

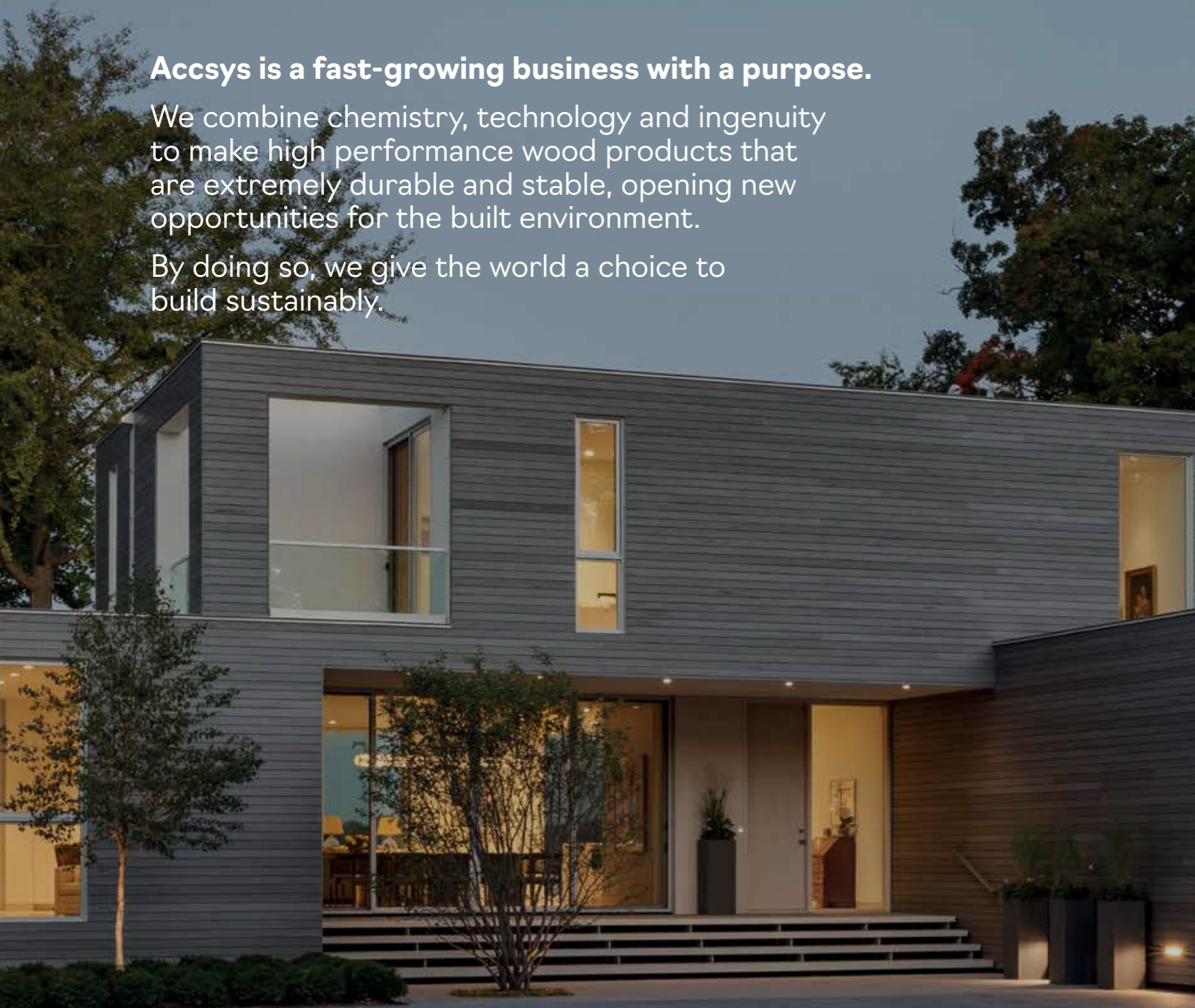



**Changing wood
to change the world**

Accsys is a fast-growing business with a purpose.

We combine chemistry, technology and ingenuity to make high performance wood products that are extremely durable and stable, opening new opportunities for the built environment.

By doing so, we give the world a choice to build sustainably.



 Charred Accoya® wood cladding covers this private residence overlooking Lake Minnetonka in Minnesota, USA.

Architect: Snow Krellich

Highlights

Underlying Group Revenue

€90.9m



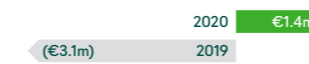
Underlying Gross Profit

€27.5m



Underlying EBIT¹

€1.4m



Profit/(Loss) before tax

€1.5m



Underlying EBITDA¹

€7.0m



Net (debt) balance¹

(€25.2m)



¹ Alternative performance measures (APM) are defined in note 1 in the financial statements and are prepared on a consistent basis for all periods presented.

Key highlights

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

Operational update

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

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View the latest results online at:
www.accsysplc.com

Cover photo: Darling Exchange, Australia.  Read more on page 19

Our Business at a Glance

Providing a choice to build sustainably

Our Products



Accoya® is the world's leading high performance sustainable wood. It is stable, durable and resists rot. Manufactured from abundantly available, FSC® certified wood species, it is Cradle to Cradle Certified™ at the Gold level. With a 50 year warranty for use above ground and 25 years in ground or freshwater, the properties of Accoya® wood match or exceed those of the best tropical hardwoods, plastics and other non-renewable alternatives.

These competitive advantages make Accoya® the material of choice for a wide range of demanding applications: from windows and doors to decking to cladding, as well as many other applications that are only otherwise feasible with non-sustainable or high carbon footprint man-made materials.

Strategic projects

- Arnhem capacity expansion with the addition of 4th Reactor, increasing annual production capacity by 33% to 80,000m³.
- Work progressing with Eastman Chemical Company concerning a potential joint venture Accoya® production facility in USA.



Tricoya® wood chips are currently produced from Accoya® wood to create a feedstock for our licensees to use in the manufacture of Tricoya® panel products such as MDF. The world's first Tricoya® plant in Hull will directly acetylate wood chips from certified sustainable sources.

Tricoya® panels demonstrate significantly enhanced durability and exceptional dimensional stability even under exposure to water and moisture, while retaining the flexibility and ease of use of traditional panel products. This opens countless new opportunities for specifiers, architects, designers and joineries. Tricoya® panels are used in a wide variety of applications such as window components and door skins, façades and cladding, wet interiors, kitchen carcasses, outdoor furniture and decoration, art installations and more. Tricoya® also has a warranty for 50 years above ground and 25 years in ground or freshwater.

Strategic projects

- Construction of a "first of its kind" Tricoya® plant in Hull (United Kingdom) with a target annual production capacity of 30,000 metric tonnes.
- Feasibility evaluation underway with PETRONAS Chemicals Group Berhad for an integrated acetic anhydride and Tricoya® production plant in Malaysia. Decision to invest in plant to follow after commencement of Hull plant operations.

See page 42 for an explanation of the Tricoya® consortium

Where we operate



Tricoya® Hull Plant
Under construction, operational Q1 CY2021



Accoya® Arnhem Plant
Fourth reactor project progressing to increase capacity by 33%

Tricoya® capacity under construction
30,000 metric tonnes

Arnhem plant capacity
60,000m³



Our sustainable business model

Giving the world a choice to build sustainably and creating value for all our stakeholders.

For our Sustainable Business Model see page 30



Our Growth strategy

We have a clear growth strategy that will help us to extend our leadership in the industry:

- Grow product demand
- Practice manufacturing excellence
- Develop our technology
- Build organisational capability

Read more on page 32



Investment proposition

Creating long-term, sustainable shareholder value:

- Substantial market opportunity
- Sustainability
- World leaders in wood technology
- Scalable growth
- Strong organisational capability

Read more on page 14



Sustainable approach

Sustainability and responsibility are at the heart of our business:

- Market-leading sustainable products
- New focus on our ESG strategy
- Commitment to building a better world

Read more on page 34

Changing wood... ...to change the world

We use our unique patented processes and technology to create consistently high performing, sustainable wood products that enable new opportunities for the built environment.

We use fast growing, sustainably sourced timber to create long life wood products with properties that match or exceed traditional, non-sustainable building materials such as tropical hardwoods, metal, plastic and concrete. Our acetylation process boosts the already naturally occurring acetyl content of wood. This reduces the ability of the wood to absorb water, rendering it more dimensionally stable and extremely durable.

Our process is very efficient and effectively locks carbon into a long-life product while new generations of trees can grow.

Our products are:



Durable

They are highly durable and outperform the very best tropical hardwoods.



Stable

With resistance to shrinkage and swelling our products offer outstanding dimensional stability and can be confidently used in external applications in varying moisture conditions.



Sustainable

They are produced from fast growing, abundantly available FSC® certified wood species.

Warranty for

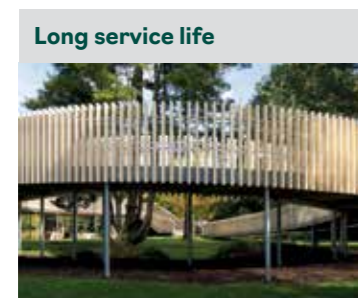
50 years

above ground and 25 years in ground or freshwater

Over

75%

reduction in swelling caused by moisture uptake



Long service life



Highly stable



Sustainably sourced

For other key product advantages, refer to Our Market on page 16

Demand is growing for sustainable alternatives to man-made, heavily polluting and non-renewable materials. Our products give the world a choice to build sustainably.

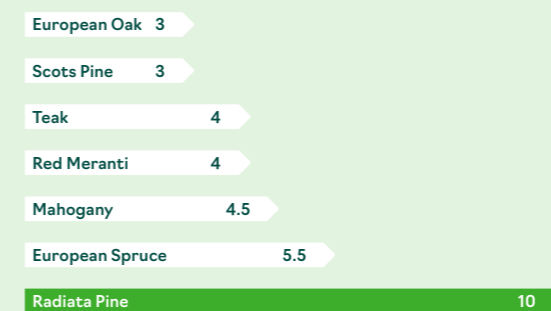
Sustainably sourced

By significantly enhancing the durability and dimensional stability of fast-growing, abundantly available, certified sustainable wood species, Accoya® wood offers designers, builders and end users compelling environmental benefits over competing materials.

Cradle to Cradle Certified™ at the Gold level and Platinum (Material Health) certified

With sustainable sourcing of wood from managed renewable forests, an efficient process and no toxic or harmful additives, Accoya® fits perfectly into the bio-cycle of the circular economy.

Annual Yield (m³ sawn timber/ha/yr)



See our Sustainability report on pages 34 to 41

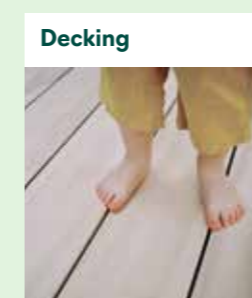
Cradle to Cradle Certified™ product scorecard for Accoya®

Material Health	Platinum
Material Reutilisation	Gold
Renewable Energy and Carbon Management	Gold
Water Stewardship	Gold
Social Fairness	Gold
Overall Certification Level	Gold

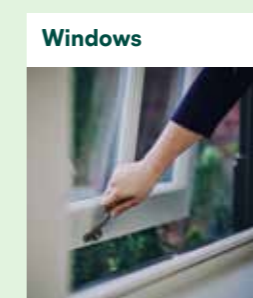
The high level of certification that we have attained means that choosing our products contributes to several credits in recognised Green Building Schemes such as LEED and BREEAM.

Product applications

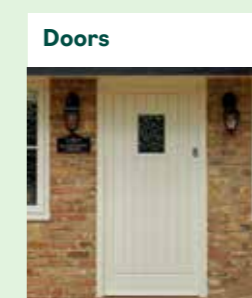
Our products encourage manufacturers, architects, specifiers and consumers to make sustainable building material choices on multiple global applications, without compromising on performance.



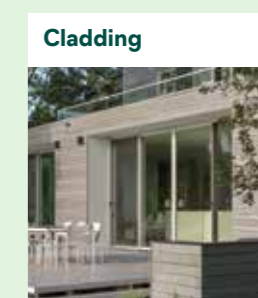
Decking



Windows



Doors

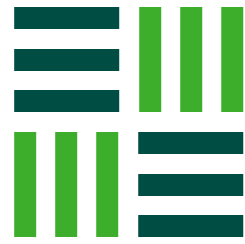


Cladding

See our Products in Action on pages 6 to 13

Our Products in Action


DECKING



Wood decking has a look and feel of its own. Our products' resistance to cracking, splinters, and the effects of weather and outdoor life offers the choice for genuinely sustainable, long-lasting decking of real quality.



Accoya® wood decking is particularly barefoot-friendly, staying cooler and smoother underfoot than alternatives.

- 
**25 year
Warranty**
- 
**Barefoot
friendly**
- 
**Low
maintenance
decking**
- 
**Wide
boards
available**
- 
**Natural
wood**
- 
**Multiple
finishes**
- 
**Sustainably
sourced**
- 
**Low
environmental
impact**
- 
Non toxic

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Our Products in Action

WINDOWS



Classic looks with contemporary performance: Accoya® wood window frames deliver all the benefits and beauty of natural wood with none of the downsides: superior thermal insulation, minimal upkeep, maximum stability, durability and sustainability.



Window frames made from Accoya® wood combine design freedom with high thermal insulation and superior dimensional stability.


50 year
Warranty


Very low
maintenance


Highly
stable


Natural
wood


Ideal for
coating


Bespoke
options


Non toxic


Carbon
negative


Sustainably
sourced

Our Products in Action

DOORS



Industry-leading stability means that our products won't shrink and swell like other wood: reducing the chance of sticking or jamming in wet conditions, and helping coatings last far longer before cracking or peeling. Tricoya® and Accoya® both provide compelling advantages for all kinds of doors.



High performance Tricoya® panel door by Westbury Windows and Joinery, who use Accoya® and Tricoya® for a wide range of quality products.



50 year Warranty



Very low maintenance



Highly stable



Natural wood



Ideal for coating



Bespoke options



Non toxic



Carbon negative



Sustainably sourced

Our Products in Action

CLADDING



Form and function combine perfectly as Accoya® and Tricoya® give designers, specifiers, woodworkers, architects and property owners a material with boundless creative possibilities, world-leading sustainability credentials and best in class long-term performance.



Used for cladding or siding, our products can be finished in a range of styles (such as the charred Accoya® pictured) that will last for years.



50 year Warranty



Highly stable



Very low maintenance



Wide boards available



Ideal for coating



For all climates



Sustainably sourced



Non toxic



100% recyclable

Our Investment Proposition

A long-term and substantial growth opportunity

Substantial market opportunity

Our products provide a sustainable solution for the challenges facing the growing building materials industry. They compete favourably on performance with not just other wood products, but also non-sustainable, man-made and carbon intensive materials such as plastics, concrete and metals. In addition, they benefit from all the positive attributes of wood (such as sustainability, strength, aesthetics) without the drawbacks (of poor durability and stability).

Our estimates, based upon expert advice and detailed market studies, are that the market opportunity exists for over 2.6 million cubic metres per annum of Accoya® and Tricoya®. This would represent a small fraction of the global solid wood industry, with our products' suitability in place of plastics and other materials giving us the ability to realise significant latent demand. This represents a long-term and substantial growth opportunity, noting in the year ended 31 March 2020 we sold 57,842 cubic metres of Accoya®.

[See Our Market on page 16](#)

Sustainability

Demand is growing for environmentally-friendly alternatives in everyday life, and in every sector of manufacturing. More and more regions are adopting monitoring, reporting and regulation of the total environmental impact of materials and construction projects, and both consumers and businesses are rejecting plastics in favour of more sustainable materials.

We transform fast-growing, FSC certified wood into a building material with better characteristics than man-made, resource depleting and heavily carbon-polluting alternatives. Our acetylated wood not only competes on performance, but also benefits the circular economy, locks away carbon for years, and comes from completely sustainable sources.

We have obtained numerous certifications and accreditations including Accoya® being Cradle to Cradle™ ("C2C") Gold certified.

[See Our Sustainability Report on page 34](#)

World leaders in wood technology

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

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

[See Chief Executive's Report on pages 25 and 26](#)

Scalable growth

Our manufacturing process and modular industrial design is based upon confidential know-how and protected IP which can be expanded and replicated world-wide.

Our existing Accoya® site in Arnhem increased its production capacity during the prior year by 50%, to 60,000 cubic metres and is currently progressing with the fourth reactor expansion project to increase production by an additional 20,000 cubic metres per annum. The new Tricoya® plant in Hull is being constructed in such a way to enable further significant expansion in due course.

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

[See Our Business Model on page 30](#)

Strong organisational capability

Colleagues throughout our organisation are skilled, ambitious and proud of their work, bringing together a rich and diverse range of knowledge and experience.

Our Board and Senior Management Team are highly committed and experienced, with varied backgrounds encompassing the manufacturing (including wood & chemical industries), marketing and finance sectors.

[See pages 60 to 63 for details of the team](#)



Accoya® wood is used as sun screening for the eco-conscious 'Niwa' project in France, near Paris.
Architect: Kengo Kuma
Photo © Thierry Favatier

Our Market

Our products offer the world a choice to build sustainably, without compromising on quality

They open new opportunities in design, specification, building and manufacturing with their unique characteristics – the best properties of natural wood, enhanced by our acetylation process into a high performance, sustainable building material.

Market Overview

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

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

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

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

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

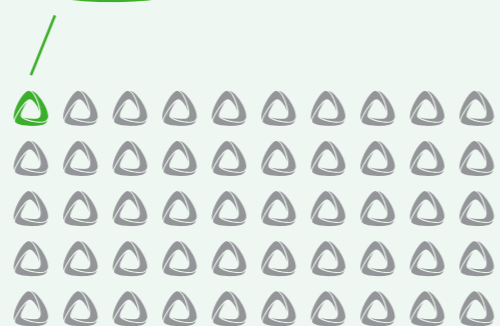
The global market for Tricoya® panel products is estimated to be between 1.6 million cubic metres and 4.5 million cubic metres per annum, equating

57,842 m³

Accoya® sold in this financial year

Approximately 2%

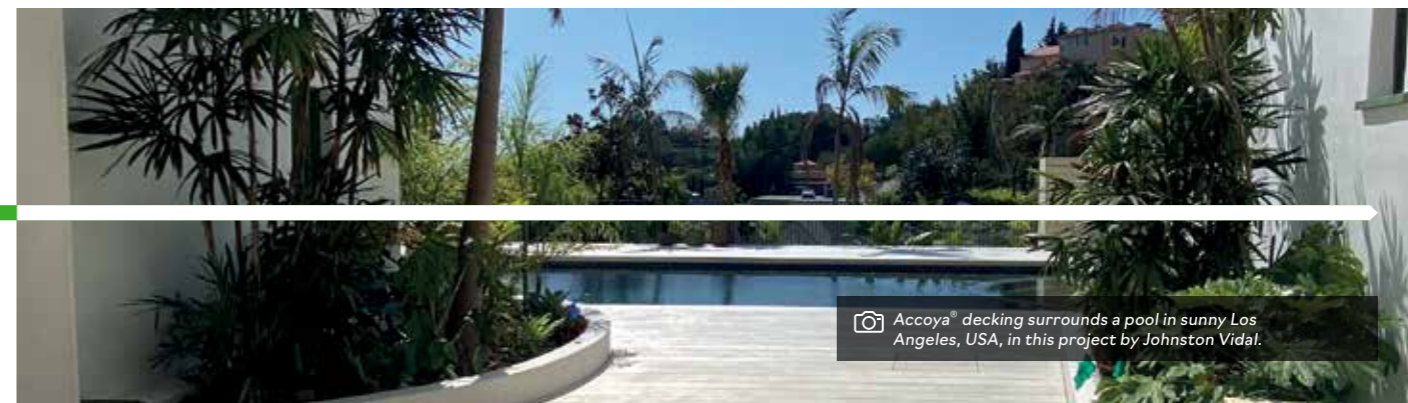
of 2.6+ million cubic metre total potential market estimation for Accoya® and Tricoya®



to around 1% of global MDF manufacturing capacity. Sales of Accoya® for use in Tricoya® panels in FY20 were 14,134 cubic metres.

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

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



Accoya® decking surrounds a pool in sunny Los Angeles, USA, in this project by Johnston Vidal.

Our Market Strategy

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

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

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

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

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

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

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

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

2020 €90.9m
2019 €75.2m

Underlying Group revenue

€90.9m

2020 €1.4m
2019 (€3.1m)

Group Underlying EBIT

€1.4m

For Chairman's introduction to Governance see page 64



"We now have our future in our own hands and we are more than capable of delivering on 200,000m³ of production capacity within five years."

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

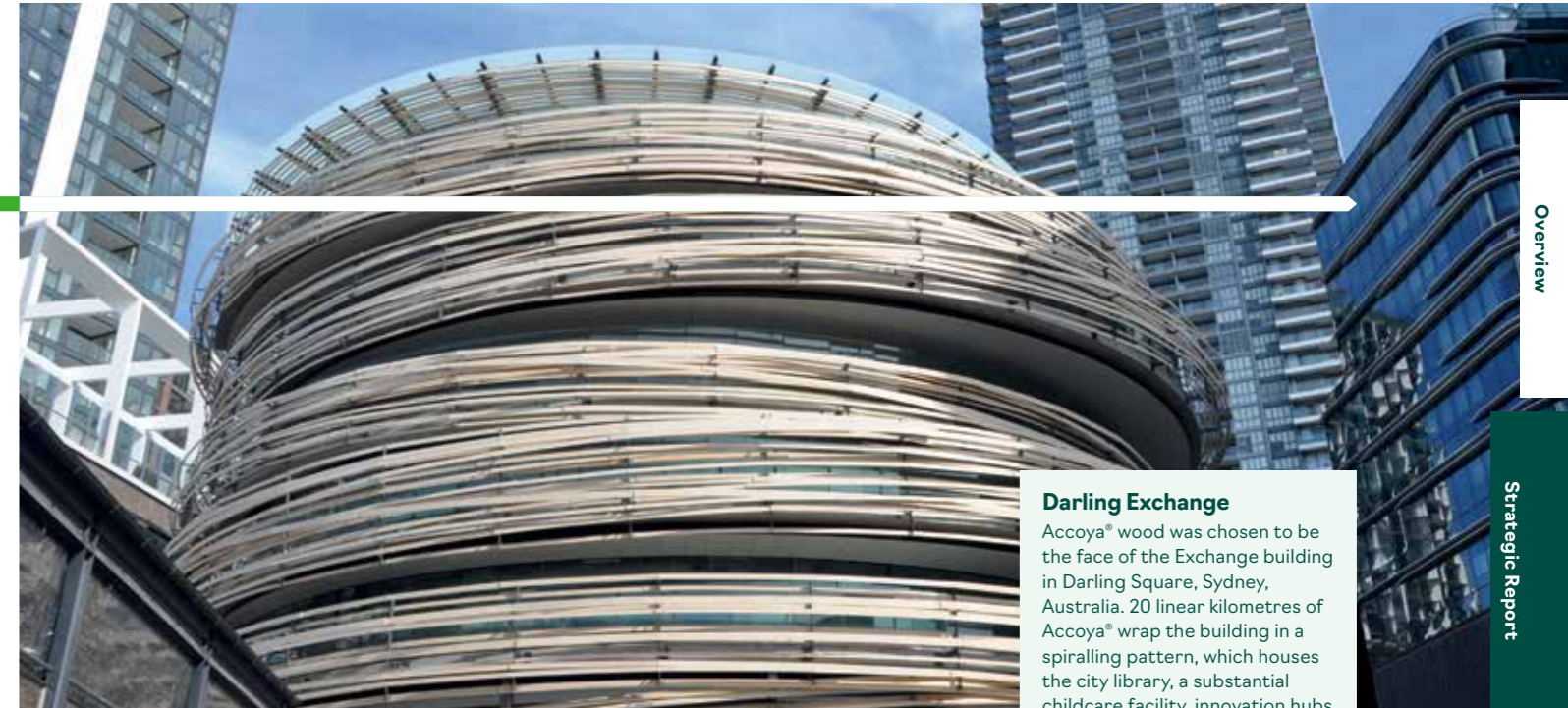
We are delighted to report record financial results following the continued strong demand for our Acccoya[®] product and the full year of benefits from the third reactor in Arnhem. The fourth reactor is progressing well and is already beyond the design phase. We have also seen progress towards adding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

Since the year-end, the Coronavirus pandemic has resulted in a very different set of challenges for the entire business and our overarching priority has been to ensure the safety of our people and business continuity. I am pleased with the way the entire organisation has adapted and addressed these challenges while continuing our focus on improving our health and safety performance.

While a significant amount of uncertainty remains concerning on-going COVID-19 restrictions and the impact on the economy, I am increasingly confident we will come through this period in a robust position. Our sales channels were particularly affected during this period but there are signs of the market improving.

The biggest disappointment is further delays to the Tricoya[®] investment in Hull where the project was delayed during the lock down and social distancing measures will result in further delays with the project now expected to be complete in the first quarter of the next calendar year.

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



Darling Exchange

Acccoya[®] wood was chosen to be the face of the Exchange building in Darling Square, Sydney, Australia. 20 linear kilometres of Acccoya[®] wrap the building in a spiralling pattern, which houses the city library, a substantial childcare facility, innovation hubs and commercial enterprises.

The naturally light-filled space is gently shaded by the organic design of the Acccoya[®] ribbons, creating an iconic example of civic architecture and enabled by Acccoya[®]'s unique characteristics.

Architect: Kengo Kuma



Find out more about this project on www.acccoya.com

Demand for Acccoya[®] and Tricoya[®] remained strong throughout the financial year and as a result our financial results benefitted from the third Acccoya[®] reactor being at capacity for the full year, enabling underlying Group revenue to increase by 21% to €90.9m for the year ended 31 March 2020.

The economies of scale associated with operating at these higher levels together with improved pricing also helped the Acccoya[®] segment underlying EBIT to increase 130% to €12.6m. In turn, this enabled the Group to report a positive Underlying EBIT of €1.4m (2019: loss of €3.1m).

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

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



While they have now resumed work, new working protocols means the productivity is much reduced and the remaining construction work will take longer to complete such that it is now anticipated the plant will be operational in the first quarter of the new calendar year.

Some additional construction and project costs are expected however these have not yet been fully quantified and we are working to ensure the additional costs and delays are minimised and do not become material in the context of the project as a whole.

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

The new financial year has been impacted by COVID-19, with sales volumes to our Accoya® customers in April nearly half of our previous expectations. More recently we have seen signs of orders beginning to

increase again as some of the government restrictions are eased and markets reopen. We are regularly adjusting our production volumes to ensure we meet this increasing order volume while managing our inventory levels as efficiently as possible. We remain cautiously optimistic that sales volumes will continue to increase during the remainder of the financial year driven by the highly compelling attributes of the product in the market place and the previous demand profile.

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

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

As we look forward, I am also pleased to report that we have commenced a full review of

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

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

Patrick Shanley
Non-Executive Chairman
22 June 2020

2020	€90.9m
2019	€75.2m

Underlying Group revenue

€90.9m

2020	€12.6m
2019	€5.5m

Accoya® Underlying EBIT

€12.6m

“The Group's financial results, in particular achieving positive EBIT for the full year, mark an important step for us as we continue this growth journey.”

Q&A
with Robert Harris

See my Q&A on page 28

Introduction

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

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

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

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

We will continue to seek to improve our HSE performance and expectations, in particular to reflect us turning into a two operational site organisation and in anticipation of our continued growth into new locations. See page 38 for further details.

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

Please see page 28 for a section of Q&A, reflecting some of the most common questions I have received since joining the Group.



Our talent

Accsys is committed to increasing its manufacturing and sales of Accoya® and Tricoya®. However in order to achieve our growth to date and to continue to expand, we are very much reliant on our talented people. As a result, one of my priorities since joining is to better understand what makes all of the staff at Accsys drive the business forward and I have been very pleased that we completed a detailed employee engagement survey in the final quarter of the year and we are now in the process of developing a number of key workstreams coming directly from this. See page 37 for more details.

Accoya® – Global performance

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

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

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

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

Demand for our products remained strong with the increase in sales benefiting from a full year of production capacity from the third Accoya® reactor, which commenced

operation part way through the previous financial year. The increasing order volume during the financial year meant that our sales volumes had been limited only by production capacity for much of the financial year and with COVID-19 only impacting sales in the final month.

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

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

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

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



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

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

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

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

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

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

Accoya® pricing and margin

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

The second half of the year benefitted from the absence of a planned maintenance shut down which enabled higher manufacturing and sales volumes.

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

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

Accoya® manufacturing capacity

We believe the long-term demand for our products remains strong with a substantial market opportunity as consumers recognise the compelling sustainable benefits of our products and substitute traditional materials.



Accoya® was chosen for the façade and wooden terrace of the renovation and extension to a 300m² villa in southeast France. Architect: Philippe Gonnet

“The construction of the first dedicated Tricoya® wood chip acetylation plant has substantially progressed in the year.”

Given the time it takes to complete the construction of a plant or the expansion of a plant, we have continued to progress with our plans for the expansion of the Arnhem plant by the addition of a fourth reactor. This will add a further 20,000 cubic metres of capacity, taking the total annual production capacity of the Arnhem plant to 80,000 cubic metres.

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

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

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

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

construction to be made. €1.5m of the proceeds of the capital raise in December 2019 are earmarked to our share of costs associated with the next stage of the project.

Tricoya® plant construction

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

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

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

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

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

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

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

Intellectual Property

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

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

Management of valuable know-how remains an essential element of safeguarding our innovations and market position, with confidentiality protocols in place to prevent unauthorised access to such know-how. We also place strict contractual obligations on third parties collaborating with Accsys, with particular focus on minimising risks by ensuring Accsys' know-how is only shared when absolutely necessary. Controls are also placed on receiving confidential information from third parties, to prevent protection associated with our internal research efforts being compromised.

Regular training ensures Company-wide awareness of the importance of protecting and controlling our know-how. Critical attention continues to be given to protecting Accsys Confidential Information and IP as it expands its production capabilities and licensing opportunities through collaborations with third parties.

Our well-established trademark portfolio continues to grow geographically and covers the key distinctive brands Accoya®, Tricoya® and the unique device under which products are marketed, alongside the corporate Accsys® brand, including transliterations in Arabic, Chinese and Japanese.

All of our key brands have now been registered in over 60 countries, becoming valuable and recognisable names in the timber and panel industries. Additional trade mark registrations have increased the strength of the Company brands, with more recent and ongoing activity focused on securing protection for our new Company logo and 'Changing Wood to Change the World' slogan.

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

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

COVID-19 mitigating actions

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

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

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

The key mitigating actions have included the Board of Directors, the Senior Management team and other senior and mid-level staff reducing their salaries by 20%. In the UK a number of employees have been furloughed, principally those relating to the Tricoya® project

in Hull, given the delay in the construction. We have also applied for compensation for payroll costs in the Netherlands under the NOW scheme, with the quantum of this benefit dependent upon the relative reduction in revenue for the first quarter.

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

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

Outlook

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

More recently, we have seen order levels starting to increase in all regions as government restrictions start to be eased and markets start to reopen.



Supporting sustainable living with charity café project in Winchester, UK

The Handlebar Café is cycle-friendly, socially-sourced, straddles an old railway line and was designed by the young minds of spudYOUTH, a RIBA award winning charity.

Accsys has been supporting the project throughout its development, contributing both funding and sustainable, long-lasting Accoya® wood for its cladding and decking.

A 'model of sustainability' and constructed largely from timber, the design was inspired by the train carriages that no longer run along the railway line. Fitting in perfectly to the project's sustainability goals is the use of Accoya® wood for the exterior elements.

As Accoya® wood is so stable and durable, the trees used to make them will actually be regrown several times over during the lifetime of products made from it – and the carbon footprint for production is very low (or even negative).

Accsys is committed to sustainability for the built environment, and is pleased to support this unique project by some potential architects of the future.

Architects: architecturePLB

Construction Team: Bespoke Modular Developments and BlueFish Construction

Engineers: ARUP



Find out more about SPUD at www.spud.org.uk



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

Given the relative uncertainty that COVID-19 continues to have, we will carry on adjusting our production levels and minimising costs with the intention of maximising EBITDA, preserving the Group's liquidity and as much of the capital

raised in December 2019 as possible with a view to enabling both the Hull construction and further Arnhem expansion projects to be completed. We anticipate increasing expenditure and investment as our order levels increase again to support our commitment to delivering our sustained strategic objectives.

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

Rob Harris
Chief Executive Officer
22 June 2020

Q&A

with Chief Executive, Robert Harris



Robert Harris Biography

Rob brings significant experience from across several industrial sectors, including chemicals, oil, metals, renewables and speciality products.

Rob initially spent nearly 20 years with BP plc and Exxon-Mobil. Whilst at BP, Rob was responsible for the successful research, development and commercialisation of an international market leading wood treatment chemicals business.

Rob has subsequently held a number of senior roles, including with manufacturers British Vita, Nippon Glass and Reliance Industries, a Fortune 500 Industrial company and the largest private sector corporation in India. Most recently, Rob was CEO, Europe at Eco-Bat Technologies Limited, a global energy storage product recycling business with sustainable values and annual revenues exceeding £1 billion. During his tenure at Eco-Bat, Rob helped transform the business, both in strategic repositioning and significantly improving profitability and cash flow.



Accsys has a very distinctive environmental and sustainability proposition. How are ESG issues factored in to Accsys' business and strategy?

We're very proud of the sustainability of our products – offering the world a choice to build in a more environmentally responsible way, without compromising on quality. Our sourcing, technology, processes, purpose and products directly align with several UN Sustainability Development Goals, and we're proud to be one of the companies awarded the LSE's Green Economy Mark.

Our strong governance and commitment to people in and around our business are sources of pride – whether that's health and safety, investing in talent, or working with local communities. We always want to strengthen further in these areas though, and we see a real opportunity to have an even greater positive impact with the sustainability of our business practices and operations too.

To do this in the best way, we are excited to have recently started a new ESG strategy development project. We're working from the ground up to reassess the issues material to us and all our stakeholders, to make our ESG strategy a core part of our overall strategic direction and decision-making processes (read more on page 34).

We've already seen enthusiasm for this in our Accsys People employee engagement survey, and we have a real opportunity to build on the strong governance of our QCA code and diverse skills and experience of our Board as we bring ESG even more closely into the DNA of our business.

We'll be continually measuring and monitoring our progress too: this is not just a one-off project, and we know that ESG is important, complicated and constantly evolves. What we are committed to is evolving our business with it, making positive progress along the journey and living our purpose of changing wood to change the world.

Accsys is often described as a 'fast-growing' business, and growing product demand is identified as a strategic priority. How is the company increasing the size of its markets and developing growth opportunities?

Our fantastic product proposition – combining sustainability with the qualities that our customers and end-users require – means that there is already a lot of latent and pre-existing demand.

The qualities of Accoya® and Tricoya® mean that we have competitive advantages over not just other woods, but also other materials such as plastics and metals, naturally increasing the size of our potential market. Sustainability is also gaining ever-increasing prominence in everyday life, business and national and international policy, with significant global pressure to 'build back better' in the wake of the COVID-19 pandemic.

As people learn about us, we become the 'natural choice' for a lot of applications, and we've developed a very good reputation over the last decade within the industry and our core markets.

One of our next priorities is building and developing that awareness more broadly, both geographically and into the wider population of end consumers: the people who will use, live with and love our products every day for decades to come.

Our global growth plans, for example with Hull in development and with our partners in the USA and Malaysia, tie in with this so we can match increased awareness and appetite with the capability to supply our products.

How does Accsys meet current and future consumer and market needs?

There is a world of possibilities for the use of Accoya® and Tricoya®, and at the moment we primarily focus on those where we can have the most impact: cladding, decking, windows and doors. These are high volume markets that match particularly well with the unique qualities of our products, resulting in strong competitive benefits – but there are a lot more situations where this is also true, and we've already found use in applications including infrastructure, canals and cooling tower lining, furniture and homeware, and the marine and automotive industries.

Beyond that, even within the world of Accoya® we are constantly innovating and expanding both what we offer and how it can be used – for example we've developed and recently introduced a 'true coloured' Accoya® solid wood product, where the wood is tinted a beautiful shade throughout, from surface to core for cutting, shaping, and finishing as desired.

This is a good example of where we are actually leading the market ahead of its 'needs': we understand our customers and the consumers, and what they want to achieve with their products – even if it didn't actually exist before. There has been a wider trend towards coloured decking, but instead of just staining or painting we're able to offer true, coloured Accoya® wood that will be beautiful for decades, even if it's later sanded or refinished.

Our new coloured product also highlights the 'value adding' impact of our product development work. We have a premium offering that enhances price mix and value proposition for us, our customers, and their customers, and ultimately provides the end-user with a better final product.

What do you see as the key elements to deliver on the business strategy?

We've already covered some of the strengths of our market-leading products and our sales, marketing and brand building plans, and expanding our capacity to satisfy demand growth goes hand in hand with that. This means intelligent investment of resources, the valued support of our stakeholders, and working with the right partners.

Building 'disruptive' and first-of-their-kind facilities is complex and intensive, but we gain both the first-mover advantage and also invaluable experience and knowledge. We are growing from what was initially a single acetylation reactor in Arnhem to a multi-reactor and multi-site operation, proving the repeatability and scalability of our model. By partnering with BP and MEDITE in Hull, and with Eastman and PETRONAS in the USA and Malaysia, we are working with established businesses that are committed to and invested in our joint success.

Looking internally, Accsys is blessed with talent. To ensure we provide the foundations for our colleagues to perform and grow, we embarked on our first Accsys People employee engagement survey in February. We will use the results to make Accsys a better – indeed a truly great – place to work.

We identified many strengths: for example 90% believe that Accsys provides high quality products and services, and 85% affirmed that they understand how their job contributes to the company's strategic priorities and goals. There are areas in which we can do better though, with clearer decision-making frameworks and better tools and processes for collaboration identified as specific targets.

We are already improving our objective setting process and compensation strategy, and the survey confirmed that these are other areas where our colleagues are keen to see improvements – but it is very encouraging to note that nearly 80% of our staff are either 'proud' or 'very proud' to work at Accsys.

What permanent impacts do you see following the COVID-19 pandemic?

I'm so incredibly proud of the way the Accsys family has managed, adapted to and worked together through this very difficult time in the world. The safety and health of our colleagues is paramount, and the dedication and commitment of everyone to protecting each other's wellbeing is truly inspiring.

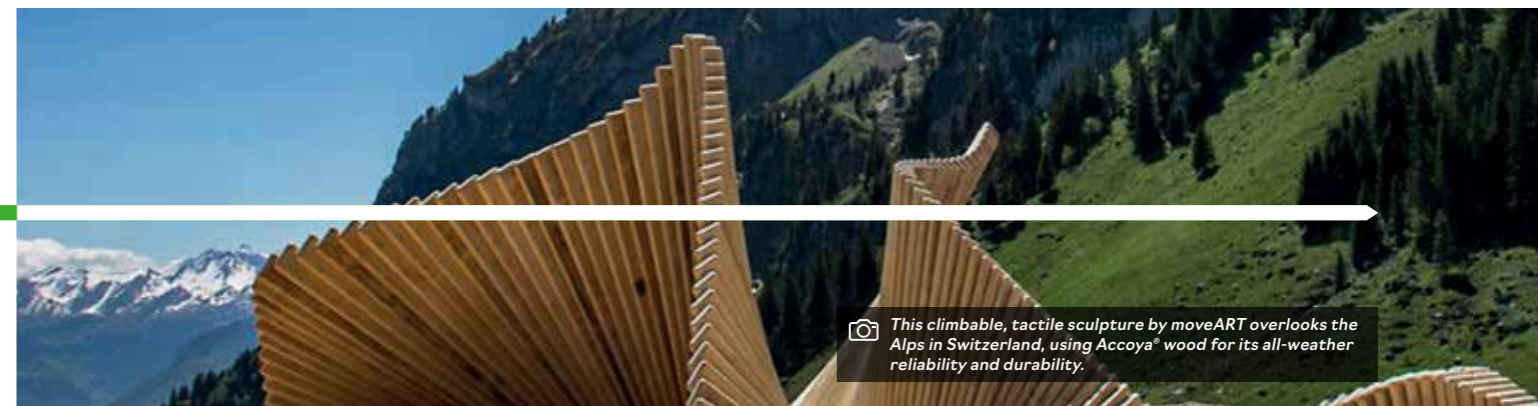
The world is a different place now, and one strong trend as it recovers from the pandemic has been a more focused commitment to 'building back better'. We already wanted to 'change wood to change the world', and now there is more appetite than ever to forge a more sustainable future.

Along with the environmentally responsible options that our products give designers, builders and specifiers, we are committed to being more sustainable as a business too – and are looking forward to sharing progress on that as the year progresses.

We have also learned a lot, and very quickly, as we managed our response to the pandemic. We've taken a step back to re-examine our values and strategy, and initiated several collaborative project streams to improve our growth, innovation and productivity, as well as preparing for 'the new normal'.

There are clear opportunities to improve the ways we work together, and during 'lockdown' have already improved how we communicate both internally and with our customers and markets. This was coupled with a mindset change: accepting the new reality and adopting the right attitude for our business, and finding ways to be more agile, streamlined and responsive.

On that note, with the expected long-term increase in remote working and people spending more time at home, we've already seen evidence of increased interest in home improvement and renovation, and the expansion of our marketing into the consumer space fits in very well with this.



This climbable, tactile sculpture by moveART overlooks the Alps in Switzerland, using Accoya® wood for its all-weather reliability and durability.

Creating value for all our stakeholders



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

See our Sustainability Report on pages 34 to 41

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

<p>Our technology and IP We have developed families of patents, providing robust protection over our proprietary products and processes.</p> <p>42 countries in which we hold 331 patents and patent applications</p>	<p>Our People & Engineering expertise Our passionate employees are key to the successful execution of the Group's strategy, together with their valuable know-how and a dedication to the future success of the Group.</p> <p>45% headcount increase over past 3 years</p>	<p>Environment Accoya® & Tricoya® fit perfectly in the bio-cycle of the circular economy.</p> <p>Accoya® is Cradle to Cradle Certified™ at the Gold level</p>
<p>Strong industry relationships We work with equipment manufacturers, wood suppliers, the acetyls industry, testing and certification bodies, and other system supply specialists, to help us develop our technology, products and their place in the market.</p>	<p>Industry leading brands Our brands Accoya® and Tricoya® are globally registered trademarks, portraying our products' sustainable, high quality and long-term performance.</p> <p>64 countries in which our brands are registered trademarks</p>	<p>Financial strength Solid financial base to fund growth organically and through further investment.</p> <p>EBIT positive for the Group this year</p> <p>Accoya® Underlying EBIT 130% ↑ vs FY19</p>

<p>Building new plants and optimising existing sites We develop and optimise existing sites and processes to benefit from existing skills and leverage operational and financial scale.</p> <p>We identify new international locations and appropriate partners to develop additional capacity in order to meet our longer-term growth potential in global markets.</p> <p>30,000 metric tonne Tricoya® plant under construction in Hull, UK</p> <p>20,000m³ Accoya® reactor approved for Arnhem</p>	<p>Research and development (R&D) We have developed innovative, proprietary and protected technologies which chemically modify wood through a low emissions acetylation process.</p> <p>We continue to invest in R&D, focused on optimising our existing product offering and technologies and investing in focused technology solutions, which materially enhance our productivity and cost of production.</p> <p>Launch of a new coloured Accoya® product to customers from FY21—expected to provide even more choice to customers while retaining the key attributes of durability and stability.</p>	<p>Working with business partners Working with business partners provides the greatest prospect for taking advantage of the substantial global market opportunity for our products.</p> <p>We continue to work with our partners in order to achieve our objective of expanding the production footprint globally, in particular, with partners which have resources or technologies which complement our own.</p> <p>Work progressing towards the construction of an Accoya® plant in the USA through a potential joint venture with Eastman Chemical Company</p>
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Our Strategy

The strategic priorities that will enable us to achieve our goals and fulfil the substantial growth potential in our markets:

1. Grow product demand

To develop market opportunities to drive revenue growth.

KPIs:

- Accoya® and Tricoya® volume sold by key target geographies

Approach

- Focus on significant and growth markets, for example Original Equipment Manufacturers and joinery market
- Working with our customers to sell our products:
 - Building long-term customer relationships
 - Targeting repeat business
 - Develop critical mass within key markets
- Build and protect our brands
- Developing the substantial environmental advantages that our products offer
- Development of partnerships to allow the above in a cost effective manner

Progress in year ended March 2020

- Total volume sold increased by 16% to 57,842m³
 - Sales to Tricoya® customers increased by 18% to 14,134m³
 - Sales to Accoya® customers increased by 16% to 43,708m³
- Sales volumes were close to or above production capacity for much of the year, making more significant increases in sales volumes impossible in the short term
- Sales continued to be driven through our existing distributor base, allowing for repeat business to be continued
- Early termination of Cerdia agreement has allowed direct relationships with key European distributors to be regained/assumed
- Tricoya® feasibility study with PETRONAS Chemicals Group Berhad progressed during year and included undertaking a market evaluation study which confirmed the potential market opportunity supporting the continuation of the feasibility project

Key results to be achieved year ending March 2021

- In the short term – managing the impact COVID-19 has had on our customers and end-users with a focus on limiting the short term impact on sales
- Completing the construction of the Tricoya® plant in Hull in order to enable a significant increase in Tricoya® production capacity
- Increased focus on marketing to end consumers to supplement the successful approach so far which has been focused on B2B

2. Practice manufacturing excellence

To grow manufacturing position in Europe, USA and Malaysia and establish new platforms in key markets in support of, and to enable, demand growth.

KPIs:

- Operational manufacturing capacity
- Manufacturing capacity under construction

Approach

- Safe operations, everywhere
- Develop and optimise existing sites and leverage operational and financial scale
- Develop existing skills to ensure continuous improvement at all locations
- Identify new international locations and appropriate partners to develop additional capacity in order to meet longer term growth potential in global markets
- Product development focused on significant volume and value propositions

Progress in year ended March 2020

- Hull plant construction has been significantly progressed, however the previously reported delays have been resolved with work accelerating in the latter part of the financial year

Key results to be achieved year ending March 2021

- Appropriately adapting working practices in light of COVID-19 given the importance of the health and safety of our people
- Completion of the Tricoya® plant in Hull following the delays incurred last year and more recently due to COVID-19
- Next stages of the expansion of the Accoya® plant in Arnhem by the addition of a fourth reactor and new automated wood handling equipment. Work in the year is expected to include detailed engineering, the placement of orders for key equipment and commencement of construction works on site
- Progressing work with Eastman in respect of a potential Accoya® plant in USA with commencement of site specific preliminary engineering work
- Continuation of feasibility project with PETRONAS Chemicals Group Berhad in respect of potential Tricoya® plant in Malaysia

3. Develop our technology

To develop technology and IP programmes based on evidence and commercial viability.

Approach

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

Progress in year ended March 2020

- Coloured Accoya® project has been significantly progressed to enable commencement of commercialisation
- Further progress on a number of other projects including acetylation of veneers

Key results to be achieved year ending March 2021

- Commercialisation of coloured Accoya® by working with key third parties with a view to introducing limited quantities of coloured Accoya® to the market
- Continued development of application of acetylation to other solid wood applications
- Define detailed and focused technology development programme for implementation based on existing assets, know-how and development programmes
- Continue to develop and enhance our IP portfolio

4. Build organisational capability

To develop our people and organisational capability to enable us to meet our growth objectives.

Approach

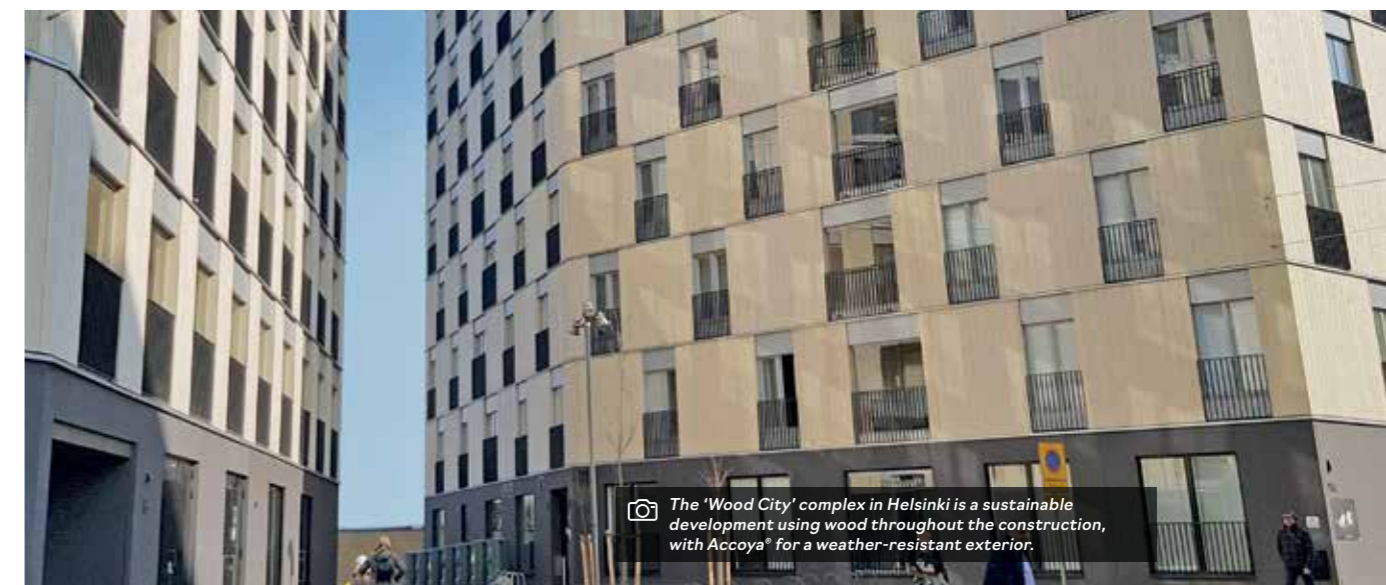
- Develop, articulate and live our values and culture
- Develop management and leadership capabilities to support growth ambition
- Engagement and investment throughout the whole workforce
- Develop the governance appropriate for the growth of the business

Progress in year ended March 2020

- Developed framework to help fully align all Group employees' objectives and key results
- Completed detailed employee engagement survey (see page 37)
- Rolled out corporate brand identity

Key results to be achieved year ending March 2021

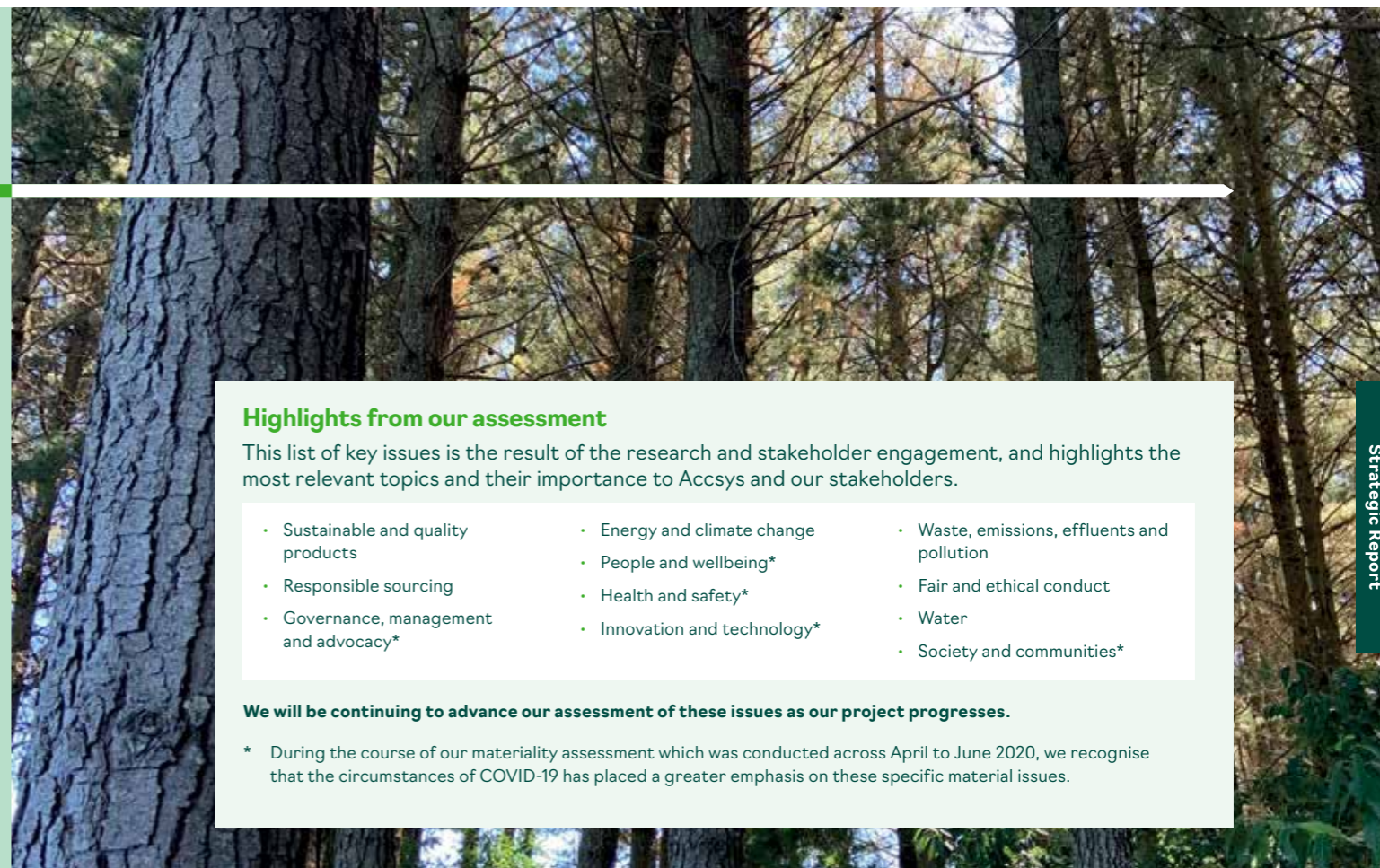
- Embed the framework that aligns all employees' objectives and key results to the Group goals
- Aligning actions and decisions throughout the Company with our values and strategy
- Improve employee engagement
- Further develop compensation strategy to align with growth ambitions
- Review and evolve Company's approach to ESG strategy (see page 34)



The 'Wood City' complex in Helsinki is a sustainable development using wood throughout the construction, with Accoya® for a weather-resistant exterior.

Moving forward our ESG strategy

Accsys offers the world a choice to build more sustainably, and we are committed to improving the positive impact we can make in Environmental, Social and Governance (ESG) areas.



Highlights from our assessment

This list of key issues is the result of the research and stakeholder engagement, and highlights the most relevant topics and their importance to Accsys and our stakeholders.

- Sustainable and quality products
- Responsible sourcing
- Governance, management and advocacy*
- Energy and climate change
- People and wellbeing*
- Health and safety*
- Innovation and technology*
- Waste, emissions, effluents and pollution
- Fair and ethical conduct
- Water
- Society and communities*

We will be continuing to advance our assessment of these issues as our project progresses.

* During the course of our materiality assessment which was conducted across April to June 2020, we recognise that the circumstances of COVID-19 has placed a greater emphasis on these specific material issues.

ESG as a part of Accsys

Our sourcing, technology, processes, purpose and products already align with several UN Sustainability Development Goals, and we're proud to be one of the companies awarded the LSE's Green Economy Mark.

Our strong governance framework (see page 69 for the QCA Governance code) and commitment to people in and around our business are a source of pride, however we always want to improve further and develop these along with the sustainability of our business practices and processes.

Our purpose of 'changing wood to change the world' and our ability to contribute to a more sustainable built environment underpins everything we do. We aim to ensure that moving forward, we are able to grow sustainably and maximise the sustainability impacts and opportunities not just of our products, but also in how we operate.

That is why this year, we contracted a third-party stakeholder engagement and sustainability consultancy to help us assess and identify Accsys' material issues and assist in developing our ESG strategy. This materiality assessment has identified the 11 material issues which are most pertinent to Accsys.

Focusing on issues that matter the most

There is an increasing focus from our investors and other stakeholders on ESG performance. It is important that we are transparent about our priority ESG matters and their impacts on our key stakeholders. The findings of the materiality assessment are also central to the development of fully informed ESG strategies.

Internal and external stakeholders all identified responsible sourcing, sustainable products and various other global environmental megatrends as highly relevant and important.

Governance also featured significantly, with internal stakeholders in particular believing governance qualities to be a paramount enabler of business growth, noting that we have already made great progress in our governance (read more on page 69 in the QCA governance code).

Social factors have been especially highlighted in recent months, and are also considered to be materially significant both separately and integrated with other topics where there is overlap between our actions as a business and our impacts on our people and the societies which we affect.

Further information and detail on our material issues will be published as we continue to develop our ESG strategy.

Our approach to materiality

Our materiality assessment consisted of a desk-based research, which ensured that all pertinent perceptions of our approach to ESG were captured. The methodology was based on a full review of AccountAbility's AA1000 Principles Standard; the International Integrated Reporting Council's ('IIRC') Integrated Reporting Framework; the Global Reporting Initiative ('GRI') Standards; UN Sustainable Development Goals ('SDGs'); Dow Jones Sustainability Index ('DJSI') and the Sustainability Accounting Standards Board ('SASB') guidance. The process ensures that all relevant issues have been considered appropriately within the scope of the study. The materiality assessment specifically considered issues under the umbrella of ESG and sustainability; and the assessment analysed data and information from a variety of internal and external sources to ensure that all potential issues were considered and captured.

The assessment also included stakeholder engagement, where we identified our key internal and external stakeholders. This stakeholder engagement included a range of interviews focus groups and an online engagement survey, which tested a range of issues on their importance and relevance; stakeholders also had the opportunity to provide voluntary feedback.

Looking forward

As we continue with our ESG strategy development, we will report in more detail on our material issues and ambitions in these areas. We aim to launch the ESG strategy in our full sustainability report at the end of the year, as part of our continued commitment towards high-quality disclosure on our progress and activities.

Looking back at the financial year ended 31 March 2020, we have concentrated on three major areas that have been and will remain very important: Sustainability, Our People, and Health and Safety.

Our people

One of Accsys' core values is a commitment to value "all stakeholders, all the time" – and this is especially important for our internal stakeholders – our 'Accsys family'.

90%

of respondents believe that Accsys provides high quality products and services

78%

of respondents feel proud to work at Accsys and are treated with respect

Growing quickly, we have increased our total headcount by 45% in the past three years. Importantly, we are not just increasing in numbers – we are constantly learning, evolving and improving together too.

We want to help develop the capabilities, knowledge and experience of our people, and support on-the-job learning with expanded opportunities and challenges to take on as the business grows and becomes more complex.

We have a geographically and demographically diverse workforce for a growing business, with major operations across three sites in the UK and Netherlands, and an office in the USA as well. From mechanical operation to sales and marketing, and plant construction to wood supply sourcing, our activities and roles encompass a wide range of skills and personalities.

One of our challenges is to develop our shared culture, strategy and values across all areas of the organisation, and we have made good progress in that area over the last year.

We developed and introduced a new corporate identity with a shared purpose, vision and values, and will be developing and embedding that further over the months and years ahead. This of course needs to be balanced with devolved authority, responsibility and autonomy appropriate to each function and site, so that we can learn from the breadth of our diversity and become stronger together through the sharing of varied perspectives and ideas.

We held our first 'Accsys People' full employee engagement survey in February 2020, with an exceptionally encouraging 81% response rate from across the business. This has provided valuable insight into areas and issues on which to focus more attention, with senior leaders bringing together teams of colleagues from all levels, geographies and areas of the company to work on focused improvements.

One way in which we're already bringing our purpose and strategy into everyone's daily work is the introduction of a new performance management system based on objectives and key results. Starting with a pilot group including Senior Management, we are adopting a more frequent feedback model. This encourages flexible ongoing management of priorities that align with cascading strategic objectives, while also surfacing potential 'pain points' and 'blockers' to progress, allowing for timely solutions to be implemented alongside opportunities for training, support and development. This will be supported by our ongoing work on our performance management culture, and reviewing our compensation philosophy.

Looking to the future, we have already learned and improved some areas a great deal through our response to COVID-19 and the impacts it has had on life, work and our business operations. We will be aiming to take forward and build on the positives we can – such as broader, more transparent and frequent internal communications, and remote working capabilities – as well as progressing new initiatives and renewing focus on our values and culture.



Employee Engagement

We held our detailed 'Accsys People' survey in February 2020, asking employees across the organisation for their input on a wide range of subjects. For a first of its kind project for the Company, we were very pleased to receive the input of 81% of our employees – showing a willingness to engage and desire to improve the business, together.

Particularly positive responses were seen around customer focus, job fit and clarity, and respect and fairness, showing already some strong alignment with our values. For example, with 78% of respondents agreeing or strongly agreeing that they "feel proud to work at Accsys and are treated with respect", we see not only a positive initial result but also an opportunity to improve even further.

Areas where our team feel we can improve include performance management and organisational effectiveness, cross-functional and more global collaboration. We are already progressing projects around some of these areas, and have initiated new workstreams in response to the results, which were shared in transparent clarity across the whole business.

These teams, incorporating employees from mixed levels, functions and locations, are looking at both company-wide and more local opportunities for improvement. We are encouraging a 'think globally, act locally' approach to combine the most effective targeted changes with shared overall development for Accsys. We are planning for a second Accsys People survey in the coming year to gain further insight and monitor the effectiveness of our response and ongoing development.

Our approach to health and safety

As Accsys continues to grow to more sites and geographies, the health and safety of our employees, partners, contractors and other associates and stakeholders remains the top priority.

Lost Time Incident Rate (LTIR) improved

50%

H2 vs H1 2020 across the organisation

Our Health and Safety policy is predicated on the idea that all incidents are preventable, and that every one of us is responsible for health and safety. Collective and individual responsibility and action are encouraged and reinforced through our policy, training and procedures.

Our policy is that we:

- Provide and maintain a workplace that is safe and without risk to the health and welfare of all its employees, independent contractors, members of associated companies and the general public, so far as is reasonably practicable to do so.
- Provide and maintain plant and systems of work that are safe and with minimum risk to health.
- Provide appropriate information, instruction, training and supervision to ensure the health and safety at work for all employees.
- Seek to continually improve health and safety performance.
- Review operational performance using appropriate measures. Review accident investigation reports and audit information, seeking to address root causes and share those learnings.

- Make the management of health and safety an integral part of the Company.
- Meet or exceed all statutory regulations, approved codes of practice and industry recognised guidelines.

In preparation for the transition of the Tricoya® Hull plant work from construction to operation, we are also in the process of improving and standardising our health and safety monitoring, reporting and learning programmes across the entire business.

We promote communication and participation of our employees at all levels throughout the organisation – and we encourage our employees to actively participate in fostering a safe work environment through safety improvement programmes, risk assessments, safety improvement recommendation programmes, and ‘tool box talks’, along with other forums.

As a commitment to safety is one of our core values, we are proud that we have maintained and improved on our high levels of safety over the past year, and especially throughout the disruption and changes to working practices caused by the effects of the COVID-19 pandemic.

The business showed good progress in safety improvement through the year. There were three lost time incidents, but the renewed emphasis began yielding benefits, as the business experienced zero lost time incidents in the final five months. The moving annual average Lost Time Incident Rate (LTIR) for Hull improved from 1.3 in H1 to 0.7 at the end of the year; at Arnhem, the rate improved from a peak of 2.8 to 1.9 at year’s end.

While these figures are short of our ultimate goal of zero lost time incidents, they highlight the emphasis and strong effort by the team to address safety concerns on a proactive basis by analysing data, evaluating risks and taking preventive measures. The team is working with a philosophy of continuous improvement, constantly looking for ways to perform better and learn from the observations and experience of the entire organisation.



Looking to the future, learning from the past

The business measures safety performance through both leading and lagging indicators, helping us identify future risks and opportunities as well as learn from past events.

The lagging indicators include lost time incident rate (LTIR) and total recordable incident rate (TRIR). The team has established performance measurement using these metrics and benchmarking those figures against global industry peers to determine areas for improvement.

Leading indicators include measurements such as safety improvement opportunities and near miss incidents that help foster a mentality of prevention and pro-active safety involvement amongst our team members.

By continuously engaging colleagues at all levels of the business in the development and improvement of our safety procedures and learning programmes, we expand our knowledge, increase visibility and build on our shared commitment to promoting, upholding and further improving a safe working environment.

Our environmental impact

At the core of our business is a strong belief that we have a collective social responsibility to tackle climate change, reduce waste and pollution and move to a more circular economy.

Ecolabels and certifications:



We act on this through the use and development of our technology and products, providing high-performance renewable, sustainable and ecologically responsible materials for use in the built environment.

This is why our purpose is 'changing wood to change the world'.

Accoya® and Tricoya® are made from fast-growing, certified responsibly sourced and managed trees. As the trees grow, they convert atmospheric carbon dioxide through photosynthesis into wood, before being felled and new trees planted in their place. As a consequence, CO₂ is locked out of the natural carbon cycle during the lifespan of the wood or wood product. Typically, through decay or incineration, the carbon will eventually be released again into the atmosphere in the form of CO₂.

Our acetylation process enhances that wood to have a product life of 70+ years, meaning generations of new trees can grow while keeping that carbon safely locked in a useful form. Due to the non-toxic nature, at the end of its life, Accoya® can be recycled similarly to any other natural wood or even turned into Tricoya® wood elements – locking the CO₂ in for another 70+ years – and Tricoya® panels can be recycled like other panel products. In this way our products not only act as long-term carbon sinks, but also fit very well into the circular economy.

In fact, Accoya® is the only building product perfectly fitting in the bio-cycle of the circular economy, Cradle to Cradle Certified™ Gold with an unbeatable Platinum rating for Material Health. This means it is not only very sustainable to produce and in use, but also certifies that it does not achieve its durability through toxic or environmentally harmful additives.

We are proud that Accoya® wood offers this level of ecological benefit without compromising on quality: it has matching or better performance than typical non-renewable techno-cycle building products such as plastics and metals, which come with the cost of non-biodegradable pollution and high carbon footprints.

Every time Accoya® or Tricoya® are chosen for use in place of less sustainable alternatives, we and our customers are making a positive impact on the world.

1 cubic metre of Accoya® wood:

- is grown every 2.3 seconds in New Zealand forests;
- locks in 433kg of CO₂e for 50+ years, even accounting for CO₂e from production and transport;
- avoids 765kg of CO₂e emissions on average when used in place of man-made materials;
- resulting in an environmental benefit of -1198kg of CO₂e per cubic metre of Accoya® used.

Circular Economy Bio-cycle

Bio-cycle and techno-cycle are the two cycles within the circular economy concept. Materials from the bio-cycle are organic and re-growable whereas products from the techno-cycle are defined as from the man-made world, and need to be managed in closed cycles as they are non-renewable.

Essentially, sustainable building materials produced in the biosphere (bio-cycle of the circular economy) have three major 'green' benefits over techno-cycle materials if they are designed well:

- they are renewable;
- they have a very low, possibly even negative carbon footprint when including locked-in CO₂;
- they are biodegradable, recyclable and/or compostable, returning nutrients back into the bio-cycle.

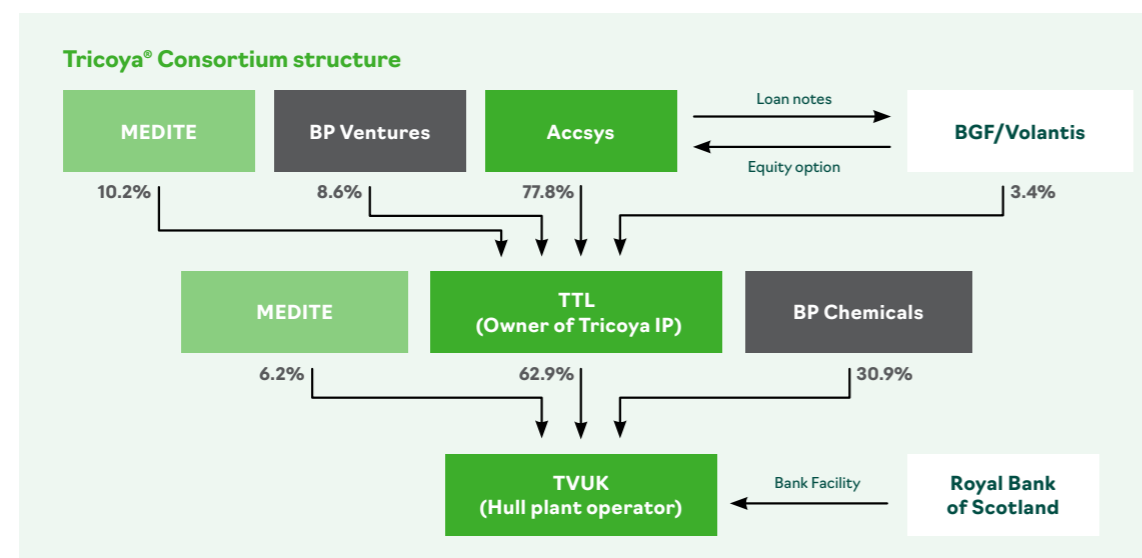
Techno-cycle materials are often used due to superior performance characteristics, however our acetylated wood products offer competitive advantages across both performance and sustainability.

Since 2005 the Cradle to Cradle (C2C) Certified™ product standard has been developed and adopted in many countries as the most stringent product certification fitting with the principles of the circular economy.

Accsys' acetylation process and products fit perfectly in the bio-cycle of the C2C concept, with Accoya® being Cradle to Cradle Certified™ Gold overall. As part of that certification, our supply chain, production processes and procedures have been examined and rated in categories including: Material Health (Platinum), Material Reutilisation (Gold), Renewable Energy & Carbon Management (Gold), Water Stewardship (Gold) and Social Fairness (Gold).

Tricoya® Consortium

The Tricoya® Consortium was formed on 29 March 2017, with its members comprising Accsys Technologies, BP Chemicals, BP Ventures, MEDITE Europe DAC, BGF & Volantis (Lombard Odier) and with project finance debt provided by RBS. BP and MEDITE also provide strategic benefits through supply and sales off-take agreements respectively.



The Tricoya® Consortium:

- Is working to achieve the market potential of Tricoya® through:
 - increasing production capacity;
 - investing in Research & Development to further enhance the Tricoya® product and its production processes;
 - marketing Tricoya®'s sustainable, enhanced durability and exceptional dimensional stability properties;
 - seeding the market for Tricoya® products;
 - pursuing additional licence or consortium agreements worldwide to support Tricoya®'s growth potential.
- Tricoya Ventures UK Limited (TVUK) – is building and will operate and run the Tricoya® plant at Saltend Chemicals Park, Hull, a site selected for its adjacency to BP's acetic anhydride plant. The plant will produce Tricoya® chips to sell to the panel industry as a feedstock.
- Tricoya Technologies Limited (TTL) – continues to progress evaluating the feasibility of jointly funding, designing, building and operating an integrated acetic anhydride and Tricoya® production plant together with PETRONAS Chemicals Group Berhad in Malaysia.

The Tricoya® opportunity:

- Global market for Tricoya® panels estimated in excess of 1.6 million cubic metres per annum
 - This equates to approximately 1.5% of global MDF manufacturing capacity
- Tricoya® panel sales to date limited to market seeding using chipped Accoya® at higher cost
- Wholesale price of Tricoya® panels above that of Accoya® reflecting its exceptional properties and that it is a unique offering in the market
- Construction of the Hull plant is expected to address the increased global demand and promote increased supply



Long-lasting shelter amidst nature
This gazebo by UK-based HSP Garden Buildings offers a durable shelter in the midst of its natural surroundings.

The Accoya® timber components are complemented by Tricoya® panels to combine a traditional style and high-quality finish with exceptional durability in all weather conditions as a result of the way acetylation enhances wood's natural properties.

Manufacturer: HSP Garden Buildings

Tricoya® revenue streams include:

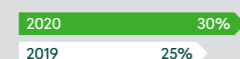
- Sale of acetylated wood chips
- Licence & royalty fees received from licensees for panel forming IP and right to brand and sell Tricoya® panels
- Licence & royalty fees received by TTL for right to use Tricoya® IP to manufacture Tricoya® chips
- Sale of Acetic acid, which is a by-product of the Tricoya® manufacturing process

Targeted Tricoya® Hull plant capacity
30,000
metric tonnes

Accoya® sold for Tricoya® market seeding
14,134m³
in FY2020

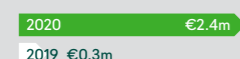
The Hull plant:

- Construction progressing, with the Hull plant expected to be operational in fourth quarter FY2021
- Targeting production capacity of 30,000 tonnes of chip per annum, sufficient to produce approximately 40,000 cubic metres of Tricoya® panels
- Licensee and sales agreements secured with MEDITE & FINSA, with expectation the plant will be significantly loaded from start-up
- Plant expected to be EBITDA positive operating at approximately 40% capacity
- Full capacity expected to be reached in approximately four years



Underlying Gross margin

30%



Group cash-flow generated from operating activities

€2.4m



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

Statement of comprehensive income

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

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

Licence revenue of €0.3m (2019: €0.6m) was reflected in our Tricoya® segment. €1.0m of licence income recognised in the prior year was attributable to our former Accoya® licensee, Cerdia International GmbH ('Cerdia') and was not contracted to reoccur this year. A further €3.2m of revenue has been recorded as exceptional revenue which related to the termination fee associated with the early termination of the Cerdia commercial arrangements.

The amount is to be deducted from the on-going loan from Cerdia on 1 April 2020 and will therefore reduce net debt in the new financial year.

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

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

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

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

Average headcount increased by 20 compared to the prior year with the increase in headcount predominantly attributable to an increase in Arnhem operations staff following the commissioning of the third Accoya® reactor

in H2 FY19 and recruitment of approximately half the required 31 operational staff for the Hull Tricoya® plant by the end of FY20.

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

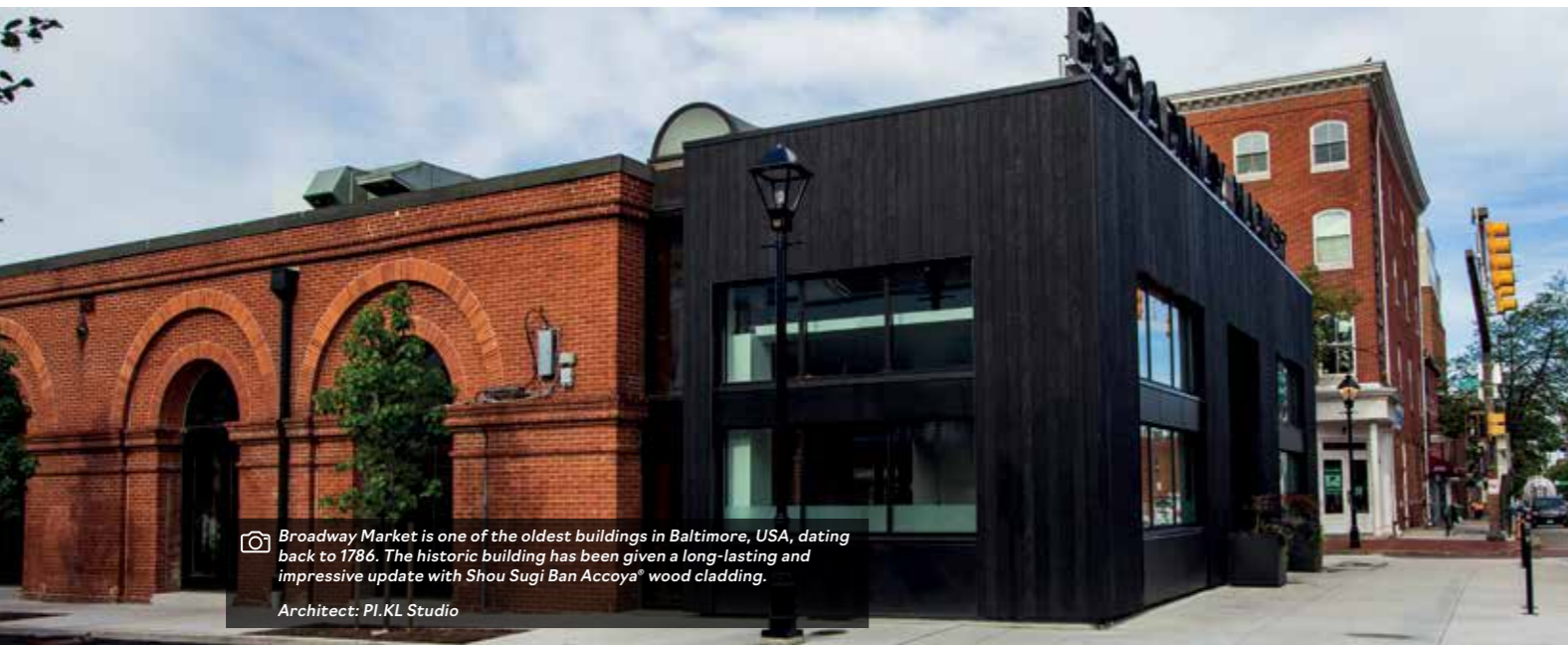
Underlying finance expenses increased to €3.5m (FY19: €3.1m) due to interest payable on our loan with Cerdia no longer being capitalised following the completion of the third Accoya® reactor, and to a smaller extent, the inclusion of finance charges related to the implementation of the IFRS 16 'Leases'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

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

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

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





*Broadway Market is one of the oldest buildings in Baltimore, USA, dating back to 1786. The historic building has been given a long-lasting and impressive update with Shou Sugi Ban Accoya® wood cladding.
Architect: PI.KL Studio*

Cash-flow

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

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

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

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

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

Financial position

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

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

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

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

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

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

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

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

COVID-19 and mitigating actions

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

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

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

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

The Group held cash balances of €37.2m at 31 March 2020, as well as €6.0m headroom on the ABN AMRO committed working capital facility and €8.5m headroom on the Tricoya® RBS €17.2m (€14.6m net) facility:

- The ABN facilities banking covenants include a minimum EBITDA level for the Netherlands operating entity. The previous expected headroom relating to this covenant was in excess of €10m EBITDA and we therefore do not currently anticipate any issues in meeting this when taking into account the effect of the mitigating actions set out above;
- The Board is therefore confident that the Company has adequate liquidity for the foreseeable future and is focused on minimising the utilisation of cash resources so as to enable the execution of our longer-term capital projects.

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

Going concern

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

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

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

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

William Rudge
Finance Director
22 June 2020

How we identify, evaluate and mitigate risks

The Board has overall responsibility for the management of risk at Accsys.

As with all companies, the Group is exposed to a number of risks and uncertainties. We are acutely conscious that our ability to successfully identify, evaluate and mitigate those risks and uncertainties is of paramount importance as we seek to deliver on our ambitious growth strategy.

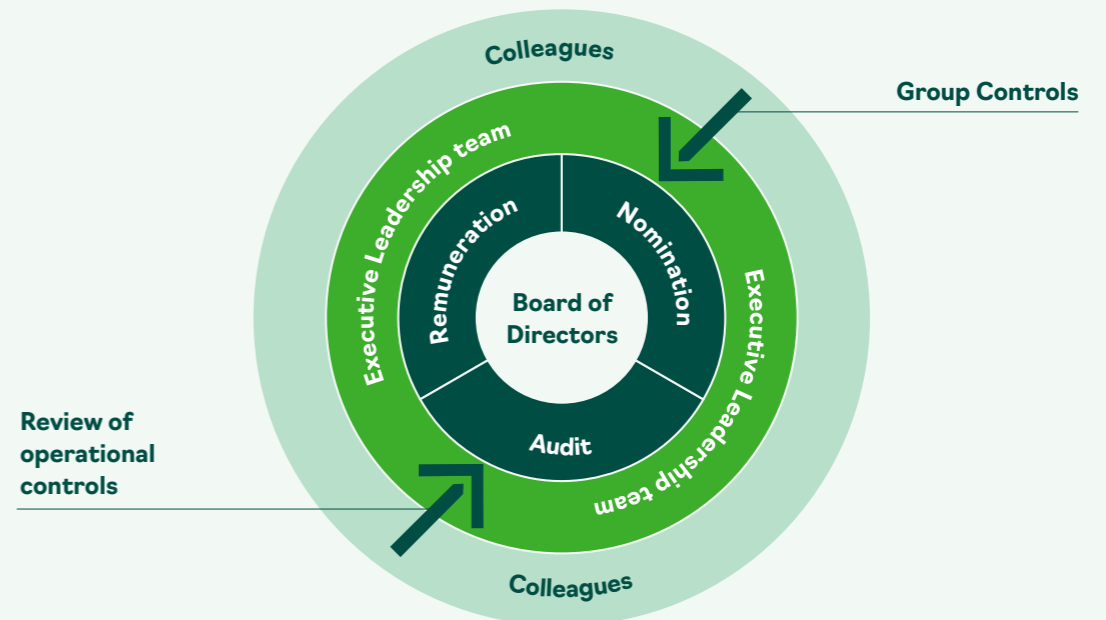
At Accsys, the Board is ultimately responsible for identifying, evaluating and mitigating the principal risks faced by the Group. Ongoing management of this process is delegated to the Audit Committee which seeks to improve and increasingly ensure Accsys' risk processes are focused and robust.

The Risk Committee was constituted in 2018 and reports to the Audit Committee on a regular basis, identifying updates to the risk register and areas of concern. The same is reviewed by the Audit Committee at its formal meetings ahead of onward reporting to the Board.

The Risk Committee, chaired by the Finance Director and encompassing the Senior Management Team, is responsible for considering risk on an ongoing basis and meets formally at least quarterly. The Risk Committee has developed a detailed risk register that, amongst other things, seeks to:

- identify and rank key risk areas;
- allocate a Senior Management Team member with day to day oversight of each risk;
- evaluate the likelihood and impact of each risk;
- identify steps that are being taken to mitigate the risk; and
- traffic light those areas of particular concern.

Our risk management framework incorporates a top-down approach, setting the risk appetite and identifying our principal risks, and a bottom-up approach to identify our operational risks:



All employees have a role in the management of risk within the Group.

The principal risks facing the Group and recorded on Accsys' risk register as at the date of this Report are included in the list below. The below is not exhaustive and as explained above, is subject to ongoing review and change and consequently should not be read as in any order of priority.

Health, Safety and Environment

The nature of the Group's manufacturing business and operation or construction of industrial plants that utilise chemicals under heat and pressure means HSE events at our sites such as injury, damage, explosion, contamination or death represent ongoing risks with potentially catastrophic impact.

Mitigation

Dedicated full time HSE Managers are appointed at both our Arnhem and Hull sites, who report to the Chief Operational Officer (appointed at the end of 2019), with monthly reporting and review to and by the Group's Executive Committee, an annual review with the CEO, and on an ad hoc basis to the extent that events occur. Safety Management Systems are regularly reviewed, with a comprehensive audit programme (regulatory and internal) in place. Our aim is to continuously increase HSE awareness, and to that end, a Safety Awareness Programme has been launched for all Group personnel. HSE training for all personnel working in industrial areas is mandatory and a priority. The search for a Group HSE Head is underway to oversee, implement and (where necessary) improve all HSE matters.

Movement
↔

Hull Plant

The construction of the Tricoya® plant in Hull, including its commissioning and start up, may affect the Group's ability to generate revenue as planned if commercial operation is further delayed.

Mitigation

A new Site Manager has been appointed, who reports to the Chief Operating Officer, and in conjunction with the Project Manager, will oversee the construction and start-up of the plant in Hull.

Movement
NEW

COVID-19

The COVID-19 pandemic and need to mitigate risk to health, is likely to lead to a reduction in Accoya® sales during the current financial year (FY2021) and further delays to Accsys' Tricoya® project in Hull. The pandemic has led to disruption for key stakeholders, including employees, contractors, customers, licensees and suppliers.

Mitigation

During the unprecedented times of the pandemic, the Group remains committed to the health and well-being of the Group's staff and the wider communities in which it operates and continually assesses the potential impact on the Group. Due to the ever changing nature of the pandemic the Board review on a regular basis steps that can be put in place to protect the health and wellbeing of its employees, the operations and cash management of the Group, liquidity and trading. The Group is working with key stakeholders to mitigate risk to health where possible and the impact of COVID-19 on the Group.

Movement
NEW

Sale of Products

In the longer term, a failure to supply pent up demand risks customers adopting alternative technologies and products which may adversely impact demand for future production and sales growth.

In addition to the impact of the COVID-19 pandemic as noted above, sales of products may also be impacted by quality control failures which may lead to reputational damage.

Mitigation

The existing Accoya® site in Arnhem increased its production capacity during the financial year ended 31 March 2019 by 50% to 60,000m³ per annum. Detailed planning for the construction of a fourth Accoya® reactor has commenced and is expected to be operational by the end of the financial year ending 31 March 2022 and reach full capacity during the financial year ending 31 March 2024. Furthermore, it is expected that our Tricoya® plant in Hull will be operational in the fourth quarter of the 2021 financial year, ultimately targeting an annual production capacity of approximately 30,000 metric tonnes of Tricoya® per annum.

We continue to evaluate other new manufacturing facilities, including in Malaysia and in North America (as noted above). Product quality of all batches of Accoya® are checked as part of our quality control procedures, in addition to our scanner technology to allow us to identify and reduce internal product issues, such as cracks, that would not otherwise be detected from the visual inspections that are also carried out.

Movement
↑

Manufacturing

The Group's ability to generate revenue and drive EBITDA relies heavily on its manufacturing capability. A plant shutdown or operational down-time in Arnhem, and a failure to realise commercial operations at our new manufacturing facilities in Hull and elsewhere are likely to materially adversely impact our financial results and ability to grow.

Mitigation

At Arnhem, an increased emphasis on plant reliability and integrity, including more detailed failure analysis, structured preventative maintenance programmes and associated procurement of high impact spare parts are designed to mitigate down-time, as well as continually seeking to learn from our operational history.

To mitigate further delays at our new plant in Hull, we have recruited a new Site Manager, increased project management resource and implemented peer reviews of key design, construction and scheduling data.

In order to ensure a consistent approach across the Group, the new Chief Operating Officer oversees all operating matters at the Arnhem and Hull plants and reports to the Chief Executive Officer.

Movement
↔

Expansion

Failure to grow manufacturing in line with market expectations may adversely impact our financial results and ability to grow.

Mitigation

Expansion and enhancement plans have commenced in Arnhem and detailed planning for a fourth Accoya® acetylation reactor, providing approximately an additional 20,000m³ of Accoya® production capacity per annum, has commenced, together with planning for new chemical storage facilities, a new wood stacker and associated automatic wood handling equipment.

We continue to evaluate other new manufacturing opportunities, including in Malaysia for Tricoya® with PETRONAS Chemicals Group Berhad, to meet global demand.

The engineering team have considered the 'Lessons Learned' from the Reactor 3 project and look to take advantage of those in these new expansion projects.

Movement
NEW

<p>IT</p> <p>As an IP rich Group with manufacturing processes that depend on IT systems, a failure of IT security, continuity or inadequate management information may have a serious impact on the Group's business.</p>	<p>Supply of Raw Materials</p> <p>As well as needing utilities, the production of Accoya® and Tricoya® requires the procurement and supply of two key raw materials: raw wood (whether in solid form or chip) and acetic anhydride.</p>	<p>Licensing / Partnering</p> <p>A loss of demand for technology licences or interest in partnering with us for new plants may adversely impact our ability to realise value from our IP and grow in line with our strategy.</p>	<p>Finance</p> <p>As with all businesses, a failure in financial planning may materially prejudice the Group. As Accsys continues to grow, its financing needs, both debt and equity, are likely to increase. A failure to secure appropriate finance, comply with agreed financing covenants and implement and operate robust internal systems and controls are all essential if the Group's growth aspirations are to succeed.</p>	<p>Litigation and Disputes</p> <p>Litigation and other disputes may require the investment of significant time and money to resolve, which even with a successful outcome, may be distracting or detrimental to the Group's interests during a period of growth. Disputes with key contractual counter-parts may also have broader adverse operational implications.</p>	<p>Protection of Intellectual Property and Trade Secrets</p> <p>The Group's technologies, processes and products use and are distinguished by its proprietary and valuable intellectual property, including patents and trademarks, as well as trade secrets. A loss of its intellectual property or trade secrets, or failure to develop the same, may materially weaken the competitive advantage that the Group currently enjoys.</p>
<p>Mitigation</p> <p>Accsys undertakes regular IT penetration testing and review of its IT systems and implements infrastructure upgrades where necessary. Staff training led by our dedicated IT Managers on IT security is mandatory.</p>	<p>Mitigation</p> <p>The Group has developed long-term relationships with key suppliers of raw materials. Over the last few years, supply agreements have been entered into for both solid wood addressing our Arnhem needs and acetic anhydride for both our Arnhem and Hull plants. A key focus on the Group is also to secure supply of wood chips ahead of commercial operation of the Hull plant.</p> <p>Our supply chain team work closely with our production and sales teams to ensure raw material supply is optimal, developing clear internal policies to that end, whilst keeping informed of and reviewing market dynamics and participants.</p>	<p>Mitigation</p> <p>Our dedicated business development team is mandated to develop strong relationships with actual and future counter-parts, with a view to developing a pipe-line of new business opportunities and develop and foster key relationships. Our sales, marketing and licensee support teams then seek to work with licensees with a view to assisting them in the growth of their Accoya® or Tricoya® businesses.</p>	<p>Mitigation</p> <p>Significant internal time and attention is given to reviewing our financing needs as the Group continues to grow. Strong relationships have been formed and agreements entered into over recent years with both equity and debt providers so as to mitigate risk in this area.</p> <p>The Group's risk management strategy is to minimise the financial risk associated with exchange rate movements by using foreign exchange hedging. Where possible, the Group will use natural hedges where assets and liabilities exist in the same currency, otherwise it will use foreign exchange derivatives such as forward contracts to minimise the risk.</p> <p>The Company completed a Firm Placing and Placing and Open Offer in December 2019 and raised €46.3 million (before expenses). Such proceeds will be used for i) the expansion and enhancement of the Arnhem plant; ii) towards the Company's expected share of the increase in construction costs associated with the completion of the Tricoya® plant; iii) preliminary evaluation work relating to the Group's potential Accoya® plant in the United States; and iv) the increased working capital requirements of the Group resulting from (i) and (ii) above.</p>	<p>Mitigation</p> <p>The Group seeks to mitigate the risk of disputes by developing strong relationships with key business counter-parts and keeping in regular communication with them on business matters, so as to address and resolve any issues at an early stage.</p>	<p>Mitigation</p> <p>The Group's dedicated IP Manager, together with external IP attorneys, are responsible for maintaining and developing our IP portfolio. Ongoing reporting, monitoring and evaluation of research and development and other IP activity, both internally and externally helps ensure that the Group's IP is protected and grown. Confidentiality and IP Agreements are put in place with counter-parts to control risk and training given to Group personnel to help ensure awareness of the need to protect our IP.</p>
<p>Movement</p> <p>↓</p>	<p>Movement</p> <p>↓</p>	<p>Movement</p> <p>↓</p>	<p>Movement</p> <p>↓</p>	<p>Movement</p> <p>↑</p>	<p>Movement</p> <p>↓</p>

Personnel

The Group employs many highly experienced personnel that have deep knowledge of our business, technologies, processes and products. A loss of personnel who hold highly valuable information or who are highly knowledgeable about the Group may have a material adverse impact on us.

The highly qualified personnel required by the Group in various capacities are sometimes in short supply in the labour market. An inability to swiftly replace personnel that leave the Group or expand our workforce with additional personnel may limit the rate at which we are able to grow our business.

Mitigation

Detailed reviews of departmental needs aim to ensure that the Group is able to appropriately resource its organisational needs at a time of rapid growth. Evaluations are carried out to identify those functions that are of critical importance for the Group and individuals within those functions that are themselves critical and/or are considered of high potential. In 2019, the Board updated the terms of reference for the Nomination Committee, ensuring amongst other things regular reviews by that Committee of the composition, size and structure of the Board of Directors, as well as giving full consideration to succession planning for the Board, as well as the broader Executive Committee, to ensure the skills and expertise needed are in place.

The Group appointed a new Chief Executive Officer and Chief Operating Officer in late 2019 to increase expertise in the manufacturing and operational aspects of the growth strategy of the Group.

Following these appointments, the Group undertook a company wide employee survey in the first quarter of 2020. The outcome of the survey is being carefully considered further by the Executive Committee, which intends thereafter to implement actions to address employee feedback where appropriate and practical to do so.

The Group also operates a long-term incentivisation plan which seeks to reward, incentivise, motivate, attract and retain critical personnel by way of share based awards with deferred vesting.

Movement



Governance, Compliance and Law

A failure to maintain appropriate governance structures may lead to poor decision making and operational performance and/or may increase the risk of the Group failing to comply with law and regulation and appropriately adapt to changes in law and regulation that are relevant to it.

Mitigation

As noted on pages 69 to 73 in this document, in 2018, Accsys adopted the QCA Corporate Governance Code, which it now reports against on a comply or explain basis. In addition to the disclosures set out in these Report and Accounts, Accsys' current Statement of Compliance relating to the QCA Code explains how Accsys complies with the Code and in turn mitigates risk. A copy of our current QCA Compliance Statement can be found at www.accsysplc.com/qca-compliance. The Group also operates a long-term incentivisation plan which seeks to reward, incentivise, motivate, attract and retain critical personnel by way of share based awards with deferred vesting.

Movement



Brexit

Delays in the import and export of the Group's acetylated wood products between the UK and the EU, together with the raw materials required to produce such products, may adversely impact the Group's business.

Mitigation

The Group has discussed with key business counter-parts their preparation plans in relation to Brexit, with a view to trying to ensure that risk is appropriately addressed. The Group continues to monitor negotiations between the UK and EU ahead of a potential hard Brexit in December 2020.

Movement

NEW

Investor and Public Relations

The loss of the support and confidence of shareholders, suppliers and customers arising from either our own poor performance or from the actions of third parties may result in a diminished ability for us to raise new capital and implement new projects to grow our business.

Mitigation

The Group seeks to keep in regular contact with its key stakeholders through a variety of means, including public shareholder and trade announcements, face to face meetings, investor days and live biannual web-cast presentations of financial results amongst others. In doing so, the Group seeks to keep stakeholders informed on a regular and transparent basis which in turn is designed to mitigate risks in this area.

Accsys' joint brokers, Numis Securities and Investec Bank PLC work together with a mandate to grow our investor base, access to capital and share price for the benefit of all shareholders.

Movement



Stakeholder Engagement and our Commitment to Section 172(1)

Listening, engaging and partnering with stakeholders helps us to address our business impacts and improve outcomes for people, health and safety, and the environment



Section 172 Statement

The Directors are subject to a duty to promote the success of the Company and act in a way that he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- 1 The likely consequences of any decision in the long term
- 2 The interests of the Company's employees
- 3 The need to foster the Company's business relationships with suppliers, customers and others
- 4 The impact of the Company's operations on the community and the environment
- 5 The desirability of the Company maintaining a reputation for high standards of business conduct
- 6 The need to act fairly as between members of the Company

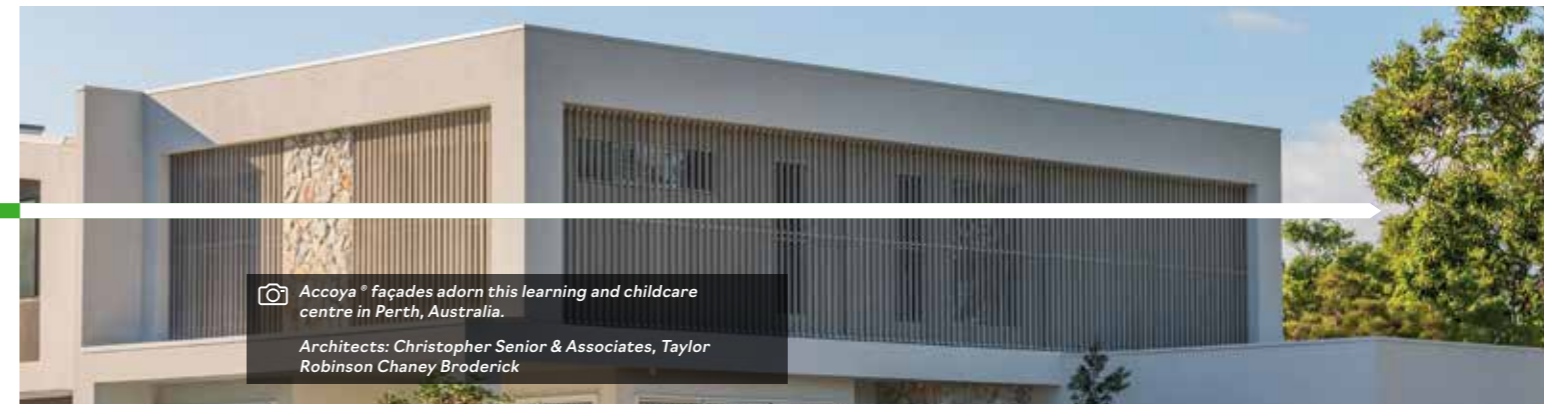
The "S.172 Duty"

As part of their induction, the Directors are briefed on their duties and they can access professional advice on these – either through the Company or via external advisers. During the course of the year, key duties and other corporate governance matters are reviewed at Board meetings.

In 2018, Accsys conducted a corporate governance review in preparation for the changes to governance requirements for AIM companies and thereafter adopted the QCA Governance Code. As part of this review process the Board analysed the way in which it engaged with stakeholders together with ways in which such engagement

could be improved (please refer to pages 64 to 73 of the Corporate Governance Report for further information).

The point being that your Board takes its S.172 Duty seriously and seeks to engage with stakeholders not simply as a part of good corporate housekeeping, but absolutely to ensure the success of the Company is promoted for the benefit of members as a whole. This statement, together with other areas in the Report noted below, explains how the Board meets the above requirements and engages with key stakeholder groups as part of its S.172 Duty in its decision making processes.



1 The likely consequences of any decision in the long term

The Directors aim to ensure that the business and its values-led vision is not only a commercial success, but also run in a responsible fashion as we continue to advance technologies for a better world. The Directors hold a strong belief that the Company has a collective social responsibility to use and develop its technology to tackle climate change and pollution, and such belief, together with health and safety, remains a fundamental priority of the business. In order to assess the likely consequence of its decision in the long term, the Directors focus on the key values of the Group based on 'changing wood to change the world' to ensure that strategic aims provide long-term benefit and success for the business and its stakeholders.

For further information please see pages 64 to 73 of the Corporate Governance Report

2 The interests of the Company's employees

The Directors recognise that the Company's people are key to its success, with high staff retention and a commitment to the future of the Company. Its focus on Research & Development (R&D), innovation and developing long-term growth market opportunities to exploit the Company's first mover advantage is dependent on its employees.

In order to effectively engage with its employees, Accsys continues to hold regular "Town Hall" meetings whereby all employees are requested to join an open forum meeting with the Chief Executive Officer for an update on the Group's activities, financial position and strategy. Employees are also given the opportunity to ask questions and provide feedback on any matters discussed. In addition, the Board invited all personnel to attend annual 'Meet the Board Lunches' at its London, Arnhem and Hull offices, providing an informal forum to facilitate and encourage engagement and open dialogue between the Board and the Company's workforce.

Following the appointment of Robert Harris as the Group's CEO in November 2019, a Group wide employee survey was commissioned to better understand views of all the Group's employees on a broad spectrum of issues. The results of this

survey are now under detailed review, ahead of actions being implemented to address feedback in the interests of the Group's employees.

The Directors are aware that the success of the business depends on the attraction, motivation and retention of our employees. The Company looks to ensure that we remain a responsible employer, from health and safety to pay and benefits and considers the implications of decisions on employees where relevant.

For further information please see pages 64 to 73 of the Corporate Governance Report and pages 36 to 39 of the Sustainability Report

3 The need to foster the Company's business relationships with suppliers, customers and others

Delivering our strategy requires strong relationships and alignment with suppliers, customers, distributors, licensees, business partners as well as investors.

The Company has developed a strong distribution network with its key customers, which has seen Accoya® being sold into all six continents of the world. Important relationships with suppliers in the wood and acetyls industry have been fostered over more than a decade to mitigate risk to the Group and promote success. Since 2017, the Group has committed significant resource to developing joint ventures with business partners such as BP and MEDITE in relation to Tricoya®, and is now seeking to do the same with Eastman Chemical Company in relation to Accoya® in North America and PETRONAS Chemicals Group Berhad in relation to Tricoya® in Malaysia. We believe that our Accoya® and Tricoya® products will serve a long-term role in replacing environmentally damaging man-made products while crucially being able to offer all of the attributes of a high performance product.

Furthermore, the Company provides training to its end-users (being, in most instances, joiners) and distributors in relation to Accoya® including, use and manufacturing information but also information on environmental and social benefits and regularly visit the Company's customers at the customer's site to ensure regular and open dialogue.

For further information please see pages 64 to 73 of the Corporate Governance Report

Stakeholder Engagement and our Commitment to Section 172(1) continued

4 The impact of the Company's operations on the community and the environment

At Accsys, we hold a strong belief that we have a collective social responsibility to use and develop our technology to tackle climate change and pollution, and such belief, together with health and safety, remains a fundamental priority of our business. Our values are based on "changing wood to change the world" and with our products we give the world the choice to build in a more sustainable and environmentally friendly way. The positive impact we believe our operations and Accoya® and Tricoya® products can have on the global community and environment lies at the very core of our business; it is the Board's job to ensure that they remain a key focus.

For further information please see pages 64 to 73 of the Corporate Governance Report and the Group's ESG activity, overseen by the Board, on pages 34 and 35

5 The desirability of the Company maintaining a reputation for high standards of business conduct

The Company is committed to a policy of minimising any negative social and environmental impact that may flow from its activities. Such expectations are clearly communicated, for example, in the Accsys CSR Policy, Anti-Corruption, Bribery and Tax Evasion Policy and Accsys' Modern Slavery Statement. Accsys is committed to improving its practices to combating and eliminating slavery and human trafficking. The Board periodically reviews and approves such policies and statements (where relevant) to ensure that its high standards are maintained both within the business and by business partners, with training rolled out across the Group to ensure understanding and compliance with key principles.

For further information please see pages 64 to 73 of the Corporate Governance Report

6 The need to act fairly as between members of the Company

The Board are regularly updated on engagement and feedback from Accsys' broad spectrum of stakeholders to enable the Board to consider such views during relevant decision making processes, taking into account the impact of decisions on stakeholder groups. The views of members of the Company are regularly sought, be it at the Company's Annual General Meeting, investor days, live biannual webcast presentations or other

investor meetings during the course of the year, so that decisions can be taken with fairness to members of the Company, taking into account other stakeholder interests.

For further information please see pages 64 to 73 of the Corporate Governance Report

Principal decisions

We outline some of the principal decisions made by the Board over the previous year, explain how the Directors have engaged with the different key stakeholder groups and how stakeholder interests were considered over the course of such decision-making.

1. Capital Raise

In December 2019, the Company raised €46.3 million (before expenses) in aggregate by way of an underwritten Firm Placing and Placing and Open Offer. The net proceeds of the issue are being utilised by the Company to fund the Group's continued growth strategy (as further detailed in the 2019 Fundraising Prospectus.

See: www.accsysplc.com/app/uploads/2020/01/Accsys-Technologies-plc-Prospectus-dated-28-November-2019.pdf.

In making the decision to proceed with the capital raise, the Board considered certain key stakeholder interests, including:

- **Shareholders** – the expansion plans of the Group (as partially funded by the capital raise) and the potential to enhance revenue and growth. In conjunction with its advisers, the Board sought the views of, and commitments from, current shareholders and potential investors in relation to key aspects of the capital raise.
- **Joint venture partners** – including in connection with the Group's Tricoya® project in Hull and the Company's potential Accoya® project in North America. Discussions with actual and potential joint venture partners are frequent and vital to ensuring alignment that will deliver successful outcomes in the longer term.
- **Distributors and other customers** – funds from the capital raise are being utilised for a number of purposes, but principally to increase manufacturing capacity. Understanding the market demand from distributors and key customers for our Accoya® and Tricoya® products has been key in evaluating whether to proceed with growth.



The modular housing pods at the Dyson Institute of Engineering and Technology campus feature Accoya® window frames.

Architect: WilkinsonEyre

- **Employees and Works Council** – our ambitious growth plans will only succeed in the longer term with the support, dedication and hard work of our loyal employees. Understanding their views and addressing concerns as we continue on our growth journey is key. Before launching the capital raise our growth plans were discussed across the Group, including at Town Hall meetings, and with the Works Council in the Netherlands.
- **Community and environment** – ultimately, we believe that growing our manufacturing capability will give communities the choice to build using sustainable, environmentally friendly products. Changing wood to change the world is our core proposition.
- **Key Employees** – once a short list of candidates was agreed, prospective candidates were interviewed not only by the Nomination Committee, but also by other members of Management outside of the Board to ensure alignment with this key stakeholder group. Ensuring the prospective appointee not only had the right experience, but was a 'good fit' was of paramount importance to the Committee.
- **Regulatory** – as the preferred candidate, Rob Harris was then introduced to the Company's Nominated Advisor (NOMAD) to ensure suitability for the role and approval by the NOMAD, another key stakeholder in the process. The introduction also was an important opportunity for Mr Harris to understand more about Accsys from the NOMAD and the corporate and regulatory environment in which it operates.
- **Shareholders** – before the Board approved the appointment of Mr Harris, the Company's largest shareholder in the Netherlands and its largest shareholder in the UK were introduced to Rob and afforded the opportunity to feedback to the Board with any comments prior to his appointment.
- **Business partners** – finally, in reaching its decision to appoint Mr Harris, the Board considered carefully Mr Harris's background and experience, which included 20 years working with petro-chemical companies, including BP, one of the Company's key business partners.
- **Global recruitment advisors** – a leading search firm was retained with a clear brief as to the manufacturing and operational background sought in the new CEO. The agency initially delivered a long list of candidates for consideration by the Nomination Committee, and advised the Committee as it proceeded through the selection process.

The outcome of the engagement and consideration of stakeholder interests was that the capital raise was approved by shareholders at a General Meeting in December 2019. The targeted amount of €46.3 million was successfully raised, with the Open Offer being over-subscribed.

2. New CEO

As described on page 65, the Board approved the appointment of Robert Harris as Chief Executive Officer effective from 20 November 2019. The Board placed great importance on stakeholder interests during the process of appointment and sought to ensure that the appointment would be beneficial to the Group in its next phase of expansion. The Nomination Committee undertook a rigorous search, engaging with or having regard to the following stakeholder groups:

Board of Directors

Key to Committees
● Audit Committee ● Nomination Committee ● Remuneration Committee ● Chair of Committee



Patrick Shanley
Non-Executive Chairman

Background and Experience

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

External Appointments

Non-Executive Chairman of Gattaca PLC

Committee Membership

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Robert Harris
Chief Executive Officer

Rob, born 1963, was appointed CEO on 20 November 2019. Rob brings significant experience from across several industrial sectors, including chemicals, oil, metals, renewables and speciality products. Rob initially spent nearly 20 years with BP plc and Exxon-Mobil. Whilst at BP, Rob was responsible for the successful research, development and commercialisation of an international market-leading wood treatment chemicals business. Rob has subsequently held a number of senior roles, including with manufacturers British Vita, Nippon Glass and Reliance Industries, a Fortune 500 Industrial company and the largest private sector corporation in India. Most recently, Rob was CEO, Europe at Eco-Bat Technologies Limited, a global energy storage product recycling business with sustainable values and annual revenues exceeding £1 billion. During his tenure at Eco-Bat, Rob helped transform the business, both in strategic repositioning and significantly improving profitability and cash flow.

Ad hoc consultancy work for Eco-Bat Technologies Limited. Director of Cat's Pyjamas II Limited



William Rudge
Finance Director

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

None



Nick Meyer
Non-Executive Director

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

Executive Chairman of Consolidated Timber Holdings Group Limited and Executive Chairman of Hardwood Ltd

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Sue Farr
Non-Executive Director

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

Non-Executive Director of British American Tobacco PLC, DNEG Limited and Helical PLC

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Sean Christie
Non-Executive Director

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

Non-Executive Director of Applied Graphene Materials PLC, Turner & Townsend Ltd and Optibiotix Health PLC

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Trudy Schoolenberg
Non-Executive Director (Senior Independent Director)

Trudy has nearly 30 years' experience working for blue-chip companies in the chemicals, engineering and high performance product sectors, including over 20 years with Royal Dutch Shell. She led Research and Development activities, Petrochemical operations and Business strategy and growth plans for Shell Chemicals. She joined the Accsys Board on 1 April 2018. As well as Strategy and Growth experience Dr Schoolenberg has strong operational knowledge, including the development of new manufacturing assets, gained both during her time at Shell and thereafter at Akzo Nobel. Here she was on Akzo's \$4 billion decorative paints Board, responsible for R&D and Integrated Supply Chain. During this period she had responsibility for delivering a new manufacturing plant in Newcastle.

Non-Executive Director of The Netherlands Petroleum Stockpiling Agency (COVA), Spirax-Sarco Engineering PLC (Senior Independent Director) and Avantium N.V.

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Introducing our Non-Executive Chairman Designate

Stephen Odell

Stephen, born February 1955, joins Accsys following 38 years of service at Ford Motor Company, including extensive Board and Chair positions. This included appointments as Chairman and Chief Executive of Ford Europe, Middle East and Africa, during which he led the transformation of the European operations and delivery of profitable growth through new product introduction, increased brand building and driving efficiencies across the operations. He most recently held the position of Executive Vice President of Marketing, Sales and Service and oversaw these areas for all of Ford's operations globally. During his time at Ford, Stephen worked across Ford's operations globally including the USA, Asia and Europe, living overseas in multiple locations in order to lead Ford's other historic brands, including Mazda, Jaguar and Volvo, where Stephen also acted as CEO. Stephen's appointment as a Non-Executive Director becomes effective immediately following release of the Company's preliminary financial results for the year ended 31 March 2020, with his appointment as Non-Executive Chairman effective as Patrick Shanley steps down immediately after the AGM in September 2020 (subject to Stephen's re-election at the AGM).

None

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all with effect from appointment as Non-Executive Director

Senior Management Team

We believe that our employees are key to our success and our high staff retention is reflective of their commitment to the future of the Company

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

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



Bob Mannion
Chief Operating Officer

Hans Pauli
Director of Corporate Development

Angus Dodwell
Legal Counsel and Company Secretary

Eddie Pratt
Director of Business Development

Hal Stebbins
Director, Quality, Supply Chain & Customer Service

John Alexander
Director of Sales and Product Development

Wim Dokter
Site Director – Manufacturing and Engineering

Natalia Bikkenina
Director of Human Resources

George Neel
Director of Marketing and Communications

Background and Experience

Bob Mannion joined Accsys in December 2019. He is a qualified Chemical Engineer and has completed an MBA from Arizona State University.

His experience includes a broad scope of roles across Johnson Matthey Plc over 27 years, beginning as a process engineer, building sites globally, taking on global operational leadership, eventually leading full P&Ls through general management.

He has lived and worked in six different countries including the UK.

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

Angus is responsible for all legal matters with the Accsys Group and is Company Secretary. Angus qualified as a corporate solicitor with international law firm Ashurst Morris Crisp (now known as Ashurst LLP) in September 2002. After gaining further experience in private practice, he has since spent over ten years working in-house for growth companies, advising on a broad range of corporate, commercial and other business matters. Angus joined the Group in September 2008 and is based in London.

Eddie has been with Accsys since 2003 and uses his in-depth knowledge of Accsys to develop new markets and partnerships for Accsys and its branded products. Eddie's earlier career was in investment banking, receiving his training with JP Morgan and working at its affiliate Saudi International Bank where he specialised in corporate and project finance.

Hal has spent most of his career leading global marketing, sales and services operations for a variety of businesses including IBM's forest products solutions team. When he joined Accsys in 2007, Hal was initially responsible for the Group's first worldwide marketing strategy. Since then, Hal has led the growth of our international distributorship and licensing management. Currently he leads teams responsible for wood and chemical supply critical to production, customer service and quality assurance.

John is responsible for Group sales and product development, managing a team across the globe. John's education was in the wood products sector through a degree in Forestry and Forest Products at the University of Wales and a MSc in Timber Engineering at the University of Maine, USA. On graduating from U. Maine, John's career in the wood product industry started as the technical manager for wood composites and the MDF door skin manufacturing plants at Jeld-Wen, USA, the world's largest manufacturer of windows and doors. He then moved to BSW Timber, the largest forestry and sawmilling group in the UK before joining Accsys from BSW in 2010 as Head of Product Development. John took on his current role in 2015.

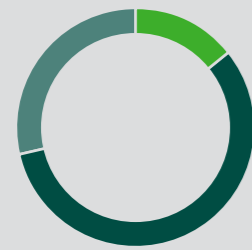
Wim joined Accsys in January 2019, overseeing the Arnhem plant including management of all facets of the day to day manufacturing, production and processes. He holds a PhD from Technical University Eindhoven and has built a broad experience base in operations leadership and transformation, having worked for various companies in the chemical and food industries, with responsibilities for manufacturing, technology, maintenance and engineering. He has developed specific expertise in operations excellence and continuous improvement/Lean Management.

Natalia is responsible for all aspects of global HR, including responsibility for developing a comprehensive global HR strategy which supports business growth and expansion, attracts and retains top talent and drives high performance. Natalia joined the Accsys Group in September 2017 having worked in a number of international industrial and technology businesses. In her role, Natalia will also use her experience of working for start-ups and high growth companies to facilitate the Group expansion plan. Natalia has a degree in Languages and an MBA.

George joined Accsys in August 2019 with responsibility for marketing and communications across the Group. George began his career at L'Oréal on the Graduate Management Scheme before progressing through a succession of UK sales roles. He subsequently worked at Diageo in commercial planning before transitioning into marketing. George gained experience working in a series of European and Global marketing roles most latterly heading up the European Shopper Marketing Team.

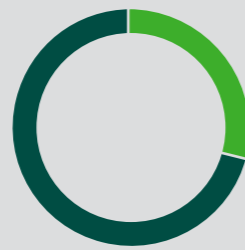
Corporate governance and social responsibility lies at the very core of our business

Dear fellow shareholder, you will have seen my introduction to the Annual Report and read the Strategic Report on pages 18 to 59. Here I wish to provide some further detail on the key areas of focus for us during the year:



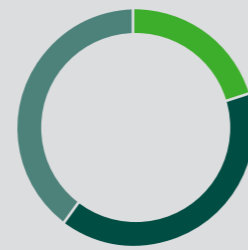
Composition of the Board

- Non-Executive Chairman 1
- Non-Executive Directors 4
- Executive Directors 2



Diversity of the Board

- Female 29%
- Male 71%



Non-Executive Director tenure

- 0-3 years 1
- 3-6 years 2
- 6-9 years 0
- 9+ years 2

“The Board believes that leadership and governance play a key part in achieving its strategic aims.”



See our Compliance with the QCA Corporate Governance Code on pages 69 to 73



Quoted Companies Alliance (QCA) Corporate Governance Code

In 2018, and following a review of corporate governance by the Board, the Company adopted the QCA Code, which it now follows and reports against on a comply-or-explain basis.

At Accsys, we hold a strong belief that we have a collective social responsibility to use and develop our technology to tackle climate change and pollution, and such belief, together with health and safety, remains a fundamental priority of our business. We combine chemistry, technology and ingenuity to make high performance wood products that are extremely durable and stable, opening new opportunities for the built environment. By doing so, we give the world a choice to build sustainably and offer a wide spectrum of other advantages over alternative fossil fuel dependent or man-made products. We transform fast-growing, certified sustainable wood into a building material with characteristics that match or better those of man-made, intensely resource-depleting and heavily carbon-polluting alternatives. Our products not only compete on performance, but also benefit the circular economy, locking away carbon for years, and are sourced from completely sustainable forests.

This values-led vision also provides an attractive opportunity for our employees, distributors, licensees and other stakeholders. We want to ensure that our business is not only a commercial success, but also run in a responsible fashion as we continue to advance technologies for a better world.

Since our values are based on 'changing wood to change the world' the Board believes that leadership and governance play a key part in achieving its strategic aims and providing long-term benefits and success for the business and our shareholders. As such, corporate governance and social responsibility lies at the very core of our business and it is the Board's job to ensure that corporate governance and social responsibility remains a key focus.

Key Governance Changes during the Year

During the financial year there was a key change to our Board composition. On 20 November 2019, Rob Harris was appointed Chief Executive Officer of Accsys and with effect from 31 December 2019, Paul Clegg stepped down from the role. The change in the Chief Executive Officer provides the Company with the extensive manufacturing expertise it requires to evolve as it seeks to expand, build and operate wood acetylation plants around the world. More information of Rob's background is set out on page 60.

Secondly, the terms of reference for each of the Nomination Committee and Remuneration Committee have been further updated to broadly reflect best governance practice as appropriate to Accsys. Copies of the terms of reference for both Committees are available on the Corporate Governance page of our website, www.accsysplc.com.

It should also be noted that as previously announced and as stated on page 18, having served on the Board for nine years, in line with best corporate governance practice, I shall be stepping down as your Chairman later this year. On behalf of your Board, I am very pleased to welcome Stephen Odell as Chairman Designate. Stephen joins Accsys following 38 years of service at Ford Motor Company, including extensive Board and Chair positions; more information on Stephen's background can be found on page 61. Stephen's appointment as a Non-Executive Director becomes effective immediately following release of the Company's preliminary financial results for the year ended 31 March 2020, with his appointment as Non-Executive Chairman effective as I step down immediately after the AGM in September 2020, allowing for an orderly handover.

In the statements in this section we outline the Company's approach to corporate governance and the QCA Code. For further detail on each section please refer to the Statement of Compliance of the QCA Code which can be found at www.accsysplc.com.

Patrick Shanley
Non-Executive Chairman
22 June 2020

Further details of the Company's corporate governance arrangements are set out below:

The Board of Directors

During the year the Board comprised a Non-Executive Chairman, one Senior Independent Non-Executive Director, three further Non-Executive Directors and two Executive Directors for the most part (between November and December 2020, three Executive Directors were in post as we transitioned from our out-going CEO, Paul Clegg, to our new CEO, Robert Harris).

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 scheduled Board meetings that were held. In addition to the scheduled meetings, a number of ad hoc meetings were convened and there is frequent contact between all the Directors in connection with the Company's business including Audit, 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 Executive Committee of which the Chief Executive Officer and Finance Director are members.

Audit Committee composition, role and report for the year

The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. The responsibilities of the Audit Committee include approving certain related party transactions, and identifying irregularities in the management of the Company's business, inter alia, through consultation with the Company's external auditors, and remedial measures to the Board of Directors. The Audit Committee considers the independence and objectivity of the external auditors on an annual basis, with particular regard to non-audit services.

The Audit Committee meets at least twice a year and has unrestricted access to the Company's auditors. The members of the Audit Committee are Sean Christie (Chairman), Patrick Shanley, Nick Meyer, Trudy Schoolenberg and Sue Farr. Stephen Odell joins the Committee with effect from announcement of the Company's preliminary financial results for the year ended 31 March 2020. Both Sean Christie and Patrick Shanley are qualified accountants.

Key matters addressed by the Committee during the year

- Financial reporting
 - review of the integrity of key financial announcements (including the interim results)
 - review of the Annual Report and Financial Statements to confirm the report as a whole was fair, balanced and understandable
 - reviewed and discussed PwC's reports to the committee
 - reviewed the going concern basis of accounting and the longer-term forecasts
 - reviewed new accounting pronouncements and any potential impact for the Group's financial reporting

- External audit matters
 - reviewed the independence, objectivity and effectiveness of PwC
 - reviewed PwC's external audit plan taking account of the scope, materiality and audit risks and agreeing the audit fees
 - monitored the value of non-audit services provided by PwC, ensuring the services do not affect the auditors' objectivity and independence
- Risk management
 - undertook a detailed review of the Group's risk register and the related mitigations, ensuring that risks are appropriately identified, evaluated and mitigated, as appropriate. See Risk section from page 49
- Corporate governance
 - reviewed changes in the field of corporate governance

Nomination Committee

The Nomination Committee regularly reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and its committees, taking account of the Company's strategic priorities, and consults and advises on the same in relation to the Executive Committee, and makes recommendations with regard to any changes to the Board and consults and advises regarding material changes to the Executive Committee. The Committee also oversees the development of a diverse pipeline for succession, having regard to diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. In exercising its role, the Directors shall have regard to the recommendations put forward in the QCA Corporate Governance Code. Patrick Shanley chairs the Nomination Committee and the other members are Sue Farr, Sean Christie, Trudy Schoolenberg and Nick Meyer. Stephen Odell joins the Nomination Committee with effect from announcement of the Company's preliminary financial results for the year ended 31 March 2020 and shall chair the Committee when Patrick Shanley stands down in September 2020.

Remuneration Committee

The role of the Committee is to assist the Board to fulfil its responsibility to shareholders to ensure that the remuneration policy and practices of the Company are designed to support strategy and promote long-term sustainable success, reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements. The role of the Committee is to also ensure that executive remuneration is aligned to Company purpose and values and linked to delivery of the Company's long-term strategy. The Remuneration Committee has primary responsibility for the determination of the framework or broad policy for the remuneration of the Chair, Executive Directors, Company Secretary and Executive Committee members including pension rights and compensation payments. It will also review the performance of the Executive Directors and determine matters relating to their remuneration. Engagement of the Company with its Directors regarding the terms of their remuneration, require approval of the Remuneration Committee. The Remuneration Committee approves the granting of share options and other equity incentives to the Executive Directors and Executive Committee pursuant to any share option scheme or equity incentive scheme in operation from time to time, as well as the overall amount of any share awards across the Group. Sue Farr chairs the Remuneration Committee and the other members are Patrick Shanley, Sean Christie, Trudy Schoolenberg and Nick Meyer. Again, Stephen Odell joins the Committee with effect from announcement of the Company's preliminary financial results for the year ended 31 March 2020.

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;
- 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.

Relation 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. Outside of the current COVID-19 pandemic, in the ordinary course the Board uses the Annual General Meeting to communicate with investors and welcomes their participation. The Chairman ordinarily 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:

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

Director	Board meetings		Audit Committee		Remuneration Committee		Nomination Committee	
	Attended	Serving	Attended	Serving	Attended	Serving	Attended	Serving
Sean Christie	13	15	3	3	10	10	7	7
Paul Clegg	9	11	2	-	1	-	-	-
Sue Farr	10	15	3	3	10	10	7	7
Patrick Shanley	14	15	3	3	10	10	7	7
Nick Meyer	10	15	3	3	7	10	6	7
William Rudge	15	15	3	-	1	-	1	-
Trudy Schoolenberg	10	15	3	3	7	10	5	7
Robert Harris	6	5	1	-	2	-	2	-

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. Although the total number of Board meetings is 15, this includes 10 ad hoc meetings and 3 meetings convened by way of Board committee. Similarly, a number of the Remuneration Committee and Nomination Committee meetings were convened on an ad hoc basis.
2. On 3 July 2019 the Remuneration Committee meeting was a sub-committee meeting and not all members of the committee were present at this meeting.

Set out below are the ten principles of the code and a summary explanation of how the Company currently complies with each key principle.

1. Establish a strategy and business model which promote long-term value for shareholders

Compliant	Explanation	Further Reading
✓	The Company's strategy is to i) drive revenue growth by increasing the Accoya® and Tricoya® volume sold and number of distributors by developing market opportunities into core business; ii) grow manufacturing capacity; iii) develop its people and organisational capability to enable Accsys to meet its growth objectives; and iv) develop technology and IP programmes to focus on value and growth, and to manage risk. Further information on our business model and strategy can be found on pages 30 to 33 respectively. Our Statement of Compliance explains in further detail the Company's key strengths which in turn promote long-term value for shareholders.	See pages 30 to 33 for information on our business model and strategy. See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement.

2. Seek to understand and meet shareholder needs and expectations

Compliant	Explanation	Further Reading
✓	Communications with shareholders are given high priority to ensure that its strategy, business model and performance are clearly understood. There is regular dialogue with shareholders including webcast presentations after the Company's preliminary announcement of the year-end results and six monthly results, regular Regulatory News Service announcements and trading updates. During 2019, the Chairman and the Senior Independent Director invited the Company's ten largest shareholders to meet to discuss areas of importance, providing key shareholders with an opportunity to give feedback to the Board and discuss any areas of concern. Whilst not possible at present given the COVID-19 pandemic, in the ordinary course, Accsys also organises biannual investor roadshows in the UK and Netherlands offering significant shareholders an opportunity to discuss the business, management and strategy of the Company with the Executive Directors. It also remains informed of shareholders' views via regular dialogue with its corporate brokers. Again, outside of the current pandemic, in the ordinary course the Board uses the Annual General Meeting to communicate with investors and welcomes their participation. The Chairs of the Board and all Board Committees, together with all other Directors, in the ordinary course, routinely attend the AGM and are available to answer questions from investors.	See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement.

The QCA Corporate Governance Code continued

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

Compliant	Explanation	Further Reading
✓	<p>The Company's business model identifies that investment in key resources on which the business relies - Accsys' intellectual property, expertise, innovation, research and development, branding, employees and relationships with numerous third parties including business partners, equipment manufacturers, wood suppliers, distributors and customers - underpins all that Accsys does. Investment from the Company's other key stakeholders, its shareholders and finance providers, makes this possible.</p> <p>The Board are regularly updated on engagement and feedback from Accsys' stakeholders to enable the Board to consider such views during relevant decision making processes. Each year, the Board invite all personnel to attend 'Meet the Board Lunches' at its London, Arnhem and Hull offices, providing an informal forum to facilitate and encourage engagement and open dialogue between the Board and the Company's workforce. Following good attendance and positive feedback thus far, the intention is to repeat these informal lunches on an annual basis as and when COVID-19 social distancing guidelines allow. In addition, in 2020 the Group rolled out an employee wide survey to capture the views and opinions of its employees. The results of such survey have been reviewed by the Board and the Executive Committee is now in the process of considering actions to be implemented by the Group as a result of the same.</p> <p>Accsys is also aware of the impact its business and operations have on the wider community and places great importance on community and social responsibility. In particular, the Company has commenced a full review of how we assess Environmental Social and Governance (ESG) criteria, engaging an outside advisory firm to assist us in reaching our material issues and developing our ESG strategy.</p> <p>The Company is committed to continuing research and development concerning its products and processes.</p>	<p>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement, CSR Policy and Modern Slavery Statement.</p> <p>See pages 34 to 37 for more information about our ESG strategy development.</p>

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

Compliant	Explanation	Further Reading
✓	<p>The Board meets regularly and is responsible for strategy, performance, approval of major capital projects and the framework of risk management and 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.</p> <p>The Board is responsible for establishing and maintaining the Company's system of internal risk management, including in relation to its priority surrounding health, safety and the environment, and places importance on maintaining a strong control environment. The key internal procedures which the Directors have established with a view to providing effective internal controls include clear lines of responsibility within the organisation structure, and in relation to finance, a comprehensive annual budget that is approved by the Board and the identification of major business risks to enable appropriate action. Furthermore, monthly results are reported against the budget and variances are closely monitored by the Directors.</p> <p>The Audit Committee 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.</p> <p>The Risk Committee regularly meet and update a risk register which outlines the nature of the risk and any mitigating factors required to protect against such risks. The Risk Committee reports on the risk register to the Audit Committee and thereafter the Audit Committee reports on the same to the Board.</p> <p>The process to mitigate risks within the business can be found on pages 49 to 55.</p>	<p>See pages 49 to 55 for further information on risk and risk management.</p> <p>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement, CSR Policy, Modern Slavery Statement and Terms of Reference Audit Committee.</p> <p>See the Audit Committee Report on page 66.</p>

5. Maintain the Board as a well-functioning, balanced team led by the Chair

Compliant	Explanation	Further Reading
✓	<p>The Board comprises of the Non-Executive Chairman, four other Non-Executive Directors, one of whom acts as Senior Independent Director, and two Executive Directors. All Non-Executive Directors (including the Chairman) continue to be considered to be independent and are able to scrutinise matters and challenge the Executive Directors on an unencumbered basis. In addition, the Company has recently announced the appointment of Stephen Odell as a Non-Executive Director with effect from the Company's announcement of its preliminary financial results for the year ended 31 March 2020. Subject to re-election at the Company's AGM, Stephen will subsequently become Non-Executive Chairman, as Patrick Shanley steps down from the Board in September 2020, immediately following the AGM.</p> <p>The Board has constituted three standing Committees, the Audit Committee, the Nomination Committee and the Remuneration Committee, with ad hoc committees constituted as required. Further information on the Board's committees is provided for on pages 66 and 67.</p> <p>In addition to regular scheduled Board meetings, there is frequent contact between all the Directors in connection with the Company's business including Audit, Nomination and Remuneration Committee meetings which are held as required, but as a minimum twice per annum.</p> <p>Non-Executive Directors' terms of appointment provide that they will spend as much time as necessary and/or reasonably requested by the Board for the fulfilment of their duties. This is anticipated to be in the order of 20 (or more) days per annum, although this is not definitive. All Executive Directors are engaged on a full time basis.</p> <p>Further information on the composition and roles of the Board can be found on pages 66 and 67, including attendance at, and number of Board meetings and committee meetings.</p>	<p>See pages 60 and 61, and 66 for further information on the composition and role of the Board.</p> <p>See page 68 for further information on attendance at Board meetings.</p> <p>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement, CSR Policy, Modern Slavery Statement, Terms of Reference Audit Committee, Terms of Reference Nomination Committee and Terms of Reference Remuneration Committee.</p>

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Compliant	Explanation	Further Reading
✓	<p>The Board is satisfied that it has the appropriate skills and balance of sector, financial and public markets skills and experience as well as an appropriate balance of personal qualities and capabilities and where appropriate each Director keeps his/her skills up-to-date, for example by the completion of the Group's online training programme, attendance at seminars, briefings and through literature.</p> <p>Biographies of Board members can be found on pages 60 and 61.</p> <p>Expert advisors support the Group's businesses and contribute relevant industry and commercial experience. These advisors are drawn from industry, finance, legal and other advisory groups. For example, Deloitte LLP (Deloitte) was appointed by the Nomination and Remuneration Committee as independent adviser to the Committee with effect from 9 January 2018 (before the Committee was disaggregated into two separate committees in 2019) and assisted the Board in the drafting of the new Remuneration Policy as approved at the 2018 AGM. Further information on the engagement and role of external advisors can be found in our Statement of Compliance of the QCA Code.</p> <p>All Directors have access to the advice and services of the Company Secretary and in-house Legal Counsel. In addition, procedures are in place to enable the Directors to obtain other independent professional advice (legal or otherwise) in the furtherance of their duties, if necessary, at the Company's expense.</p> <p>In 2019, Paul Clegg stepped down as Chief Executive Officer and was replaced by Rob Harris, who has extensive manufacturing expertise to assist the Company's evolution, as it seeks to expand, build and operate wood acetylation plants around the world. The recent appointment of Stephen Odell as Chairman Designate further strengthens the Board's international operational expertise.</p>	<p>See pages 60 and 61 for the biographies of Board members.</p> <p>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement.</p>

The QCA Corporate Governance Code continued

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Compliant	Explanation	Further Reading
✓	<p>The Board undertakes an annual review process whereby each Director completes a 'Board and Director Review and Evaluation Paper', ensuring that the Board regularly undertakes a formal and rigorous evaluation of its own performance and that of its Committees and individual Directors.</p> <p>In addition, the performance of the Board, each Director and corporate governance generally was evaluated in 2017, by an independent corporate governance consultant. This review precipitated the enhancement of the Board's operational expertise and the appointment of a Senior Independent Director with the appointment of Trudy Schoolenberg. The intent is for such external review to take place every three years, with the next review deferred pending the appointment of Mr Odell as Chairman becoming effective in September 2020.</p> <p>The results of Board evaluation are shared with the Board as a whole while the results of any individual assessments remain confidential between the Chairman and the Director concerned. The results of the most recent Board evaluation were discussed at the Board meeting in June 2020 and no major concerns were identified.</p> <p>The results of the evaluation (both internal and external) otherwise determined that each Director continues to be effective and continues to demonstrate commitment to their respective roles.</p>	See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement.

8. Promote a corporate culture which is based on ethical values and behaviours

Compliant	Explanation	Further Reading
✓	<p>Since Accsys is an eco-friendly company that combines chemistry, technology and ingenuity to create high performance, sustainable wood building products, a focus on corporate governance and social responsibility lies at the very core of its business. This is further demonstrated in our Environmental, Social and Governance statements (available at www.accsysplc.com 'Investors' page) and Sustainability Report on pages 34 to 41.</p> <p>Accsys aims to reduce the use of environmentally-unfriendly building materials and products by the utilisation of its propriety technology and the introduction and uptake of its products around the world. The planet continues to consume endangered materials like tropical hardwood and non-renewable, high emitting building materials such as plastics, concrete and metals at an alarming rate. Accsys' acetylated wood products offer alternative, sustainable new materials that resolve many of the environmental limitations that commonly used building materials have, whilst not compromising on performance. At present, Accoya® is the only building product perfectly fitting in the bio-cycle of the circular economy while having the same performance as typical techno-cycle building products such as plastics and metals which cannot be renewed.</p> <p>The strategy and business model of the Company in relation to ethical values is readily promoted throughout and evident from the Company's accreditations, a list of which can be found in the Statement of Compliance of the QCA Code.</p> <p>Accsys' approach to ethical values within the Group is further set out in the Company's 2020 Sustainability Report on pages 34 to 41 of this report.</p>	See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement, CSR Policy and Sustainability Report.

9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

Compliant	Explanation	Further Reading
✓	<p>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.</p> <p>During the year, the Board meetings are usually held in London with site visits scheduled to take place annually in Hull and Arnhem to ensure the Board has a deep understanding of the Group's operations. Since late March 2020 and the outbreak of the COVID-19 pandemic, all meetings have been held effectively via video-conference. In addition to the scheduled meetings there is frequent discussion between all the Directors in connection with the Company's business including Audit, Nomination and Remuneration Committee meetings which are held as required, but as a minimum twice per annum. In November 2019, the Board updated further the terms of reference for the Nomination Committee and Remuneration Committee, to broadly reflect best governance practice as appropriate to Accsys. Copies of the terms of reference for both Committees are available on the Corporate Governance page of our website, www.accsysplc.com.</p> <p>Day to day operating decisions are made by an Executive Committee of which the Chief Executive Officer and Finance Director are members.</p> <p>The Board is responsible for the long-term success of the Company. There is a formal schedule of matters which are reserved for the Board, including matters relating to strategy and management, structure and capital, financial reporting and controls, internal controls, contracts, communications, board memberships, remuneration, delegation of authority, corporate governance and Group policies. This schedule of 'matters reserved' is reviewed periodically, and was updated in March 2020 to reflect the Group's evolution as a business and to update it in line with best corporate governance practice, as applicable for Accsys.</p>	See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement, CSR Policy and Sustainability Report. See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement, CSR Policy, Modern Slavery Statement, Terms of Reference Audit Committee, Terms of Reference Nomination Committee and Terms of Reference Remuneration Committee. See Section 172 Statement on pages 56 to 59.

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Compliant	Explanation	Further Reading
✓	<p>The Company regularly communicates with shareholders including presentations after the Company's preliminary announcement of the year-end results and six monthly results and biannual webcasts. Outside of the current COVID-19 pandemic, in the ordinary course the Board uses the Annual General Meeting to communicate with investors and welcomes their participation.</p> <p>Furthermore, the Company issues regular news to its stakeholders via RNS, all of which are displayed on the Company website (News). Other constitutional and governance information, including relating to shareholder meetings and the outcome of shareholder votes, can also be found on the Company Website (Corporate Governance).</p> <p>As noted above, the Board has constituted three standing Committees, the Audit Committee, Nomination Committee and Remuneration Committee, with ad hoc Committees constituted as required.</p> <p>The Audit Committee Report can be found on page 66 and Remuneration Report can be found on page 74, each of which reviews the work of the respective committee during the year.</p> <p>In 2019, following Paul Clegg stepping down as CEO after ten years in the role, after discussions with certain key shareholders, the Nomination Committee undertook the process to appoint a new Chief Executive Officer which resulted in the appointment of Robert Harris in November 2019.</p> <p>The Nomination Committee has also been engaged in the recent Board and Director evaluation carried out early in 2020 together with the appointment of Stephen Odell as Chairman Designate, following Patrick Shanley's decision to step down after nine years in the role, in line with good corporate governance guidelines.</p>	See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement and News. See the Audit Committee Report on page 66. See the Remuneration Report from page 74.

On behalf of the Board, I am pleased to present our Remuneration Report for the year ended 31 March 2020.

We obtained shareholder approval for our Remuneration Policy at the 2018 AGM following a review of our remuneration framework and engagement with major investors. The Board continues to believe that the Policy implemented at that AGM is appropriate and the remuneration structure and mechanisms align shareholder and Executive Director interests as we continue in a period of rapid growth. The Remuneration Committee will however review this further as we progress during this current financial year and ahead of the AGM to be held next year, in 2021, when the Remuneration Policy with any revisions will again be tabled to shareholders for a binding vote.

This year's Remuneration Report sets out the Remuneration Policy approved in 2018 on pages 78 to 83 of the Report, with the remainder of the Report (pages 83 to 91) setting out how we propose to implement the Policy for the year ahead and summarising the outcomes in respect of the year ended 31 March 2020. This part of the Report will be subject to an advisory vote at our AGM.



Sue Farr
Non-Executive Director

Coronavirus (COVID-19) pandemic

At this unprecedented time of the global COVID-19 pandemic, our primary focus has been to seek to ensure the health and welfare of employees across the Group. We have also been working with other key stakeholders, including our customers, suppliers, contractors and other business partners to that end. The pandemic has not materially adversely impacted Group performance during the year ended 31 March 2020, and a clear plan of action driven by the Executive Directors at the end of March 2020 has enabled the Company to maintain a strong financial position going into the new financial year. Prompt action was taken by the Executive Directors at the outset of the pandemic to improve the structural cost position of the Group and control spend where possible, with a view to positioning Accsys well as we move through the year ahead. A key part of the Executive Director's plan has been to protect so far as reasonably possible its broad workforce; redundancies due to the pandemic have thus far not been necessary. I am particularly pleased by the collegiate response from the Group, and willingness of my fellow Board Directors, the Senior Management Team and mid-senior level employees to accept a temporary 20% pay cut from 1 April 2020, so as to protect our lower income employees where possible. I believe that the steps taken have been fairly balanced to take account of the workforce, other stakeholder and shareholder interests, and am grateful for the salary reduction initiatives promoted by the Executive Directors and the Senior Management Team.

The Executive Directors have also proposed that they and their Senior Management Team forego any salary increase in respect of the financial year ended 31 March 2021.

Remuneration outcomes for the year ended 31 March 2020

As discussed in detail on pages 44 to 48 of this Annual Report, the Group has reported strong financial results which saw underlying group revenue increasing by 21% to €90.9m, underlying EBITDA increase by 677% to €7.0m and positive EBIT being achieved for the first time since the Group was restructured in 2010. This was principally achieved by Accoya® sales volumes increasing by 16% to 57,842 cubic metres, which in turn was facilitated by the full production benefit being realised from the Arnhem plant's new third reactor, together with an increase in price and margin. This has all been achieved notwithstanding the challenges brought by the COVID-19 pandemic that impacted on March 2020 sales.

The annual bonus for the year was based on a combination of stretching financial and operational objectives, with targets set at the start of the year. As in previous years, 25% of the Finance Director's annual bonus is based on achievement of personal performance targets.

I am pleased to report that the maximum EBITDA target was met for the first time since I became a Board member in 2014. Good operational performance at our Accoya® production plant in Arnhem following completion of its expansion in the previous financial year enabled strong Accoya® sales growth, with this target also being met in full. As a growth company, we currently have three projects in the planning and engineering stage, each with the intent of expanding the Group's production capacity, namely for Accoya® and Tricoya® plants in the USA and Malaysia respectively, alongside the further expansion of the Arnhem plant with the addition of a fourth Accoya® production reactor. Progress on all these fronts has been sound and the performance targets previously set met.

The speed of construction of the Tricoya® plant in Hull increased in the second half of the financial year. However, the Executive Directors recognise the challenges that have been faced in delivering this project. As such, the Executive Directors requested that in relation to the Hull progression performance metric, the Remuneration Committee determine a nil performance outcome, and that we also consider exercising discretion to further reduce the annual bonus out-turn to reflect the Hull delay and cost overruns as well as COVID-19. After careful consideration, the Committee has accepted the Executive Directors' recommendation in respect of the Hull project and determined a nil outcome in relation to that

target. In addition the Committee exercised its discretion to reduce the annual bonus award relating to Group targets for the Executive Directors serving at the outset of the financial year ended 31 March 2020, namely Paul Clegg and William Rudge, by 50% in light of the Hull plant delay and cost overruns. On careful consideration, the Committee's view is that the delays and additional costs relating to the Hull plant pre-dated Rob Harris's appointment as CEO, and therefore the Committee has determined that this reduction shall not be applied to Mr Harris.

Overall, and taking into account personal performance, the bonus outcomes were between 40–80% of the maximum (40–80% of salary), for the Executive Directors, with pro rating applied for both Paul Clegg and Robert Harris to reflect time in service during the financial year. The Committee believes this outcome is an appropriate reflection of performance in the year.

Further detail on the individual outcomes and performance against the targets is set out on pages 84 to 88 on this report.

In light of COVID-19, the Remuneration Committee have also given careful consideration as to the affordability of annual bonuses in light of the slow-down in sales from the end of March 2020 into the new financial year ending 31 March 2021 and uncertainty as to the outlook going forward. Following careful consideration the Committee has determined that all Group annual bonuses, including those payable to the Executive Directors, shall be paid out in ordinary shares in the Company rather than cash, and (other than in respect of Mr Clegg) will be subject to a one year deferral period subject to good leaver/bad leaver terms. In order to avoid any unintentional gains as a result of the fall in the Company's share price due to the pandemic, the Committee has further determined that the number of shares to be issued be calculated using a price of €1.05 per share. This is the price that shares in the Company were issued at on 23 December 2019 at the time of the Company's most recent capital raise, before the impact of the pandemic.

In the period to 31 March 2020, LTIP awards granted in 2016 vested in June 2019. This was based on EBITDA measured to 31 March 2019 and share price growth (versus a comparator group) measured to the date of vesting. The actual level of vesting was determined as 0% in respect of the EBITDA element and 100% in respect of the share price growth element, resulting in an overall award of 50% of the maximum opportunity.

Remuneration outcomes for the year ended 31 March 2020 continued

The LTIP awards granted in 2017 will vest in June 2020. Again, these are based on EBITDA, measured to 31 March 2020 and share price growth (versus a comparator group) measured to the date of vesting. In considering the level of vesting for the EBITDA target the Committee considered a number of adjustments, including the

beneficial effect in the current year of the delay to the Hull project, and determined 0% would be appropriate. The level of vesting is estimated to be 45% in respect of the share price growth element, resulting in an overall estimated award of 45% of the maximum opportunity. The Committee considers the level of pay-out is reflective of the overall performance of the Group over the relevant performance periods and is appropriate.

Remuneration Policy considerations review

We retain a simple and transparent overall structure with key components and features of our framework as follows:

Salary	<ul style="list-style-type: none"> Market competitive and not excessive. Any percentage increase to salaries is normally in line with those awarded to the wider workforce.
Benefits and pension	<ul style="list-style-type: none"> Benefits consist of car allowance, private medical insurance, life insurance and travel. Pension allowance of 8% of salary, being aligned with other employees in the business.
Annual Bonus	<ul style="list-style-type: none"> Annual maximum (for FY21) of 100% of salary. Based on a mix of financial, strategic and operational objectives, with stretching targets. Clawback provisions apply.
LTIP	<ul style="list-style-type: none"> Award sizes (for FY21) of 100% of salary (CEO) and 75% of salary (Finance Director). Based on stretching three year performance targets (see below). Vested awards are subject to an additional two year holding period, aligned with best practice for UK-listed companies and in excess of typical practice for AIM-listed companies. Malus and clawback provisions apply.
Shareholding guidelines	<ul style="list-style-type: none"> Executive Directors are expected to build up and retain a shareholding of at least 200% of salary.

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

Board changes

As previously reported, Rob Harris was appointed as the Company's CEO on 20 November 2019, with Paul Clegg stepping down from the Board on 31 December 2019 following a short period of transition. Bonus awards in respect of the financial year ended 31 March 2020 will be pro-rated for Rob Harris and Paul Clegg to reflect their time in service during the year. Any outstanding LTIP awards granted to Paul Clegg will also vest subject to the LTIP rules and subject to performance with pro-rating for time; the normal vesting and holding periods will continue to apply.

Further details relating to Paul Clegg's remuneration in the year ended 31 March 2020 are set out on pages 84 to 88.

Rob Harris, CEO, was appointed on a salary of £290,000 and with a pension contribution of 8% of salary. All other remuneration arrangements are in line with our remuneration policy, and are provided on pages 78 to 82.

Stephen Odell has been appointed a Non-Executive Director and Chairman Designate with effect from the publication of the Company's preliminary financial results for the year ended 31 March 2020. As previously announced, Patrick Shanley intends to step down from the Board at the end of the AGM in September 2020, at which point, and subject to re-election at the AGM, Stephen's appointment as Chairman shall become effective. Details as to Stephen's fees for acting as Non-Executive Chairman shall be reported on in next year's Directors' Remuneration Report.

LTIP awards for 2020

As reported last year, our LTIP has evolved significantly over recent years, with the implementation of rolling annual awards in line with best practice, as well as improving alignment of performance measures to the delivery of our long-term strategy. Our business has clearly defined strategic objectives to execute over the coming years and we believe that increasing alignment of our incentives to the delivery of these objectives is right for the business and our shareholders.

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

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

Given the uncertainties that have impacted the Group arising out of the COVID-19 pandemic, the Committee has elected to defer the grant of any LTIP awards in 2020 until the Committee determines that it has greater visibility as to the Group's outlook and stretching performance targets can be reasonably set. It is currently anticipated that this deferral be short-term. Any LTIP awards made during 2020 will, as with the previous year, be subject to stretching performance targets in both EBITDA and Sales Volume performance measures, as described further on page 86.

To the extent that LTIP awards are made in 2020, it is currently expected that they will be 100% of salary for the CEO and 75% of salary for the Finance Director, in line with our Policy. In line with best practice, awards are subject to a two year holding period post-vesting.

Salaries, benefits and pensions

At the start of the financial year ended 31 March 2020, the Committee undertook a review of the Finance Director's remuneration, to ensure it continued to reflect the scope of his responsibilities, performance in the role and appropriate market data in comparable companies of a similar size.

Following careful consideration by the Remuneration Committee, the salary of William Rudge, Finance Director was adjusted to reflect a one-off increase of 13% to £170,000, with effect from 1 December 2019.

No other adjustments to Executive Director salaries, benefits or pensions were made during the financial year ended 31 March 2020.

As noted above, the Executive Directors have proposed that they and their Senior Management Team forego any salary increase in respect of the financial year ended 31 March 2021.

2020 AGM

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

Yours sincerely

Sue Farr
Chair of the Remuneration Committee
22 June 2020

* Context for executive pay

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

Remuneration Report continued

Directors' Remuneration Policy

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

Element	Purpose and operation	Maximum	Performance measures
Base salary	<p>An appropriate level of fixed remuneration to reflect the individual's skills and experience.</p> <p>Salaries are normally reviewed annually by the Committee, taking into account relevant factors that may include: individual performance, corporate performance, changes to an individual's role and responsibilities, and appropriate market data.</p>	<p>There is no prescribed maximum.</p> <p>Any percentage increase to salaries would normally be in line with those awarded to the wider workforce. Larger increases may be awarded in circumstances considered appropriate by the Committee, such as an increase in the size of the business or the responsibilities of the role, or changes in the competitive marketplace.</p>	N/A
Benefits	<p>To provide a market competitive benefits package.</p> <p>Benefits may comprise a car allowance, private medical insurance, life insurance and reimbursed business expenses (including any associated tax liability) incurred when travelling in performance of duties.</p> <p>The Committee may determine that other benefits be provided where appropriate (for example – relocation costs).</p>	<p>There is no prescribed maximum.</p> <p>The level of benefits is set at an appropriate market rate.</p>	N/A
Pension	<p>Contributions to the Company's pension scheme, or an equivalent cash supplement is provided.</p>	<p>Current contributions are 8% of salary for the Executive Directors.</p> <p>The maximum allowable contribution is 15% of base salary.</p>	N/A
Annual Incentive Plan	<p>To drive and reward the delivery of business objectives for the financial year.</p> <p>The bonus is discretionary and any pay-out is determined by the Committee based on performance. Targets are set and assessed by the Committee each year.</p> <p>Amounts may be satisfied in cash, or at the Committee's discretion, shares.</p> <p>Clawback provisions apply.</p>	<p>The current maximum annual opportunity for all Executive Directors is 100% of salary.</p> <p>The Committee retains discretion to provide a maximum opportunity of up to 200% of salary in respect of a particular financial year.</p>	<p>Awards will normally be based on a combination of financial and non-financial goals measured over one financial year, with at least 50% normally assessed against financial metrics.</p> <p>The Committee retains discretion to adjust performance measures and targets during the year to take account of events outside of management control which were unforeseen when the measures and targets were initially set.</p>

Element	Purpose and operation	Maximum	Performance measures
Long Term Incentive Plan (LTIP)	<p>To reward Executive Directors for the delivery of long-term performance and align their interests with shareholders.</p> <p>Awards are made under, and subject to the terms of, the 2013 LTIP approved by shareholders at the 2013 AGM.</p> <p>Awards may be in the form of nil or nominal cost options, or any other form allowed by the Plan rules.</p> <p>Awards vest over a period of at least three years, subject to performance. Vested shares are subject to an additional holding period of at least two years.</p> <p>Clawback and dividend equivalent provisions apply (see notes to the table).</p>	<p>Award levels in respect of a financial year are currently up to 100% of salary for Executive Directors.</p> <p>The Committee retains discretion to make annual awards of up to 300% of salary.</p>	<p>Performance targets are measured over a period of at least three financial years, using performance measures aligned to the delivery of the strategy and long-term shareholder value.</p> <p>Awards in 2020 are currently deferred due to uncertainties arising out of the Coronavirus pandemic. To the extent that awards in 2020 are granted, performance targets are currently expected to be:</p> <p>Group EBITDA per share (60%),</p> <p>Group sales volume (40%).</p> <p>25% of awards vests for attaining threshold level of performance.</p> <p>The Committee retains discretion to use different or additional performance measures or weightings to ensure that awards remain appropriately aligned to the business strategy and objectives.</p> <p>Non-financial performance measures will normally be subject to a financial underpin.</p> <p>The Committee will consider the Group's overall performance before determining the final vesting level.</p>
Shareholding guidelines	<p>To increase long-term alignment between executives and shareholders. Executive Directors are expected to build up and retain a beneficial holding of at least 200% of base salary.</p>	N/A	N/A

Notes to the Policy table:

- LTIP awards which vest under this Policy may benefit from the right to receive an amount equal to the value of, if applicable, any dividends which would have been paid on vested shares up to the time of vesting (or where the award is subject to a holding period, up to the time of release).
- The Annual Incentive Plan and LTIP contain clawback provisions in the event of a material misstatement of results, censure by a regulatory authority or any other serious damage to the Company reputation, or fraud or gross misconduct. The cash and, if applicable, share elements of the Annual Incentive Plan may be clawed back for a period of three years from the date on which the Annual Incentive Plan payment is made. Awards under the LTIP may be cancelled or reduced (prior to vesting), or clawed back for a period of three years post vesting.
- The remuneration framework for other employees is based on broadly consistent principles used to determine the policy for Executive Directors. All executives and senior managers are generally eligible to participate in some form of annual incentive arrangement. Participation in the LTIP is extended to executives and senior managers, with LTIP performance conditions generally consistent across all levels. Individual salary and pension levels and incentive award sizes vary according to the level of seniority and responsibility.

Notes to the Policy table continued:

4. The choice of the performance measures applicable to the Annual Incentive Plan (currently EBITDA, sales volume, and operational measures) reflects the Committee's view that incentives should be aligned to the Group's key annual financial and strategic objectives. For the LTIP, the measures for the 2020 award (EBITDA per share and sales volume) provide a suitable balance between incentivising the execution of the Company's long-term capacity expansion programme and ensuring the delivery of profit growth alongside that operational delivery. For both the Annual Incentive Plan and the LTIP, the Committee sets challenging targets taking into account the Board's objectives for the business. Performance conditions may be amended or substituted by the Committee if an event occurs which causes the Committee to determine an amended or substituted performance condition would be more appropriate and not materially more or less difficult to satisfy.
5. The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretion available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment either agreed: (i) prior to the Policy set out above came into effect; (ii) during the term of, and were consistent with, any previous policy approved by shareholders; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.
6. Under the rules of the LTIP, the terms of any award may be adjusted to take account of a Company reorganisation, such as a variation of capital, rights issue, demerger or special dividend.
7. In respect of the shareholding guideline, vested but unexercised LTIP shares will count towards the guideline (on a net of tax basis). It is anticipated that the level of shareholding set out in the guideline will normally be met within five years of appointment as an Executive Director (or from the approval of this Policy). The Committee will take into account LTIP vesting levels and personal circumstances when assessing progress against the guideline.
8. There are no changes from the previous remuneration policy approved by shareholders at the 2018 AGM.

Application of the Remuneration Policy

The potential pay-out under the Policy for each Executive Director under three different illustrative performance scenarios was set out in the policy reported in the Annual Report for the year ended 31 March 2018.

Recruitment Remuneration policy

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

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

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

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

Directors' service contracts

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

Name	Notice period from individual (months)	Notice period from company (months)
Robert Harris	6	6
William Rudge	6	6

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

The Company's general policy on recruiting a new Executive Director is to provide a service contract terminable after six months. However the Committee reserves the right to introduce a longer notice period (of up to 12 months) which would reduce to six months over time. Provisions for compensation for termination would normally follow those described above.

Outside appointments

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

Termination policy summary

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

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

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

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

Change of control

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

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

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

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

NED contracts

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

Name	Unexpired term (months)
Nick Meyer	6
Patrick Shanley	29
Sean Christie	5
Sue Farr	5
Trudy Schoolenberg	9

Consideration of employment conditions elsewhere in the Group

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

Consideration of shareholder views

The Committee undertook a consultation exercise with major shareholders in respect of the development of this Remuneration Policy in 2018, and the feedback received was taken into account in finalising the Policy.

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

Implementation of the Remuneration Policy for the year ending 31 March 2021

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 March 2021 is set out below.

Base salary

Given the uncertainty surrounding the COVID-19 pandemic, a review of salary increases for the Group's employees has been deferred until later in the year. In any event, the Executive Directors have proposed that they and their Senior Management Team forego any salary increase. This has been accepted by the Committee.

Base salaries for the Executive Directors are set out below:

	Year ending March 2021	Year ended March 2020	% increase
Rob Harris ¹	£290,000	£290,000	0.0%
William Rudge ²	£170,000	£170,000	0.0%

¹ Rob Harris was appointed to the Board on 20 November 2019, his salary being effective from this date.

² William Rudge's salary was adjusted to reflect a one-off increase of 13% to £170,000, with effect from 1 December 2019.

Pension arrangements

In accordance with the Policy, the Executive Directors will receive pension contributions (or cash supplements) of 8% of base salary.

Annual bonus

For the year ending 31 March 2021, the maximum annual bonus opportunity will be 100% of salary in accordance with the Policy. Payouts will be determined based on the delivery of stretching financial, operational and personal objectives with the weightings for the various components as follows:

	Weighting (% of bonus)	
	CEO	Finance Director
Group EBITDA	45%	33.75%
Accoya® revenue	10%	7.5%
Progression with the Hull plant	30%	22.5%
Progression with Arnhem reactor 4	5%	3.75%
Progression of US Accoya® plant and Malaysian Tricoya® plant project	5%	3.75%
ESG Agenda	5%	3.75%
Personal objectives	-	25%

The Committee believes that the underlying targets are commercially sensitive and cannot be disclosed at this stage. The Committee retains the discretion to award a bonus in excess of 100% (but within the policy limit of 200%) in the event of exceptional events resulting in significant unexpected value creation for the Group.

Implementation of the Remuneration Policy for the year ending 31 March 2021 continued

Long-term incentives

For the year ending 31 March 2021, annual LTIP awards will be made in line with the Policy, as shown in the following table.

Name	2020 (% of salary)
Robert Harris	100%
William Rudge	75%

As explained above, the grant of LTIP awards in 2020 has been deferred given current uncertainties arising out of the Coronavirus pandemic. To the extent any LTIP awards are granted in 2020, these are currently expected to vest after three years and be dependent on two performance conditions, EBITDA per share (60% of maximum) and sales volume (40% of maximum). The 'Threshold', 'Stretch' and 'Maximum' targets will be set in due course prior to any grant and vesting will be 25%, 75% and 100% of maximum respectively. Vesting between the targets will be on a straight-line basis.

In line with the Policy, upon vesting, any 2020 LTIP awards will be subject to an additional holding period which expires on the fifth anniversary of the date of grant together with the claw-back provisions as set out in further detail in the Remuneration Policy.

Non-Executive Directors

The fees for the Non-Executive Directors are shown in the table below.

	Year ending March 2021	Year ended March 2020	% increase
Chairman fee	£78,633	£78,633	0.0%
Base NED fee	£41,820	£41,820	0.0%
Additional fees:			
Senior independent director	£5,228	£5,228	0.0%
Committee chairmanship fee per committee	£5,228	£5,228	0.0%

Remuneration received by Directors in the year ended 31 March 2020 (audited)

Directors' remuneration for the year ended 31 March 2020 (and for the prior year ended 31 March 2019) is shown in the following tables:

	Currency	Salary/ Fees	Benefits in Kind ¹	Annual bonus ²	LTIPs vested / expected to vest ³	Pension ⁴	2020 Total	2020 Total EUR
Executive Directors								
Paul Clegg ⁶	£	200	14	68	119	20	422	477
Robert Harris ⁷	£	106	1	73	-	8	187	216
William Rudge	£	155	2	73	39	14	282	322
Non-Executive Directors								
Sean Christie	£	47	-	-	-	-	47	53
Sue Farr	£	47	-	-	-	-	47	53
Montague John "Nick" Meyer	£	41	-	-	-	-	41	47
Patrick Shanley ⁵	£	78	-	-	-	-	78	89
Trudy Schoolenberg ⁸	£	88	-	-	-	-	88	101

	Currency	Salary/ Fees	Benefits in Kind ¹	Annual bonus ²	LTIPs vested / expected to vest ³	Pension ⁴	2019 Total	2019 Total EUR
Executive Directors								
Paul Clegg	£	261	18	183	218	26	706	811
William Rudge	£	146	2	96	61	7	313	358
Non-Executive Directors								
Sean Christie	£	46	-	-	-	-	46	52
Sue Farr	£	46	-	-	-	-	46	52
Montague John "Nick" Meyer	£	41	-	-	-	-	41	46
Patrick Shanley ⁵	£	79	-	-	-	-	79	90
Trudy Schoolenberg	£	46	-	-	-	-	46	52

Figures shown in thousands. Figures are shown in the currency in which the majority of remuneration received. The final column converts remuneration into the Company's reporting currency using the monthly exchange rate when the costs are incurred.

1. Taxable benefits for the Executive Directors in the year included a car allowance (for Paul Clegg only), private medical insurance, life insurance and reimbursed business expenses.
2. Represents annual bonus paid in shares (deferred in case of William Rudge and Robert Harris) in respect of the relevant financial year (further detail for the year ended 31 March 2020 is shown below) and a £10,000 cash bonus to Will Rudge paid during the year ended 31 March 2020.
3. For 2020, an estimated amount is shown in respect of vesting of the 2017 LTIP award. The value of this award has been based on the three-month average share price as at 31 March 2020 of €1.05. This award is expected to vest in June 2020. For 2019, the value of the 2016 LTIP award which vested on 27 June 2019 has been updated for the actual share price on the date of vesting (€1.15).
4. Paul Clegg and Robert Harris received cash in lieu of pension.
5. Patrick Shanley amounts include actual amounts paid in both GBP and EUR.
6. Paul Clegg stepped down from the Board on 31 December 2019, his remuneration in the table above reflects his time in service during the year. Details of Paul Clegg's payments for loss of office is set out on page 88.
7. Rob Harris was appointed to the Board on 20 November 2019, his remuneration in the table above reflects his time in service during the year.
8. Trudy Schoolenberg's fees for the year include £41,000 for consultancy fees related to the Tricoya[®] plant currently under construction in Hull, UK.

Annual bonus for the year ended 31 March 2020 (audited)

For the year ended 31 March 2020, the maximum annual bonus opportunity was 100% of salary in accordance with the Policy. Payouts were determined based on performance, taking into account the delivery of stretching financial and operational objectives with the weightings for the various components as follows:

	Weighting – Current CEO (% of bonus)		Weighting – FD (% of bonus)		Weighting – Former CEO (% of bonus)	
	Maximum	Outcome	Maximum	Outcome	Maximum	Outcome
Group Objectives:						
Group EBITDA (excluding Tricoya®)	50%	50%	37.5%	37.5%	50%	50%
Accoya® Sales Volume	20%	20%	15%	15%	20%	20%
Progression with Hull Plant	20%	0%	15%	0%	20%	0%
Progression of Arnhem Reactor 4	5%	5%	3.75%	3.75%	5%	5%
Progression of US Accoya® and Malaysian Tricoya® projects	5%	5%	3.75%	3.75%	5%	5%
Sub-total – Group Objectives	100%	80%	75%	60%	100%	80%
Personal Objectives:	-	-	25%	13%	-	-
Formulaic bonus outcome		80%		73%		80%
Committee discretion – reduction in Group objectives elements by 50%		N/A		(30%)		(40%)
Final bonus outcome		80%		43%		40%

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

In relation to Progression with the Hull project, the Executive Directors requested that the Committee determine a nil performance outcome, and further that the Committee exercise their discretion to further reduce the annual bonus payment overall to reflect the timing delay and cost overruns in delivering this project as well as in relation to COVID-19. After careful consideration, the Committee has accepted the Executive Directors' recommendation in relation to the Hull project and determined a nil outcome in respect of the Hull project target. In addition the Committee exercised its discretion to reduce the annual bonus payments relating to Group targets for the Executive Directors serving at outset of the financial year ended 31 March 2020, namely Paul Clegg and William Rudge, by 50% in light of the Hull plant delay and cost overruns. On careful consideration, the Committee's view is that the delays and additional costs relating to the Hull plant pre-dated Robert Harris's appointed as CEO, and therefore the Committee has determined that this reduction shall not be applied to Mr Harris.

Overall, and taking into account personal performance, the bonus outcomes were between 40–80% of the maximum (40–80% of salary), for the Executive Directors, with pro-rating applied to reflect Paul Clegg and Robert Harris's time in service during the financial year). The Committee believes this outcome is an appropriate reflection of performance in the year.

In light of COVID-19, the Remuneration Committee have also given careful consideration as to the affordability of annual bonuses in light of the slow-down in sales from the end of March 2020 into the new financial year ending 31 March 2021 and uncertainty as to the outlook going forward. Following careful consideration the Committee has determined that all Group annual bonuses, including those payable to the Executive Directors, shall be paid out in ordinary shares in the Company rather than cash, and (other than in respect of Mr Clegg) will be subject to a one year deferral period subject to good leaver/bad leaver terms. In order to avoid any unintentional gains as a result of the Company's share price fall due to the COVID-19 pandemic, the Committee has further determined that the number of shares to be issued be calculated using a price of €1.05 per share. This is the price at which shares in the Company were issued at on 23 December 2019 at the time of the Company's most recent capital raise and before the impact of the COVID-19 pandemic.

LTIP vesting in respect of performance to the year ended 31 March 2020 (audited)

The 2017 LTIP awards (see table below) are expected to vest in June 2020 by reference to EBITDA performance over a three year period ended 31 March 2020 (50% weighting) and share price growth against the FTSE AIM All Share Index (excluding the Resource and Financial Sectors) measured from the date of grant of award to the date of vesting (50% weighting). In considering the level of vesting for the EBITDA target the Committee considered a number of adjustments, including the beneficial effect in the current year of the delay to the Hull project, and determined 0% would be appropriate. The element relating to share price growth vested with an anticipated amount of 90%, resulting in an estimated overall vesting of 45% of the maximum award.

Metric	Weighting (% of award)	Threshold	Target	Maximum	Actual performance	Vesting (% maximum)
Estimated total vesting (% of maximum)		25%	50%	100%		45%**
EBITDA per share in FY20 (% of element)	50%	€0.04	€0.06	€0.08	€0.036*	0%
Share Price Growth vs Comparator Group (% of element)	50%	Median	N/A	Upper Quartile	Between median and upper quartile	90%

- Vesting is on a straight-line basis between points in the schedule. There is no vesting for performance below Threshold.
- EBITDA based on total Group EBITDA including licensing income. Appropriate adjustments may be made to the EBITDA per share metric to ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of award.
- Comparator Group is the constituent companies of the FTSE AIM All Share Index (excluding the Resource and Financial Services Sectors).
- * In considering the level of vesting for the EBITDA target the Committee considered a number of adjustments, including the beneficial effect in the current year of the delay to the Hull project.
- ** denotes that 45% is the estimated outcome, subject to final analysis of share price growth against comparator group as at 20 June 2020.

The Committee considers the level of pay-out is reflective of the overall performance of the Group over the relevant performance periods and is appropriate.

As discussed on page 89, Paul Clegg's 2017 LTIP will be pro-rated to reflect his time in service during the performance period. Accordingly, the value in the single figure table on page 84, is the pro-rated figure.

The 2017 LTIP award was granted on 20 June 2017 when the share price was €0.88. The three-month average share price ending on 31 March 2020 was €1.05. This equated to an increase in value of €0.17 per share due to vest on 20 June 2020. The proportion of the value attributable to share price growth is therefore 45%. The Committee did not exercise discretion in respect of this award.

Scheme interests awarded during the year (audited)

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

Type of Award	Basis of award granted	Face value of award ¹ €000s	% of maximum vesting for threshold performance	Performance Period
Robert Harris ²	Nil cost options	104	25%	Three years to 20 November 2022
William Rudge	75% of salary	113	25%	Three years to 24 June 2022

1 Face value determined using share price determined at grant of €0.98 per share for Rob Harris and €1.17 per share for William Rudge.

2 Award for Rob Harris was pro-rated to reflect his appointment on 20 November 2020.

The performance targets for these awards are as follows:

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

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

Payments to past Directors (audited)

Paul Clegg stepped down from the Board with effect from 31 December 2019. Payments made to Mr Clegg during the financial year ended 31 March 2020 are set out above and further described below.

Hans Pauli stepped down from the Board on 31 December 2018, but has remained a member of the Company's Senior Management Team having responsibility for corporate and business development. He has continued to receive payments in respect of his employment in that role. LTIP awards granted to Hans Pauli in 2016 vested in respect of 65,314 shares on 27 June 2019, as set out on page 76 above.

Payments for loss of office (audited)

In accordance with Mr Clegg's service contract with the Company (now terminated), Mr Clegg received in January 2020 a gross payment for loss of office in lieu of contractual notice equal to 12 months of basic salary, being £262,000.

Mr Clegg is eligible to receive a discretionary bonus under the Company's Annual Incentive Plan for the financial year ended 31 March 2020 pro-rated for time in service to 31 December 2019. The discretionary bonus has now been calculated by reference to the performance measurements as applied by the Remuneration Committee for the financial year ended 31 March 2020 as further described above.

Accordingly a payment of £78,618, as disclosed in the single figure table on page 91, shall be made within 30 days after the preliminary announcement by the Company of these financial results for the year ended 31 March 2020. As reported above, the Committee has determined that all bonus payments, including to Mr Clegg, shall be paid in ordinary shares in the Company, and calculated using a share price of €1.05 (being the price at which shares in the Company were issued at on 23 December 2019 at the time of the Company's most recent capital raise and before the impact of the pandemic on the Company share price).

Mr Clegg's interests in ordinary shares in the Company granted in 2016 under the Company's Long Term Incentive Plan (the "LTIP"), have vested in accordance with the LTIP rules, and the normal holding periods will continue to apply. Awards granted under the Plan in 2017 and 2018 will lapse in part by an amount equal to the proportion that the number of complete months between 31 December 2019 and the third anniversary of the date such awards were granted bears to thirty six months. The balance of awards granted in favour of Mr Clegg under the LTIP in 2017 and 2018 will vest in accordance with the LTIP rules, and the normal vesting and holding periods will continue to apply. Awards will continue to be subject to malus and clawback provisions in accordance with our remuneration policy and LTIP rules.

The Company has also paid the sum of £3,000 plus VAT towards legal fees incurred in connection with the foregoing and will continue to pay the costs of Mr Clegg's private medical insurance cover to 31 December 2020.

The payments and benefits referred to above are subject to certain contractual terms and the terms of the underlying AIP rules and LTIP rules. No other remuneration payment or any payment for loss of office is being made to Mr Clegg.

Statement of Directors' shareholding and share interests (audited)

	Shares beneficially held ¹ as at 31 March 2020	Vested but unexercised LTIPs	Unvested LTIP awards ²
Paul Clegg ³	716,432	1,449,056	292,696
Rob Harris ⁴	44,444	–	105,699
William Rudge	192,000	212,394	274,135
Sean Christie	83,369	–	–
Sue Farr	35,000	–	–
Montague John 'Nick' Meyer	74,189	–	–
Patrick Shanley	115,425	–	–
Trudy Schoolenberg	44,444	–	–

1 Includes shares held by connected persons.

2 Includes 45% of the 2017 LTIP expected to vest in June as disclosed above.

3 Paul Clegg's shareholding and share interest is up to the date of stepping down from the Board (31 December 2019).

4 Rob Harris' shareholding and share interest if from the date of his appointment to the Board (20 November 2019).

There has been no change in the beneficial holding of the Directors between the year end and the date of this report.

The unvested LTIP awards consist of 2017, 2018 and 2019 LTIP awards. The performance condition for the 2019 award is summarised in the section above, and for the 2017 Award is summarised on page 87.

Statement of Directors' shareholding and share interests (audited) continued

The performance conditions for the 2018 awards is summarised in the table below.

2018 LTIP

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

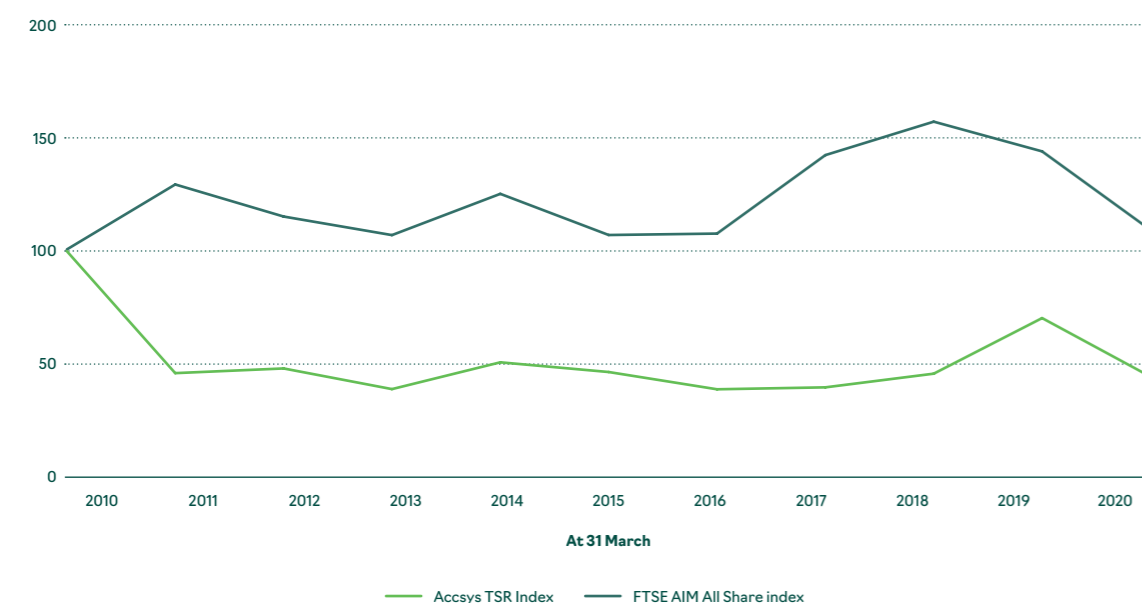
- Vesting is on a straight-line basis between the above points.
- Appropriate adjustments may be made to ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of award.
- EBITDA per share targets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

Relative importance of spend on pay

During the year ended 31 March 2020, the total pay for all Group employees increased by 19% to €13,247,000 (2019: €11,119,000). There were no dividends or share buybacks in either year.

Performance graph and CEO remuneration

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



Since joining in 2019, the CEO's total remuneration together with the proportion attributable to bonus or vested incentives is as set out in the table below:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2020
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	(P. Clegg) ¹ €'000	(R. Harris) ² €'000
Total remuneration	386	283	604	627	676	783	613	1,632	502	809	477	216
% Bonus of Total	36%	0%	46%	46%	51%	54%	36%	18%	32%	26%	16%	38%
% Bonus of Cap	N/A	N/A	N/A	N/A	N/A	68%	33%	48%	28%	36%	17%	33%
% vested LTIPs of maximum	N/A	N/A	N/A	N/A	N/A	N/A	N/A	58%	N/A	50%	45%	N/A

- 1 Paul Clegg's stepped down from the Board on 31 December 2019, his remuneration in the table above reflects his time in service during the year. Details of Paul Clegg's payments for loss of office is set out on page 88. Includes 45% of the 2017 LTIP expected to vest in June 2020, as disclosed above, which is pro-rated for Paul's period of service during the vesting period.
- 2 Rob Harris was appointed to the Board on 20 November 2019, his remuneration in the table above reflects his time in service during the year.

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

Consideration of matters relating to Directors' remuneration

The Remuneration Committee consisted of Sue Farr (Chairman), Patrick Shanley, Nick Meyer, Trudy Schoolenberg and Sean Christie. All Non-Executive Directors (including the Chairman on appointment) were considered to be independent. Following careful review and consideration, the Committee recommended to the Board adoption of revised terms of reference reflecting latest market norms as appropriate for a company of the size and nature as the Company. These terms were duly approved in November 2019 and are available on at www.accsysplc.com/app/uploads/2019/12/Remuneration-Committee-Terms-of-Reference-231219.pdf.

Following appointment in 2018, Deloitte LLP (Deloitte) continues to be engaged as independent adviser to the Committee. The Committee is satisfied that Deloitte remains independent of the Company and that the advice provided is impartial and objective. Deloitte is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. Their total fees for the provision of remuneration services to the Committee during the financial year to 31 March 2020 were £20,910 (plus VAT).

Statement of voting at general meeting

The AGM held on 30 September 2019 included an ordinary resolution in respect of the approval of the Directors' Remuneration Report (excluding the Remuneration Policy) for the year ended 31 March 2019. 60,312,222 (99.73%) votes were cast for the resolution, 164,836 against and 2,672 withheld.

At the AGM held on 18 September 2018, an ordinary resolution was passed in respect of the approval of the Directors' Remuneration Policy for the year ended 31 March 2018. 52,090,499 (99.98%) votes were cast for the resolution, 7,123 against and 1,004,110 withheld.

Directors' Report

for the year ended 31 March 2020

The Directors present their report together with the audited consolidated financial statements for the year ended 31 March 2020.

Results and dividends

The consolidated statement of comprehensive income for the year is set out on page 106, and shows the profit for the year.

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

Principal activities and review of the business

The principal activities of the Group are the production and sale of Accoya® solid wood and Tricoya® wood elements, technology and product development as well as the licensing of technology for the production and sale of Accoya® and Tricoya® via the Company's subsidiaries, Titan Wood Limited, Titan Wood B.V., Titan Wood Technology B.V., Titan Wood Inc., Tricoya Technologies Limited and Tricoya Ventures UK Limited (collectively the 'Group'). Manufactured through the Group's proprietary acetylation processes, these products exhibit superior dimensional stability and durability compared with alternative natural, treated and modified woods as well as more resource intensive man-made materials. A review of the business is set out in the Chairman's statement on page 18 and the Chief Executive's report on page 21. Accsys Technologies PLC is a public limited company, which is listed on London Stock Exchange AIM and Euronext Amsterdam, and incorporated and domiciled in the UK. The address of its registered office is set out on page 165.

Business model and Strategy

The Business model and Strategy section, from page 30, 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 30 of the financial statements.

Share issues

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

In February 2020, various employees subscribed for a total of 204,612 Shares, under the Employee Share Participation Plan, at an acquisition price of €1.095 per Share, with these shares issued to a trust, to be released to the employees after one year.

Principal risks and uncertainties

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

The Directors consider that the principal risks to achieving the Group's objectives are set out in the Strategic Report.

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 2019 to 31 March 2020

	kg CO ₂ eq		
	2019-2020	2018-2019	2017-2018
Electricity, heat, steam and cooling for own use – GROSS	3,932,139	3,576,146	2,670,708
Electricity, heat, steam and cooling for own use – NET (including Renewable Energy Credits)	2,403,620	2,414,530	1,619,918
Combustion of fuel & operation of production facility (MP4), in Arnhem, the Netherlands	4,443,362	4,034,842	3,117,809
TOTAL – GROSS	8,375,501	7,610,988	5,788,517
External carbon offsets (Voluntary Carbon Offsetting through BP Target Neutral)	(1,844,520)	(1,852,140)	(1,524,000)
TOTAL – NET (including Renewable Energy Credits / Carbon offsets)	5,002,462	4,597,232	3,213,727
Chosen intensity measurement: Emissions per cubic metre Accoya produced – GROSS	147	156	148
Chosen intensity measurement: Emissions per cubic metre Accoya produced – NET (including Renewable Energy Credits/Carbon offsets)	88	94	82
UK office energy use	10249 kg CO ₂ eq (41833 kWh)		

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 (except for our UK office) 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 v3.2 and IEA emissions from fuel combustion 2019 report.
- All 3 years presented are calculated using the Eco-Invent v3.5. (2018/2019 & 2017/2018 initially calculated using v3.2.) Netherlands emission database in the Emissions per cubic metre Accoya® produced at constant Netherlands' emissions line. Using a constant Netherlands emission database for all 3 levels years shows the true year-on-year movements under the Company's control.
- 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 environmental impact assessment: www.accoya.com/sustainability/environmental-assessment.
- Approximately 19% of UK energy consumption is estimated with the remainder being measured through metering.
- Previously outsourced parts of the operations were brought in-house following the expansion in Arnhem completed in the 2019 financial year.
- Energy efficiency action
 - Process efficiency: efficiency improvements in our process to enable more wood to be acetylated in each reactor at once – meaning more finished product for (relatively) less energy and acetic anhydride use
 - Business travel: Reduction in and better monitoring of business travel through a managed booking system and business-wide implementation of digital solutions
 - Move to new UK office: eco-friendly furnishings (i.e. C2C certified carpet)
 - Energy efficient equipment: replacement of IT hardware and screens with increased efficient models across the business
- Reasons for restatement and change in emissions factors source for this reporting year
 - Advisors use IEA global emissions factors to calculate GHG emissions
 - The IEA figures have also been used to recalculate the GHG emissions for past 2 reporting years

Further details concerning the environmental impact of our products as a whole are detailed in the Sustainability Report.

Directors' Report continued

for the year ended 31 March 2020

Directors

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

Sean Christie
 Paul Clegg (resigned 31 December 2019)
 Sue Farr
 Robert Harris (appointed 20 November 2019)
 Montague John 'Nick' Meyer
 William Rudge
 Patrick Shanley
 Trudy Schoolenberg

Directors' indemnities

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

Employment policies

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

15% of employees in the year ended 31 March 2020 were female. 9% of the senior management team were female and two of the Board of Directors were female.

Health and safety

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

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

Significant shareholdings

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

• Teslin Participaties Cooperatief U.A.	14.16%
• BGF Investment Management Limited	6.95%
• De Engh B.V.	6.09%
• Decico BV	5.07%
• VP Participaties B.V.	5.00%
• Majedie UK Equity Fund	4.99%
• Invesco Limited	4.87%
• The London & Amsterdam Trust Company Limited	4.51%

• FIL Limited (formerly known as Fidelity International Limited)	4.26%
• Saad Investments Company Limited	3.92%
• Zurab Lysov	3.71%

There are no restrictions in respect of voting rights.

Going concern

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

Corporate Governance

The Company's statement on corporate governance can be found in the corporate governance report on pages 66 and 67 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 ('PwC') have been the external auditor of the Company since April 2010. The year ended 31 March 2020 was therefore the tenth consecutive audit for PwC. In accordance with current legislation, the Company is required to tender for the audit for the year ended 31 March 2021. However due to COVID-19 we intend to defer this tender for a year so it is in effect for the financial year ending 31 March 2022. This will enable the Audit committee to undertake a proper audit tender process as outlined in the Financial Reporting Council's ('FRC') Notes on Best Practice for Retendering.

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
 22 June 2020

Statement of Directors' Responsibilities

in respect of the financial statements

Directors' responsibilities

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

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

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

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

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

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

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

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

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

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

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

Independent Auditors' Report

to the members of Accsys Technologies PLC

Report on the audit of the Group Financial Statements

Opinion

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

- give a true and fair view of the state of the Group's affairs as at 31 March 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position as at 31 March 2020; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flow, and the Consolidated Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

Other than those disclosed in Note 8 to the financial statements, we have provided no non-audit services to the Group in the period from 1 April 2019 to 31 March 2020.

Our audit approach

Overview



Overall Group materiality: €800,000 (2019: €750,000), based on 0.88% of total revenue.

We performed audit work over the complete financial information for three reporting units and audit procedures over revenue in respect of the business in North America which cumulatively accounted for approximately 100% (2019: 87%) of the Group's revenue. These three operating reporting units comprised the operating business in the Netherlands, UK and centralised functions.

We identified five reporting units, three of which were significant due to their size. This comprised the operating businesses in the Netherlands and the UK and centralised functions.

We conducted audit procedures related to elimination of intergroup/investment balances in respect of remaining two entities as well.

Going concern.
Impairment of non-current assets.
Cost capitalisation of Property, Plant and Equipment.
Impact of COVID-19.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to taxes impacting different territories, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and applicable listing rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to achieve desired financial results and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- understanding management's assessment of the risk and the overall control environment in place, including the 'tone from the top';
- enquiries with management and the Group's legal counsel, including consideration of known or suspected instances of fraud and non-compliance with laws and regulations and examining supporting calculations where adjustments have been made in respect of these;
- substantive testing of journal entries, particularly focused around the year end and journals posted to revenue / other unusual account combinations; and
- challenging the assumptions and judgements made by management in their significant accounting estimates for bias that could result in material misstatement due to fraud (e.g. going concern assessment, impairment of non-current assets including goodwill, cost capitalisation, inventory provision, depreciation and amortisation useful lives).

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

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

Independent Auditors' Report continued

to the members of Accsys Technologies PLC

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
<p><i>Going Concern: See Note 1 to the financial statements</i></p> <p>The impact of COVID-19 alongside a number of other factors as the Group continues to develop potentially impact on its ability to function as a Going Concern. These include:</p> <p>COVID-19 impacting both production and revenue (see also separate Key Audit Matter below);</p> <p>Low profitability as the Group looks to increase production capacity to leverage continuing investments being made; and</p> <p>Significant planned capital expenditure over the next 12–18 months at Hull for the Tricoya® businesses and in Arnhem for the fourth reactor.</p> <p>As a result of the continued capital expenditure and uncertainty from the impact of COVID-19, there is a risk that both liquidity headroom and covenants come under pressure. As such we have included Going Concern as a significant risk.</p>	<p>Our audit work has included a number of procedures including:</p> <p>Obtaining and auditing management's own Going Concern assessment. This included:</p> <ul style="list-style-type: none"> Understanding the approach adopted by management through discussions with appropriate individuals in both the finance function and the business including, but not limited to, the Group CFO, Group Director of Sales and the project team for the Tricoya® facility build; Tested the integrity of models by recalculating some of the outputs and checking that formulae flowed as expected. We also agreed the key inputs back to source documentation including: <ul style="list-style-type: none"> Testing the accuracy of the model by comparing margins year-on-year and understanding reasons for variation; Obtaining loan agreements for covenants working and recomputing covenants in the models; and Agreeing to the FY21 management rolling forward COVID forecast the timing and amount of capital commitment and funding for Hull and Arnhem 4th reactor. Challenged the key assumptions included in the model, namely: <ul style="list-style-type: none"> the forecasted trading position agreed to approved Board forecast; the cost and timing to complete the construction of the Hull Plant based on the agreements in place with the contractors including the appropriateness of contingencies held given the current state of progress and possible additional liabilities arising from the advent of COVID-19; considered managements' history of ability to forecast; and considered mitigating measures available to management should they be required. <p>As well as a base case management also considered a reasonable downside scenario model including sensitivities around production levels and capital expenditure. The downside effects are mitigated by delaying the expenditure on the 4th reactor in Arnhem, which is largely within the entity's control considering the extent of commitment and flexibility management expects. We challenged management's position regarding the flexibility of the expenditure related to the 4th reactor and reviewed draft contracts and Board minutes to corroborate management's position.</p> <p>We also considered the production and sales performance of the business in the months of March – May inclusive, thus reflecting performance in the 'lockdown' period so far.</p> <p>We reported our approach and findings to the Audit Committee in our written report.</p> <p>We ensured that the disclosure in the Annual Report is consistent with our work and understanding;</p> <p>For our conclusion please refer to page 104.</p>

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment of non-current assets: See Notes 16 and 17 to the financial statements</i></p> <p>At 31 March 2020 the Group carried €4.2m of goodwill (2019: €4.2m), €6.8m of other intangible assets (2019: €6.6m), and €122.1m of tangible fixed assets (2019: €105.3m).</p> <p>Management is required to perform an annual impairment review of goodwill held within intangible assets in accordance with IAS 36. In addition management should assess for impairment indicators in respect of other assets held.</p> <p>We focused on this as a significant risk principally due to:</p> <ul style="list-style-type: none"> The significant size of these balances; Potential impact on the business from COVID-19; and The fact that there is an element of judgement behind some of the assumptions that support the carrying value of the goodwill and other intangibles. 	<p>Our audit included a number of specific procedures as set out below:</p> <p>Assessing the appropriateness and consistency of the identification of Cash Generating Units, ('CGUs'). Management has identified two CGUs which is consistent with the prior year;</p> <p>Understanding and auditing management's impairment calculations (value-in-use) for both the CGUs. This included:</p> <ul style="list-style-type: none"> Verifying that the basis for the value-in-use calculations was a FY21 management rolling forward COVID forecast consistent with the Going Concern analysis; Recalculating the carrying value of each of the CGUs by agreeing balances back to the financial records; Debating and challenging management's key assumptions used in the model for future years (Revenue growth, EBITDA margin, discount rates and long-term growth rate). This included: <ul style="list-style-type: none"> Involving PwC valuation experts in assessing the reasonableness of the discount rate with reference to valuations of similar companies and other relevant external and internal data and comparison of this rate with discount rate adopted by Group, Validated future revenue expectations given knowledge of the capacity of the plant in future years; and Consideration and challenge of margins based on previous and expected performance. <p>We performed a sensitivity analysis on the key assumptions in the impairment model prepared by management and debated and challenged management on the likelihood of those sensitivities;</p> <p>Reviewed compliance with the disclosure requirements of IAS 36 given the outcome reached;</p> <p>Reviewed for indicators of impairment on other assets currently being depreciated/amortised utilising our knowledge of the business;</p> <p>Board minute review and discussions with management; and</p> <p>Reported our approach and findings to the Audit Committee.</p> <p>Based on our procedures we consider management's key assumptions to be within a reasonable range and concur with their position of no impairment charge being required in the year to 31 March 2020. Of the two CGUs the Tricoya® unit is most susceptible to an impairment given changes in the assumptions and so management have updated their key sensitivity analysis. The disclosures appropriately describe the inherent degree of subjectivity in the estimates, including specific disclosures on the key assumptions most sensitive to change.</p>

Independent Auditors' Report continued

to the members of Accsys Technologies PLC

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
<p>Cost capitalisation of Property, Plant and Equipment: See Note 17 to the financial statements</p> <p>During the year the Group continued to invest in both the facility in Arnhem and the new facility being constructed in Hull. Of the total spend during the year of €22.6m, the Group has capitalised €19.3m (FY19: €27.8m) of costs on the construction of the Tricoya® plant in Hull. The capitalisation of expenditure in Hull is deemed a significant risk as:</p> <ul style="list-style-type: none"> the amount is material; While the majority of the costs are external some of the costs (€0.5m) are internal; and There is some judgement around the level completion at the year end which impacts the treatment on the balance sheet. <p>The costs capitalised in Arnhem are not categorised as a significant risk as the amounts are lower and the Group has been capitalising in this facility for a number of years, almost overwhelmingly external costs.</p>	<p>Our audit procedures included the following:</p> <p>Substantively verified a sample of external costs capitalised to supporting documentation to ensure they meet the capitalisation criteria of IAS 16;</p> <p>Challenging management's assessment to ensure costs sampled were directly attributable to the projects. We confirmed that the majority of the costs were external;</p> <p>Discussions with CFO, project manager and cost controller to understand the stage of completion of the project and considered project milestones achieved with the inspection of Board minutes and other documents to ensure consistency;</p> <p>Due to COVID-19 the audit team were unable to physically visit the site this year (we had been the prior year) but, we carried out additional procedures around existence of the asset; and</p> <p>We considered the overall capitalisation and the accounting thereof in light of our understanding from the evidence obtained.</p> <p>Reported our approach and findings to the Audit Committee in our written report.</p> <p>Based on our procedures we consider the capitalisation during the year to 31 March 2020 to be appropriate.</p>
<p>Impact of COVID-19 – See Notes 1, 16, 17 and 22 to the financial statements</p> <p>Management considered the following areas that might be impacted directly by COVID-19 in the financial statements:</p> <ul style="list-style-type: none"> Going concern; Impairment of assets, specifically the carrying value of the CGUs; and Recoverability of Accounts receivable balances. <p>Management's assessment of Going concern is considered in more detail in the Key Audit Matter above as is their assessment of the impairment of assets. For recoverability of trade receivables management considered both specific provisions and an expected credit loss ('ECL') given the details and quality of the receivables balances.</p>	<p>Our procedures on Going Concern are considered in the separate Key Audit Matter above 'Going Concern'.</p> <p>Our work on the impairment valuations is considered in the separate Key Audit Matter above 'Impairment of non current assets'.</p> <p>In respect of the recoverability of Trade receivables our procedures included:</p> <ul style="list-style-type: none"> Obtaining an analysis of the trade receivables at year end and reconciling to the sales ledger; Confirming the aging of the balances through substantive testing; Considering the level of subsequent amounts received in cash post year end for a sample; Considering the historical level of amounts provided/written off; Discussions with management on larger receivables balances not yet received and agreeing to supporting documentation; Agreeing the integrity of the calculation and inputs to the ECL model; and Reviewing the disclosure in the financial statements. <p>In respect of Trade receivable recoverability we found the valuation, and disclosure thereof, to be reasonable.</p>

How we tailored the audit scope

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

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

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

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

Materiality

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

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

Overall Group materiality	€800,000 (2019: €750,000).
How we determined it	0.88% of total revenue (2019: 1% of total revenue).
Rationale for benchmark applied	Given that the business is in a growth stage and low/break-even levels of profit/loss, revenue was considered the most appropriate measure used, and is a generally accepted auditing benchmark. We reduced the percentage of revenue used as the benchmark based on our professional judgement to get to an overall materiality level we considered most appropriate.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between €260,000 and €760,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €40,000 (2019: €37,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent Auditors' Report continued

to the members of Accsys Technologies PLC

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors on 1 April 2011 to audit the financial statements for the year ended 31 March 2011 and subsequent financial periods. The period of total uninterrupted engagement is 10 years, covering the years ended 31 March 2011 to 31 March 2020.

Other matters

We have reported separately on the Company financial statements of Accsys Technologies PLC for the year ended 31 March 2020 and on the information in the Directors' Remuneration Report that is described as having been audited.

Darryl Phillips (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

22 June 2020

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2020

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

The notes on pages 110 to 147 form an integral part of these financial statements.

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

Consolidated Statement of Financial Position

as at 31 March 2020

Registered Company 05534340

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

The financial statements on pages 106 to 147 were approved by the Board of Directors on 22 June 2020 and signed on its behalf by

Robert Harris
Director

William Rudge
Director

The notes on pages 110 to 147 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2020

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

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

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

See Note 25 for details concerning Other reserves.

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

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

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

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

The notes on pages 110 to 147 form an integral part of these financial statements.

Consolidated Statement of Cash Flow

for the year ended 31 March 2020

	2020 €'000	2019 €'000
Loss before taxation before exceptional items and other adjustments	(2,153)	(6,179)
<i>Adjustments for:</i>		
Amortisation of intangible assets	664	611
Depreciation of property, plant and equipment, and right of use assets	4,939	3,354
Net finance expense	3,352	3,117
Equity-settled share-based payment expenses	615	382
Currency translation (gains)	(79)	(38)
Cash inflows from operating activities before changes in working capital and exceptional items	7,338	1,247
Exceptional Items in operating activities (see Note 5)	3,200	-
Cash inflows from operating activities before changes in working capital	10,538	1,247
(Increase) in trade and other receivables	(2,427)	(3,693)
Increase in deferred income	190	994
(Increase) in inventories	(2,924)	(882)
(Decrease)/Increase in trade and other payables	(3,164)	960
Net cash generated from/(used in) operating activities before tax	2,213	(1,374)
Tax received	165	1,674
Net cash from operating activities	2,378	300
Cash flows from investing activities		
Interest received	19	70
Investment in property, plant and equipment	(22,040)	(48,166)
FX deal settlement related to hedging of Hull Capex	307	-
Investment in intangible assets	(861)	(749)
Net cash (used in) investing activities	(22,575)	(48,845)
Cash flows from financing activities		
Proceeds from loans	4,500	26,000
Other finance costs	(79)	(93)
(Repayment of)/Proceeds from trade facility draw down	(1,825)	1,825
Interest Paid	(2,370)	(1,157)
Repayment of lease liabilities	(1,022)	(12,209)
Repayment of loans/rolled up interest	(2,942)	(3,208)
Proceeds from issue of share capital	46,504	5,747
Proceeds from issue of subsidiary shares to non-controlling interests	9,167	900
Share issue costs	(3,320)	(28)
Net cash from financing activities	48,613	17,777
Net increase/(decrease) in cash and cash equivalents	28,416	(30,768)
Effect of exchange rate changes on cash and cash equivalents	(35)	(73)
Opening cash and cash equivalents	8,857	39,698
Closing cash and cash equivalents	37,238	8,857

The notes on pages 110 to 147 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2020

1. Accounting Policies

Basis of accounting

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

Going Concern

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

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

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

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

Exceptional items

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

Business combinations

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

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

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

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

Revenue from contracts with customers

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

Manufacturing revenue

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

Licensing fees and Marketing income

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

Finance income

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

Borrowing costs

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

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

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

Notes to the Financial Statements continued

for the year ended 31 March 2020

1. Accounting Policies continued

Share based payments

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

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

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

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

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

Dividends

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

Pensions

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

Taxation

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

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

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

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

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

Foreign currencies

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

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average monthly exchange rates prevailing in the month in which the transaction took place. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. Such translation differences are reclassified to profit and loss only on disposal or partial disposal of the overseas operation.

Foreign exchange hedging

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

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

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

Government grants

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

Goodwill

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

Notes to the Financial Statements continued

for the year ended 31 March 2020

1. Accounting Policies continued

Other intangible assets

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

Internal development costs are incurred as part of the Group's activities including new processes, process improvements, identifying new species and improving the Group's existing products. Research costs are expensed as incurred. Development costs are capitalised when all of the criteria set out in IAS 38 'Intangible Assets' (including criteria concerning technical feasibility, ability and intention to use or sell, ability to generate future economic benefits, ability to complete the development and ability to reliably measure the expenditure) have been met. These internal development costs are amortised on a straight line basis over their useful economic life, between 8 and 20 years.

Property, plant and equipment

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

Plant and machinery	These assets comprise pilot plants and production facilities. These facilities are depreciated from the date they become available for use over their useful lives of between 5 and 20 years
Office equipment	Useful life of between 3 and 5 years
Leased land and buildings	Land held under a finance lease is depreciated over the life of the lease
Freehold land	Freehold land is not depreciated

Impairment of non-financial assets

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

Leases

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

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

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

The lease liability is measured at the present value of the future lease payments, including variable lease payments that depend on an index and the exercise price of purchase options where it is reasonably certain that the option will be exercised, discounted using the interest rate implicit in the lease, if readily determinable. If the implicit interest rate cannot be readily determined, the lessee's incremental borrowing rate is used. Finance charges are recognised in the consolidated income statement over the period of the lease.

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

Until 31 March 2019 (Prior year):

- Operating lease payments were recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.
- Assets held under finance leases were recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor was included in the consolidated statement of financial position as a finance lease obligation. Lease payments were apportioned between finance expenses and reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Inventories

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

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

Financial assets

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument.

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

Except where a reliable fair value cannot be obtained, unlisted shares held by the Group are classified as fair value through other comprehensive income and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income, with dividends recognised in profit or loss. Where it is not possible to obtain a reliable fair value, these investments are held at cost less provision for impairment.

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

Notes to the Financial Statements continued

for the year ended 31 March 2020

1. Accounting Policies continued

Financial assets continued

Trade and other receivables

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

Cash and cash equivalents

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

Financial liabilities

Other financial liabilities

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

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

Share capital

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

Segmental Reporting

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

Alternative Performance Measures

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

The most significant APMs are:

Net debt

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

Underlying EBITDA

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

Underlying EBIT

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

Effective interest rate

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

2. Accounting judgements and estimates

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

Accounting estimates

Useful economic lives of property, plant and equipment

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

Inventories

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

Commercial negotiations

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

Accounting judgements

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

Revenue recognition

The Group has considered the criteria for the recognition of fee income from licensees over the period of the agreement and is satisfied that the recognition of such revenue is appropriate. The recognition of fees is based upon satisfaction of the performance obligations set out in the contract such as an assessment of the work required before the licence is signed and subsequently during the construction and commissioning of the licensees' plant, with an appropriate proportion of the fee recognised upon signing and the balance recognised as the project progresses to completion. The Group also considers the recoverability of amounts before recognising them as income. Revenue is recognised to the extent that it is highly probable that a significant reversal will not occur.

Goodwill

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

Notes to the Financial Statements continued

for the year ended 31 March 2020

2. Accounting judgements and estimates continued

Accounting judgements continued

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

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

Financial asset at fair value through profit or loss

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

Consolidation of subsidiaries

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

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

New standards, amendments and interpretations

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

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

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

New standards, amendments and interpretations not yet adopted

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

3. Segmental reporting

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

Accoya®

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

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

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

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

Average headcount = 130 (2019: 117)

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

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

Notes to the Financial Statements continued

for the year ended 31 March 2020

3. Segmental reporting continued

Tricoya®

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

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

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

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

Corporate

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

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

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

Average headcount = 23 (2019: 21)

Research and Development

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

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

Average headcount = 9 (2019: 9)

Total

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

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

Notes to the Financial Statements continued

for the year ended 31 March 2020

3. Segmental reporting continued

Analysis of Revenue by geographical area of customers:

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

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

Assets and liabilities on a segmental basis:

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

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

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

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

4. Other operating costs

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

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

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

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

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

During the period, €861,000 (2019: €748,000) of internal development & patent related costs were capitalised and included in intangible fixed assets, including €701,000 (2019: €600,000) which were capitalised within Tricoya Technologies Limited ('TTL'). In addition €204,000 of internal costs have been capitalised in relation to our current Arnhem Accoya® plant expansion project (2019: €395,000 – relating to third reactor expansion) and €44,000 of internal costs have been capitalised in relation to our plant build in Hull, UK (2019: €46,000). Both are included within tangible fixed assets.

5. Exceptional items and other adjustments

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

Notes to the Financial Statements continued

for the year ended 31 March 2020

5. Exceptional items and other adjustments continued

Exceptional Items

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

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

Other Adjustments

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

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

6. Employees

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

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

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

7. Directors' remuneration

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

Compensation of key management personnel included the following amounts:

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

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

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

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

8. Operating profit/(loss)

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

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

Notes to the Financial Statements continued

for the year ended 31 March 2020

9. Tricoya Technologies Limited

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

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

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

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

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

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

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

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

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

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

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

TTL Group income statement:

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

TTL Group balance sheet:

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

Notes to the Financial Statements continued

for the year ended 31 March 2020

10. Finance income

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

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

11. Finance expense

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

12. Tax expense

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

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

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

13. Dividends Paid

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

14. Profit/(Loss) per share

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

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

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

Notes to the Financial Statements continued

for the year ended 31 March 2020

15. Share based payments

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

Options – total

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

Outstanding options granted are as follows:

Date of grant	Number of outstanding options at 31 March		Weighted average remaining contractual life, in years	
	2020	2019	2020	2019
1 August 2011	90,000	90,000	1.3	2.3
19 September 2013 (LTIP)	2,177,675	2,177,675	3.5	4.5
24 June 2016 (LTIP)	482,827	482,827	6.3	7.3
20 June 2017 (LTIP)	338,275	1,046,076	7.3	8.3
18 June 2018 (LTIP)	829,882	1,138,843	8.3	9.3
25 June 2019 (LTIP)	593,376	–	9.3	–
20 November 2019 (LTIP)	105,699	–	9.7	–
23 December 2019 (LTIP)	41,468	–	9.8	–
Total	4,659,202	4,935,421	5.8	6.6

Movements in the weighted average values are as follows:

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

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

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

Long Term Incentive Plan ('LTIP')

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

2013 LTIP Award performance conditions and 2016 outcome

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

2016 LTIP Award performance conditions and 2016 outcome

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

Awards made in June 2017 and LTIP Award performance conditions

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

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

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

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

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

The remaining 150,828 of the awards made in summer 2017 were specific to individuals dedicated to the Tricoya[®] consortium with performance measures linked to progress and development of the Tricoya[®] plant and its subsequent operation.

The fair value of these options were €0.814 on their Grant date.

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

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15. Share based payments continued

Awards made in June 2018 and LTIP Award performance conditions

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

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

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

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

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

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

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

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

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

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

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

Metric	Weighting (% of award)	Threshold	Target	Maximum
Vesting (% of maximum)		25%	70%	100%
EBITDA per share in FY22	60%	€0.10	€0.14	€0.22
Total sales volume in FY22 (m³)	40%	82,000	86,000	100,000

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

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

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

The remaining 124,471 of the awards made in summer 2019 were specific to individuals dedicated to the Tricoya® consortium with performance measures linked to progress and development of the Tricoya® plant and its subsequent operation.

The fair value of these options were €1.221 on their Grant date.

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

2008 Share Option schemes

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

Employee Benefit Trust – Share bonus award

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

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for the year ended 31 March 2020

15. Share based payments continued

Employee Share Participation Plan

During the year, the Company re-introduced the Employee Share Participation Plan (the 'Plan') for subscription that was initiated in a prior year and was last offered in December 2015. The Plan is intended to promote the long-term growth and profitability of Accsys by providing employees with an opportunity to acquire an ownership interest in new Ordinary shares ('Shares') in the Company as an additional benefit of employment. Under the terms of the Plan, the Company issues these Shares to a trust for the benefit of the subscribing employees. The Shares are released to employees after one year, together with an additional Share on a 1 for 1 matched basis provided the employee has remained in the employment of Accsys at that point in time (subject to good leaver provisions). The Plan is in line with industry approved employee share plans and is open for subscription by employees once a year following release of the interim financial results. The maximum amount available for subscription by any employee is €5,000 per annum. In February 2020 various employees subscribed for a total of 204,612 Shares at an acquisition price of €1.095 per Share.

16. Intangible assets

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

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

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

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

The impact on the value in use determined is:

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

17. Property, plant and equipment

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

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

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

Notes to the Financial Statements continued

for the year ended 31 March 2020

18. Financial asset at fair value through profit or loss

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

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

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

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

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

19. Deferred taxation

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

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

20. Subsidiaries

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

21. Inventories

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

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

22. Trade and other receivables

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

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. The majority of trade and other receivables is denominated in Euros, with €1,246,000 of the trade and other receivables denominated in US Dollars (2019: €798,000).

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

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

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Included in the provision for doubtful debts are individually impaired trade receivables and accrued income with a balance of €25,002,000 (2019: €25,002,000) due from Diamond Wood.

Movement in provision for doubtful debts:

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

23. Trade and other payables

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

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for the year ended 31 March 2020

24. Share capital

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

In year ended 31 March 2019:

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

173,915 shares were issued on 25 June 2018 to an Employee Benefit Trust (“EBT”) at nominal value. In addition, of the Shares which had been issued to the EBT in the previous year, 295,874 Shares vested on 1 July 2018. Of these beneficiaries elected to sell 128,213 Shares in the market, with sale date of 2 August 2018.

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

In year ended 31 March 2020:

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

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

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

25. Other reserves

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

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

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

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

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

26. Transactions with non-controlling interests

In the year ended 31 March 2019:

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

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

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

BP Chemicals (31.3%), MEDITE 8.0%)

In the year ended 31 March 2020:

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

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

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

BP Chemicals (30.9%, MEDITE 6.2%)

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

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

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

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27. Change in accounting policy

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

a) Adjustments recognised on adoption of IFRS 16:

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

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

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

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

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

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

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

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

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

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

a (i) Impact on segment disclosures:

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

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

a (ii) Practical expedients applied:

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

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

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

Notes to the Financial Statements continued

for the year ended 31 March 2020

27. Change in accounting policy continued

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

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

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

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

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

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

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

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

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

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

28. Commitments under loan agreements

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

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

Facilities relating to purchase of Arnhem land and buildings:

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

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

Loan Notes:

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

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

Cerdia Production Facility:

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

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

Notes to the Financial Statements continued

for the year ended 31 March 2020

28. Commitments under loan agreements continued

Tricoya® facility:

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

Trade receivable and inventory facilities:

Working capital facility

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

Bank guarantee facility

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

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

Reconciliation to net debt:

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

29. Equity options

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

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

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

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

30. Financial instruments

Lease liabilities

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

Capital risk management

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

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

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

No final dividend is proposed in 2020 (2019: €nil). The Board deems it prudent for the Company to protect as strong a statement of financial position as possible during the current phase of the Company's growth strategy.

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

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

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

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

Market risk

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

Notes to the Financial Statements continued

for the year ended 31 March 2020

30. Financial instruments continued

Financial risk management objectives

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

Foreign currency risk management

The Group's functional currency is the Euro with the majority of operating costs and balances denominated in Euros. An increasing proportion of costs will be incurred in pounds sterling as the Group's activities associated with the Tricoya® plant in Hull increase, although future revenues will be in Euros or other currencies. The Group's Loan Notes, which were issued to fund these UK based operations, are denominated in pounds sterling. A smaller proportion of expenditure is incurred in US dollars and pounds sterling. In addition some raw materials, while priced in Euros, are sourced from countries which are not within the Eurozone. The Group monitors any potential underlying exposure to other exchange rates. The Group holds a proportion of the cash associated with the Tricoya® Consortium in pounds sterling and has purchased fx forward contracts with a nominal amount of £5.85m (2019: nominal amount of £8m) to reflect the expected costs associated with the construction of the plant in Hull and are accordingly accounted for as a cash flow hedge (see Note 5).

Interest rate risk management

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

Credit risk management

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

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

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

Liquidity risk management

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

Fair value of financial instruments

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

31. Capital Commitments

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

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

32. Events occurring after 31 March 2020

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

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

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

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

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

Company Independent Auditors' Report

to the members of Accsys Technologies PLC

Report on the audit of the Company Financial Statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 March 2020;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Condensed Company Balance Sheet as at 31 March 2020; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

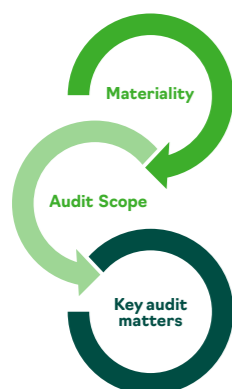
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities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

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

Other than those disclosed in the Note 8 to the consolidated financial statements, we have provided no non-audit services to the Group and its subsidiaries in the period from 1 April 2019 to 31 March 2020.

Our audit approach

Overview



Materiality
Overall materiality: €760,000 (2019: €700,000). For holding companies such as the PLC we often use a benchmark based on the asset base, however, as we are constrained by the Group materiality and allocation to our components an amount of €760,000 was judged to be appropriate.

Audit Scope
We have performed a full scope audit of the financial statements of the parent company.

Key audit matters
Going concern
Recoverability of investments in Group subsidiaries

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, the Listing Rules and UK tax and HMRC legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and applicable listing rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to achieve desired financial results and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Understanding management's assessment of the risk and the overall control environment in place, including the 'tone from the top';
- Enquiries with management and the Group's legal counsel, including consideration of known or suspected instances of fraud and non-compliance with laws and regulations and examining supporting calculations where adjustments have been made in respect of these;
- Substantive testing of journal entries, particularly focused around the year end and journals posted to unusual account combinations; and
- Challenging the assumptions and judgements made by management in their significant accounting estimates for bias that could result in material misstatement due to fraud (e.g. impairment of investments in subsidiaries including receivables held)

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

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

Company Independent Auditors' Report continued

to the members of Accsys Technologies PLC

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
<p><i>Recoverability of investments in group subsidiaries including receivables held: See Notes 4 and 7 to the Company financial statements</i></p> <p>The parent company held assets in subsidiaries of €211.2m (2019: €181.3m) at 31 March 2020 comprising €15.5m (2019: €15.2m) of investment in subsidiaries and €195.7m (2019: €166.1m) of amounts owed from Group undertakings.</p> <p>An impairment may be required if there are indicators which reflect a permanent decline in value or that receivables cannot be recovered. Should such indicators exist, management are required to carry out an impairment review. The market value of the Group being less than the carrying value of the assets at 31 March 2020 is one such indicator and as a result an impairment analysis was carried out by management. Given the quantum of the amounts involved and the judgements made we have considered this a significant risk.</p>	<p>Our audit included a number of specific procedures including those set out below:</p> <p>Understanding and auditing management's impairment calculations (value-in-use) for the overall asset of €211.2m. This included:</p> <ul style="list-style-type: none"> • Verifying that the basis for the value-in-use calculations was a FY21 management rolling forward COVID forecast, consistent with that used in the going concern analysis; • Recalculating the carrying value of the investment assets by agreeing balances back to the financial records; • Debating and challenging management's key assumptions used in the model for future years (Revenue growth, EBITDA margin, discount rate). We have involved valuation specialists in assessing the reasonableness of the discount rate, validated future revenue expectations given knowledge of the capacity of the plant in future years, consideration and challenge of margins based on previous performance; • Obtained and analysed other data points such as Broker valuations (post COVID-19); <p>Performed a sensitivity analysis on the key assumptions in the impairment model and debated and challenged management on the likelihood of those sensitivities; and</p> <p>Review of compliance with the disclosure requirements of FRS101 given the outcome reached; and</p> <p>We reported our approach and findings to the Audit Committee.</p> <p>Based on our procedures we consider management's key assumptions to be within a reasonable range. We note however that minor changes in assumptions could lead to an impairment. The disclosure in Note 7 appropriately describes the inherent degree of subjectivity in the estimates, including specific disclosures on the key assumptions most sensitive to change.</p>

Key audit matter	How our audit addressed the key audit matter
<p><i>Going concern: See Note 1 to the Company financial statements</i></p> <p>The impact of COVID-19 alongside a number of other factors as the Group continues to develop potentially impact on its ability to function as a Going Concern. These include:</p> <p>COVID-19 impacting both production and revenue;</p> <p>Low profitability as the Group looks to increase production capacity to leverage continuing investments being made; and</p> <p>Significant planned capital expenditure over the next 12-18 months at Hull for the Tricoya® businesses and in Arnhem for the fourth reactor.</p> <p>As a result of the continued capital expenditure and uncertainty from the impact of COVID-19, there is a risk that both liquidity headroom and covenants come under pressure. As such we have included Going Concern as a significant risk.</p>	<p>Our audit work has included a number of procedures including:</p> <p>Obtaining and auditing management's own Going Concern assessment. This included:</p> <ul style="list-style-type: none"> • Understanding of the approach adopted by management through discussions with appropriate individuals in both the finance function and the business including, but not limited to, the Group CFO, Group Director of Sales and the project team for the Tricoya® facility build; • Tested the integrity of models by recalculating some of the outputs and checking that formulae flowed as expected. We also agreed the key inputs back to source documentation including: <ul style="list-style-type: none"> – testing the accuracy of the model by comparing margins year-on-year and understanding reasons for variation; – obtaining loan agreements for covenants working and recomputing covenants in the models; and – agreeing to the FY21 management rolling forward COVID forecast the timing and amount of capital commitment and funding for Hull and Arnhem 4th reactor. • Challenged the key assumptions included in the model, namely: <ul style="list-style-type: none"> – the forecasted trading position agreed to approved Board forecast; – the cost and timing to complete the construction of the Hull Plant based on the agreements in place with the contractors including the appropriateness of contingencies held given the current state of progress and possible additional liabilities arising from the advent of COVID-19; – considered managements' history of ability to forecast; and – considered mitigating measures available to management should they be required. <p>As well as a base case management also considered a reasonable downside scenario model including sensitivities around production levels and capital expenditure. The downside effects are mitigated by delaying the expenditure on the 4th reactor in Arnhem, which is largely within the entity's control considering the extent of commitment and flexibility management expects. We challenged management's position regarding the flexibility of the expenditure related to the 4th reactor and reviewed draft contracts and Board minutes to corroborate management's position.</p> <p>We also considered the production and sales performance of the business in the months of March – May inclusive, thus reflecting performance in the 'lockdown' period so far.</p> <p>We reported our approach and findings to the Audit Committee in our written report.</p> <p>We ensured that the disclosure in the Annual Report is consistent with our work and understanding;</p> <p>For our conclusion please refer to page 152.</p>

How we tailored the audit scope

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

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

Company Independent Auditors' Report continued

to the members of Accsys Technologies PLC

How we tailored the audit scope continued

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

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

Materiality

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

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

Overall materiality	€760,000 (2019: €700,000).
How we determined it	Allocation of Group materiality.
Rationale for benchmark applied	Accsys Technologies PLC (the Company) is not a revenue generating entity within the Group, it is ultimate parent holding company. We have considered the materiality level typically used for such companies (e.g. 1% of total assets) and the amount which would be allocated for Group purposes as a reporting component of the Accsys Technologies PLC Group. We have used the lower of these measures.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €38,000 (2019: €35,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Directors' Remuneration

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on pages 96 to 97, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditors' Report continued

to the members of Accsys Technologies PLC

Responsibilities for the financial statements and the audit continued

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors on 1 April 2011 to audit the financial statements for the year ended 31 March 2011 and subsequent financial periods. The period of total uninterrupted engagement is 10 years, covering the years ended 31 March 2011 to 31 March 2020.

Other matter

We have reported separately on the Group financial statements of Accsys Technologies PLC for the year ended 31 March 2020.

Darryl Phillips (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

22 June 2020

Condensed Company Balance Sheet

as at 31 March 2020

Registered Company 05534340

	Note	2020 €'000	2019 €'000
Non-current assets			
Investments in subsidiaries	4	15,838	15,224
Property, plant and equipment	6	-	73
Right of use assets		65	-
Financial asset at fair value through profit or loss	5	-	-
		15,903	15,297
Current assets			
Debtors	7	195,796	166,110
Cash at bank and in hand		11,402	425
		207,198	166,535
Creditors: amounts falling due within one year	8	(12,941)	(12,988)
Net current assets		194,257	153,547
Creditors: amounts falling due after more than one year	9/10	(19,070)	(18,843)
Net assets		191,090	150,001
Capital and reserves			
Called up Share capital	11	8,114	5,900
Share premium account	12	186,390	145,429
Reserve for own shares	12	-	(9)
Capital redemption reserve	12	148	148
Profit and loss account	12	(3,562)	(1,467)
Total shareholders' funds	13	191,090	150,001

The financial statements were approved by the Board and authorised for issue on 22 June 2020 and signed on its behalf by:

Robert Harris
Director

William Rudge
Director

The notes on pages 156 to 164 form an integral part of the parent Company financial statements.

Notes to the Company Financial Statements

for the year ended 31 March 2020

1. Accounting policies

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

Basis of preparation

The separate financial statements of Accsys Technologies PLC ('the Company') have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) for the year ended 31 March 2020. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2 of the Group financial statements.

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

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

As permitted under section 408 of the Act the Company has elected not to present its own profit and loss account for the year. The loss for the financial year was €2,709,000 (2019: loss of €3,001,000). The results of the parent Company are disclosed in the reserves reconciliation in Note 12.

Going concern

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

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

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

Investments

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

Share based payments

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

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

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options which eventually vest.

Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Deferred taxation

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

Dividends

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

Financial liabilities

Other financial liabilities

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

Accounting judgements

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

Financial asset at fair value through profit or loss

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

Carrying value of intercompany receivables and investments in subsidiaries

The recoverable amounts of these balances have been determined based on value in use calculations. These calculations require the use of judgements in relation to discount rates and future forecasts. The recoverability of these balances is dependent upon the level of future licence fees and manufacturing revenues relating to group companies. While the scope and timing of the production facilities to be built under the Group's existing and future agreements remains uncertain, the Directors remain confident that revenue from own manufacturing, existing licensees, new licence or consortium agreements will be generated, demonstrating the recoverability of these balances.

Notes to the Company Financial Statements continued

for the year ended 31 March 2020

2. Profit and loss account

A loss of €2,709,000 (2019: loss of €3,001,000) is dealt with in the Company financial statements of Accsys Technologies PLC. The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company. Fees payable to the Company's auditors for the audit of the Company's annual financial statements was €78,000 (2019: €74,000). Fees payable to the Company's auditors for the audit of the Company's subsidiaries was €71,000 (2019: €71,000), fees payable to Group auditors for audit of subsidiaries was €93,000 (2019: 98,000), and fees payable for audit related assurance services was €26,000 (2019: €19,000). In addition to the above, during the year ended 31 March 2020, fees of €273,000 relating to the working capital review for the December 2019 equity fundraise were paid to the Company's auditors (2019: nil). These fees were accounted for in Share Premium as Share issue costs.

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

3. Employees

The Company had no employees other than Executive Directors (2020: 2 and 2019: 2) during the current or prior year. Rob Harris joined Accsys as an Executive Director on 20 November 2019, and Paul Clegg stepped down as an Executive Director on 31 December 2019.

Non-executive Directors received emoluments in respect of their services to the Company of €344,000 (2019: €292,000). Details have been included in the Remuneration Report. The Company did not operate any pension schemes during the current or preceding year.

4. Investments in subsidiaries

	€'000
Cost	
At 1 April 2018	19,522
Share based payments	382
At 31 March 2019	19,904
Share based payments	614
At 31 March 2020	20,518
Impairment	
At 1 April 2018 and 1 April 2019 and 31 March 2020	4,680
Net book value	
At 31 March 2020	15,838
At 31 March 2019	15,224
At 31 March 2018	14,842

The Directors have considered the recoverability of the carrying values, taking into account the net assets as well as the long-term expected performance of the subsidiaries and do not consider that any impairment is currently required. The recoverable amount is determined based on a value in use calculation which uses cash flow projections based on Board approved financial budgets. Cash flows have been projected for a period of 12 years, including a five year forecast and seven years of 1.8% growth plus assumptions concerning a terminal value and based on a pre-tax discount rate of 10% per annum (2019: 10%). The key assumption used in the value in use calculations is the level of future licence fees and manufacturing revenues prudently estimated by management over the budget period. These have been based on past experience and expected future revenues but are limited to existing assets and those under construction.

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

Subsidiary undertakings	Class	2020 % shares and voting rights held	2019 % shares and voting rights held
Titan Wood Technology BV (Netherlands)	Ordinary	100	100
Titan Wood BV (Netherlands)	Ordinary	100	100
Titan Wood Limited (UK)	Ordinary	100	100
Titan Wood Inc (USA)	Ordinary	100	100
Tricoya Technologies Limited (UK) ¹	Ordinary	78	76
Tricoya Ventures UK Limited (UK) ¹	Ordinary	49	46

The shares in Titan Wood BV, Titan Wood Inc, Tricoya Technologies Ltd and Tricoya Ventures UK Ltd are held indirectly by the Company.

¹ Non-controlling interests shareholdings are detailed in Note 9 & 26 of Group financial statements.

The principal activities of these companies were as follows:

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

Registered office of subsidiaries:

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

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

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

Notes to the Company Financial Statements continued

for the year ended 31 March 2020

5. Financial asset at fair value through profit or loss

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

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

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

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

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

6. Property, plant and equipment

	Office equipment €'000	Total €'000
Cost or valuation		
At 1 April 2018	208	208
Additions	-	-
At 31 March 2019	208	208
Adjustment for IFRS 16 implementation	(208)	(208)
Adjusted opening balance at 1 April 2019	-	-
Additions	-	-
At 31 March 2020	-	-
Accumulated depreciation		
At 1 April 2018	94	94
Charge for the year	41	41
At 31 March 2019	135	135
Adjustment for IFRS 16 implementation	(135)	(135)
Adjusted opening balance at 1 April 2019	-	-
Charge for the year	-	-
At 31 March 2020	-	-
Net book value		
At 31 March 2020	-	-
At 31 March 2019	73	73
At 31 March 2018	114	114

Property, plant and equipment classified as office equipment in the prior year were reclassified to Right of Use Assets in the year ended 31 March 2020, following the implementation of IFRS 16 standard (see Note 9).

7. Debtors

	2020 €'000	2019 €'000
Amounts owed by Group undertakings	195,674	166,014
Prepayments and accrued income	122	96
	195,796	166,110

The amounts owed by Group undertakings currently have no repayment plans in place, however the intention is for the Group's subsidiaries to repay this balance in the future. A repayment plan will be determined and commence for the loan when the subsidiaries have surplus cash and the Group requires the cash for other purposes. The Directors have considered the recoverability of the balances, taking into account the net assets as well as the long-term expected performance of the subsidiaries and do not consider that any impairment is currently required. The recoverable amount is determined based on a value in use calculation which uses cash flow projections based on Board approved financial budgets. Cash flows have been projected for a period of 12 years, including a five year forecast and seven years of 1.8% growth plus assumptions concerning a terminal value and based on a pre-tax discount rate of 10% per annum (2019: 10%). Refer to Note 16 of the Group financial statements for the key assumptions and sensitivity analysis for this calculation.

8. Creditors: amounts falling due within one year

	2020 €'000	2019 €'000
Trade creditors	323	433
Amounts owed to Group undertakings	11,660	11,699
Obligation under lease liabilities	21	16
Short term borrowings	740	762
Accruals and deferred income	197	78
	12,941	12,988

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

9. Commitments under lease liabilities

Agreements were entered into in a prior year for the lease of office furniture and fit-out for the London head office, resulting in a lease creditor of €14,000 as at 31 March 2020 (2019: €34,000).

The Company also leases a car for an employee, resulting in a lease creditor of €35,000 as at 31 March 2020 (2019: nil). This expense was previously accounted for as an operating lease, but is now included within lease liabilities per the implementation of IFRS 16. Further details can be found in Note 27 of the Group's financial statements.

	2020 €'000	2019 €'000
Amounts payable under lease liabilities:		
Within one year	23	16
In the second to fifth years inclusive	30	20
After five years	-	-
Less: future finance charges	(4)	(2)
Present value of lease obligations	49	34

Notes to the Company Financial Statements continued

for the year ended 31 March 2020

10. Commitments under loan agreements

	2020 €'000	2019 €'000
Amounts payable under loan agreements:		
Within one year	827	851
In the second to fifth years inclusive	23,483	25,088
After five years	-	-
Less future finance charges	(4,523)	(6,352)
Present value of loan obligations	19,787	19,587

The balance relates to Loan Notes issued to BGF and Volantis. Further details can be found in Note 28 of the Group financial statements.

11. Called up Share capital

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

In year ended 31 March 2019:

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

173,915 Shares were issued on 25 June 2018 to an Employee Benefit Trust ('EBT') at nominal value. In addition, of the Shares which had been issued to the EBT in the previous year, 295,874 Ordinary Shares vested on 1 July 2018. Of these beneficiaries elected to sell 128,213 Shares in the market, with sale date of 2 August 2018.

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

In year ended 31 March 2020:

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

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

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

12. Reserves

The profit and loss account includes €8,010,000 of non-distributable reserves arising from the liquidation of Accsys Chemicals Limited in the year ended 31 March 2007. The profit and loss account also includes €9,346,000 of non-distributable reserves relating to share based payments.

	Called up Share capital €000	Share premium account €000	Capital redemption Reserve €000	Own Shares €000	Profit and loss account €000	Total Shareholders Funds €000
Balance at 1 April 2018	5,576	140,036	148	(15)	1,156	146,901
Loss for the financial year	-	-	-	-	(3,001)	(3,001)
Share based payments	-	-	-	-	382	382
Shares issued	324	-	-	6	(4)	326
Premium on shares issued	-	5,421	-	-	-	5,421
Share issue costs	-	(28)	-	-	-	(28)
Balance at 31 March 2019	5,900	145,429	148	(9)	(1,467)	150,001
Adjustment on initial application of IFRS 16	-	-	-	-	-	-
Adjusted opening balance at 1 April 2019	5,900	145,429	148	(9)	(1,467)	150,001
Loss for the financial year	-	-	-	-	(2,709)	(2,709)
Share based payments	-	-	-	-	614	614
Shares issued	2,214	-	-	9	-	2,223
Premium on shares issued	-	44,281	-	-	-	44,281
Share issue costs	-	(3,320)	-	-	-	(3,320)
Balance at 31 March 2020	8,114	186,390	148	-	(3,562)	191,090

13. Reconciliation of movements in shareholders' funds

	2020 €'000	2019 €'000
Loss for the financial year	(2,709)	(3,001)
Share based payments charged to subsidiaries	614	382
Proceeds from issue of shares	46,504	5,747
Share issue costs	(3,320)	(28)
Net increase in shareholders' funds	41,089	3,100
Opening shareholders' funds	150,001	146,901
Closing shareholders' funds	191,090	150,001

Notes to the Company Financial Statements continued

for the year ended 31 March 2020

14. Dividends Paid

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

15. Deferred taxation

The Company has an unrecognised deferred tax asset of €2.2m (2019: €1.7m) which is largely in respect of trading losses. The deferred tax asset has not been recognised due to the uncertainty of the timing of future expected profits of the fellow subsidiary (in which the Company is in the same tax group) attributable to licensing activities.

Shareholder Information

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

Directors	Sean Christie Robert Harris Sue Farr Nick Meyer William Rudge Trudy Schoolenberg Patrick Shanley Stephen Odell	Non-Executive Director Chief Executive Officer Non-Executive Director Non-Executive Director Finance Director Non-Executive Director Non-Executive Chairman Non-Executive Director (with effect from 23 June 2020)
Company Secretary	Angus Dodwell	
Company Number	05534340	
Registered Office	Brettenham House 19 Lancaster Place London WC2E 7EN	
Bankers	Barclays Bank One Churchill Place London E14 5HP	Royal Bank of Scotland 250 Bishopsgate London EC2M 4AA
	ABN AMRO Bank Velperweg 37 6824 BM Arnhem The Netherlands	
Registrars	SLC Registrars Elder House, St Georges Business Park Brooklands Road, Weybridge Surrey KT13 0TS	
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory auditors 1 Embankment Place London WC2N 6RH	
Lawyers	Slaughter & May One Bunhill Row London EC1Y 8YY	
Joint Broker and Nomad	Numis Securities Ltd The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT	
Joint Broker	Investec Bank PLC 30 Gresham Street London EC2V 7QP	
Investor Relations	FTI Consulting 200 Aldersgate Street Barbican London EC1A 4HD	



Changing wood to change the world

Accsys Technologies PLC

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