

**Company** Accsys Technologies PLC  
**TIDM** AXS  
**Headline** Preliminary Results  
**Released** 20 June 2017  
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**20 June 2017**

Na de voorlopige resultaten in het Engels, volgt de tekst in het Nederlands op pagina 3. Daar aansluitend vervolgt het bericht met het verslag van de Voorzitter in het Engels.

## **Accsys Technologies PLC ("Accsys" or the "Company")**

### **Preliminary Results for the year ended 31 March 2017**

Accsys, the chemical technology group, focused on the highly sustainable acetylation of wood, today announces preliminary results for the twelve months ended 31 March 2017, with revenue and volumes in line with the market trading update on 24 April 2017.

	<b>Year to 31 March 2017</b>	Year to 31 March 2016
Total Group Revenue	<b>€56.5m</b>	€52.8m
Gross profit	<b>€14.4m</b>	€18.2m
Underlying EBITDA*	<b>(€1.2)m</b>	€2.4m
Loss before tax	<b>(€4.4m)</b>	(€0.5m)
Period end cash balance	<b>€41.2m</b>	€8.2m
Period end net cash balance	<b>€20.1m</b>	€8.2m

*Note \*: Underlying EBITDA excludes exceptional items of €0.1m, reflecting a €0.6m gain on the sale of land off-set by one-off advisory fees associated with business development activities.*

### **Strategic Highlights:**

- Transformational, fully funded production capacity expansions underway:
  - Agreements to build and operate new 30,000 metric tonne Tricoya<sup>®</sup> chip plant in Hull; work has commenced with the plant expected to be completed in early 2019;
  - Expansion of Arnhem Accoya<sup>®</sup> plant continues to progress with completion of the first stage of expansion to 60,000 cubic meters capacity expected by the end of 2017;
- Future success of the projects is reinforced by minimum offtake agreements with Medite in addition to existing agreement with Rhodia Acetow (formerly Solvay Acetow); and
- Sale and leaseback of land in Arnhem completed, with significant new warehouse facilities under construction by our landlord to improve our operating environment.

### **Financial and Operational Highlights:**

- Total revenue increased by 7% notwithstanding the previous year reflected a greater contribution from one-off licensing income; Accoya revenue increased by 17%;
- Accoya<sup>®</sup> sales volumes have grown by 18% to 39,790 cubic meters in the year and strong performance in the second half with volumes up 31%;

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- Gross margin decreased as expected from 34% to 25% for a number of reasons including prior year one-off licensing income, full year of discounted prices to Rhodia Acetow, higher sales to Medite for Tricoya and a small increase in raw wood prices;
  - 30% gross margin from the manufacturing of Accoya continues to be achievable;
  - Positive underlying EBITDA of €0.4m in second half of the year, resulting in underlying EBITDA loss of €1.2m for the full year;
  - Balance sheet significantly strengthened through €82m of funding in transformational deal:
    - €68m of equity and debt from Medite , BP, Business Growth Fund, Volantis and RBS to fund the building of the world's first Tricoya<sup>®</sup> wood chip acetylation plant in Hull; €37m of this was received in the financial period; and
    - €12m (net) from a Placing and Open Offer providing additional working capital in the context of the two significant capital projects, with proceeds received post year-end

**Paul Clegg, Chief Executive commented:** "I am delighted to report that this has been a transformational year for the Group. We have received great support from existing and new industry and financial partners, including our shareholders to increase our manufacturing capacity to meet demand from the growing markets for Accoya and Tricoya.

We have seen encouraging underlying revenue and sales trends, which have continued beyond the year end. We look forward to updating shareholders with progress, both on sales and our building projects and we are excited about our prospects for the future."

There will be a presentation relating to these results at 10:00 BST on Tuesday 20 June 2017. The presentation will take the form of a web based conference call, details of which are below:

**Webcast link:**

[Click here](#) or copy and paste ALL of the following text into your browser:

<http://edge.media-server.com/m/p/7d5a7j9p>

**Conference call details for participants:**

Participant Telephone Number:

United Kingdom: +44(0)20 3427 1907

Netherlands: +31(0)20 716 8296

Confirmation Code: 9636955

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

Accsys Technologies PLC management will be appearing at the ED Investor Forum on Wednesday, 21<sup>st</sup> June in London at 5.30pm where they will present their preliminary results. Please register for this event here:

<https://www.eventbrite.co.uk/e/equity-development-investor-forum-june-2017-tickets-34745006249?ref=ebtn>

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## Accsys Technologies PLC ('Accsys' of de 'Vennootschap')

### Voorlopige resultaten voor het boekjaar eindigend op 31 maart 2017

De chemische technologiegroep Accsys, die zich richt op zeer duurzame acetylatie van hout, maakt vandaag haar voorlopige resultaten bekend voor het boekjaar eindigend op 31 maart 2017. Omzet en volumes zijn in overeenstemming met de tussentijdse publicatie van 24 april 2017.

	<b>Jaar t/m 31 maart 2017</b>	Jaar t/m 31 maart 2016
Totale groepsomzet	<b>€ 56,5 mln</b>	€ 52,8 mln
Brutowinst	<b>€ 14,4 mln</b>	€ 18,2 mln
Onderliggende EBITDA*	<b>(€ 1,2) mln</b>	€ 2,4 mln
Verlies voor belastingen	<b>(€ 4,4 mln)</b>	(€ 0,5 mln)
Liquide middelen per einde boekjaar	<b>€ 41,2 mln</b>	€ 8,2 mln
Saldo liquide middelen per einde boekjaar	<b>€ 20,1 mln</b>	€ 8,2 mln

*NB:\* De onderliggende EBITDA is exclusief bijzondere posten van € 0,1 miljoen, bestaande uit een opbrengst van € 0,6 miljoen uit de verkoop van grond die teniet wordt gedaan door eenmalige advieskosten uit hoofde van activiteiten op het gebied van bedrijfsontwikkeling.*

#### Strategische ontwikkelingen:

- De volledig gefinancierde uitbreiding van de productiecapaciteit is van start gegaan:
  - Overeenkomsten zijn aangegaan om een nieuwe Tricoya® Wood chip acetylatiefabriek met een capaciteit van 30.000 ton te bouwen en te exploiteren in Hull; de werkzaamheden voor de fabriek zijn gestart en zullen naar verwachting begin 2019 worden afgerond;
  - De uitbreiding van de Accoya-fabriek in Arnhem verloopt volgens schema; voltooiing van de eerste expansiefase tot een capaciteit van 60.000 kubieke meter wordt eind 2017 verwacht.
- Het toekomstige succes van de projecten wordt versterkt door minimale afnameovereenkomsten met Medite naast de bestaande overeenkomst met Rhodia Acetow (voorheen Solvay Acetow); en
- De sale and leaseback- van de grond in Arnhem is voltooid en de verhuurder heeft aanzienlijk grotere opslagfaciliteiten in aanbouw om de operationele processen verder te optimaliseren.

#### Financiële en operationele ontwikkelingen:

- De totale omzet stijgt met 7%, afgezien van de aanzienlijke bijdrage van eenmalige licentie-inkomsten in het voorgaande jaar; de omzet uit hoofde van Accoya stijgt met 17%;
- Het verkoopvolume van Accoya® stijgt in het boekjaar met 18% tot 39.790 kubieke meter; sterke prestaties in het tweede halfjaar met een volumestijging van 31%;
- De brutomarge daalt, zoals verwacht, van 34% tot 25% om een aantal redenen, waaronder de bijdrage uit hoofde van eenmalige licentie-inkomsten in het voorgaande jaar, reductie op tarieven voor Rhodia Acetow (voorheen Solvay) over het volledige boekjaar, hogere omzet uit hoofde van Medite voor Tricoya en een kleine stijging van de prijzen voor ruw hout;
- Brutomarge van 30% op de productie van Accoya blijft haalbaar;
- Positieve onderliggende EBITDA van € 0,4 miljoen over het tweede halfjaar, wat resulteert in een onderliggend EBITDA-verlies van € 1,2 miljoen over het hele boekjaar;
- De balans is aanzienlijk versterkt dankzij € 82 miljoen aan financiële middelen uit hoofde van de overeenkomst ter doorontwikkeling van de productiecapaciteit:

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- o € 68 miljoen aan eigen en vreemd vermogen vanuit Medite, BP, Business Growth Fund, Volantis en RBS om de bouw van 's werelds eerste Tricoya® Wood chip acetylatiefabriek in Hull te financieren; hiervan is € 37 miljoen tijdens het boekjaar ontvangen; en
  - o € 12 miljoen (netto) vanuit een aandelenuitgifte ('placing and open offer'), die extra werkkapitaal oplevert ten behoeve van de twee omvangrijke investeringsprojecten en waarvan de opbrengsten na balansdatum ontvangen zijn.

**CEO Accsys, Paul Clegg:** "Het doet mij genoegen te kunnen constateren dat dit een jaar in het teken stond van grote veranderingen voor de Accsys Group. We hebben veel steun gekregen van bestaande en nieuwe financiers en partners uit de sector, waaronder onze aandeelhouders, waardoor we onze productiecapaciteit kunnen vergroten en aan de groeiende vraag vanuit de markten voor Accoya en Tricoya kunnen voldoen.

De onderliggende omzet- en verkooptrends zijn bemoedigend en hebben ook na het einde van het boekjaar aangehouden. We zien ernaar uit om de aandeelhouders op de hoogte te houden over de voortgang van zowel de verkoop als onze bouwprojecten en we zijn enthousiast over de vooruitzichten voor de toekomst."

Op dinsdag 20 juni 2017 vindt om 10.00 uur (BST) een presentatie plaats van deze resultaten. De presentatie vindt plaats via een online conference call, waarvan de details hieronder staan:

**Link naar webcast:**

Klik [hier](#) of kopieer en plak de volgende tekst VOLLEDIG in uw browser:

<http://edge.media-server.com/m/p/7d5a7j9p>

**Informatie over conference call voor deelnemers:**

Telefoonnummer deelnemers:

Verenigd Koninkrijk: +44 (0)20 3427 1907

Nederland: +31 (0)20 716 8296

Bevestigingscode: 9636955

*Deelnemers moeten de bovenstaande code gebruiken bij het inbellen naar de vergadering.*

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For further information, please contact:

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# Accsys Technologies PLC

## Chairman's Statement

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### A transformational year

This has been a transformational year for Accsys, with capacity expansion agreed for both Accoya and Tricoya, a total of €82m of new financing secured and a continued growth in demand for our products. Partnerships and commercial terms with BP, Medite and Rhodia Acetow (formerly Solvay Acetow) also endorse Accsys' patented Accoya® and Tricoya® technology and our prospects for the future.

The expanded Group and the Accsys team are now very well positioned to take advantage of the opportunities that we have been nurturing since the Company's inception. I have confidence that the market opportunity remains substantial and conclude that the additional capacity, new financing and partnerships have put us in a strong position to exploit this in the most efficient way possible for the benefit of our shareholders.

As a small company the increased workload of negotiating and finalising the Tricoya Consortium and expanding our Accoya facility in Arnhem fell on a small management team. At the same time, our employees were being tasked with maximising the output from our existing facilities. They were all unwavering in their determination to deliver the best result for Accsys. My colleagues and I on the Board wish to thank all our employees for the diligence and commitment they have shown throughout the year.

### Sales growth

10 years have passed since our existing Accoya manufacturing facility in Arnhem started operations. Since then we have carried out many improvements to our process which enabled us to increase capacity from the same two chemical reactors. As a result this year, we sold 39,790 cubic meters of Accoya, an 18% increase compared to last year, and 60% more than was even thought possible 10 years ago. Sales by Medite of Tricoya panels increased by 32% to 5,806 cubic meters last year.

Sales volumes in the second half of the financial year grew by 31% compared to the same period last year. This increase was possible following the resolution of the supply chain bottleneck issues in the first half of the year which we had highlighted in November.

We continue to believe the total market for Accoya and Tricoya is in excess of 2.6 million cubic meters per annum, based upon detailed market assessments. This figure still represents a small fraction of the overall solid wood and wood panel industries.

### Additional manufacturing capacity

In March we formed the Tricoya Consortium, with agreements to build, operate and fund a new Tricoya chip acetylation plant in Hull. This includes €68m of comprehensive financing arrangements including debt and equity from BP, Medite, BGF and Volantis and debt from RBS. In addition, these transformational agreements have recognised a pre-funding valuation of the Tricoya business of €35m with Accsys retaining a 74.6% interest in the Tricoya licensing business and a 46% interest in the new Tricoya plant.

The plant will have an initial design capacity of 30,000 metric tonnes and is expected to be operational in the first half of 2019. Medite has signed an off-take agreement to purchase a minimum of 20% of the capacity in the first year, rising to a minimum of 40% after the fourth year of commercial production. The plant is expected to be EBITDA positive operating at 40% capacity.

During the year we have also made significant progress with the expansion of our Accoya plant in Arnhem, from its current capacity of approximately 40,000 cubic meters to 60,000 cubic meters per annum in the first of a two part expansion, with a further 20,000 cubic meters to follow.

The sale and leaseback of the land in Arnhem has been completed. Detailed engineering work has progressed and continues on site, with the third reactor itself having been delivered to site on 8 June 2017. We continue to expect the construction to be complete by the end of the calendar year 2017, with the benefit of the additional capacity and resulting sales growth expected in the financial year ending March 2019.

The fourth reactor will be added at a later date to meet demand, increasing capacity to 80,000 cubic meters, with the potential to generate in excess of €120m of Accoya revenue and Accoya manufacturing EBITDA in excess of €30m.

### Financial Results

Revenue for the year ended 31 March 2017 increased by 7% to €56.5m (2016: €52.8m). Within this total, Accoya® wood revenue increased by 17% to €50.7m (2016: €43.5m) as a result of an 18% increase in sales volume, while licence and licensing related income decreased from €5.3m to €1.9m as expected, following the receipt of higher one-off fees in the prior year, including those from our Accoya licensee Rhodia Acetow.

Gross profit margin decreased from 34% to 25% for a number of reasons including one-off licensing income in the previous year, together with the full year impact of discounted prices to Rhodia Acetow, a higher proportion of sales to Medite in respect of Tricoya (also at a lower sales price) and a small increase in raw material prices. Other operating costs (excluding exceptional items) remained consistent at €18.5m.

The above resulted in a €3.8m decrease in underlying Group EBITDA to €1.2m loss (2016: EBITDA profit of €2.4m). Underlying EBITDA improved from €1.6m loss in the first half of the year to €0.4m profit in the second half as a result of higher licensing income and sales volumes.

## **Balance sheet**

The increase in the cash balance to €41.2m at 31 March 2017 (2016: €8.2m) reflects the first part of the funding received in respect of the Tricoya Consortium, including €18.6m proceeds of Loan Notes issued to BGF and Volantis and net €18.3m received in respect of equity in the Tricoya subsidiary companies issued to the investors in the Tricoya Consortium.

During the period €2m was drawn down under the Rhodia Acetow loan facility and €4.2m was received in respect of the sale of the land in Arnhem. €6.2m was invested in property plant and equipment including both the Tricoya project and Arnhem expansion. The balance was principally attributable to the €1.1m EBITDA loss in the period and a €1.5m increase in working capital.

The net cash balance was €20.1 million (2016: €8.2 million). The balance excludes €12.4m net proceeds of the Firm Placing and Open Offer which was completed after the year-end in April 2017.

## **Outlook**

I believe we have now reached a solid platform for future growth, both in respect of our products and intellectual property but also in respect of our business model, reflecting our ambition to retain a direct interest in manufacturing as we continue to grow to maximise returns for our shareholders.

By building on our achievements so far we are now well positioned to focus on bringing the new manufacturing capacity on-line and growing sales and demand for our products globally.

The Firm Placing and Open Offer, which was launched successfully and completed in April, with the Open Offer having been four times oversubscribed has also put the Group in a firm financial position. I am confident that as we continue to invest in growth, and as we benefit from the additional manufacturing capacity, we will become cash-flow generative.

The new financial year has started well, with growth in Accoya sales being comparable to growth seen in the second half of last year. Sales growth will be temporarily restricted for the year as a whole until the new capacity becomes available in early 2018 calendar year. Demand for Accoya continues to increase and we expect sales to grow further thereafter.

**Patrick Shanley**  
**Non-executive Chairman**  
**19 June 2017**

## Accsys Technologies PLC

### Our market

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

#### Our technology

Accoya is based upon our proprietary wood acetylation technology.

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

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

#### Market

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

Last year we sold 39,790 cubic meters of Accoya, however the total global solid wood market is understood to exceed 400 million cubic meters annually and we believe sales in excess of 1 million cubic meters annually are ultimately achievable. While it may take some time for Accoya to reach its full market potential, we are confident that continued strong sales growth can be generated.

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

The majority of our Accoya sales is to a network of timber distributors which in turn supply a variety of industries, principally for joinery (windows and doors) and for decking and cladding. As we expand, we expect that new opportunities will also be developed as we become able to meet the demands of larger scale manufacturers and also as we continue to develop our product and its applications.

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

The global market for Tricoya panel products is estimated in excess of 1.6 million cubic meters and up to approximately 4.5 million cubic meters per annum. This would equate to around 1% of global MDF manufacturing capacity. Tricoya panels were introduced to the market by Medite in 2012, manufactured using chipped Accoya as a production solution in the period before the dedicated wood chip acetylation plant is built. Sales have increased significantly each year since, and total panel sales to date exceed 17,200m<sup>3</sup> / 1,585,000m<sup>2</sup>, representing a sales value of approximately €26m. Last year sales grew by 32% to 5,806m<sup>3</sup>.



### Sustainability

Accoya and Tricoya are high performance building solutions which are environmentally friendly over their full life cycle. They are made from abundantly available, fast growing, sustainable, renewable resources with durability and dimensional stability exceeding the best performing tropical and temperate hardwoods and manufactured wood and non-wood panels.

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

### Our Key Strengths

#### Intellectual property, expertise and innovation

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

#### Branding

Our brands Accoya® wood and Tricoya® are registered trademarks in over 50 countries world-wide.

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

#### Business partners

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

Particular importance is placed upon those which help develop our technology, products and their place in the market including equipment manufacturers, wood suppliers, the acetyls industry, testing and certification bodies as well as wood coating, adhesives and other system supply specialists. We will continue to work with others to ensure we develop larger scale manufacturing capacity.

#### Our people

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

Our focus on R&D, innovation and developing long-term growth market opportunities to exploit our first mover advantage is dependent on our employees. Value is generated from know-how; from working with wood products, understanding our brand on a global basis, to optimising the acetylation process. We develop, motivate and retain a committed team with necessary skills to help us meet our objectives.

### Our Technology

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

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

## **Accsys Technologies PLC**

### **Business model**

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#### **How we Create Value**

##### **Manufacturing**

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

The plant returns will be further improved as capacity is improved and expanded. In addition it is a centre for carrying out commercial level R&D and for evaluating further improvements to our processes.

##### **Working with third parties**

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

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

Our ambition to retain a direct interest in manufacturing whilst fully exploiting the value of our IP is characterised by our relationship with Rhodia Acetow in Europe and in respect of Tricoya, where the new consortium builds upon a broader level of experience and capabilities in the acetyls and panel industries.

#### **Outcome**

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

Strategic Priority	Ambition	Progress in year ended March 2017	Priorities for year ending March 2018	Risks
<b>Manufacturing</b>	<p>Increased production of Accoya® at our Arnhem plant to supply our clients, develop new markets and drive demand for Accoya as well as for use as a feedstock in the production of Tricoya®.</p> <p>Continued focus on reducing cycle time to increase Arnhem capacity and profitability.</p> <p>Desire to retain equity interest in manufacturing of our products where possible through partnership or consortium arrangements</p>	<p>Production increased from 33,431m<sup>3</sup> to 38,084m<sup>3</sup> as a result of a continued focus to maximise the capacity of the existing two reactors to meet demand.</p> <p>Further equipment and other process improvements implemented have increased reliability and capacity such that actual production levels now demonstrate the previously estimated capacity of approximately 40,000m<sup>3</sup>.</p> <p>The Tricoya Consortium has been finalised resulting in Accsys retaining a 74.6% interest, and an indirect interest in the Hull plant of 46.1%.</p>	<p>Completion of expansion of Arnhem plant by addition of third reactor with chemical backbone to be put in place for future fourth reactor at later date.</p> <p>Further reliability and maximising of output from existing Arnhem facilities in order to meet demand.</p> <p>Commencement of construction of world's first dedicated chip acetylation plant in Hull.</p>	<p>Sales impacted by inability to meet or manage demand given our relatively small current capacity compared to potential demand.</p> <p>Process improvements likely to be ever harder to achieve with no certainty that capacity from existing plant will be increased further.</p> <p>The Tricoya process is based on our core acetylation knowledge but may present unexpected design issues requiring more complex engineering.</p>
<b>Meeting global demand</b>	<p>Ongoing licensing of Accoya® acetylation technology to achieve multiple licence agreements, including Rhodia Acetow, to satisfy global demand for solid wood.</p> <p>Development of extended global distributor network.</p> <p>Establishing and further development of detailed engineering documents, engagement of third party engineering experts.</p> <p>Development of model to benefit from our expertise by assisting 3rd parties in areas including sales, marketing, product and technical development, operations and maintenance.</p> <p>Continued close cooperation between Accsys and third parties to further develop and facilitate the licensing of Tricoya®.</p>	<p>Solvay progressing with five year off-take commitment and developing market which is now subject to their exclusivity, with sales volumes having grown by 17%.</p> <p>61 distribution agreements in place around the globe.</p> <p>Commenced conversion of previously completed Front End Engineering and Design study's for expansion in Arnhem and the proposed Tricoya plant in Hull, into full detailed engineering packages in conjunction with appointed contractor, Fabricom.</p> <p>Formally working with Solvay on sales and marketing activities in their exclusive region.</p> <p>Accsys lead the formation of the Tricoya Consortium with BP, Medite and financial partners, BGF and Volantis.</p>	<p>Further development with Rhodia Acetow to develop new opportunities in their exclusive region in Europe.</p> <p>Focus is on working closely with existing distributor base and optimising sales and marketing methods and developing opportunities for when new capacity becomes available.</p> <p>Acceleration of market and business development work relating to Tricoya, following formation of the Consortium.</p> <p>Establishment of joint Accoya and Tricoya sales approach.</p>	<p>Manufacturing capacity in short term is limited and our ability to manage demand at near capacity levels could result in negative market reaction.</p> <p>European economic climate may reduce the number of new sales opportunities resulting in lower than expected sales.</p> <p>A delay in expansion of Arnhem plant or the Tricoya plant in Hull may result in uncertainty with our customers impacting sales in the shorter term.</p>

Strategic Priority	Ambition	Progress in 2017	Priorities for 2018	Risks
<b>Research and Development</b>	<p>Continued R&amp;D and product development activities to generate future value via development of additional and enhanced applications.</p> <p>Further development of new species to aid licensing discussions and maximise value through reduced costs as well as generate new applications and increased revenue.</p> <p>Strengthened protection of intellectual property.</p>	<p>Certification for use of Accoya in public and private decking installations obtained in France and structural certification of Accoya in Germany substantially progressed.</p> <p>Progressed value added market opportunities for Accoya with large industrial counterparts.</p> <p>Extensive field trials of pre-commercial products creating options for wider species use consideration when capacity is increased.</p> <p>Now over 60 granted patents and over 170 pending patent applications.</p>	<p>Finalise high performance value added approaches for Accoya which further enhance market penetration and widen opportunities.</p> <p>Commercial review for implementation of additional species for defined market channels</p> <p>See CEO's report for further details.</p>	<p>Additional applications and new species development remains uncertain given the inherent nature of R&amp;D. An element of the Group's strategy for growth envisages existing or new products being sold into new markets such that slower development could impact longer term growth.</p> <p>As our products and IP becomes increasingly valuable, an increased risk of third parties challenging our IP or seeking to copy or use it without authorisation develops.</p>
<b>Brand and Sustainability</b>	<p>Continued development, advancement and protection of globally established Accoya® and Tricoya® brands.</p> <p>Desire to grow awareness of the Accsys Group and our corporate vision to reduce the use of environmentally unfriendly building materials and products, whilst also developing a brand platform that will ensure our business is a commercial success.</p>	<p>In country marketing campaigns ongoing, tailored for select audiences to increase brand loyalty.</p> <p>New consumer facing website targeting homeowners; Accoya window enquiries sent to joinery companies.</p> <p>Consumer online presence supported by Accoya digital campaign focused on new audiences.</p> <p>Ongoing development of new markets for Accoya and Tricoya brands with more users creating products with the two products.</p> <p>Initiated a brand messaging and identity project including feedback stakeholders, and a programme of corporate communications focused around our core vision of sustainability.</p>	<p>Roll out corporate brand messaging through all communications to grow awareness of the Accsys Group and its sustainable vision.</p> <p>Maximise opportunities with existing partnerships to reach new audiences and drive brand loyalty.</p> <p>Increased focus on creating brand awareness for Tricoya globally by developing new markets and identifying opportunities to reach new audiences.</p> <p>Building upon the introduction of Accoya consumer online marketing and developing a PR campaign to complement the consumer focus.</p> <p>Extend the successful PR strategy in the UK to our core markets globally.</p> <p>Retain and improve our sustainability accreditations and recognition.</p>	<p>Our brands are increasingly valuable asset for the Group however as we operate on a global basis the risk of damage to our brand also increases. As with our technical IP, our brands are carefully managed via our qualified in house IP manager working with external trade mark attorneys where appropriate.</p>

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

### Introduction

I am very pleased to report upon what has been a truly transformational year for Accsys which I believe has put us in an excellent position to continue to grow and take advantage of our unique assets.

The new Tricoya Consortium agreed on 29 March 2017, which will lead to the Group's second commercial acetylation plant, marks a major step forward in our objective in establishing acetylated wood as the leading modified wood technology in the building materials sector.

Our focus on safety remains our top priority and during the year we commenced an extensive new safety awareness programme involving all of our employees.

I would like to thank all of our staff for their hard work and continued dedication, which has helped make last year a truly transformational year. I would also like to welcome Martin Robinson, who joined our Senior Management Team in April 2017 as Head of Group Operations. I believe his wealth of experience from a career at BP will be invaluable during our next period of growth.

### Accoya sales growth

Total Accoya sales volume for the year ended March 2017 increased by 18% to 39,790 cubic meters (2016: 33,847 cubic meters) and total Accoya revenue increased by 17% to €50.7m (2016: €43.4m). The smaller increase in revenue compared to volume was attributable to the full year impact of sales to Rhodia Acetow (formerly Solvay Acetow) which are at a discount, reflecting Rhodia Acetow's marketing and sales commitment and responsibility for their region. Excluding sales to Medite for Tricoya, sales volumes increased by 18% to 31,532 cubic meters (2016: 26,789 cubic meters).

The overall increase in sales volume in the year reflects the continued increase in demand for our products. The strength of demand has reconfirmed the need for additional manufacturing capacity and until the additional capacity becomes available early next calendar year, we are operating at or near capacity utilisation. As a result we are seeking to manage demand and our customers' expectations during this challenging period, during which we have seen an increase in forward orders.

The increase in sales, particularly in the second half of the year which saw an increase of 31% compared to the same period the year before, continues to be very encouraging. We expect growth to be effected by the timing of the commissioning of the third reactor. We are increasingly focussed on the longer term market and new opportunities expected to result from the increased capacity. We also expect to benefit from potential customers gaining greater confidence of Accoya's enduring position in the market place.

The overall increase in sales is largely due to repeat business driven by the joinery industry's need for high performance material, by greater acceptance of Accoya in our target markets as well as resulting from the direct activities undertaken by our sales and marketing teams where our resources are relatively limited compared to the overall market opportunity.

Sales growth has also continued to vary in different regions due either to specific circumstances or as a result of an allocation of our sales and marketing resources.

UK and Ireland remains our largest region, with sales volumes increasing by 24% to 12,021 cubic meters, excluding sales to Medite for Tricoya. All of this growth has been driven through existing distributors. Over the last few years we have developed a successful model of working with these distributors to develop marketing campaigns together with indirect sales methods such as architect briefings and a detailed and on-going campaign to target and inform the fragmented joinery market. This success has led us to estimate Accoya now represents approximately 12% of the UK joinery market. Demand was unaffected by the strengthening of the Euro against sterling following the Brexit vote, noting also that the weakening of sterling also impacted all timber imports.

We sold 8,531 cubic meters to Rhodia Acetow in the financial year, following Rhodia Acetow assuming responsibility for their exclusive region in January 2016. This represented a 17% increase compared to sales to customers in the equivalent region in the previous year. The increase masks that sales in their region decreased immediately following the transition and therefore I am very pleased that the transition has progressed well since with the deployment of Rhodia Acetow's sales team and I look forward to further future growth. As a reminder, Rhodia Acetow agreed a five year, 76,000 cubic meter off-take agreement effective from January 2016, with the annual minimum volumes increasing each calendar year and in total representing approximately €100m of Accoya.

Sales in the Americas increased by 38% to 3,846 cubic meters. North America in particular represents the largest potential market for Accoya, and I am pleased that the changes made to the sales team over the last two years has resulted in an increase in momentum ahead of the new manufacturing capacity becoming available. We will continue to focus on this region applying where possible the same successful sales and marketing techniques that we have developed in the UK market.

Sales to the Benelux area increased 10% to 3,682 cubic meters, however sales in the Netherlands were disappointing, recording a decrease compared to the prior year. As a result, we have reviewed our approach to the Netherlands and have made changes to the sales team, launched a new marketing campaign and commenced a new approach to the key housing association market. As a result, I am confident that we will be in a good position to take advantage of the additional Accoya manufacturing capacity when it becomes available.

Sales to the Asia-Pacific region decreased by 16% to 2,812 cubic meters. Within this, sales to customers within Diamond Wood's exclusive region decreased by 31% and sales outside of this, including to Japan, Australia, New Zealand and India decreased by 7%, reflecting several larger projects in the previous year, noting that we continue to believe this region has the potential for substantial sales growth in the longer term.

Sales to customers elsewhere, including Eastern Europe and the Middle East remain relatively small at this time, however we continue to develop relationships with distributors so as to increase awareness of Accoya generally, ahead of additional capacity becoming available and with a belief that many of these regions also represent excellent longer term markets.

Accoya sold to Medite for the manufacture of Medite Tricoya® increased by 17% to €7.8m (2016: €6.6m). The margin for this material continues to be below that achieved for the majority of Accoya we sell, reflecting our investment in the Tricoya project and that the current manufacturing process is in place only until the first dedicated Tricoya plant is operational. We continue to expect volumes sold to Medite for the manufacture of Tricoya panels to increase marginally in the new financial year, given temporary capacity limitations in Arnhem, noting that sales by Medite of Tricoya panels increased by 31% to 5,806 cubic meters in the year to 31 March 2017.

We have 61 Accoya distributor, supply and agency agreements in place covering most of Europe, Australia, Canada, Chile, China, India, Israel, Mexico, Morocco, New Zealand, South Africa, parts of South-East Asia and Middle-East and the USA.

#### **Accoya pricing and margin**

The marginally smaller increase in Accoya revenue (17%) compared to volume (18%) reflects a full year of sales to Rhodia Acetoc, who receive a discount as a result of its obligations under the committed off-take agreement and to reflect the sales and marketing expenditure that it incurs directly. This was partly off-set by a small increase in prices to UK customers earlier in the year. A similar price increase to the majority of remaining customers is being implemented in the first half of the new financial year.

The Accoya gross margin, excluding licencing income, decreased from 27% to 23% as a result of full year impact of the Rhodia Acetow discount, the volume of lower margin material sold to Medite and the higher cost of raw wood. Part of this higher raw wood cost was due to an increase in prices from New Zealand suppliers and part was attributable to short term changes to the product mix used in production resulting from supply chain issues but which enabled us to maintain production volumes.

#### **Expansion of Accoya manufacturing plant**

I am very pleased by the progress made in the year in respect of our project to expand the production capacity of the Arnhem plant from the current levels of approximately 40,000 cubic meters per annum to 80,000 cubic meters in a two-stage expansion programme. We expect to invest approximately €22m towards the capital costs of the first stage, which includes the installation of a third reactor, increasing the capacity to 60,000 cubic meters, together with the back-bone infrastructure for a fourth reactor.

Work has progressed well in respect of the first stage of the expansion which comprises two key phases: the first, which involved the reconfiguring of chemical infrastructure stations, has been completed. Significant work has also been completed in respect of detailed engineering and ground works, and all key items of equipment have been ordered. The third reactor itself was delivered on 8 June 2017 enabling the remainder of the chemical construction work to progress. Detailed engineering is now underway by the Engineering, Procurement and Construction contractor Fabricom with the construction due to be completed by the end of 2017 calendar year, ahead of a period of commissioning.

During the year we also completed the sale and leaseback of the remaining freehold land in Arnhem to Bruil, the same group to which we sold land and buildings in 2011. Bruil in turn, have made excellent progress in the construction of a significant new warehouse and office facilities which will be adjacent to the chemical plant and are due to be completed in the same timeframe. These facilities, which will improve and contribute to better logistics and should improve productivity, will be leased to Accsys once the expansion is complete.

The fourth reactor is expected to be added at a later date, as demand requires. As this will use the same back-bone infrastructure as is currently being constructed for the third reactor, it is expected to be added at relatively low cost, funded from internal resources.

#### **Tricoya® Consortium**

##### Introduction

I was delighted that we announced in March 2017 the completion of agreements in respect of the construction, operation and financing of the world's first dedicated Tricoya wood chip acetylation plant, to be located in Hull. Under the new agreements, Accsys owns 74.6% of Tricoya Technologies Limited which in turn owns 62% of the Hull plant.

We have established the Tricoya Consortium to exploit Tricoya globally and to fund, build and operate the Hull plant. This is expected to have an initial capacity of 30,000 metric tonnes of acetylated Tricoya chips per annum, enough to produce approximately 40,000 cubic meters of Tricoya panels.

Sales of Tricoya to date have been relatively small scale for market development and based upon Accoya manufactured in Arnhem. The new plant will produce acetylated wood chips as feedstock for Tricoya panels which will be approximately 35% cheaper than the current market seeding production from Arnhem.

The total funding requirements for the Tricoya project are expected to be approximately €68m. Pre-construction engineering work was completed in 2016, land clearance of the plot at the Saltend Chemicals Park is expected to be shortly completed and detailed engineering work has commenced. The plant is expected to be completed in early 2019.

The Hull plant is expected to reach EBITDA breakeven at approximately 40% of its capacity and to take approximately four years to reach full capacity following completion. The designs and the plot allow for expansion at a later date.

##### Tricoya Consortium structure

The Tricoya Consortium members and funding is set out below.

The investment into the Tricoya Consortium has been split between two entities, Tricoya Technologies Limited ('TTL') and Tricoya Ventures UK Limited ('TVUK'). TVUK will own and operate the Hull plant and TTL will continue to exploit all Tricoya related intellectual property and benefit from any future Tricoya related revenues outside of the Hull plant.

- a) BP has been a key supplier of acetic anhydride, the key chemical raw material for acetylation, for a number of years. Under the Consortium arrangements, they will be the sole supplier to the Hull plant from its adjacent acetic anhydride production facility under a minimum six year supply agreement.

BP will invest a total of €20.3m, with BP Chemicals investing €13.7m into TVUK aligning its interest with the plant it is supplying. BP Ventures, BP's venture capital arm, has invested €6.6m into TTL to benefit from the long term Tricoya opportunity.

- b) Medite, part of the Coillte group, has been working with Accsys on Tricoya since 2009 and has been successfully selling Tricoya panels since 2012. Sales to date exceed 17,200 cubic meters.

Medite has agreed an off-take agreement which includes a minimum obligation to purchase 20% of the plant capacity in the first year of production, ramping up to 40% after the fourth year of production.

Medite will invest €11m of equity into the Tricoya Consortium, with €7m having been invested into TTL in the year and €4m to be invested in total into TVUK, aligning its interests with the manufacturing and longer term success of Tricoya.

- c) Accsys has contributed all of the Tricoya intellectual property and work undertaken previously, which has been attributed a pre-money value of €35m under the Tricoya Consortium arrangements.

In addition, Accsys has contributed €18.4m of equity into TTL, which was achieved by issuance of €18.9m of Loan Notes to the Business Growth Fund and Volantis, details of which are set out below.

Together the pre-money value and cash investment has resulted in Accsys retaining a 74.6% equity interest in TTL and therefore Accsys has continued to control and fully consolidate TTL, and in turn TVUK.

- d) Business Growth Fund ('BGF') and Volantis have invested a total of €22m as financial investors.

BGF and Volantis have in aggregate subscribed for a total of €18.9m of Loan Notes in Accsys Technologies PLC (the 'Loan Notes'). In turn, €18.4m of the proceeds, after fees, has been invested by Accsys as equity into TTL, as described above. The Loan Notes are unsecured and with no interest repayments due until January 2019

In addition BGF and Volantis have invested a total of €3.2m directly as equity into TTL. As part of the overall financing package (which has been divided 65%/35% between BGF and Volantis respectively), BGF and Volantis have also been granted options over 14% of the issued share capital of Accsys.

In addition, the Tricoya Consortium has agreed a six year, €17.2m (€15m net) finance facility with The Royal Bank of Scotland ('RBS'). Interest payments due under the facility are rolled up until the Hull plant is expected to be cash-flow generative.

#### Global exploitation

TTL has granted TVUK an sub-licence to manufacture Tricoya at the Hull plant and sell the same on an exclusive basis in the UK and non-exclusive basis in certain other countries (the 'Production Licence'), but only when customers have also first entered a licence agreement with TTL for the use of Tricoya in the production and marketing of panels (the 'User Licence').

TTL will therefore receive up-front licence fees and on-going royalties from TVUK under the Production Licence as well as royalties under the User Licence from third party customers buying Tricoya chips from TVUK.

TTL is expected to agree additional licence agreements in the future elsewhere in the world to exploit the market which is believed to be in excess of 1.6 million cubic meters per annum.

#### **Intellectual Property**

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

Accsys has an extensive and growing patent portfolio with over 60 granted patents in various countries throughout the world and over 170 pending patent applications across more than 20 patent families covering all major markets, with particular emphasis having recently been placed on extending the geographic spread of the Tricoya® patent portfolio. Significant R&D resources are employed to maximise the scope of our patent rights to not only cover the products we and our distributors and licensees sell, and the processes by which these products are made, but also to prevent competitors from commercialising similar products and processes.

Management of Company know-how remains an essential element of safeguarding our innovation, with confidentiality protocols in place to prevent unauthorised access to such know-how and to place strict contractual obligations on third parties collaborating with Accsys.

### **Chief Executive's report**

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Increasing Company-wide awareness of the importance of protecting and controlling our know-how is a key initiative with particular focus on minimising risks when collaborating with third parties.

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

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

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

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

#### **Outlook**

The creation of the Tricoya Consortium and expansion of the plant in the Netherlands are both substantial and hugely exciting projects for Accsys. In total, they will enable the Accsys Group to grow significantly over the next few years to meet the increasing demand for Tricoya and Accoya, which we continue to believe, having undertaken detailed market assessments, is in excess of 2.6 million cubic meters per annum.

The new financial year has started well, with Accoya sales growth comparable to the second half of the last financial year, although growth will be temporarily constrained as the year progresses now that we will be operating at or near our capacity. Our immediate focus is therefore on ensuring the expansion in Arnhem is completed and in this respect, we continue to expect the construction to be completed by the end of 2017 calendar year. Following a period of commissioning, we expect the full benefit of the expansion to be obtained in the financial year ending March 2019, with demand expected to result in further sales growth.

**Paul Clegg**  
**Chief Executive Officer**  
**19 June 2017**



# Accsys Technologies PLC

## Financial review

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### Income statement

#### Revenue

Total revenue for the year ended 31 March 2017 increased by 7% to €56.5m (2016: €52.8m). Within this total, Accoya® wood revenue increased by 17% to €50.7m (2016: €43.5m) as a result of sales volumes increasing by 18%. Accoya® revenue includes €7.8m of sales to Medite for the manufacture of Tricoya, a 18% increase (2016: €6.6m). Licence income decreased from €2.8m to €1.6m, where the higher revenue in 2016 reflected the new agreements with our Accoya licensee Rhodia Acetow (formerly Solvay Acetow) in the prior period.

Other revenue of €4.3m (2016: €6.5m) included €0.3m relating to the Sales & Marketing agreement with Solvay, which was agreed at the same time as the 76,000 cubic meter off-take agreement. The remainder is largely attributable to sales of acetic acid, a by-product from the acetylation process. The prior year included €1.3m in respect of the expired Global Marketing agreement with Solvay, with a further €0.9m of income recorded in respect of monies received attributable to the Tricoya project, neither of which was repeated in the current period, as expected.

#### Gross margin

Gross profit margin reduced from 34% to 25%, as a result of lower licence and other revenue as set out above, and an increase in cost of sales. The Accoya gross manufacturing margin decreased from 27% to 23% as a result of full year impact of the Solvay discount, the volume of lower margin material sold to Medite and the higher cost of raw wood. Part of this higher raw wood cost was due to an increase in prices from New Zealand suppliers and part was attributable to short term changes to the product mix used in production resulting from supply chain issues but which enabled us to maintain production volumes. We continue to expect a gross margin from the manufacture of Accoya of 30% to be achievable as we benefit from the additional manufacturing capacity and improved sales mix.

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

#### Other operating costs

Other operating costs (excluding exceptional items) reduced by 1% to €18.3m (2016: €18.5m). The reduction in operating costs is largely due to foreign exchange movements, with a €0.3m decrease in staff costs and a further €0.4m decrease in other operating costs attributable to foreign exchange resulting from the weakening of sterling following the Brexit vote in June 2016. This is off-set by increased office and facility costs of €0.5m due to the head office move to London and increasing costs for our expanding plant in Arnhem. In addition, payroll, intellectual property ('IP') and legal costs increased as a result of higher activity levels, including increased Tricoya related IP costs in the period. Headcount increased to an average of 124 (2016: 121), with staff costs excluding the impact of foreign exchange, increasing by 3% to €11.3m. This included a share based payment charge of €0.9m (2016: €1.0m).

#### Exceptional items

An exceptional gain of €0.6m arose on the sale of the land in Arnhem for €4.2m, which had a book value of €3.6m. The sale to Bruil was subject to a lease arrangement. See note 5.

An exceptional expense of €0.5m also recorded in the period, in relation to advisory fees for business development activities as the Group pursued a one-off long-term opportunity.

#### Loss from operations

The loss from operations increased to €3.8m (2016: loss of €0.3m) due to the reduction in gross margin described above, offset by the decrease in operating costs, as explained above. Excluding exceptional items, the loss from operations increased to €3.9m (2016: €0.3m).

#### Finance income

Finance income of €2,000 (2016: €10,000) represents interest receivable on bank deposits.

#### Finance expense

The finance expense of €0.6m (2016: €0.2m) includes the interest element arising on the payments attributable to the sale and leaseback of part of the Group's land and buildings in Arnhem, together with finance charges arising on the London office fit-out lease. The balance also includes interest and other finance charges relating to the Loan Notes issued to in the period to Business Growth Fund and Volantis relating to the Tricoya project (€0.3m) (see note 29). This also includes any finance charges payable in respect of the Group's working capital facilities.

#### Research & Development expenditure

€1.8m was incurred on research and development activities in the period (2016: €2.0m). €0.2m (2016: €0.1m) has been capitalised as an intangible asset (see note 16).

# Accsys Technologies PLC

## Financial review

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### Taxation

The net tax charge of €0.7m (2016: €0.4m) primarily represents a tax charge arising from manufacturing offset by R&D tax credits of €0.2m (2016: €0.2m) attributable to activities carried out in the current year.

### Dividends

No final dividend is proposed in 2017 (2016 final dividend: €Nil). The Board deems it prudent for the Company to maintain as strong a balance sheet as possible during the current phase of the Company's growth strategy.

### Earnings per share

Basic and diluted loss per share was €0.05 (2016 basic and diluted loss per share was €0.01).

### Balance sheet

#### Intangible assets

Intangible asset additions of €0.4m (2016: €1.5m) predominantly relate to capitalised internal development costs for both Accoya and Tricoya related activities. The prior period included €1.0m relating to the Front End Engineering Design package for the construction of the world's first Tricoya<sup>®</sup> plant.

#### Property, plant and equipment

Property, plant and equipment balance increased by €1.4m to €21.7m (2016: increase of €2.8m). The increase was due to additions of €4.1m relating to the on-going project to expand the Arnhem Accoya plant through the addition of the third reactor, including €0.6m relating to capitalised internal staff costs. A further €1m is attributable to new finance lease arrangement (see note 28). €1.4m relates to the construction of the Tricoya plant in Hull and €0.5m relates to technology improvements and significant maintenance items at the Arnhem plant.

This is off-set by €3.6m relating to the disposal of the land in Arnhem to Bruil for proceeds of €4.2m, which resulted in an exceptional gain of €0.6m. Bruil has also agreed to construct and lease a significant new warehouse and office facility which is expected to be completed in the new financial year. The total depreciation charge in the year of €2.1m relates predominantly to the existing Arnhem plant.

#### Available for sale investments

Accsys Technologies PLC has previously purchased a total of 21,666,734 unlisted ordinary shares in Diamond Wood China Limited. The historical cost of the unlisted shares held at 31 March 2017 is €10m (2016: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded as at 31 March 2017 (see note 18).

### Inventory

The Group had total inventory balances of €11.8m (2016: €8.3m). Finished goods consisting of Accoya represented €5.3m (2016: €5.8m) and raw materials and work in progress, primarily consisting of unprocessed lumber, being €6.5m (2016: €2.5m). The increase is attributable to the planned increase in inventory in light of the bottleneck issues reported in the first half of the year, together with the planned increase in sales in the new financial year.

### Cash and cash equivalents

The Group had cash of €41.2m at 31 March 2017 (2016: €8.2m). The increase in the year is mainly due to €19.8m net proceeds from the issue of Loan Notes and borrowings (see note 29), €18.3m net proceeds from issue of share capital in Tricoya Technologies Limited and Tricoya Ventures UK Limited to non-controlling interests (see note 9) and €4.2m proceeds from the sale and leaseback of land in Arnhem as part of our plant expansion project.

€0.3m of cash out-flow was attributable to cash-flows from operating activities before changes in working capital (excluding exceptional items) (2016: €3.5m in-flow), as a result of the increase in operating loss to €3.9m (excluding exceptional items).

€0.5m of cash-outflow was attributable to changes in working capital (2016: €3.0m out-flow), including €3.3m increase in inventories, €2.9m increase in trade and other receivables off-set by €5.7m increase in trade and other payables.

€2.6m out-flow in respect of investing activities (2016: €4.0m), included €0.4m in respect of capitalised development costs (2016: €0.4m) and €4.7m in respect of tangible fixed assets (2016: €2.6m) including in respect of the expansion of plant in Arnhem and initial work for the plant in Hull, off-set by €4.2m proceeds from the sale of the land in Arnhem.

### Trade and other receivables

Trade and other receivables have increased to €7.6m (2016: €5.6m). Within this, prepayments increased from €0.7m to €3.3m, in part due to costs being incurred in respect of the Company's Firm Placing and Open Offer which completed in April 2017.

# Accsys Technologies PLC

## Financial review

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### Trade and other payables

Trade and other payables increased to €12.5m (2016: €8.1m). Included within this, trade payables increased to €6.6m (2016: €4.7m), due to an increase in expenditure on tangible fixed assets for both the Accoya plant in Arnhem, and the Tricoya plant in Hull. In addition accruals increased from €2.1m to €4.7m due in part to the costs associated with the Company's capital raise.

### Finance lease creditor

The Group has previously entered into a sale and leaseback agreement for part of the Arnhem land and buildings. The first phase resulted in proceeds of €2.2m which has been accounted for as a finance lease. At 31 March 2017 there are €1.9m of payments committed to over the remaining life of the lease (2016: €2.0m) (see note 28). The second part of the previous sale and leaseback of the land in Arnhem was completed in February 2013 and accounted for as an operating lease.

The sale of the remaining plot of land completed in August 2016 and under the agreement with the purchaser, Bruil, they will construct and then lease to Accsys new warehouse and office facilities. The construction is not expected to complete until later in the new financial year and therefore no lease has been recognised in the period. A further lease agreement with Bruil was entered into in the period relating directly to infrastructure work associated with the expansion of the chemical plant. This has been accounted for as a finance lease, with a new asset and liability of €0.9m being recognised as at 31 March 2017.

### Long Term Borrowing

Amounts payable under loan agreements increased to €20.1m (2016:€nil). The Group has entered into loan arrangements during the period:

A €17.2m project finance facility with the Royal Bank of Scotland Plc was entered into but remained undrawn as at 31 March 2017. The facility has been agreed at the Tricoya Consortium level and is secured upon the Tricoya plant, with the proceeds to be applied to the construction of the Tricoya plant and working capital.

€18.1m net proceeds were received in respect of Loan Notes issued by Accsys Technologies PLC to the Business Growth Fund ('BGF') and Volantis. The loan notes are unsecured, with interest of 7-9% payable after two years. The net proceeds have been applied by the Group within the Tricoya Consortium, enabling Accsys to retain a 74.6% interest in TTL.

€2.0m was drawn down in the period under the Rhodia Acetow loan facility, which was entered into in the previous period. The loan facility is secured upon the Arnhem plant, with interest of 7.5%, expected to be payable after the expected start-up of the third reactor. A further €7.5m of the facility remains available and is expected to be utilised to fund the remaining cost of the third reactor.

### Non-controlling interests

Part of the agreements relating to the formation of the Tricoya Consortium on 29 March 2017 included equity investment by the consortium members. During the period a total of €19.1m of equity was issued by TTL and TVUK to BP, Medite, BGF and Volantis. (see CEO's report for further details). This has resulted in an increase in the non-controlling interest of €12.6m as at 31 March 2017 (2016: €0.1m). The difference between the cash received and non-controlling interest recorded arises from the Tricoya Consortium agreements recognising Accsys's contribution of IP and historical development work, with an implied pre-funding valuation of €35m.

### Capital structure

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

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

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

### **Financial review**

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#### **Going concern**

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

As part of the Group's going concern review, the Directors have reviewed the Group's trading forecasts and working capital requirements for the foreseeable future, including taking into account the proceeds from the Firm Placing and Open offer which was successfully completed on 23 April 2017. These forecasts indicate that, in order to continue as a going concern, the Group is dependent on the achievement of certain operating performance measures relating to the production and sales of Accoya wood from the plant in Arnhem and the collection of ongoing working capital items in line with internally agreed budgets.

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

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

**William Rudge**  
**Finance Director**  
**19 June 2017**

# Accsys Technologies PLC

## Directors Report for the year ended 31 March 2017

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The Directors present their report together with the audited consolidated financial statements for the year ended 31 March 2017.

### Results and dividends

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

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

### Principal activities and review of the business

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

### Business model and Strategy

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

### Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are set out in Note 31 of the financial statements.

### Share issues

On 4 July 2016, a total of 673,355 of €0.05 Ordinary shares were issued to an Employee Benefit Trust ('EBT').

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

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

A further 20,323,986 €0.05 Ordinary shares were issued after the year end, on 24 April 2017, following the Company successfully completing a Firm Placing and Open Offer, raising €14m (before fees).

### Principal risks and uncertainties

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

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

#### (a) Economic and market conditions

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

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

#### (b) Regulatory, legislative and reputational risks

**Directors Report for the year ended 31 March 2017 continued**

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

(c) Employees

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

(d) Intellectual property

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

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

**Greenhouse gas ('GHG') emissions**

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

**Global GHG emissions data for period 1 April 2016 to 31 March 2017**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>kg CO<sub>2</sub>eq</b>	<b>kg CO<sub>2</sub>eq</b>	<b>kg CO<sub>2</sub>eq</b>
Electricity, heat, steam and cooling for own use - GROSS	2,804,839	3,309,630	3,135,167
Electricity, heat, steam and cooling for own use - NET (including Renewable Energy Credits)	1,511,794	1,651,470	88,714
Combustion of fuel & operation of production facility (MP4), in Arnhem, the Netherlands	3,109,664	2,726,868	2,939,167
Total - Gross	5,914,503	6,036,498	6,074,334
External carbon offsets (VCS 2015)	-1,524,000	-1,420,000	-
TOTAL - NET (including Renewable Energy Credits)	3,097,458	2,958,338	3,027,882
Chosen intensity measurement: Emissions per cubic meter Accoya produced - GROSS	155	181	178
<b>Chosen intensity measurement: Emissions per cubic meter Accoya produced - NET (including Renewable Energy Credits)</b>	<b>81</b>	<b>88</b>	<b>89</b>

#### Notes:

- We have reported on all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 for our manufacturing facility in Arnhem, the Netherlands.
- Due to unavailability of data, GHG emissions related to our offices and staff travel are not included in the figures above.
- Emissions have been calculated following the GHG Protocol - Corporate Accounting and Reporting (revised edition) using the following databases: IPCC 2006 Guidelines for National Greenhouse Gas Inventories, 2007 IPCC Fourth Assessment Report and Eco-Invent v3.3.
- Note that following Environmental Reporting Guidelines of Defra (2013), carbon offsets may be accounted for separately as a "NET" figure, while the original electricity consumption figures should be presented as a "GROSS" figure.
- Following the same (Defra 2013) guidelines, the emissions associated with our supply chain (inputs and outputs) are not included in the figures above, for readers that are interested in the supply chain related figures we refer to our publicly available carbon footprint report: <http://www.accoya.com/wp-content/uploads/2013/09/Verco-Cradle-to-gate-carbon-footprint-update-2012.pdf> and Environmental Product Declaration (EN 15804): <https://www.accoya.com/wp-content/uploads/2015/06/NEPD-376-262-EN-Accsys-Technologies-Accoya-Wood.pdf>.
- For 2014, following Environmental Reporting Guidelines of Defra (2013), carbon offsets due to e.g. purchase of Renewable Energy Credits may be accounted for separately as a "NET" figure, while the original electricity consumption figures are presented as a "GROSS" figure.
- In the current and prior year, Accsys has offset its CO<sub>2</sub> emissions mainly through investing in verified carbon offset projects instead of through Renewable Energy Credits (see external carbon offsets) resulting in an amended presentation as recommended under the Defra guidelines.

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

#### Directors

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

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

#### Directors' indemnities

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

#### Employment policies

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

17% of employees in the period were female. 10% of the senior management team were female and one of the Board of Directors was female.

#### Health and safety

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

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

## Accsys Technologies PLC

### Directors Report for the year ended 31 March 2017 continued

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#### Significant shareholdings

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

• Todlin N.V.	6.50%
• Henderson Group PLC	5.94%
• Royal Bank of Canada	5.73%
• Majedie UK Equity Fund	5.06%
• Invesco Limited	4.87%
• The London & Amsterdam Trust Company Limited	4.51%
• FIL Limited (formerly known as Fidelity International Limited)	4.26%
• INEOS	4.24%
• Saad Investments Company Limited	3.92%
• Zurab Lysov	3.71%

There are no restrictions in respect of voting rights.

#### Going concern

The Directors have formed a judgement, at the time of approving the financial statements, including taking into account the proceeds from the Firm Placing and Open offer which was successfully completed on 23 April 2017, that there is a reasonable expectation that the Group has access to adequate resources to continue in operational existence for at least the next 12 months. Further details are set out in note 1 to these financial statements.

#### Corporate Governance

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

#### Disclosure of information to auditors

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

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

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

#### Independent Auditors

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

#### Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

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

#### By order of the Board

**Angus Dodwell**  
Company Secretary  
19 June 2017



# Accsys Technologies PLC

## Corporate Governance

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

### The Board of Directors

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

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

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

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

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

### Audit Committee

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

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

### Nominations & Remuneration Committee

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

### Internal Financial Control

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

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

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

**Relations with shareholders**

Communications with shareholders are given high priority.

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

**Directors' attendance record**

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

Number of meetings	Board		Audit Committee		Nomination & Remuneration Committee	
	Attended	Serving <sup>1</sup>	Attended <sup>2</sup>	Serving	Attended <sup>3</sup>	Serving
Michael 'Sean' Christie	9	13	3	3	5	6
Paul Clegg	13	13	1	-	2	-
Sue Farr	8	13	3	3	6	6
Hans Pauli	10	13	1	-	-	-
Patrick Shanley	10	13	3	3	6	6
Montague John 'Nick' Meyer	8	13	3	3	5	6
William Rudge	13	13	1	-	-	-

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

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

**Notes**

1. During the year there were 9 full board meetings and 4 meetings of a committee of the board. Patrick Shanley attended all 9 board meetings and 1 committee meeting. Hans Pauli attended 9 board meetings and one committee meeting. Nick Meyer attended 8 out of 9 board meetings as did Sue Farr. Sean Christie attended 8 out of 9 board meetings and one committee meeting.
2. Messrs Clegg, Pauli and Rudge attended part of an audit committee meeting on 7 June 2016, 16 November 2016 and 8 March 2017.
3. Paul Clegg was in attendance for part of 2 meetings of the Nomination and Remuneration Committee.

# Accsys Technologies PLC

## Consolidated statement of comprehensive income for the year ended 31 March 2017

		<b>2017 €'000</b>	<b>2017 €'000</b>	<b>2017 €'000</b>	<b>2016 €'000</b>
	<b>Note</b>	<b>Before exceptional items</b>	<b>Exceptional items Note 5</b>	<b>Total</b>	<b>Total</b>
Accoya® wood revenue		50,655	-	50,655	43,466
Licence revenue		1,576	-	1,576	2,849
Other revenue		4,298	-	4,298	6,454
<b>Total revenue</b>	3	56,529	-	56,529	52,769
<b>Cost of sales</b>		(42,175)	-	(42,175)	(34,597)
<b>Gross profit</b>		14,354	-	14,354	18,172
<b>Other operating costs</b>	4	(18,273)	(517)	(18,790)	(18,460)
<b>Other gains</b>		-	635	635	-
<b>Operating loss</b>	8	(3,919)	118	(3,801)	(288)
Finance income	10	2	-	2	13
Finance expense	11	(560)	-	(560)	(191)
<b>Loss before taxation</b>		(4,477)	118	(4,359)	(466)
Tax expense	12	(666)	-	(666)	(402)
<b>Loss for the year</b>		(5,143)	118	(5,025)	(868)
Loss arising on translation of foreign operations, which could subsequently be reclassified into profit or loss		(108)	-	(108)	(27)
<b>Total comprehensive loss for the year</b>		(5,251)	118	(5,133)	(895)
<b>Total comprehensive loss for the year is attributable to:</b>					
Owners of Accsys Technologies PLC		(5,108)	118	(4,990)	(885)
Non-controlling interests		(143)	-	(143)	(10)
<b>Total comprehensive loss for the year</b>		(5,251)	118	(5,133)	(895)
<b>Basic and diluted loss per ordinary share</b>	14	€(0.06)		€(0.05)	€(0.01)

The figures for the year ended 31 March 2017 include exceptional costs (see note 5).

The notes on pages 31 to 57 form an integral part of these financial statements.

# Accsys Technologies PLC

## Consolidated statement of financial position as at 31 March 2017

Registered Company 05534340

	Note	2017 €'000	2016 €'000
<b>Non-current assets</b>			
Intangible assets	16	10,839	10,980
Property, plant and equipment	17	21,681	20,272
Available for sale investments	18	-	-
		<u>32,520</u>	<u>31,252</u>
<b>Current assets</b>			
Inventories	21	11,796	8,345
Trade and other receivables	22	7,612	5,647
Cash and cash equivalents		41,173	8,186
Corporation tax receivable		687	412
		<u>61,268</u>	<u>22,590</u>
<b>Current liabilities</b>			
Trade and other payables	23	(12,524)	(8,063)
Obligation under finance lease	28	(455)	(354)
Corporation tax payable		(1,620)	(1,425)
		<u>(14,599)</u>	<u>(9,842)</u>
<b>Net current assets</b>		46,669	12,748
<b>Non-current liabilities</b>			
Obligation under finance lease	28	(2,621)	(1,947)
Other Long Term Borrowing	29	(20,097)	-
		<u>(22,718)</u>	<u>(1,947)</u>
<b>Net assets</b>		<u>56,471</u>	<u>42,053</u>
<b>Equity</b>			
Share capital	24	4,531	4,495
Share premium account		128,792	128,792
Other Reserves	25	113,356	107,441
Accumulated loss		(202,840)	(198,842)
Own shares		(33)	(47)
Foreign currency translation reserve		45	153
<b>Capital value attributable to owners of Accsys Technologies PLC</b>		<u>43,851</u>	<u>41,992</u>
Non-controlling interest in subsidiaries		12,620	61
<b>Total equity</b>		<u>56,471</u>	<u>42,053</u>

The financial statements were approved by the Board and authorised for issue on 19 June 2017, and signed on its behalf by

Paul Clegg

William Rudge

**Directors**

The notes on pages 31 to 57 form an integral part of these financial statements.

# Accsys Technologies PLC

## Consolidated statement of changes in equity for the year ended 31 March 2017

	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
<b>Balance at 31 March 2015</b>	4,440	128,714	106,855	(39)	180	(199,022)	41,128	-	41,128
Total comprehensive income/(expense) for the period	-	-	-	-	(27)	(858)	(885)	(10)	(895)
Share based payments	-	-	-	-	-	1,038	1,038	-	1,038
Shares issued	55	-	-	(8)	-	-	47	-	47
Premium on shares issued	-	78	-	-	-	-	78	-	78
Issue of subsidiary shares to non-controlling interests	-	-	586	-	-	-	586	71	657
<b>Balance at 31 March 2016</b>	4,495	128,792	107,441	(47)	153	(198,842)	41,992	61	42,053
Total comprehensive income/(expense) for the period	-	-	-	-	(108)	(4,882)	(4,990)	(143)	(5,133)
Share based payments	-	-	-	-	-	884	884	-	884
Shares issued	36	-	-	14	-	-	50	-	50
Premium on shares issued	-	-	-	-	-	-	-	-	-
Issue of subsidiary shares to non-controlling interests	-	-	6,491	-	-	-	6,491	12,702	19,193
Issue of subsidiary shares to Group companies	-	-	(576)	-	-	-	(576)	-	(576)
<b>Balance at 31 March 2017</b>	4,531	128,792	113,356	(33)	45	(202,840)	43,851	12,620	56,471

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

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

See note 25 for details concerning Other reserves

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

Own shares represents a total of 673,355 shares issued to an Employee Benefit Trust ('EBT') at nominal value on 4 July 2016 and 6,080 shares issued to the EBT at nominal value on 6 July 2015. These shares shall vest if the employees, including the Executive Directors, remain in employment with the Company to the vesting date, being 1 July 2017 (subject to certain other provisions including good-leaver, take-over and committee discretion provisions). (note 15).

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

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

The notes on pages 31 to 57 form an integral part of these financial statements.

# Accsys Technologies PLC

## Consolidated statement of cash flow for the year ended 31 March 2017

	2017 €'000	2016 €'000
<b>Loss before taxation</b>	(4,359)	(466)
<i>Adjustments for:</i>		
Amortisation of intangible assets	556	524
Depreciation of land, property, plant and equipment	2,157	2,148
Net (gain)/loss on disposal of property, plant and equipment	(580)	35
Net finance expense	558	177
Equity-settled share-based payment expenses	884	1,038
<b>Cash flows generated (used in)/from operating activities before changes in working capital</b>	(784)	3,456
Increase in trade and other receivables	(2,936)	(714)
Decrease in deferred income	-	(1,661)
Increase in inventories	(3,322)	(453)
Increase/(Decrease) in trade and other payables	5,737	(176)
<b>Net cash generated (used in)/from operating activities before tax*</b>	(1,305)	452
<b>Tax (paid)/received</b>	(745)	229
<b>Net cash flows generated (used in)/from operating activities</b>	(2,050)	681
<b>Cash flows from investing activities</b>		
Interest received	2	5
Proceeds from disposal of property, plant and equipment	4,223	3
Expenditure on property, plant and equipment	(6,416)	(2,565)
Expenditure on intangible assets	(415)	(1,490)
<b>Net cash used in investing activities</b>	(2,606)	(4,047)
<b>Cash flows from financing activities</b>		
Proceeds from loans	20,736	-
Other financing costs	(954)	-
Interest paid	(250)	(191)
Repayment of finance lease	(173)	(106)
Proceeds from issue of share capital	50	124
Proceeds from issue of subsidiary shares to non-controlling interests	19,122	1,000
Share issue costs (relating to issue of subsidiary shares)	(805)	(44)
<b>Net cash generated from financing activities</b>	37,726	783
<b>Net increase/(decrease) in cash and cash equivalents</b>	33,070	(2,583)
Effect of exchange rate changes on cash and cash equivalents	(83)	(17)
Opening cash and cash equivalents	8,186	10,786
<b>Closing cash and cash equivalents</b>	41,173	8,186

\*Cash out-flows from operating activities after changes in working capital included €128,000 in respect of exceptional costs (2016: €nil).

The notes on pages 31 to 57 form an integral part of these financial statements.

**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 2017 or 31 March 2016. Statutory accounts for the period ended 31 March 2016 have been filed with the Registrar of Companies and those for the period ended 31 March 2016 will be delivered to the Registrar in due course; both have been reported on by the auditors. The auditors' report on the Annual Report and Financial Statements for the period ended 31 March 2016 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 2017 is unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

**Basis of accounting**

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

**Going Concern**

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

As part of the Group's going concern review, the Directors have reviewed the Group's trading forecasts and working capital requirements for the foreseeable future, including taking into account the proceeds from the Firm Placing and Open offer which was successfully completed on 23 April 2017. These forecasts indicate that, in order to continue as a going concern, the Group is dependent on the achievement of certain operating performance measures relating to the production and sales of Accoya® wood from the plant in Arnhem and the collection of on-going working capital items in line with internally agreed budgets.

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

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

**Changes in accounting policies**

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

**Exceptional Items**

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

**Business combinations**

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

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

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

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

**Revenue recognition**

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

**Manufacturing revenue**

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

**Licensing fees and Marketing income**

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

**Finance income**

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

**Finance expense**

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

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

Interest on the £16.25 million unsecured fixed rate loan notes issued to Business Growth Fund ('BGF') and Volantis on 29 March 2017 has been expensed. Interest on the €2 million term loan drawn down from Solvay Acetow GmbH (now known as Rhodia Acetow GmbH) on 29 December 2016, to part-finance capital expenditure at the Arnhem plant, has been capitalised as it is directly attributable to the expansion.

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

**Share based payments**

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

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

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

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

**Dividends**

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

**Pensions**

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



**Taxation**

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date together with any adjustment to tax payable in respect of previous years. Current tax includes the expected impact of claims submitted by the Group to tax authorities in respect of enhanced tax relief for expenditure on research and development.

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

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

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

**Foreign currencies**

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

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

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

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

**Government grants**

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

**Goodwill**

Goodwill arising on the acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the identifiable assets and liabilities acquired. It is capitalised, and is subject to annual impairment reviews by the Directors. Any impairment arising is charged to the statement of comprehensive income. Where the fair value of the identifiable assets and liabilities acquired is greater than the fair value of consideration paid, the resulting amount is treated as a gain on a bargain purchase and has been recognised in the income statement.

**Other intangible assets**

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

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

**Property, plant and equipment**

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

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

**Impairment of non-financial assets**

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

**Leases**

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

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

**Inventories**

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

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

**Financial assets**

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

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

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

**Trade and other receivables**

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

**Cash and cash equivalents**

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

**Financial liabilities**

**Other financial liabilities**

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

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.

**Share capital**

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

**Segmental Reporting**

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

**2. Accounting estimates and judgements**

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

**Revenue recognition**

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

**Goodwill**

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

**Intellectual property rights and property, plant and equipment**

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

**Inventories**

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

**Available for sale investments**

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

**Notes to the financial statements for the year ending 31 March 2017**

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

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

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

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

# Accsys Technologies PLC

## Notes to the financial statements for the year ending 31 March 2017

### 3. Segmental reporting

The Group's business is the manufacturing of and development, commercialisation and licensing of the associated proprietary technology for the manufacture of Accoya wood, Tricoya wood elements and related acetylation technologies. Segmental reporting is divided between corporate activities, activities directly attributable to Accoya, to Tricoya or research and development activities. This note has been represented and restated following the formation of the Tricoya Consortium to more appropriately reflect costs associated with Accoya and Tricoya.

	2017				
	Accoya €'000	Tricoya €'000	Corporate €'000	Research & Development €'000	TOTAL €'000
Accoya® wood revenue	50,655	-	-	-	50,655
Licence revenue	1,576	-	-	-	1,576
Other revenue	4,268	30	-	-	4,298
<b>Total Revenue</b>	<b>56,499</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>56,529</b>
<b>Cost of sales</b>	<b>(42,175)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(42,175)</b>
<b>Gross profit</b>	<b>14,324</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>14,354</b>
<b>Other operating costs</b>	<b>(10,648)</b>	<b>(1,518)</b>	<b>(4,344)</b>	<b>(1,763)</b>	<b>(18,273)</b>
<b>Exceptional Items</b>	<b>635</b>	<b>-</b>	<b>(517)</b>	<b>-</b>	<b>118</b>
<b>Other operating costs (net)</b>	<b>(10,013)</b>	<b>(1,518)</b>	<b>(4,861)</b>	<b>(1,763)</b>	<b>(18,155)</b>
<b>Profit/(Loss) from operations</b>	<b>4,311</b>	<b>(1,488)</b>	<b>(4,861)</b>	<b>(1,763)</b>	<b>(3,801)</b>
<b>Profit/(Loss) from operations</b>	<b>4,311</b>	<b>(1,488)</b>	<b>(4,861)</b>	<b>(1,763)</b>	<b>(3,801)</b>
Depreciation and amortisation	2,357	171	133	52	2,713
<b>EBITDA</b>	<b>6,668</b>	<b>(1,317)</b>	<b>(4,728)</b>	<b>(1,711)</b>	<b>(1,088)</b>
<b>EBITDA (before exceptional items)</b>	<b>6,033</b>	<b>(1,317)</b>	<b>(4,211)</b>	<b>(1,711)</b>	<b>(1,206)</b>

	2016				
	Accoya €'000	Tricoya €'000	Corporate €'000	Research & Development €'000	TOTAL €'000
Accoya® wood revenue	43,466	-	-	-	43,466
Licence revenue	2,774	75	-	-	2,849
Other revenue	5,451	1,003	-	-	6,454
<b>Total Revenue</b>	<b>51,691</b>	<b>1,078</b>	<b>-</b>	<b>-</b>	<b>52,769</b>
<b>Cost of sales</b>	<b>(34,597)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34,597)</b>
<b>Gross profit</b>	<b>17,094</b>	<b>1,078</b>	<b>-</b>	<b>-</b>	<b>18,172</b>
<b>Other operating costs</b>	<b>(10,273)</b>	<b>(1,250)</b>	<b>(4,998)</b>	<b>(1,939)</b>	<b>(18,460)</b>
<b>Profit/(Loss) from operations</b>	<b>6,821</b>	<b>(172)</b>	<b>(4,998)</b>	<b>(1,939)</b>	<b>(288)</b>
<b>Profit/(Loss) from operations</b>	<b>6,821</b>	<b>(172)</b>	<b>(4,998)</b>	<b>(1,939)</b>	<b>(288)</b>
Depreciation and amortisation	2,398	143	84	47	2,672
<b>EBITDA</b>	<b>9,219</b>	<b>(29)</b>	<b>(4,914)</b>	<b>(1,892)</b>	<b>2,384</b>
<b>EBITDA (before exceptional items)</b>	<b>9,219</b>	<b>(29)</b>	<b>(4,914)</b>	<b>(1,892)</b>	<b>2,384</b>

Note in respect of restatement of segmental reporting note: In the previous year the results had been allocated between Manufacturing, R&D and Administration/Business Development segments. Following the formation of the Tricoya Consortium, results have been allocated to reflect the business more appropriately. As a result €1.9m of Accoya related licence and other revenue previously included in the Licensing, Management and Business Development segment has been included the Accoya segment (2016: €4.3m). In addition all Accoya specific costs previously included in the Licensing, Management and Business Development segment including €3.5m of Sales & Marketing, Information Technology and Intellectual Property costs have been allocated to the Accoya segment (2016: €3.4m).

### Corporate

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. Headcount = 15 (2016: 14)

### Accoya

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

**Notes to the financial statements for the year ending 31 March 2017**

All costs of sales are allocated against manufacturing activities in Arnhem unless they can be directly attributable to a licensee. Other operating costs include depreciation of the Arnhem property, plant and equipment together with all other costs associated with the operation of the Arnhem manufacturing site, including directly attributable administration, sales and marketing costs. Headcount = 96 (2016: 92)

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.

	<b>2017 €'000</b>	<b>2016 €'000</b>
Accoya segmental underlying EBITDA	6,033	9,219
Accoya Licence Income	(1,576)	(2,774)
Other income, predominantly for marketing services	(338)	(1,570)
Accoya segmental underlying EBITDA (excluding. Licence Income)	4,118	4,875
Accoya segmental gross profit	14,324	17,094
Accoya Licence Income	(1,576)	(2,774)
Other income, predominantly for marketing services	(338)	(1,570)
Accoya manufacturing gross profit	12,410	12,750

**Tricoya**

Revenue and costs are those attributable to the business development of the Tricoya® process and establishment of Tricoya Hull Plant. Headcount = 4 (2016: 3), 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.

**Research and Development**

Research and Development costs are those associated with the Accoya® and Tricoya® processes. Costs exclude those which have been capitalised in accordance with IFRS. (see note 16). Headcount = 9 (2016: 12)

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

Analysis of Revenue by geographical area of customers:	<b>2017 €'000</b>	<b>2016 €'000</b>
UK and Ireland	25,307	21,426
Rest of Europe	12,984	14,085
Benelux	7,992	7,764
Americas	5,810	4,846
Asia-Pacific	4,009	4,382
Rest of World	427	266
	<b>56,529</b>	<b>52,769</b>

Revenue generated from three customers exceeded 10% of Group revenue of 2017. This included 93% of the revenue from the rest of Europe and relates to a mixture of Accoya and licensing revenue. In addition two other customers represented 33% and 31% respectively, of the revenue from the United Kingdom and Ireland and relates to Accoya revenue. Revenue generated from three customers exceeded 10% of Group revenue in 2016. (47% of the revenue from the rest of Europe, and 38% and 32% respectively, of the revenue from the United Kingdom and Ireland).

Analysis of non-current assets (Other than financial assets and deferred tax):	<b>2017 €'000</b>	<b>2016 €'000</b>
UK	7,766	7,806
Other countries	20,513	19,215
Un-allocated - Goodwill	4,231	4,231
	<b>32,520</b>	<b>31,252</b>

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

**Notes to the financial statements for the year ending 31 March 2017**

**4. Other operating costs**

Other operating costs consist of the operating costs, other than the cost of sales, associated with the operation of the plant in Arnhem and the offices in Dallas and London (pre December 2015 Windsor):

	<b>2017 €'000</b>	<b>2016 €'000</b>
Sales and marketing	3,773	3,745
Research and development	1,711	1,892
Depreciation and amortisation	2,713	2,672
Other operating costs	3,243	3,752
Administration costs	6,833	6,399
Exceptional Items	517	-
	<b>18,790</b>	<b>18,460</b>

Note: allocation of operating costs includes representing of 2016 numbers in line with the updated segmental analysis as per note 3.

During the period, €525,000 (2016: €420,000) of development costs were capitalised and included in intangible fixed assets, including €462,000 (2016: €282,000) which were capitalised within Tricoya Technologies Limited ('TTL'). In addition €637,000 of internal costs have been capitalised and are included within tangible fixed assets in relation to the expansion of our plant in Arnhem, Netherlands (2016: €367,000).

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

Administration costs also include the costs associated with the Group's head office in London, the US office in Dallas together with business development and management costs. Exceptional costs in the current year are set out in note 5.

**5. Exceptional items**

Agreements were reached in August 2016 for the sale and leaseback for the land in Arnhem, resulting in proceeds of €4.2m received in the period and a gain of €0.6m as a result of the book value of the land being lower. Under the arrangements, the landlord has agreed to construct a new warehouse and office building which will be connected to the Group's existing manufacturing site. This building will be built by the landlord and leased to the Group over a 20 year period with further option to renew. The landlord is the same landlord that the Group sold land and buildings to in 2011 and 2012 associated with the existing manufacturing plant.

The above exceptional gain was partly offset by €0.5m of costs incurred in the period in relation to advisory fees for business development activities as the Group pursued a one-off long-term opportunity.

**6. Employees**

	<b>2017 €'000</b>	<b>2016 €'000</b>
Staff costs (including Directors) consist of:		
Wages and salaries	8,783	8,403
Social security costs	1,186	1,144
Other pension costs	617	567
Share based payments	908	1,009
	<b>11,494</b>	<b>11,123</b>

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

	<b>Number</b>	<b>Number</b>
Sales and marketing, administration, research and engineering	78	75
Operating	46	46
	<b>124</b>	<b>121</b>

**Notes to the financial statements for the year ending 31 March 2017**

**7. Directors' remuneration**

	<b>2017 €'000</b>	<b>2016 €'000</b>
Directors' remuneration consists of:		
Directors' emoluments	1,317	1,302
Company contributions to money purchase pension schemes	51	55
	<u>1,368</u>	<u>1,357</u>

Compensation of key management personnel included the following amounts:

	<b>Salary, bonus and short term benefits €'000</b>	<b>Pension €'000</b>	<b>Share based payments charge €'000</b>	<b>2017 Total €'000</b>	<b>2016 Total €'000</b>
Paul Clegg	486	30	210	726	1,020
Hans Pauli	326	12	87	425	426
William Rudge	262	9	62	333	322
	<u>1,074</u>	<u>51</u>	<u>359</u>	<u>1,484</u>	<u>1,768</u>

The Group made contributions to 2 (2016: 3) Directors' personal pension plans, with Paul Clegg receiving cash in lieu of pension from 1 April 2016.

The figures in the above table are impacted by foreign exchange noting that the remuneration for P Clegg and W Rudge are denominated in Pounds Sterling. Their total remuneration decreased by 18% and increased by 17% respectively, when excluding the impact of foreign exchange.

**8. Operating loss**

	<b>2017 €'000</b>	<b>2016 €'000</b>
This has been arrived at after charging:		
Staff costs	11,494	11,123
Depreciation of property, plant and equipment	2,157	2,148
Amortisation of intangible assets	556	524
Operating lease rentals	1,239	933
Foreign exchange (gains)/losses	(403)	47
Research & Development (excluding staff costs)	873	634
Loss on disposal of property, plant and equipment	79	35
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	65	74
Fees payable to the Company's auditors for other services:		
- audit of the Company's subsidiaries pursuant to legislation	112	106
- audit related assurance services	22	27
Total audit and audit related services:	<u>199</u>	<u>207</u>
- tax compliance services	87	107
- all other services*	289	10
Total tax and other services:	<u>376</u>	<u>117</u>

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



### 9. Tricoya Technologies Limited

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

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

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

Structurally, Accsys, BP Ventures, Medite, BGF and Volantis have invested into TTL. 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 will invest a total of €20.3 million in the Tricoya Project. BP Ventures, BP's venture capital arm, invested €6.6 million as equity into TTL by 31 March 2017 to benefit from the long-term opportunity that the Tricoya Consortium believes exists in respect of exploiting Tricoya globally. BP Chemicals will contribute up to €13.7 million as equity in TVUK, aligning its interest with the plant it is supplying. €2.3 million of the €13.7 million TVUK equity funding had been received by 31 March 2017, with the remaining €11.4 million to be invested during the construction of the Hull plant.

Medite's investment in the Tricoya Project will be €11 million, with €7 million invested as equity into TTL and up to €4 million as equity into TVUK, thereby aligning its interest in both the manufacturing and the longer term global success of Tricoya. At 31 March 2017 all €7 million of TTL equity funding and €0.9 million of the TVUK equity funding had been received, with the remaining €3.1 million to be invested during the construction of the Hull plant.

TTL will invest €28.5 million in TVUK, having invested €5.2m in March 2017 and committed to contribute a further €23.3m during construction of the Hull plant.

In October 2012 the Group contributed all of its Tricoya intellectual property and historical development into TTL by way of exclusive licence, with rights for TTL to exploit the same on a global basis.

The Group agreed and funded a further €18.4 million of cash investment in March 2017 by way of equity subscription in TTL, resulting in a total equity interest of 74.6%. This equity subscription is funded by the Group's issue of Loan Notes to BGF and Volantis.

The Group is expected to increase its total equity interest in TTL to 75.9% over the next two years as a result of the continued supply by the Group of lower priced Accoya® to Medite to enable continued market development ahead of the completion of the Hull Plant.

BGF and Volantis have invested an aggregate of £19 million as financial investors into both the Group and TTL. BGF and Volantis have agreed to invest on similar terms but are investing separately, with BGF accounting for 65% of the £19 million total.

In addition, TVUK has entered a six-year £17.2 million (£15 million net) finance facility agreement with The Royal Bank of Scotland Plc in respect of the construction and operation of the Hull Plant.

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

The TTL Group consists of Tricoya Technologies Limited and its subsidiary, Tricoya Ventures UK Limited. The TTL Group income statement and balance sheet are set out below:

#### TTL Group income statement:

	Consolidated 2017 €'000	Consolidated 2016 €'000
Revenue	-	318
Costs:		
Staff costs	(1,145)	(864)
Research & development (excluding staff costs)	(200)	(142)
Intellectual Property	(606)	(303)
Sales & marketing	(12)	(214)
Amortisation	(171)	(143)
EBIT	(2,134)	(1,348)
EBIT attributable to Accsys shareholders	(1,991)	(1,338)

# Accsys Technologies PLC

## Notes to the financial statements for the year ending 31 March 2017

### TTL Group balance sheet:

	2017 €'000	2016 €'000
<b>Non-current assets</b>		
Intangible assets	3,246	3,065
Property, plant and equipment	1,440	-
	<u>4,686</u>	<u>3,065</u>
<b>Current assets</b>		
Receivables due within one year	612	230
Cash and cash equivalents	36,386	1,519
	<u>36,998</u>	<u>1,749</u>
<b>Current liabilities</b>		
Trade and other payables	(3,900)	(2,220)
<b>Net current assets</b>	33,098	(471)
<b>Net assets</b>	<u>37,784</u>	<u>2,594</u>
Value attributable to Accsys Technologies	25,164	2,533

### 10. Finance income

	2017 €'000	2016 €'000
Interest receivable on bank and other deposits	2	13

### 11. Finance expense

	2017 €'000	2016 €'000
Arnhem land sale and leaseback finance charge	173	181
Foreign exchange loss on loan notes	257	-
Other loan note related finance expenses	13	-
Other finance expenses	117	10
	<u>560</u>	<u>191</u>

Notes to the financial statements for the year ending 31 March 2017

12. Tax expense

	2017 €'000	2016 €'000
(a) Tax recognised in the statement of comprehensive income comprises:		
<b>Current tax expense</b>		
UK Corporation tax on profits for the year	-	-
Research and development tax credit in respect of current year	(274)	(256)
	(274)	(256)
Overseas tax at rate of 15%	12	(29)
Overseas tax at rate of 25%	928	687
<b>Deferred Tax</b>		
Utilisation of deferred tax asset	-	-
	-	-
Total tax charge reported in the statement of comprehensive income	666	402
	2017 €'000	2016 €'000
(b) The tax credit for the period is lower than the standard rate of corporation tax in the UK (2017: 20%, 2016: 20%) due to:		
Loss profit before tax	(4,359)	(466)
	(872)	(93)
Expected tax credit at 20% (2016 - 20%)	(872)	(93)
Expenses not deductible in determining taxable profit	176	120
(Over)/Under provision in respect of prior years	(114)	183
Tax losses for which no deferred income tax asset was recognised	1,593	294
Effects of overseas taxation	40	145
Other temporary differences	117	9
Research and development tax credit in respect of prior years	(34)	(58)
Research and development tax credit in respect of current year	(240)	(198)
Total tax charge reported in the statement of comprehensive income	666	402

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

13. Dividends Paid

	2017 €'000	2016 €'000
Final Dividend €Nil (2016: €Nil) per Ordinary share proposed and paid during year relating to the previous year's results	-	-

14. Loss per share

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

Basic and diluted earnings per share	2017 Before exceptional items	2017 Total	2016 Total
Weighted average number of Ordinary shares in issue ('000)	90,442	90,442	89,568
Loss for the year (€'000)	(5,000)	(4,882)	(858)
Basic and diluted loss per share	€ (0.06)	€ (0.05)	€ (0.01)

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

**Notes to the financial statements for the year ending 31 March 2017**

**15. Share based payments**

The Group operates a number of share schemes which give rise to a share based payment charge. The Group operates a Long Term Incentive Plan ('LTIP') in order to reward members of the senior management team and the executive directors. As part of the award of nil costs options under the LTIP 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.

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

**Options - total**

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

Outstanding options granted are as follows:

Date of grant	Number of outstanding options at 31 March		Weighted average remaining contractual life, in years	
	2017	2016	2017	2016
28 March 2007	-	115,586	-	1.0
20 November 2007	48,444	48,444	0.6	1.6
18 June 2008	8,498	8,498	1.3	2.3
8 December 2008	25,211	37,110	1.7	2.7
27 July 2010	164,321	164,321	3.3	4.3
1 August 2011	140,000	140,000	4.3	5.3
19 September 2013 (LTIP)	2,472,550	4,103,456	6.5	7.5
24 June 2016 (LTIP)	1,070,255	-	9.3	-
Total	3,929,279	4,617,415	6.9	6.9

Movements in the weighted average values are as follows:

	Weighted average exercise price	Number
Outstanding at 31 March 2015	€ 0.48	4,812,589
Forfeited during the year	€ 0.00	(175,174)
Exercised during the year	€ 0.50	(20,000)
Outstanding at 31 March 2016	€ 0.50	4,617,415
Granted during the year	€ 0.00	1,070,255
Forfeited during the year	€ 0.04	(1,642,805)
Expired during the year	€ 9.15	(115,586)
Outstanding at 31 March 2017	€ 0.30	3,929,279

The exercise price of options outstanding at the end of the year ranged between €nil (for LTIP options) and €12.90 (2016: €nil and €12.90) and their weighted average contractual life was 6.7 years (2016: 6.9 years).

Of the total number of options outstanding at the end of the year, 183,532 (2016: 183,532) had vested and were exercisable at the end of the year. No options were exercised in the current year (2016: 20,000).

**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.

**Notes to the financial statements for the year ending 31 March 2017**

A prerequisite of participation in the LTIP in 2013 was for the beneficiaries to agree to the cancellation of their entire outstanding share options, providing the Company with a 5% reduction in the level of dilution to make the new awards. A cancellation was agreed as the most appropriate action as it would focus the management team on the new LTIP and not on historical awards or arrangements.

**LTIP overview**

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

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

**2013 LTIP Award performance conditions and 2016 outcome**

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

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

	Threshold	Target	Maximum	2016 Outcome
EBITDA (50% of Element B)	€0m	€1.6m	€4m	€2.38m <sup>2</sup> equated to 78% of this element vesting
Share price growth (50% of Element B)	Median of the constituents of the MSCI Europe Index	60th percentile of the constituents of the MSCI Europe Index	Upper quartile of the constituents of the MSCI Europe Index	Share price growth of 14% was between the 50 <sup>th</sup> and 60 <sup>th</sup> percentile equating to 29.5% of this element vesting
Potential Vesting level <sup>1</sup>	25%	60%	100%	

Notes:

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

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

4,103,456 nil cost options awarded in 2013 were unvested as at 1 April 2016. Of these, 2,472,550 vested in the period as a result of meeting the performance conditions set out above, with the remaining 1,630,906 being forfeited.

**Awards made in June 2016 and LTIP Award performance conditions**

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

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

**Notes to the financial statements for the year ending 31 March 2017**

Element A (Share price element)

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

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

Element B (EBITDA element)

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

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

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

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

**2005 and 2008 Share Option schemes**

The following share options awarded under the Group's 2005 and 2008 Share Option schemes continued to exist. No options were granted under the 2005 or 2008 Share Option schemes in the current or previous period.

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

- Annual Accoya® wood production exceeds 23,000m<sup>3</sup> in a financial year
- Annual Accoya® wood sales revenue exceeds €26 million in financial year
- The second pair of reactors in the wood modification plant are processing more than 25 batches per month

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

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

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

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

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

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

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

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

Options granted on 1 August 2011 were partially exchanged in the period for new awards issued under the LTIP. 30% of the options vest on achievement of median TSR. Full vesting of the options granted occurs upon achievement of upper quartile TSR

**Notes to the financial statements for the year ending 31 March 2017**

measured over the three year period. Once vested, these options may be exercised until 1 August 2021. At 31 March 2016, 140,000 (2015: 160,000) of these options were outstanding at an exercise price of €0.50.

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

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

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

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

**Employee Benefit Trust – Share bonus award**

Following a share issue on 4 July 2016 as part of the annual bonus, in connection with the employee remuneration and incentivisation arrangements for the period from 1 April 2015 to 31 March 2016, 679,435 (2016: 951,295) new Ordinary shares were held by an Employee Benefit Trust, the beneficiaries of which are primarily the Executive Directors and Senior Managers. Such new Ordinary shares vest if the employees remain in employment with the Company at the vesting date, being 1 July 2017 (subject to certain other provisions including regulations, good-leaver, take-over and nomination and remuneration committee discretion provisions). As at 31 March 2017, the Employment Benefit Trust was consolidated by the Company and the 679,435 shares are recorded as Own Shares within equity. During the period, 938,449 Ordinary shares awarded in the prior year vested.

**Employee Share Participation Plan**

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

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

During the year ended 31 March 2017 the plan was not open for subscription. However during the year, 1 for 1 Matching shares were awarded in respect of subscriptions that were made in the previous year as a result of all participants continuing to remain in employment at the point of vesting. 63,909 Matching shares were issued to employees in July 2016 and 16,302 shares were issued in January 2017.

Notes to the financial statements for the year ending 31 March 2017

16. Intangible assets

	Internal Development costs €'000	Intellectual property rights €'000	Goodwill €'000	Total €'000
<b>Cost</b>				
At 31 March 2015	4,037	73,292	4,231	81,560
Additions	1,490	-	-	1,490
At 31 March 2016	5,527	73,292	4,231	83,050
Additions	415	-	-	415
At 31 March 2017	5,942	73,292	4,231	83,465
<b>Accumulated amortisation</b>				
At 31 March 2015	358	71,188	-	71,546
Amortisation	249	275	-	524
At 31 March 2016	607	71,463	-	72,070
Amortisation	556	-	-	556
At 31 March 2017	1,163	71,463	-	72,626
<b>Net book value</b>				
At 31 March 2017	4,779	1,829	4,231	10,839
At 31 March 2016	4,920	1,829	4,231	10,980
At 31 March 2015	3,679	2,104	4,231	10,014

The carrying value of internal development costs, intellectual property rights and goodwill on consolidation are considered part of a single cash generating unit which incorporates the manufacturing and licensing operations given the manufacturing reliance on IP of the Group. The recoverable amount of internal development costs, intellectual property rights and goodwill relating to this operation is determined based on a value in use calculation which uses cash flow projections based on board approved financial budgets. Cash flows have been projected for a period of 6 years plus assumptions concerning a terminal value and based on a pre-tax discount rate of 13% per annum (2016: 20%). The key assumption used in the value in use calculations is the level of future licence fees and manufacturing revenues estimated by management over the budget period. These have been based on past experience and expected future revenues. The Directors have considered whether a reasonably possible change in assumptions may result in an impairment. An impairment would arise if the Group failed to secure future licence or licence related income and if the total volume of forecast Accoya and Tricoya manufactured is lower than projected sales in future years.



## Accsys Technologies PLC

### Notes to the financial statements for the year ending 31 March 2017

#### 17. Property, plant and equipment

	Land and buildings €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
<b>Cost or valuation</b>				
At 31 March 2015	5,251	28,365	822	34,438
Additions	-	2,474	435	2,909
Disposals	-	(114)	(10)	(124)
Foreign currency translation (loss)	-	-	(9)	(9)
At 31 March 2016	5,251	30,725	1,238	37,214
Additions	-	7,102	133	7,235
Disposals	(3,606)	(71)	-	(3,677)
Foreign currency translation (loss)	-	-	8	8
At 31 March 2017	1,645	37,756	1,379	40,780
<b>Accumulated depreciation</b>				
At 31 March 2015	424	13,732	734	14,890
Charge for the year	117	1,912	119	2,148
Disposals	-	(76)	(12)	(88)
Foreign currency translation (loss)	-	-	(8)	(8)
At 31 March 2016	541	15,568	833	16,942
Charge for the year	117	1,869	171	2,157
Disposals	-	(9)	-	(9)
Foreign currency translation (loss)	-	-	9	9
At 31 March 2017	658	17,428	1,013	19,099
<b>Net book value</b>				
At 31 March 2017	987	20,328	366	21,681
At 31 March 2016	4,710	15,157	405	20,272
At 31 March 2015	4,827	14,633	88	19,548

Included within property, plant and equipment are assets with an initial cost of €7,544,000 and a net book value at 31 March 2017 of €4,442,000 which has been accounted for as a finance lease. (See note 28). Assets with a net book value of €18.8m are subject to security agreements associated with the Solvay loan facility. See note 30.

#### 18. Other financial assets

	2017 €'000	2016 €'000
Available for sale investments	-	-

Accsys Technologies PLC has previously purchased a total of 21,666,734 unlisted ordinary shares in Diamond Wood China. On 23 December 2016, Cleantech Building Materials PLC acquired Diamond Wood China. After the year-end, 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.

The carrying value of the investment is carried at cost less any provision for impairment, rather than at its fair value, as there was no active market for these shares as at 31 March 2017, and there is significant uncertainty over the future of Diamond Wood, and as such a reliable fair value cannot be calculated.

The historical cost of the listed shares held at 31 March 2017 is €10m (2016: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded as at 31 March 2017.

**Notes to the financial statements for the year ending 31 March 2017**

**19. Deferred Taxation**

The Group has a deferred tax asset of €nil (2016: €nil) relating to trading losses brought forward.

The Group also has an unrecognised deferred tax asset of €24.0m (2016: €23.2m) 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**

	<b>2017 €'000</b>	<b>2016 €'000</b>
Raw materials and work in progress	6,447	2,534
Finished goods	5,349	5,811
	<u>11,796</u>	<u>8,345</u>

The amount of inventories recognised as an expense during the year was €39,030,867 (2016: €30,985,787). The cost of inventories recognised as an expense includes a net debit of €15,549 (2016: credit of €203,129) in respect of the inventories sold in the period which had previously been written down to net realisable value.

**22. Trade and other receivables**

	<b>2017 €'000</b>	<b>2016 €'000</b>
Trade receivables	4,133	4,051
Other receivables	180	180
Prepayments	3,269	916
Accrued income	30	500
	<u>7,612</u>	<u>5,647</u>

Prepayments increased as at 31 March 2017 to €3.3m, due in large part to costs associated with the Company's capital raise, which completed post year end (see note 33).

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 €637,000 of the trade and other receivables denominated in US Dollars (2016: €380,000).

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

	<b>2017 €'000</b>	<b>2016 €'000</b>
Up to 30 days overdue	251	258
Over 30 days and up to 60 days overdue	-	61
Over 60 days and up to 90 days overdue	-	0
Over 90 days overdue	36	4
	<u>288</u>	<u>323</u>

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Included in the provision for doubtful debts are individually impaired trade receivables and accrued income with a balance of €25,001,000 (2016: €25,001,000) due from Diamond Wood.

# Accsys Technologies PLC

## Notes to the financial statements for the year ending 31 March 2017

Movement in provision for doubtful debts:

	2017 €'000	2016 €'000
Balance at the beginning of the period	25,002	25,021
Net increase/(release) of impairment if not required	(1)	(19)
Balance at the end of the period	25,001	25,002

Summary of Receivable Impairments:

	2017 €'000	2016 €'000
Trade receivables - Accoya® wood *	-	1
	-	1

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

### 23. Trade and other payables

	2017 €'000	2016 €'000
Trade payables	6,618	4,301
Other taxes and social security payable	201	321
Other payables	-	402
Accruals and deferred income	5,705	3,039
	12,524	8,063

### 24. Share capital

	2017 €'000	2016 €'000
<b>Allotted - Equity share capital</b>		
90,643,585 Ordinary shares of €0.05 each (2016: 89,890,019 Ordinary shares of €0.05 each)	4,531	4,495
	4,531	4,495

In year ended 31 March 2016:

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

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

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

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

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

In year ended 31 March 2017:

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

**Notes to the financial statements for the year ending 31 March 2017**

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

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

Post year-ended 31 March 2017:

On 24 April 2017 a total of 20,323,986 of €0.05 Ordinary shares were issued at €0.69 per share, in accordance with the Company's capital raise announced on the 29 March 2017 (see note 33).

**25. Other reserves**

	<b>Capital redemp- tion reserve €000</b>	<b>Warrant reserve €000</b>	<b>Merger reserve €000</b>	<b>Other reserve €000</b>	<b>Total Other reserves €000</b>
Balance at 31 March 2016	(151)	-	106,707	885	107,441
Share Warrants issued	-	-	-	-	-
Issue of subsidiary shares to non-controlling interests	299	-	-	6,192	6,491
Issue of subsidiary shares to Group companies	-	-	-	(576)	(576)
Balance at 31 March 2017	148	-	106,707	6,501	113,356

The closing balance of the capital redemption reserve represents the amounts transferred from share capital on redemption of deferred shares in a previous period. The movement in the current period reflects obligations ceasing from the investment by BP Ventures into Tricoya Technologies Limited upon the finalisation of the full consortium.

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

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

**26. Transactions with non-controlling interests**

On 3 February 2016, Tricoya Technologies Limited ("TTL") issued 500,000 Series A Preference shares for the consideration of €1m for 3% equity share capital of TTL.

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

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

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

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

The total carrying amount of the non-controlling interests in TTL and TVUK at 31 March 2017 was €12.62 million.

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

	<b>2017 €'000</b>	<b>2016 €'000</b>
Opening Balance	885	-
Carrying amount of non-controlling interests issued	(12,702)	(71)
Consideration paid by non-controlling interests	19,123	1,000
Share issue costs relating to non-controlling interests	(229)	(44)
Excess of consideration paid recognised in Group's equity	7,077	885

**Notes to the financial statements for the year ending 31 March 2017**

**27. Commitments under operating leases**

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

	<b>2017 €'000</b>	<b>2016 €'000</b>
Operating lease payments due		
Within one year	1,019	1,075
In the second to fifth years inclusive	1,625	2,901
In greater than five years	173	1,205
	<b>2,817</b>	<b>5,181</b>

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

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

**28. Commitments under finance leases**

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

In addition, during the prior period agreements were entered into for the lease of office fit-out and furniture for the London head office for a total of €0.4m.

In addition, in the current period agreements were entered into for the sale of the remaining plot of land completed in August 2016. Under the agreement with the purchaser, Bruil, they will construct and then lease to Accsys new warehouse and office facilities. The construction is not expected to complete until later in the new financial year and therefore no lease has been recognised in the period. A further lease agreement with Bruil was entered into in the period relating directly to infrastructure work associated with the expansion of the chemical plant. This has been accounted for as a finance lease, with a new asset and liability of €1.0m being recognised as at 31 March 2017.

These transactions have resulted in a finance lease creditor of €3.1m as at 31 March 2017.

	<b>Minimum lease payments</b>	
	<b>2017 €'000</b>	<b>2016 €'000</b>
<b>Amounts payable under finance leases:</b>		
Within one year	496	375
In the second to fifth years inclusive	1,770	1,403
After five years	3,016	1,490
	<b>(2,206)</b>	<b>(967)</b>
	<b>3,076</b>	<b>2,301</b>
Less: future finance charges		
Present value of lease obligations		

**Notes to the financial statements for the year ending 31 March 2017**

**29. Commitments under loan agreements**

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Amounts payable under loan agreements:</b>		
Within one year	-	-
In the second to fifth years inclusive	5,407	-
In greater than five years	14,690	-
	<u>20,097</u>	<u>-</u>

**Loan Notes:**

On 29 March 2017 the Group issued £16.25 million (€18.38 million) of unsecured fixed rate loan notes, due 2021. £10.48 million of Loan Notes in principal were issued to Business Growth Fund ('BGF'), with £5.77 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.

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

**Rhodia Acetow Facility**

On 29 December 2016 the Group drew down €2 million of its €9.5 million term loan facility with Rhodia Acetow GmbH (formerly known as Solvay Acetow GmbH). The facility is to be used to design, procure and build an extension to the capacity of the Arnhem Plant, with a new reactor for the manufacture of Accoya at a design capacity of approximately 20,000m<sup>3</sup>. This facility secured against existing Arnhem chemical plant and associated assets and is subject to interest at 7.5% per annum. At 31 March 2017, the Group had €2m (2016: €nil) borrowed under this facility. Interest is rolled up until quarterly repayment of the loan commences on 29 December 2018.

**Tricoya facility:**

On 29 March 2017 the Company's subsidiary (Tricoya Ventures UK Limited) entered into a six-year €17.2 million (€15 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 2017, the Group had €nil (2016: €nil) borrowed under the facility which will be drawn down, as required, once the funds provided by shareholders have been fully utilised. Facility repayments will commence 12 months after practical completion of the Hull Plant. Interest will accrue at Euribor plus a margin, with the margin ranging from 325 to 475 basis points.

**Trade receivable and inventory facilities:**

**Trade receivables facility**

In August 2016 the Group amended its working capital facility with ABN Commercial Finance, initially agreed in 2011. The facility is now a €3.0m credit facility secured upon the receivables and inventory of the Accoya manufacturing business.

**Inventories facility**

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

Both facilities are subject to interest at 2% above the ABN AMRO base rate of 3.5% as at 31 March 2017 (2016: 3.6%). At 31 March 2017, the Group had €nil (2016: €nil) borrowed under both of the facilities.

#### 30. Equity options

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

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

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

The necessary resolutions were passed at the General Meeting held on 21 April 2017 and accordingly the Additional Options are expected to be converted to Options, such that in total 13,104,839 Options will exist (with 8,449,172 attributable to BGF and 4,655,667 attributable to Volantis). This represents 11.8% of the enlarged issued share capital of the Company, following the Firm Placing and Open offer having been completed in April 2017.

In addition, following the issue of Ordinary Shares by the Company resulting from the Firm Placing and Open offer the exercise price was adjusted to £0.5971 per Ordinary Share.

#### 31. Financial instruments

##### Financial instruments

##### Finance lease

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

Finance lease creditors of: €1,869,000 as at 31 March 2017 (2016: €1,977,000) relates to the sale and leaseback of land and buildings in Arnhem in 2011 and 2012 over 15 year lease terms and €255,000 as at 31 March 2017 (2016: €325,000) relates to a lease of the London head office.

##### Capital risk management

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

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

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

No final dividend is proposed in 2017 (2016: €nil). The Board deems it prudent for the Company to protect as strong a statement of financial position as possible during the current phase of the Company's growth strategy.

**Notes to the financial statements for the year ending 31 March 2017**

<b>Categories of financial instruments</b>	<b>2017 €'000</b>	<b>2016 €'000</b>
Available for Sale investments	-	-
Loans and receivables		
Trade receivables	4,133	4,051
Other receivables	180	180
Money market deposits in Euro	1,326	2,621
Money at call in Euro	18,134	5,210
Money at call in US dollars	77	175
Money at call in Sterling	21,635	95
Money at call in New Zealand dollars	1	85
Financial liabilities at amortised cost		
Trade payables	(6,618)	(4,301)
Finance lease payable	(3,076)	(2,301)
Other Payables	-	(402)
Loan notes and other long term borrowings	(20,097)	-
	<u>15,695</u>	<u>5,413</u>

Money market deposits have interest rates fixed for less than three months at a weighted average rate of 0.14% (2016: 0.59%). Money market deposits are held at financial institutions with high credit ratings (Standard & Poor's rating of AA).

All assets and liabilities mature within one year except for the finance leases, for which details are given in note 28 and loans, for which details are given in note 29.

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

**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 does not currently enter into any hedging arrangements, although will continue to monitor appropriateness of doing so.

**Interest rate risk management**

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

**Credit risk management**

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

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

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



**Liquidity risk management**

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

**Fair value of financial instruments**

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

**32. Capital Commitments**

	<b>2017</b> <b>€'000</b>	<b>2016</b> <b>€'000</b>
Contracted but not provided for in respect of property, plant and equipment	38,424	695

Included in the above, are amounts relating to the Engineering, Procurement and Construction contracts relating to both the Tricoya plant and the Arnhem expansion project. In addition, the figure includes further commitments relating to the Arnhem expansion project.

**33. Post Balance Sheet Events**

On 29 March 2017, Accsys announced the details of a proposed Firm Placing and Open Offer to raise proceeds of up to approximately €14,023,550 (before expenses) through the issue of 17,400,000 Firm Placing Shares and up to 2,923,986 Open Offer Shares, at the Offer Price of €0.69 per New Ordinary Share.

The Open Offer closed for acceptances on 20 April 2017. Accsys received valid acceptances under the Open Offer and its Excess Application Facility in respect of 12,965,475 New Ordinary Shares, representing an over-subscription in excess of four times the 2,923,986 New Ordinary Shares available under the Open Offer and Excess Application Facility. As applications under the Excess Application Facility could not be satisfied in full, such New Ordinary Shares available were allocated in such manner as the Directors determined, in their absolute discretion in accordance with the terms set out in the Prospectus.

The gross proceeds raised under the Open Offer were therefore the maximum amount of €2.0m. Accordingly, the aggregate amount raised pursuant to the Firm Placing and Open Offer was €14.0m before expenses, being €12.3m net of expenses.