure required in relation to the new plant in Hull which is currently being built and further expansion of the Arnhem operation noting that the full forecast project cost has not yet been committed to.

The Directors believe that while some uncertainty always inherently remains in achieving the budget, in particular in relation to market conditions outside of the Group's control and on this occasion with the heightened risk that COVID-19 entails, that there is no material uncertainty. There are a sufficient number of alternative actions and measures within the control of the Group that can and would be taken in order to ensure on-going liquidity including reducing / deferring costs in some discretionary areas as well as larger capital projects if necessary.

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

Exceptional Items

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

Business combinations

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

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

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

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

Revenue from contracts with customers

Revenue is measured at the fair value of the consideration receivable. Revenue is recognised to the extent that it is highly probable that a significant reversal will not occur based on the consideration in the contract. The following specific recognition criteria must also be met before revenue is recognised.

Manufacturing revenue

Revenue is recognised from the sale of goods and is measured at the amount of the transaction price received in exchange for transferring goods. The transaction price is the expected consideration to be received, to the extent that it is highly probable that there will not be a significant reversal of revenue in the future. When a customer provides untreated wood to be processed by the Group in order to produce Accoya®, revenue is recognised when the Group's performance obligations under the relevant customer contract have been satisfied, which is before the finished Accoya® has been collected by the customer. Manufacturing revenue includes the sale of Accoya® wood, Tricoya® panels and other revenue, principally relating to the sale of acetic acid.

Licensing fees and Marketing income

Licence fees and marketing income are 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 satisfaction of the performance obligations set out in the contract such as an assessment of the work required before the licence is signed and subsequently during the design, construction and commissioning of the licensees' plant, with an appropriate proportion of the fee recognised upon signing and the balance recognised as the project progresses to completion. Marketing revenue, when the Company acts as principal, is recognised based on the actual work completed in the period. The amount of any cash or billings received but not recognised as income is included in the financial statements as deferred income and shown as a liability.

Finance income

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

Borrowing costs

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

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

Interest on borrowings directly relating to the construction or production of qualifying assets are capitalised until such time as the assets are substantially ready for their intended use or sale. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the construction period.

Share based payments

The Company awards nil cost options to acquire ordinary shares in the capital of the Company to certain Directors and employees. The Company has also previously awarded bonuses to certain 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 and deferred 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 consolidated 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.

Notes to the financial statements for the year ended 31 March 2020 continued

Dividends

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

Pensions

The Group contributes to certain defined contribution pension and employee benefit schemes on behalf of its employees. These costs are charged to the consolidated 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 consolidated 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 reporting 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;
- 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 reporting date. Recognition of deferred tax assets is restricted to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Foreign currencies

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

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currencies are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting 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 reporting 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 accumulated in the foreign currency translation reserve. Such translation differences are reclassified to profit and loss only on disposal or partial disposal of the overseas operation.

Foreign exchange hedging

The Group has adopted IFRS 9 hedge accounting in respect of the cash flow hedging instruments that it uses to manage the risk of foreign exchange movements impacting on future cash flows and profitability.

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

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

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

Notes to the financial statements for the year ended 31 March 2020 continued

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 consolidated statement of comprehensive income. Where the fair value of the identifiable assets and liabilities acquired is greater than the fair value of consideration paid, the resulting amount is treated as a gain on a bargain purchase and has been recognised in the consolidated 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 8 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 over their useful lives of between 5 and 20 years
Office equipment	Useful life of between 3 and 5 years
Leased land and buildings	Land held under a finance lease is depreciated over the life of the lease
Freehold land	Freehold land is not depreciated

Impairment of non-financial assets

The carrying amount of 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 consolidated 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 consolidated 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

As explained in note 2 below, the Group has changed its accounting policy for leases where the Group is the lessee.

To the extent that a right-of-control exists over an asset subject to a lease, a right-of-use asset, representing the Group's right to use the underlying leased asset, and a lease liability, representing the Group's obligation to make lease payments, are recognised in the consolidated statement of financial position at the commencement of the lease.

The right-of-use asset is measured initially at cost and includes the amount of initial measurement of the lease liability, any initial direct costs incurred, including advance lease payments, and an estimate of the dismantling, removal and restoration costs required in terms of the lease. Depreciation is charged to the consolidated income statement so as to depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

The lease liability is measured at the present value of the future lease payments, including variable lease payments that depend on an index and the exercise price of purchase options where it is reasonably certain that the option will be exercised, discounted using the interest rate

Notes to the financial statements for the year ended 31 March 2020 continued

implicit in the lease, if readily determinable. If the implicit interest rate cannot be readily determined, the lessee's incremental borrowing rate is used. Finance charges are recognised in the consolidated income statement over the period of the lease.

Lease expenses for leases with a duration of one year or less and low-value assets are not recognised in the consolidated statement of financial position, and are charged to the consolidated income statement when incurred. Low-value assets are determined based on quantitative criteria.

Until 31 March 2019 (Prior year):

- Operating lease payments were recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.
- Assets held under finance leases were 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 was included in the consolidated statement of financial position as a finance lease obligation. Lease payments were 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 and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value and in the case of investments not at fair value through profit or loss, fair value plus directly attributable transaction costs.

Except where a reliable fair value cannot be obtained, unlisted shares held by the Group are classified as fair value through other comprehensive income and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income, with dividends recognised in profit or loss. 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

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairments. The Group has elected to apply the IFRS 9 practical expedient option to measure the value of its trade receivables at transaction price, as they do not contain a significant financing element. The Group applies IFRS 9's 'simplified' approach that requires companies to recognise the lifetime expected losses on its trade receivables. At the date of initial recognition, the credit losses expected to arise over the lifetime of a trade receivable are recognised as an impairment and are adjusted, over the lifetime of the receivable, to reflect objective evidence reflecting whether the Group will not be able to collect its debts.

Cash and cash equivalents

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

Financial liabilities**Other financial liabilities**

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

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

Notes to the financial statements for the year ended 31 March 2020 continued

Share capital

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

Segmental Reporting

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

Alternative Performance Measures

The Group presents certain measures of financial performance, position or cash flows in the Annual Report and financial statements that are not defined or specified according to IFRS. These measures, referred to as Alternative Performance Measures (APMs), are prepared on a consistent basis for all periods presented in this report.

The most significant APMs are:

Net debt

A measure comprising short term and long-term borrowings (including lease obligations) less cash and cash equivalents. Net debt provides a measure of the Group's net indebtedness or overall leverage.

Underlying EBITDA

Operating profit/(loss) before Exceptional items and other adjustments, depreciation and amortisation. Underlying EBITDA provides a measure of the cash-generating ability of the business that is comparable from year to year.

Underlying EBIT

Operating profit/(loss) before Exceptional items and other adjustments. Underlying EBIT provides a measure of the operating performance that is comparable from year to year.

Effective interest rate

Net interest expense (excluding capitalisation of interest) expressed as a percentage of trailing 13-month average net debt provides a measure of the cost of borrowings.

2. Accounting judgements and estimates

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

Accounting estimates

Useful economic lives of property, plant and equipment

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

Inventories

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

Commercial negotiations

The Group is party to a number of commercial negotiations in the ordinary course of business. Management consults with internal and external experts, and utilises its best estimate to account for any relevant financial effect from these negotiations (including the value of amounts to be capitalised and any payables or provisions required to settle such negotiations), when they become apparent.

Accounting judgements

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

Notes to the financial statements for the year ended 31 March 2020 continued

Revenue recognition

The Group has considered the criteria for the recognition of fee income from licensees over the period of the agreement and is satisfied that the recognition of such revenue is appropriate. The recognition of fees is based upon satisfaction of the performance obligations set out in the contract such as 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. Revenue is recognised to the extent that it is highly probable that a significant reversal will not occur.

Goodwill

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

Intellectual property rights (IPR) and property, plant and equipment

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

Financial asset at fair value through profit or loss

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

Consolidation of subsidiaries

The Group considers all relevant facts and circumstances when assessing whether it meets the IFRS 10 requirements to consolidate Tricoya Technologies Limited (TTL) and Tricoya Ventures UK Limited (TVUK). The Group has consolidated the results of TTL and TVUK as subsidiaries, as it exercises the power to govern the entities in accordance with IFRS 10. See note 9.

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

New standards, amendments and interpretations

The following amendments to Standards and a new Interpretation have been adopted for the financial year beginning on 1 April 2019:

- IFRS 16 – Leases
- Prepayments Features with Negative Compensation – Amendments to IFRS 9
- Long-term interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Amendments to IAS 19 – Employees Benefits
- IFRIC 23 – Uncertainty over income tax treatments

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 April 2019. This is disclosed in note 27. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Segmental reporting

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

Accsys Technologies PLC

Notes to the financial statements for the year ended 31 March 2020 continued

Accoya®

	Accoya® Segment					
	Year ended 31 March 2020	Year ended 31 March 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2019	Year ended 31 March 2019
	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000
Accoya® wood revenue	82,836	-	82,836	66,949	-	66,949
Licence revenue	5	3,200	3,205	1,043	-	1,043
Other revenue	7,187	-	7,187	5,916	-	5,916
Total Revenue	90,028	3,200	93,228	73,908	-	73,908
Cost of sales	(62,878)	-	(62,878)	(55,960)	-	(55,960)
Gross profit	27,150	3,200	30,350	17,948	-	17,948
Other operating costs excluding depreciation and amortisation	(10,204)	-	(10,204)	(8,955)	-	(8,955)
EBITDA	16,946	3,200	20,146	8,993	-	8,993
Depreciation and amortisation	(4,323)	-	(4,323)	(3,508)	-	(3,508)
Profit from operations	12,623	3,200	15,823	5,485	-	5,485

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

All costs of sales are allocated against manufacturing activities in Arnhem unless they can be directly attributable to a licensee. Other operating costs include all costs associated with the operation of the Arnhem manufacturing site, including directly attributable administration, sales and marketing costs.

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

Average headcount = 130 (2019: 117)

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

	2020 €'000	2019 €'000
Accoya® segmental underlying EBITDA	16,946	8,993
Accoya® underlying Licence revenue	(5)	(1,043)
Other income, predominantly for marketing services	(168)	(172)
Accoya® segmental underlying EBITDA (excluding Licence Income)	16,773	7,778
Accoya® segmental underlying gross profit	27,150	17,948
Accoya® underlying Licence revenue	(5)	(1,043)
Other income, predominantly for marketing services	(168)	(172)
Accoya® manufacturing gross profit	26,977	16,733
Gross Accoya® Manufacturing Margin	30.0%	23.0%

Notes to the financial statements for the year ended 31 March 2020 continued

Tricoya®

	Tricoya® Segment					
	Year ended 31 March 2020	Year ended 31 March 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2019	Year ended 31 March 2019
	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000
Tricoya® panel revenue	512	-	512	634	-	634
Licence revenue	288	-	288	571	-	571
Other revenue	81	-	81	40	-	40
Total Revenue	881	-	881	1,245	-	1,245
Cost of sales	(524)	-	(524)	(557)	-	(557)
Gross profit	357	-	357	688	-	688
Other operating costs excluding depreciation and amortisation	(3,210)	(165)	(3,375)	(2,586)	24	(2,562)
EBITDA	(2,853)	(165)	(3,018)	(1,898)	24	(1,874)
Depreciation and amortisation	(397)	-	(397)	(242)	-	(242)
Profit/(Loss) from operations	(3,250)	(165)	(3,415)	(2,140)	24	(2,116)

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

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

Average headcount = 17 (2019: 12), noting a substantial proportion of the costs to date have been incurred via recharges from other parts of the Group or have resulted from contractors.

Accsys Technologies PLC

Notes to the financial statements for the year ended 31 March 2020 continued

Corporate

	Corporate Segment					
	Year ended 31 March 2020	Year ended 31 March 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2019	Year ended 31 March 2019
	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000
Accoya® wood revenue	-	-	-	-	-	-
Licence revenue	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-
Gross result	-	-	-	-	-	-
Other operating costs excluding depreciation and amortisation	(6,055)	-	(6,055)	(5,119)	-	(5,119)
EBITDA	(6,055)	-	(6,055)	(5,119)	-	(5,119)
Depreciation and amortisation	(731)	-	(731)	(175)	-	(175)
Loss from operations	(6,786)	-	(6,786)	(5,294)	-	(5,294)

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

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

Average headcount = 23 (2019: 21)

Research and Development

	Research & Development Segment					
	Year ended 31 March 2020	Year ended 31 March 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2019	Year ended 31 March 2019
	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000
Accoya® wood revenue	-	-	-	-	-	-
Licence revenue	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-
Gross result	-	-	-	-	-	-
Other operating costs excluding depreciation and amortisation	(1,071)	-	(1,071)	(1,073)	-	(1,073)
EBITDA	(1,071)	-	(1,071)	(1,073)	-	(1,073)
Depreciation and amortisation	(152)	-	(152)	(41)	-	(41)
Loss from operations	(1,223)	-	(1,223)	(1,114)	-	(1,114)

Accsys Technologies PLC

Notes to the financial statements for the year ended 31 March 2020 continued

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

Average headcount = 9 (2019: 9)

Total

	Total			Total		
	Year ended 31 March 2020	Year ended 31 March 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2019	Year ended 31 March 2019
	Exceptional items & Other Adjustments		TOTAL €'000	Exceptional items & Other Adjustments		TOTAL €'000
	Underlying €'000	Adjustments €'000		Underlying €'000	Adjustments €'000	
Accoya®/Tricoya® revenue	83,348	-	83,348	67,583	-	67,583
Licence revenue	293	3,200	3,493	1,614	-	1,614
Other revenue	7,268	-	7,268	5,956	-	5,956
Total Revenue	90,909	3,200	94,109	75,153	-	75,153
Cost of sales	(63,402)	-	(63,402)	(56,517)	-	(56,517)
Gross profit	27,507	3,200	30,707	18,636	-	18,636
Other operating costs excluding depreciation and amortisation	(20,540)	(165)	(20,705)	(17,733)	24	(17,709)
EBITDA	6,967	3,035	10,002	903	24	927
Depreciation and amortisation	(5,603)	-	(5,603)	(3,965)	-	(3,965)
Profit/(Loss) from operations	1,364	3,035	4,399	(3,062)	24	(3,038)
Finance income	-	-	-	-	-	-
Finance expense	(3,517)	626	(2,891)	(3,117)	(1,529)	(4,646)
Profit/(Loss) before taxation	(2,153)	3,661	1,508	(6,179)	(1,505)	(7,684)

See note 5 for details of Exceptional items and other adjustments.

Analysis of Revenue by geographical area of customers:

	2020 €'000	2019 €'000
UK and Ireland	39,208	32,099
Rest of Europe	24,962	19,487
Americas	10,949	9,316
Benelux	8,510	7,982
Asia-Pacific	6,293	6,099
Rest of World	987	170
	90,909	75,153

Revenue generated from three customers exceeded 10% of Group revenue of 2020. This included 62% of the revenue from the rest of Europe and relates to a mixture of Accoya®, Licensing, and Other Revenue. In addition, two other customers represented 33% and 35% respectively, of the revenue from the United Kingdom and Ireland and relate to Accoya® revenue. Revenue generated from three customers exceeded 10% of Group revenue in 2019 (73% of the revenue from the rest of Europe, and 34% and 34% respectively, of the revenue from the United Kingdom and Ireland).

Accsys Technologies PLC

Notes to the financial statements for the year ended 31 March 2020 continued

Assets and liabilities on a segmental basis:

	Accoya® 2020 €'000	Tricoya® 2020 €'000	Corporate 2020 €'000	R&D 2020 €'000	TOTAL 2020 €'000	Accoya® 2019 €'000	Tricoya® 2019 €'000	Corporate 2019 €'000	R&D 2019 €'000	TOTAL 2019 €'000
Non-current assets	62,143	70,638	4,773	91	137,645	62,648	49,949	3,421	44	116,062
Current assets	38,777	10,896	15,330	4,758	69,761	25,504	9,288	(3,184)	4,916	36,524
Current liabilities	(11,692)	(9,407)	(2,833)	(29)	(23,961)	(17,251)	(8,358)	(771)	(39)	(26,419)
Net current assets/ (liabilities)	27,085	1,489	12,497	4,729	45,800	8,253	930	(3,955)	4,877	10,105
Non-current liabilities	(27,740)	(8,727)	(19,843)	-	(56,310)	(30,336)	(3,316)	(18,856)	-	(52,508)
Net assets/ (liabilities)	61,488	63,400	(2,573)	4,820	127,135	40,565	47,563	(19,390)	4,921	73,659

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

	2020 €'000	2019 €'000
UK	75,435	53,679
Other countries	57,979	58,152
Un-allocated - Goodwill	4,231	4,231
	137,645	116,062

The segmental assets in the current year were predominantly held in the UK and mainland Europe (Prior Year UK and mainland Europe). Additions to property, plant, equipment and intangible assets in the current year were predominantly incurred in the UK and mainland Europe (Prior Year UK and mainland Europe). There are no significant intersegment revenues.

4. Other operating costs

Other operating costs consist of the operating costs, other than the cost of sales, associated with the operation of the plant in Arnhem, the offices in Dallas and London and certain pre-operating costs associated with the plant in Hull:

	2020 €'000	2019 €'000
Sales and marketing	3,295	3,286
Research and development	1,071	1,073
Other operating costs	6,742	4,922
Administration costs	9,432	8,452
Exceptional Items and other adjustments	165	(24)
Other operating costs excluding depreciation and amortisation	20,705	17,709
Depreciation and amortisation	5,603	3,965
Total other operating costs	26,308	21,674

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

The total cost of €20,705,000 in the current period includes €3,375,000 in respect of the Tricoya® segment, compared to €2,562,000 in the previous year.

Group average headcount increased from 159 in the year to 31 March 2019, to 179 in the year to 31 March 2020.

During the period, €861,000 (2019: €748,000) of internal development & patent related costs were capitalised and included in intangible fixed assets, including €701,000 (2019: €600,000) which were capitalised within Tricoya Technologies Limited ('TTL'). In addition €204,000

Notes to the financial statements for the year ended 31 March 2020 continued

of internal costs have been capitalised in relation to our current Arnhem Accoya® plant expansion project (2019: €395,000 – relating to third reactor expansion) and €44,000 of internal costs have been capitalised in relation to our plant build in Hull, UK (2019: €46,000). Both are included within tangible fixed assets.

5. Exceptional items and other adjustments

	2020 €'000	2019 €'000
Cerdia contract termination fee - Licence revenue	3,200	-
Termination of finance lease on acquisition of land and buildings - Finance expense	-	(1,140)
Total exceptional items	3,200	(1,140)
Foreign exchange differences arising on Tricoya® cash held - Operating costs	(165)	24
Foreign exchange differences arising on Loan Notes - incl. in Finance expense	626	(389)
Foreign exchange differences on Tricoya® cash held - Other comprehensive (loss)	(96)	(132)
Revaluation of FX forwards used for cash-flow hedging - Other comprehensive (loss)/income	(184)	143
Total other adjustments	181	(354)
Tax on exceptional items and other adjustments	(177)	-
Total exceptional items and other adjustments	3,204	(1,494)

Exceptional Items

The exceptional licence fee revenue of €3.2m results from the early termination of the Cerdia commercial agreements. This amount currently included in receivables will be recorded as a reduction to net debt from 1st April 2020, with the fee being offset against our loan held with Cerdia which continues.

An exceptional finance charge of €1.1m was recognised in the prior year as an exceptional finance expense in respect of the acquisition of the land and buildings in Arnhem from Bruij. The non-cash charge reflects the difference between the assets held under the finance lease and the finance lease liability which was terminated at the point the acquisition was completed.

Other Adjustments

Foreign exchange differences in the Tricoya® segment have occurred due to pounds sterling held within the consortium for the ongoing Hull plant build. The Group has mitigated this currency exchange risk by adopting hedge accounting in respect of the Tricoya® plant construction under IFRS 9, Financial Instruments. The effective portion of the foreign exchange movement is recognised in other comprehensive income, with the ineffective portion recognised in Operating costs.

Foreign exchange differences also arise on the pounds sterling denominated loan notes, entered into in a prior period (see note 28). These exchange rate differences are included as finance expenses.

Notes to the financial statements for the year ended 31 March 2020 continued

6. Employees

	2020 €'000	2019 €'000
Staff costs (including Directors) consist of:		
Wages and salaries	12,249	11,119
Social security costs	1,768	1,747
Other pension costs	894	731
Share based payments	537	454
	15,448	14,051

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

	2020	2019
Sales and marketing, administration, research and engineering	99	90
Operating	80	69
	179	159

7. Directors' remuneration

	2020 €'000	2019 €'000
Directors' remuneration consists of:		
Directors' emoluments	1,443	1,307
Company contributions to money purchase pension schemes	49	47
	1,492	1,354

Compensation of key management personnel included the following amounts:

	Salary, bonus and short term benefits €'000	Payment in Lieu of Notice €'000	Pension €'000	Share based payments charge €'000	2020 Total €'000	2019 Total €'000
Paul Clegg	320	309	23	28	680	627
Rob Harris	206	-	10	8	224	-
William Rudge	262	-	16	28	306	313
Hans Pauli ¹	-	-	-	-	-	238
	788	309	49	64	1,210	1,178

The Group made contributions to 1 (2019: 2) Director's personal pension plan, with Paul Clegg and Robert Harris receiving cash in lieu of pension.

The figures in the above table are impacted by foreign exchange noting that the remuneration for P Clegg, R Harris and W Rudge are denominated in Pounds Sterling. P Clegg's remuneration included a payment in lieu of his notice period of 12 months.

¹ Hans Pauli amounts above for 2019 represent the remuneration received for the period to 31 December 2018, when he resigned as a Director.

Notes to the financial statements for the year ended 31 March 2020 continued

8. Operating profit/(loss)

	2020 €'000	2019 €'000
This has been arrived at after charging/(crediting):		
Staff costs	15,448	14,051
Depreciation of property, plant and equipment, and right of use assets	4,939	3,354
Amortisation of intangible assets	664	611
Operating lease rentals	28	966
Foreign exchange (gains)	(81)	(62)
Research & Development (excluding staff costs)	624	606
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	78	74
Fees payable to the Company's auditors for other services:		
- audit of the Company's subsidiaries pursuant to legislation	71	71
- audit related assurance services	26	19
Fees payable to Group auditors for audit of subsidiaries:	93	98
Total audit and audit related services:	<hr/> 268	<hr/> 262

In addition to the above, during the year ended 31 March 2020, fees of €273,000 relating to the working capital review for the December 2019 equity fundraise were paid to the Company's auditors (2019: nil). These fees were accounted for in Share Premium as Share issue costs.

9. Tricoya Technologies Limited

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

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

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

Structurally, Accsys, BP Ventures, MEDITE, BGF and Volantis have invested into TTL in 2017. TTL has then invested, alongside BP Chemicals and MEDITE, in Tricoya® Ventures UK Limited ("TVUK"), a special purpose subsidiary of TTL that will construct, own and operate the Hull Plant.

BP have invested €29.4 million in the Tricoya® Project, including €21.4 million as equity in TVUK by BP Chemicals and €8.0 million as equity in TTL by BP Ventures. All funding was received by 31 March 2020, with €8.2m being received in the year ended 31 March 2020.

MEDITE have invested €12.0 million in the Tricoya® Project, including €7.5 million as equity in TTL and €4.5 million as equity in TVUK. All funding was received by 31 March 2020, with €1.0m being received in the year ended 31 March 2020.

In the year to 31 March 2020, the Group increased its shareholding in TTL from 76.0% to 77.8% with the investment of €9.7m and the further issue of 1,653,987 shares as a result of its continued supply of lower priced Accoya® to MEDITE, to enable continued market development ahead of the completion of the Hull Plant.

In the year ended 31 March 2017, BGF and Volantis invested an aggregate of £19.0 million as financial investors into both the Group and TTL. BGF and Volantis invested on similar terms but are investing separately, with BGF accounting for 65% of the £19.0 million total.

In the year ended 31 March 2017, TVUK entered a six-year €17.2 million (€14.6 million net) finance facility agreement with The Royal Bank of Scotland PLC in respect of the construction and operation of the Hull Plant. As at 31 March 2020 the Group have utilised €8.7m (2019: €3.6m) of the facility.

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

Accsys Technologies PLC

Notes to the financial statements for the year ended 31 March 2020 continued

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

TTL Group income statement:

	Consolidated 2020 €'000	Consolidated 2019 €'000
Revenue	881	1,246
Cost of sales	(538)	(590)
Gross profit	343	656
Operating costs:		
Staff costs	(2,879)	(1,959)
Research & development (excluding staff costs)	(228)	(204)
Intellectual Property	(203)	(210)
Sales & marketing	(388)	(486)
Depreciation & Amortisation	(397)	(242)
EBIT	(3,752)	(2,445)
EBIT attributable to Accsys shareholders	(2,214)	(1,439)

TTL Group balance sheet:

	2020 €'000	2019 €'000
Non-current assets		
Intangible assets	4,216	3,773
Property, plant and equipment	65,557	46,176
Right of use assets	865	-
	70,638	49,949
Current assets		
Receivables due within one year	2,378	2,256
Inventory	53	-
Cash and cash equivalents	8,399	6,890
FX Derivative Asset	-	143
	10,830	9,289
Current liabilities		
Trade and other payables	(18,703)	(11,674)
FX Derivative Liability	(330)	-
	(8,203)	(2,385)
Net current assets	62,435	47,564
Net assets	27,993	17,441
Value attributable to Accsys Technologies	34,442	30,123
Value attributable to Non-controlling interest		

10. Finance income

	2020 €'000	2019 €'000
Interest receivable on bank and other deposits*	-	-

*€19,000 interest received in the year ended 31 March 2020 (31 March 2019: €70,000) in relation to cash balances held in Tricoya Ventures UK Ltd was netted off with borrowing costs incurred, with the net borrowing cost amount related to the Hull project capitalised and included within property, plant and equipment.

Accsys Technologies PLC

Notes to the financial statements for the year ended 31 March 2020 continued

11. Finance expense

	2020 €'000	2019 €'000
Arnhem land and buildings lease finance charge	200	274
Foreign exchange (gain)/loss on loan notes	(626)	389
Interest on loans	3,108	2,739
Interest on lease liabilities	101	9
Other finance expenses	108	95
Unwinding of Arnhem finance lease charge - exceptional item	-	1,140
	<hr/>	<hr/>
	2,891	4,646

12. Tax expense

	2020 €'000	2019 €'000
(a) Tax recognised in the statement of comprehensive income comprises:		
Current tax charge/(credit)		
UK Corporation tax on losses for the year	-	-
Research and development tax expense in respect of current year	28	55
	<hr/>	<hr/>
Overseas tax at rate of 15%	28	55
Overseas tax at rate of 25%	(30)	26
	633	(863)
Deferred Tax		
Utilisation of deferred tax asset	-	-
Total tax charge/(credit) reported in the statement of comprehensive income	<hr/>	<hr/>
	631	(782)

	2020 €'000	2019 €'000
(b) The tax charge (credit) for the period is lower than the standard rate of corporation tax in the UK (2020 & 2019: 19%) due to:		
Profit/(Loss) before tax	1,508	(7,684)
	<hr/>	<hr/>
Expected tax charge/(credit) at 19% (2019 - 19%)	287	(1,460)
Expenses not deductible in determining taxable profit	116	115
Over provision in respect of prior years	(41)	(863)
Tax losses for which no deferred income tax asset was recognised	135	1,468
Effects of overseas taxation	106	(97)
Research and development tax charge in respect of prior years	129	194
Research and development tax (credit) in respect of current year	(101)	(139)
Total tax charge/(credit) reported in the statement of comprehensive income	<hr/>	<hr/>
	631	(782)

Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

13. Dividends Paid

	2020 €'000	2019 €'000
Final Dividend €Nil (2019: €Nil) per Ordinary share proposed and paid during year relating to the previous year's results	-	-
	<hr/>	<hr/>

Accsys Technologies PLC

Notes to the financial statements for the year ended 31 March 2020 continued

14. Profit/(Loss) per share

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

<u>Basic and diluted earnings per share</u>	2020	2020	2019	2019
	Underlying	Total	Underlying	Total
Weighted average number of Ordinary shares in issue ('000)	132,721	132,721	116,343	116,343
Profit/(Loss) for the year attributable to owners of Accsys Technologies PLC (€'000)	(1,069)	2,415	(4,391)	(5,896)
Basic and diluted gain/(loss) per share	€ (0.01)	€ 0.02	€ (0.04)	€ (0.05)

Basic and diluted losses per share are based upon the same figures. IAS 33 "Earning per share" defines Dilutive share options as share options which would decrease profit per share or increase loss per share. Equity options are disclosed in note 29, which if exercised, would decrease loss per share.

15. Share based payments

The Group operates a number of share schemes which give rise to a share based payment charge. The Group operates a Long Term Incentive Plan ('LTIP') in order to reward certain members of staff including the Senior Management team and the Executive Directors. As part of the award of nil costs options under the LTIP in 2013, the recipients relinquished all share options that they held which had been awarded under the 2005 and 2008 Share Option plans. Other employees continue to hold options awarded under these earlier schemes.

Options - total

The following figures take into account options awarded under the LTIP, together with share options awarded in previous years under the 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	
	2020	2019	2020	2019
1 August 2011	90,000	90,000	1.3	2.3
19 September 2013 (LTIP)	2,177,675	2,177,675	3.5	4.5
24 June 2016 (LTIP)	482,827	482,827	6.3	7.3
20 June 2017 (LTIP)	338,275	1,046,076	7.3	8.3
18 June 2018 (LTIP)	829,882	1,138,843	8.3	9.3
25 June 2019 (LTIP)	593,376	-	9.3	-
20 November 2019 (LTIP)	105,699	-	9.7	-
23 December 2019 (LTIP)	41,468	-	9.8	-
Total	4,659,202	4,935,421	5.8	6.6

Notes to the financial statements for the year ended 31 March 2020 continued

Movements in the weighted average values are as follows:

	Weighted average exercise price	Number
Outstanding at 1 April 2018	€ 0.15	<u>4,499,431</u>
Granted during the year	€ 0.00	1,170,159
Forfeited during the year	€ 0.02	(630,285)
Exercised during the year	€ 0.00	(70,175)
Expired during the year	€ 6.12	(33,709)
Outstanding at 31 March 2019	<u>€ 0.10</u>	<u>4,935,421</u>
Granted during the year	€ 0.00	810,520
Forfeited during the year	€ 0.00	(1,086,739)
Exercised during the year	€ 0.00	-
Expired during the year	€ 0.00	-
Outstanding at 31 March 2020	<u>€ 0.10</u>	<u>4,659,202</u>

The exercise price of options outstanding at the end of the year ranged between €nil (for LTIP options) and €0.50 (2019: €nil and €0.50) and their weighted average contractual life was 5.8 years (2019: 6.6 years).

Of the total number of options outstanding at the end of the year, 2,750,502 (2019: 2,267,675) had vested and were exercisable at the end of the year.

Long Term Incentive Plan ('LTIP')

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

2013 LTIP Award performance conditions and 2016 outcome

The LTIP in 2013 awarded 4,103,456 nil cost options and 2,472,550 vested in the financial year end 31 March 2017. 2,177,675 nil cost options remain as at 31 March 2020 after allowing for forfeitures and options exercised in the year.

2016 LTIP Award performance conditions and 2016 outcome

The LTIP in 2016 awarded 1,070,255 nil cost options and 482,827 vested in the financial year end 31 March 2020. 482,827 nil cost options remain as at 31 March 2020 after allowing for forfeitures and options exercised in the year.

Awards made in June 2017 and LTIP Award performance conditions

During the year ended March 2018, a total of 1,087,842 LTIP awards were made primarily to members of the Senior Management team including the Executive Directors:

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

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

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

Notes to the financial statements for the year ended 31 March 2020 continued

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

The remaining 150,828 of the awards made in summer 2017 were specific to individuals dedicated to the Tricoya® consortium with performance measures linked to progress and development of the Tricoya® plant and its subsequent operation. The fair value of these options were €0.814 on their Grant date.

All of the above awards, made in summer 2017 are subject to a three year performance period (i.e. year end March 2020) and a further two year holding period. In addition, awards are also subject to malus/ claw-back provisions. As at 31 March 2020, the expected vesting amount is estimated to be 338,275 share options.

Awards made in June 2018 and LTIP Award performance conditions

During the prior year, a total of 1,170,160 LTIP awards were made primarily to members of the Senior Management team including the Executive Directors:

The performance targets for 993,220 of these awards are as follows:

Metric	Weighting (% of award)	Threshold	Maximum
Vesting (% of maximum)		25%	100%
EBITDA per share in FY21	60%	€0.05	€0.13
Total sales volume (subject to Group EBITDA being breakeven or positive)	40%	70,000	85,000

- Vesting is on a straight-line basis between points in the schedule. There is no vesting for performance below Threshold.
- EBITDA based on total Group EBITDA including licensing income. Appropriate adjustments may be made to the EBITDA per share metric to ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of award.

Element	Element A (EBITDA per share)	Element B (Sales volume growth)
Grant date	19 Jun 18	19 Jun 18
Share price at grant date (€)	0.91	0.91
Exercise price (€)	0.00	0.00
Expected life (years)	3	3
Contractual life (years)	10	10
Vesting conditions (Details set out above)	EBITDA	Sales volume growth
Risk free rate	-0.55%	-0.55%
Expected volatility	20%	20%
Expected dividend yield	0%	0%
Fair value of option	€ 0.842	€ 0.842

The remaining 176,940 of the awards made in summer 2018 were specific to individuals dedicated to the Tricoya® consortium with performance measures linked to progress and development of the Tricoya® plant and its subsequent operation.

The fair value of these options were €0.842 on their Grant date.

All of the above awards, made in summer 2018 are subject to a three year performance period (i.e. year end March 2021) and a further two year holding period. In addition, awards are also subject to malus/ claw-back provisions.

Notes to the financial statements for the year ended 31 March 2020 continued

Awards made in year ended 31 March 2020 and LTIP Award performance conditions

During the year, a total of 810,520 LTIP awards were made primarily to members of the Senior Management team including the Executive Directors:

The performance targets for 686,049 of these awards are as follows:

Metric	Weighting (% of award)	Threshold	Target	Maximum
Vesting (% of maximum)		25%	70%	100%
EBITDA per share in FY22	60%	€0.10	€0.14	€0.22
Total sales volume in FY22 (m ³)	40%	82,000	86,000	100,000

- Vesting is on a straight-line basis between the above points.
- Appropriate adjustments may be made to ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of award.
- EBITDA per share targets are set and determined so as to exclude licensing income.

Element	Element A (EBITDA per share)	Element B (Sales volume growth)
Grant date	25 Jun 19	25 Jun 19
Share price at grant date (€)	1.32	1.32
Exercise price (€)	0.00	0.00
Expected life (years)	3	3
Contractual life (years)	10	10
Vesting conditions (Details set out above)	EBITDA	Sales volume growth
Risk free rate	-0.74%	-0.74%
Expected volatility	20%	20%
Expected dividend yield	0%	0%
Fair value of option	€ 1.221	€ 1.221

On 20th November 2019 and 23rd December 2019, a total of 147,167 LTIP awards (included in the 686,049 LTIP awards above) were made to 2 new employees with the same performance targets as illustrated above. The fair value of these awards were €1.05 per option.

The remaining 124,471 of the awards made in summer 2019 were specific to individuals dedicated to the Tricoya® consortium with performance measures linked to progress and development of the Tricoya® plant and its subsequent operation. The fair value of these options were €1.221 on their Grant date.

All of the above awards, made in summer 2019 are subject to a three year performance period (i.e. year end March 2022) and a further two year holding period. In addition, awards are also subject to malus/ claw-back provisions.

2008 Share Option schemes

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

Employee Benefit Trust – Share bonus award

Following a share issue on 25 June 2018 as part of the annual bonus, in connection with the employee remuneration and incentivisation arrangements for the period from 1 April 2017 to 31 March 2018, 145,918 Ordinary shares awarded in the prior year vested. No similar award were made during the year ended 31 March 2020.

Employee Share Participation Plan

During the year, the Company re-introduced the Employee Share Participation Plan (the 'Plan') for subscription that was initiated in a prior year and was last offered in December 2015. 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 once a year following release of the interim financial results. The maximum amount available for subscription by any employee is €5,000 per annum. In February 2020 various employees subscribed for a total of 204,612 Shares at an acquisition price of €1.095 per Share.

Accsys Technologies PLC

Notes to the financial statements for the year ended 31 March 2020 continued

16. Intangible assets

	Internal Development costs €'000	Intellectual property rights €'000	Goodwill €'000	Total €'000
Cost				
At 1 April 2018	6,338	73,292	4,231	83,861
Additions	458	290	-	748
At 31 March 2019	6,796	73,582	4,231	84,609
Additions	391	469	-	860
At 31 March 2020	7,187	74,051	4,231	85,469
Accumulated amortisation				
At 1 April 2018	1,470	71,738	-	73,208
Amortisation	326	285	-	611
At 31 March 2019	1,796	72,023	-	73,819
Amortisation	350	314	-	664
At 31 March 2020	2,146	72,337	-	74,483
Net book value				
At 31 March 2020	5,041	1,714	4,231	10,986
At 31 March 2019	5,000	1,559	4,231	10,790
At 31 March 2018	4,868	1,554	4,231	10,653

The carrying value of internal development costs, intellectual property rights and goodwill on consolidation are split between two cash generating units, representing the Accoya® and Tricoya® segments. The recoverable amount of internal development costs, intellectual property rights and goodwill relating to each unit is determined based on a value in use calculation which uses cash flow projections based on Board approved financial budgets. Cash flows have been projected for a period of 12 years, including a five year forecast and seven years of 1.8% growth plus assumptions concerning a terminal value and based on a pre-tax discount rate of 10% per annum (2019: 10%). The key assumptions used in the value in use calculations are:

- the level of future licence fees and manufacturing revenues estimated by management,
- the completion of construction of additional facilities on time (and associated output), and
- the discount rate.

The Directors have considered whether a reasonably possible change in assumptions may result in an impairment. The CGU most susceptible to an impairment given a change in assumptions is the Tricoya® CGU.

The impact on the value in use determined is:

- Reduction in sales growth rate by 1% = €16m
- Increase in discount rate by 1% = €13m

Accsys Technologies PLC

Notes to the financial statements for the year ended 31 March 2020 continued

17. Property, plant and equipment

	Land and buildings €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
Cost or valuation				
At 1 April 2018	12,078	68,860	1,476	82,414
Additions	17,997	41,490	1,541	61,028
Termination of finance lease	(12,099)	(4,742)	-	(16,841)
Foreign currency translation profit	-	-	12	12
At 31 March 2019	17,976	105,608	3,029	126,613
Adjustment for IFRS 16 implementation	-	(1,932)	(344)	(2,276)
Adjusted opening balance at 01 April 2019	17,976	103,676	2,685	124,337
Additions	-	22,015	555	22,570
Foreign currency translation profit	-	-	3	3
At 31 March 2020	17,976	125,691	3,243	146,910
Accumulated depreciation				
At 1 April 2018	933	19,455	1,191	21,579
Charge for the year	299	2,806	249	3,354
Termination of finance lease	(953)	(2,651)	-	(3,604)
Foreign currency translation profit	-	-	12	12
At 31 March 2019	279	19,610	1,452	21,341
Adjustment for IFRS 16 implementation	-	(201)	(208)	(409)
Adjusted opening balance at 01 April 2019	279	19,409	1,244	20,932
Charge for the year	358	3,287	207	3,852
Foreign currency translation profit	-	-	3	3
At 31 March 2020	637	22,696	1,454	24,787
Net book value				
At 31 March 2020	17,339	102,995	1,789	122,123
At 31 March 2019	17,697	85,998	1,577	105,272
At 31 March 2018	11,145	49,405	285	60,835

Assets adjusted due to the implementation of the IFRS 16 standard are explained further in note 27. These relate to assets with an initial cost at 1 April 2019 of €2,276,000 and a net book value of €1,867,000 which were previously accounted for as a finance lease. During the prior year, the previously leased land and buildings in Arnhem were purchased from the landlord resulting in the finance lease, and related operating lease being terminated. The net impact of the above transaction was to increase fixed assets by €9.8m with net debt increasing by €10.9m.

In addition, plant and machinery assets with a net book value of €66,409,000 are held as assets under construction and are not depreciated, relating to the Hull Plant, and €725,000 relating to the further expansion of the Arnhem Plant (31 March 2019: €47,136,000 relating to the Hull Plant).

Accsys Technologies PLC

Notes to the financial statements for the year ended 31 March 2020 continued

18. Financial asset at fair value through profit or loss

	2020 €'000	2019 €'000
Shares held in Cleantech Building Materials PLC	-	-

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

There continues to be no active market for these shares as at 31 March 2020, and there is significant uncertainty over the future of Cleantech Building Materials PLC. As such a reliable fair value cannot be calculated and the investment is carried at a nil value (2019: nil).

The historical cost of the listed shares held at 31 March 2020 is €10m (2019: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded as at 31 March 2020.

A total of 498,522 shares were held at 31 March 2020.

19. Deferred taxation

The Group has a deferred tax asset of €nil (2019: €nil) relating to trading losses brought forward.

The Group also has an unrecognised deferred tax asset of €26m (2019: €27m) which is largely in respect of trading losses of the UK subsidiaries. The deferred tax asset has not been recognised due to the uncertainty of the timing of future expected profits of the related legal entities which is dependent on the profits attributable to licensing and future manufacturing income.

20. Subsidiaries

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

21. Inventories

	2020 €'000	2019 €'000
Raw materials and work in progress	10,660	9,733
Finished goods	6,272	4,275
	<hr/> <hr/> 16,932	<hr/> <hr/> 14,008

The amount of inventories recognised as an expense during the year was €57,167,975 (2019: €50,174,355). The cost of inventories recognised as an expense includes a net credit of €47,982 (2019: credit of €87,090) in respect of the inventories sold in the period which had previously been written down to net realisable value.

22. Trade and other receivables

	2020 €'000	2019 €'000
Trade receivables	8,611	10,725
Other receivables	3,520	839
VAT receivable	2,552	910
Prepayments	625	564
	<hr/> <hr/> 15,308	<hr/> <hr/> 13,038

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 €1,246,000 of the trade and other receivables denominated in US Dollars (2019: €798,000).

Accsys Technologies PLC

Notes to the financial statements for the year ended 31 March 2020 continued

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

	2020 €'000	2019 €'000
Up to 30 days overdue	806	2,287
Over 30 days and up to 60 days overdue	18	766
Over 60 days and up to 90 days overdue	-	1
Over 90 days overdue	5	2
	<hr/> <hr/> 829	<hr/> <hr/> 3,056

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 €25,002,000 (2019: €25,002,000) due from Diamond Wood.

Movement in provision for doubtful debts:

	2020 €'000	2019 €'000
Balance at the beginning of the year	25,002	25,002
Net increase of impairment	237	-
Balance at the end of the year	<hr/> <hr/> 25,239	<hr/> <hr/> 25,002

23. Trade and other payables

	2020 €'000	2019 €'000
Trade payables	7,827	7,936
Other taxes and social security payable	779	338
Accruals and deferred income	8,261	11,689
	<hr/> <hr/> 16,867	<hr/> <hr/> 19,963

24. Share capital

	2020 €'000	2019 €'000
Allotted - Equity share capital		
162,288,155 Ordinary shares of €0.05 each (2019: 117,988,305 Ordinary shares of €0.05 each)	8,114	5,900
	<hr/> <hr/> 8,114	<hr/> <hr/> 5,900

In year ended 31 March 2019:

On 18 July 2018, 6,231,070 ordinary shares in the capital of the Company ("Shares") were issued to VP Participaties BV, the investment company of the Van Puijenbroek family, at a price of €0.92 per Share. Proceeds of €5,704,000 were received net of expenses of €28,000.

173,915 shares were issued on 25 June 2018 to an Employee Benefit Trust ('EBT') at nominal value. In addition, of the Shares which had been issued to the EBT in the previous year, 295,874 Shares vested on 01 July 2018. Of these beneficiaries elected to sell 128,213 Shares in the market, with sale date of 02 August 2018.

70,175 Shares were issued on 18 February 2019 for the benefit of an employee following the exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan ("LTIP").

In year ended 31 March 2020:

On 23 December 2019, 27,239,764 Firm Placing Shares and 16,855,474 Open Offer Shares were issued as part of the capital raise to fund the Arnhem plant expansion, completion of the Tricoya® plant in Hull, preliminary work in the United States and working capital requirements related to these activities. The Shares were issued at a price of €1.05 per Ordinary share, raising gross proceeds of €46.3 million (before expenses).

During the year, the Group re-introduced the Employee Share Participation Plan (see note 15 for further details). In February 2020 various employees subscribed for a total of 204,612 Shares at an acquisition price of €1.095 per Share, with these shares issued to a trust, to be released to the employees after one year, together with an additional share on a matched basis (subject to continuing employment within the Group).

In the prior year, 173,915 Shares were issued to the Employee Benefit Trust ('EBT') with these vesting on 1 July 2019. Of these Shares, beneficiaries elected to sell 106,448 Shares in the market, with a sale date of 31 July 2019.

Notes to the financial statements for the year ended 31 March 2020 continued

25. Other reserves

	Capital redemp- tion reserve €000	Merger reserve €000	Hedging Effectiveness reserve €000	Other reserve €000	Total Other reserves €000
Balance at 1 April 2018	148	106,707	306	2,264	109,425
Total comprehensive income for the period	-	-	11	-	11
Issue of subsidiary shares to non-controlling interests	-	-	-	85	85
Balance at 31 March 2019	148	106,707	317	2,349	109,521
Total comprehensive (expense) for the period	-	-	(280)	-	(280)
Issue of subsidiary shares to non-controlling interests	-	-	-	3,310	3,310
Balance at 31 March 2020	148	106,707	37	5,659	112,551

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

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

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

The other reserve represents the amounts received for subsidiary share capital from non-controlling interests net with the carrying amount of non-controlling interests issued (see note 26).

26. Transactions with non-controlling interests

In the year ended 31 March 2019:

On 4 June 2018, TTL issued 339,940 shares to Titan Wood Limited. On 20 September 2018, TTL issued 289,140 shares to Titan Wood Limited. On 22 March 2019, TTL issued 691,890 shares to Titan Wood Limited. As a result the non-controlling interests' shareholdings were amended to:

BP Ventures (8.5%), MEDITE (11.5%), BGF (2.6%), Volantis (1.5%)

On 27 December 2018, TVUK issued Ordinary shares to non-controlling interests for consideration of €0.90 million. As a result the non-controlling interests' shareholdings were amended to:

BP Chemicals (31.3%, MEDITE 8.0%)

In the year ended 31 March 2020:

On 25 May 2019, TTL issued 252,464 shares to Titan Wood Limited. On 25 November 2019, TTL issued 238,024 shares to Titan Wood Limited for a consideration of €0.5m. An additional 61,976 shares were issued to non-controlling interests for a consideration of €0.1m. On 23 December 2019, TTL issued 4,620,156 shares to Titan Wood Limited for a consideration of €9.2m, and an additional 1,401,523 shares were issued in consideration for continued provision of discounted Accoya® to MEDITE for market seeding purposes. 887,643 shares were issued to non-controlling interests for a consideration of €1.8m. As a result the non-controlling interests' shareholdings were amended to:

BP Ventures (8.6%), MEDITE (10.2%), BGF (2.2%), Volantis (1.2%)

On 23 December 2019, TVUK issued 11,015,599 Ordinary shares to Tricoya Technologies Ltd for a consideration of €11.0m, and an additional 4,322,394 shares were issued in consideration for continued provision of discounted Accoya® to MEDITE for market seeding purposes. 7,268,573 shares were issued to non-controlling interests for consideration of €7.3 million. As a result the non-controlling interests' shareholdings were amended to:

BP Chemicals (30.9%, MEDITE 6.2%)

The total carrying amount of the non-controlling interests in TTL and TVUK at 31 March 2020 was €34.42 million (2019: €30.12 million).

Notes to the financial statements for the year ended 31 March 2020 continued

The Group recognised an increase in other reserves as summarised below.

	2020 €'000	2019 €'000
Opening Balance	2,925	2,840
Carrying amount of non-controlling interests issued	(5,857)	(815)
Consideration paid by non-controlling interests	9,167	900
Share issue costs relating to non-controlling interests	-	-
Excess of consideration paid recognised in Group's equity	6,235	2,925

27. Change in accounting policy

This note explains the effect of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 April 2019. The Group has adopted IFRS 16 retrospectively from 1 April 2019 but has not restated comparatives for the year ended 31 March 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

a) Adjustments recognised on adoption of IFRS 16:

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's banking borrowing rate as at 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.7%.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

	€'000
Operating lease commitments disclosed as at 31 March 2019	2,570
Discounted using the lessee's incremental borrowing rate at the date of initial application	2,156
Add: finance lease liabilities recognised as at 31 March 2019	2,021
(Less): short term leases recognised on a straight-line basis as an expense	-
(Less): low value leases recognised on a straight-line basis as an expense	(1)
(Less): contracts reassessed as service agreements	(64)
Add: adjustments as a result of a different treatment of extension and termination options	156
Lease liability recognised as at 01 April 2019	4,268
of which are:	
Current lease liabilities	684
Non-current lease liabilities	3,584
	4,268

Right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application. The recognised right of use assets relate to the following types of assets:

	At 31 March 2020 €'000	At 01 April 2019 €'000
Properties	3,708	2,987
Equipment	745	1,072
Motor vehicles	83	4
Total right of use assets:	4,536	4,063

Notes to the financial statements for the year ended 31 March 2020 continued

The change in accounting policy affected the following items in the Consolidated statement of financial position on 1 April 2019:

- Property, plant and equipment – decreased by €1,867,000
- Right of use assets – increased by €4,063,000
- Prepayments – decreased by €148,000
- Accruals – decreased by €123,000
- Lease liabilities – increased by €2,247,000.

The net impact on retained earnings on 1 April 2019 was a decrease of €76,000.

The change in accounting policy affected the following items in the Consolidated Statement of Comprehensive income in the year ended 31 March 2020:

- Cost of sales – decreased by €234,000
- Other operating costs – decreased by €671,000
- Depreciation – increased by €909,000
- Finance expense – increased by €107,000

a (i) Impact on segment disclosures:

Segment assets and segment liabilities at 31 March 2020 increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments are affected by the change in policy:

	Adjusted EBITDA €'000	Segment Assets €'000	Segment Liabilities €'000
Accoya®	306	1,044	1,159
Tricoya®	87	848	858
Corporate	366	854	1,020
R&D	145	(3)	-
	904	2,743	3,037

a (ii) Practical expedients applied:

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short term leases, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

(b) The Group's leasing activities and how these are accounted for:

The Group leases various offices, land, equipment and cars. Rental contracts are typically made for fixed periods of 1-10 years, although, if appropriate, a longer term may be entered into. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2020 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the profit and loss statement on a straight-line basis over the period of the lease. From 1 April 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Accsys Technologies PLC

Notes to the financial statements for the year ended 31 March 2020 continued

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar economic environment within similar terms and conditions.

Right of use assets are measured at cost comprising the following:

- The amount of initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Payments associated with short-term leases and leases of low value are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of small items of office furniture and equipment.

	Minimum lease payments	
	2020	2019
	€'000	€'000
Amounts payable under lease liabilities:		
Within one year	1,044	257
In the second to fifth years inclusive	2,787	890
After five years	3,441	2,706
Less: future finance charges	(2,151)	(1,832)
Present value of lease obligations	<u>5,121</u>	<u>2,021</u>

28. Commitments under loan agreements

	2020	2019
	€'000	€'000
Amounts payable under loan agreements:		
Within one year	5,644	7,485
In the second to fifth years inclusive	61,855	60,366
After five years	1,120	2,713
Less future finance charges	(11,306)	(13,655)
Present value of loan obligations	<u>57,313</u>	<u>56,909</u>

The change in total borrowings in the period of €0.4m consisted of an increase of a €4.5m drawdown of the Tricoya® RBS facility, offset by €1.8m repayment of the working capital facility, and other repayments in the year of €2.9m, principally €1.4m repayment on the Cerdia loan, and €1.0m repayment on the ABN loan.

Facilities relating to purchase of Arnhem land and buildings:

On 1 August 2018 the Group entered into a package of facilities to fully finance the purchase of the land and buildings in Arnhem. The partially amortising package of loans includes the following:

- €14.0m loan with ABN Amro Bank. The loan is partially repayable over a five year term with a final payment of €9.25m. Interest is fixed at 3% and the loan is secured on the land and buildings.
- €5.0m lease loan with ABN Asset Based Finance is repayable over a five year term with an implied interest rate of approximately 3%. The loan is secured on the first two Accoya® reactors.
- €4.0m loan with Bruij, the seller and previous landlord. The balance is repayable from July 2021 to July 2023 with interest fixed at 5%. The loan is unsecured.

Loan Notes:

On 29 March 2017 the Group issued £16.3 million (€18.4 million) of unsecured fixed rate loan notes, due 2021. £10.5 million of Loan Notes in principal were issued to Business Growth Fund ('BGF'), with £5.8 million in principal issued to Volantis. The BGF loan notes are subject to a 7% fixed interest rate for the duration of their term and the Volantis loan notes are subject to a 7% fixed interest rate until 31 December 2018, with the interest rate fixed at 9% thereafter. Interest is rolled up until 31 December 2018 on both loans, with further roll up of interest on the Volantis loan until six-monthly redemption payments of both loans commence on 31 December 2021 and end on 30 June 2023.

Accsys Technologies PLC

Notes to the financial statements for the year ended 31 March 2020 continued

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

Cerdia Production Facility:

The €9.5 million term loan facility with Cerdia Production GmbH was used to design, procure and build the Arnhem plant's third reactor. This facility is secured against the third reactor of the Arnhem chemical plant and associated assets and is subject to interest at 7.5% per annum. At 31 March 2020, the Group had €8.3m (2019: €9.7m) borrowed under this facility. Quarterly repayments of the loan commenced on 21 December 2018 until November 2025, with €1.4 million repaid in the year ended 31 March 2020 (2019: €0.9 million).

The Group has entered into an agreement with Cerdia Produktions GmbH ("Cerdia") under which Accsys will take on responsibility for commercial activities under agreements with Cerdia relating to Accoya® wood, which terminates as of 1 April 2020 (the "Termination Agreement"). Under the terms of the Termination Agreement, payments to Accsys include fees of €3.2 million, which has been recognised as an exceptional item in the year ended 31 March 2020. The €3.2 million will be deducted from the loan balance on 1 April 2020, with subsequent repayments for the remaining term of the loan being reduced accordingly.

Tricoya® facility:

On 29 March 2017 the Company's subsidiary, Tricoya Ventures UK Limited entered into a six-year €17.2 million (€14.6 million net) finance facility agreement with the Royal Bank of Scotland PLC in respect of the construction and operation of the Hull Plant. The facility is secured by fixed and floating charges over all assets of Tricoya Ventures UK Limited. At 31 March 2020, the Group had €8.7m (2019: €3.6m) borrowed under the facility. Three drawdowns of the loans were undertaken in the period, totalling €4.5m. The facility is to be drawn down as required, and facility repayments will commence 12 months after practical completion of the Hull Plant. Interest will accrue at Euribor plus a margin, with the margin ranging from 325 to 475 basis points.

Trade receivable and inventory facilities:

Working capital facility

The working capital facility with ABN Commercial Finance is a €6.0m credit facility secured upon the receivables and inventory of the Accoya® manufacturing business committed for a period of 5 years. At 31 March 2020, the facility was undrawn (2019: €1.8m drawn).

Bank guarantee facility

The facility with ABN AMRO Bank N.V. is a contingent liability facility enabling the Group to issue bank guarantees in order to support the working capital and other operational commitments of the Group with a limit of €1.5m.

Both facilities are subject to interest at 2% above the ABN AMRO base rate.

Reconciliation to net debt:

	2020 €'000	2019 €'000
Cash and cash equivalents	37,238	8,857
Less:		
Amounts payable under loan agreements	(57,313)	(56,909)
Amounts payable under lease liabilities (note 27)	(5,121)	(2,021)
Net debt	<hr/> <hr/> (25,196)	<hr/> <hr/> (50,073)

29. Equity options

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

On the 29 March 2017, the Company announced the formation of the Tricoya® Consortium and as part of this, funding was agreed with BGF and Volantis (see note 28). In addition to the issue of the Loan Notes the Company granted options over Ordinary Shares of the Company to BGF and Volantis exercisable at a price of £0.62 per Ordinary Share at any time until 31 December 2026 (the 'Options').

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

The necessary resolutions were passed at the General Meeting held on 21 April 2017 and accordingly the Additional Options have been converted to Options, such that at 31 March 2020 a total 13,104,839 Options exist (with 8,449,172 attributable to BGF and 4,655,667 attributable to Volantis). This represents 8.1% of the enlarged issued share capital of the Company as at 31 March 2020.

Notes to the financial statements for the year ended 31 March 2020 continued

30. Financial instruments

Financial instruments

Lease liabilities

Lease creditors of €5,121,000 as at 31 March 2020 (2019: €2,021,000) relates to various offices, land, equipment and cars that the Group leases (see note 27).

Capital risk management

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

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

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

No final dividend is proposed in 2020 (2019: €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.

Categories of financial instruments	2020 €'000	2019 €'000
Financial asset at fair value through profit or loss	-	-
Loans and receivables		
Trade receivables	8,611	10,725
Other receivables	3,520	839
FX derivative liability	(330)	-
FX derivative asset	-	143
Money market deposits in Euro	52	52
Money market deposits in Sterling	3,744	3,526
Money at call in Euro	24,372	3,308
Money at call in US dollars	892	864
Money at call in Sterling	8,178	1,107
Financial liabilities at amortised cost		
Trade payables	(7,827)	(7,936)
Lease liabilities	(5,121)	(2,021)
Loan notes and other long term borrowings	(57,313)	(56,909)
	(21,222)	(46,302)

Money market deposits are held at financial institutions with high credit ratings (Standard & Poor's rating of A).

All assets and liabilities mature within one year except for the lease liabilities, for which details are given in note 27 and loans, for which details are given in note 28.

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

Market risk

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

Financial risk management objectives

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

Foreign currency risk management

The Group's functional currency is the Euro with the majority of operating costs and balances denominated in Euros. An increasing proportion of costs will be incurred in pounds sterling as the Group's activities associated with the Tricoya® plant in Hull increase, although future revenues will be in Euros or other currencies. The Group's Loan Notes, which were issued to fund these UK based operations, are denominated in pounds sterling. A smaller proportion of expenditure is incurred in US dollars and pounds sterling. In addition some raw materials, while priced in Euros, are sourced from countries which are not within the Eurozone. The Group monitors any potential underlying exposure to other exchange rates. The Group holds a proportion of the cash associated with the Tricoya® Consortium in pounds sterling and

Notes to the financial statements for the year ended 31 March 2020 continued

has purchased fx forward contracts with a nominal amount of £5.85m (2019: nominal amount of £8m) to reflect the expected costs associated with the construction of the plant in Hull and are accordingly accounted for as a cash flow hedge (see note 5).

Interest rate risk management

The Group's borrowings are limited to fixed rate loans with BGF, Volantis, Cerdia, ABN Amro and Bruij, together with the remaining Arnhem finance lease and the lease of the office fit out and furniture in London. The interest rate in respect of the loan facility agreed with RBS Bank is variable, based on Euribor plus a variable margin. Therefore the Group is not significantly exposed to interest rate risk in relation to financial liabilities. Surplus funds are invested in short term interest rate deposits to reduce exposure to changes in interest rates. The Group does not currently enter into any interest rate hedging arrangements, although will review the need to do so in respect of the variable interest rate loan facility with RBS Bank.

Credit risk management

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

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

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

Liquidity risk management

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

Fair value of financial instruments

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

31. Capital Commitments

	2020 €'000	2019 €'000
Contracted but not provided for in respect of property, plant and equipment	10,859	15,049

Included in the above, are amounts relating to the Engineering, Procurement and Construction contracts relating to the Tricoya® plant under construction in Hull.

32. Events occurring after 31 March 2020

The start of the new financial year has been impacted by COVID-19. The impact has included a reduction in our Accoya® sales compared to our previously anticipated levels and a delay in the construction of the Tricoya® plant in Hull, as explained above.

As soon as the likely impact became apparent we have worked to put in place a number of mitigating actions. Management's priorities have been to ensure the safety and well-being of all our people, to maintain the liquidity of the Company and, as far as possible, preserve the capital raised in December 2019 to enable our current expansion projects to be completed.

Our Arnhem production site has remained operational throughout the entire COVID-19 period, successfully balancing supply with market demand. We have significantly reduced the non-essential staff present at the location and introduced new working protocols. Our London head office has effectively been closed throughout the period with all staff productively working remotely. The Hull construction site saw a reduction in activity levels, as set out above.

The key mitigating actions have included the Board of Directors, the Senior Management team and other senior and mid-level staff reducing their salaries by 20%. In the UK a number of employees have been furloughed, principally those relating to the Tricoya® project in Hull, given the delay in the construction. We have also applied for compensation for payroll costs in the Netherlands under the NOW scheme, with the quantum of this benefit dependent upon the relative reduction in revenue for the first quarter.

In the short term we have also sought to reduce and minimise other third party costs including sales and marketing and research and development costs. We have also frozen non-essential hires and increased focus on managing working capital.