



Changing wood
to change the world

Annual Report and
Financial Statements 2021



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.



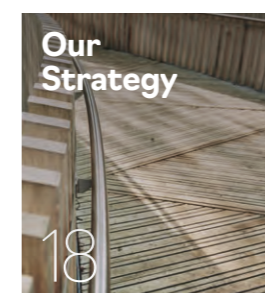
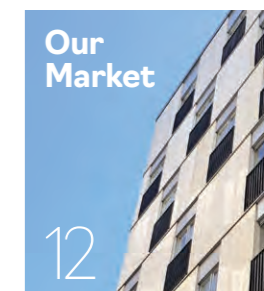
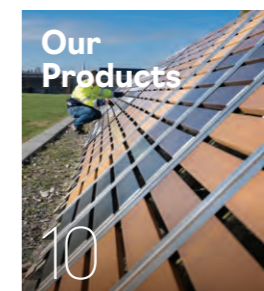
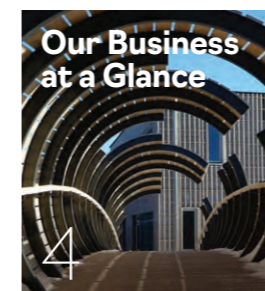
Accoya® wood decking at Banff Gondola observation deck, Sulphur Mountain, Canada
Supplier: Upper Canada Forest Products

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STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS



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

Key Highlights

Financial highlights

Group Revenue¹

Underlying Group revenue up 10%



€99.8m

Gross Profit¹

Underlying Gross profit up 10%



€33.1m

EBITDA¹

Underlying Group EBITDA up 44%



€10.1m

Accoya[®] Margin¹

Accoya[®] Manufacturing margin up 340bps



33.4%

Profit before tax¹

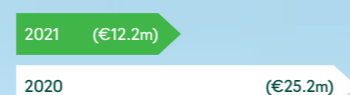
Underlying Profit before tax of €1.1m



€1.1m

Net debt

Group net debt €13m lower



(€12.2m)

See page 32 for more financial highlights

¹ On an underlying basis, including the Group's attributable share of our USA joint venture.

Operational and ESG highlights

Accoya[®] sales volume

60,466
cubic metres

Accoya[®] volume sold in the 2021 financial year.

See page 20 for the CEO Review

Accoya[®] sales growth

4.5%
FY 2021

Year on year growth in Accoya[®] volume sold in FY21 from existing Arnhem plant.

Capacity to double

120,000
cubic metres capacity

Hull and Arnhem construction progressing to add 60,000m³ to our current capacity.

Health and safety

1.84
Lost Time Incident Rate

Safety is one of our core values, and we are dedicating ourselves to improved safety activities and culture development.

See page 46 for more ESG highlights

Carbon

48,493
tCO₂ sequestered

In our products sold in 2021, through the CO₂ absorbed and stored for their lifecycle.

See page 53 for more detail on carbon sequestration

Employee engagement

82%
proud to work at Accsys

In FY21 we held our second employee engagement survey, recording improvements across all topics and areas.

See page 49 for more information

Our Business at a Glance

Who we are

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.

Our purpose

Changing wood to change the world

'Changing wood' is what we do, and 'to change the world' is why we do it. Our employees and external stakeholders have embraced this purpose, and it gives us a common, aspirational goal to work towards: making the world a better, more sustainable place.

Our values

Earlier in 2020 we formalised and launched our Company values. They are unique to us, they represent what we believe in, and we use them to guide our strategy and actions for the long term and on a daily basis. Our values are:

1 Be ambitious – the world depends on us

Our ambition is to change the world – it doesn't get much bigger than that. We must be bold, agile and committed to our goals. We have to be 'all in', and move quickly and decisively. To achieve our ambitions we may make mistakes, but we must not be afraid to try. We will always learn from the experience.

2 Respect and value all stakeholders

Everyone we work with and encounter is important – our colleagues, customers, partners, suppliers, investors and more. We act with integrity and authenticity, encourage collaboration, and build trust through inclusion and mutual respect. As a team, we will succeed.

3 Be committed to safety, quality and sustainability

No matter how ambitious we are, safety is of the utmost importance in everything we do. We all share responsibility for protecting people, property and the environment at all times. We must strive to fulfil our brand promise and delight our customers. We will always deliver consistently high quality.

Our footprint



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.



Tricoya® wood chips are currently produced from Accoya® wood to create a feedstock for our licensees to use in the manufacture of high performance Tricoya® panel products, such as MDF suitable for outdoor use.

See page 30 for an explanation of the Tricoya® consortium

Our sustainable business model

Through our sustainable business model we give the world a choice to build sustainability and create value for all our stakeholders.



OUR ACTIVITIES



Investment proposition

Substantial market opportunity

Potential sales for Accoya® and Tricoya® estimated to be in excess of 2.6 million cubic metres per annum.

See page 12 to read more about 'Our Market'

Sustainability

Our products meet the growing demand for environmentally-friendly alternatives seen in everyday life and in every sector of manufacturing.

Read our 'Sustainability' section on page 46

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.

See page 18 to read more about 'Our Strategy'

World leaders in wood technology

We have developed innovative, proprietary and protected technologies, and our products are first in class and leading the revolution of modified woods in a growing building industry.

Discover 'Our Products' on page 10

Strong organisational capability

Talented people are at the core of Accsys, with skilled employees at all levels and committed and experienced leadership.

Read more about 'People and wellbeing' on page 48

Chairman's Statement

“The purpose, values, strategy and the people at Accsys are all geared towards making a positive and lasting impact in the world.”

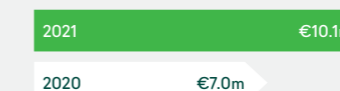


Underlying Group Revenue



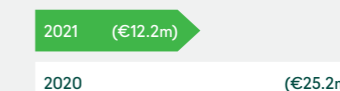
€99.8m

Underlying EBITDA



€10.1m

Net Debt



(€12.2m)

Overview

I am proud to introduce my first annual report as Accsys' Chairman.

The purpose, values, strategy and the people at Accsys are all geared towards making a positive and lasting impact in the world. During the challenges of COVID-19 the Group has maintained a clear focus on its purpose, and on the health and safety of our people.

This has been an unprecedented year due to the challenges that COVID-19 has presented. With the determination and adaptability of our people, we have been able to keep our products flowing to our customers, keep each other safe, and keep delivering on our strategy.

2021 Performance

Accsys has delivered a strong financial performance for the year. With underlying revenue growth up 10% to €99.8m and sales volumes up 4.5% to 60,466m³, the business demonstrated resilience with a rapid recovery after the initial impact of COVID-19 in the first quarter of the 2021 financial year.

We recorded strong progression of the Group's profitability with underlying Group EBITDA up 44% to €10.1m and an Accoya[®] Manufacturing margin of 33.4%. We have also reported our second consecutive year of positive EBIT. This reflects the ongoing development of the Group's financial profile as Accsys grows and gains scale and as awareness of Accsys grows.

The Group finished the year with a robust financial position, with a €13m reduction in net debt to €12.2m.

Strategic development

During the year the Group has made further progress on its strategic development. This includes progress towards the 2025 production capacity goal of 200,000m³, and also on the Group's four strategic priorities including our organisational development.

Construction of the world's first Tricoya[®] production plant, in Hull, UK, made further progress towards completion despite significant continuing challenges.

This project, together with the current expansion at Arnhem to add a fourth reactor will add an additional 60,000m³ to bring our total production capacity to 120,000m³.

The Group has made progress on the significant goal of establishing its first Accoya[®] plant outside Europe. Planning for the construction of an Accoya[®] plant in North America was progressed through a new joint venture established with Eastman Chemical Company. A market assessment has been completed and the feasibility and design work is underway on the ground. An investment decision is expected this coming summer.

Accsys maintains four priorities for its strategic development and during the year, the Group has made good progress against these. Among them, the need to build organisational capability is particularly key at this point in the Group's development. Rob and his team are making very good progress in this regard and Accsys is evolving and developing its processes, systems, and talent, ready to manage the growth ahead.

Capital Raise

In May 2021 the Group completed a successful €35m net capital raise. This has provided the funding Accsys needs for its anticipated equity share of the joint venture to build the new 40,000m³ Accoya[®] plant in North America.

The Board and I were pleased with the strong level of shareholder participation in the financial raise, both through the institutional placing and the retail open offer, both of which were significantly oversubscribed. We extend our thanks to shareholders for their continuing support and new shareholders for their investment in Accsys.

ESG

Accsys has made significant progress in developing our sustainability this year. We completed a strategic review of our ESG approach, including a stakeholder consultation.

The outcome was our first standalone ESG report and framework published 30 November 2020. I encourage all of our stakeholders to read this report, it marks the start of a new chapter in Accsys' growth and evolution as a force for sustainable change in the world and embedding ESG into our operational DNA. I would like to thank those investors and stakeholders who gave their time to share their views and help shape the report and framework.

We have significantly expanded the number of ESG metrics we report and for the 2021 financial year we expect to also report our ESG data to the GRI and SASB standards alongside the Annual Report.

Since joining Accsys over a year ago, I have been impressed with the good governance processes in place relative to Accsys' global corporate size, and in the Group's commitment to foster a fair and inclusive culture, with engaged and motivated people. This can be seen in the results of the second Employee Engagement survey completed this year.

Our Board

I joined the Board on 23 June 2020 as Chairman designate and assumed the role of Chairman following Patrick Shanley's retirement as Chairman after nine years in September 2020. I have enjoyed this past year, joining the Group at an exciting inflection point in its growth and development and being able to work with a Board of a high calibre.

Alexander Wessels also joined the Board as Non-Executive Director, and member of the Nomination, Remuneration and Audit Committees in September 2020. With over 30 years of chemical, pharmaceutical and process industry experience, Alexander's passion for developing talent and integrating ESG in growth strategies has been a valuable, complementary addition to our Board.

At the time of writing, it is difficult to predict whether we will be able to hold our AGM in person this year due to the pandemic. While we very much hope that this may be possible, ultimately, we will hold the meeting in the safest manner and in compliance with the government guidelines at the time.

Chairman's Statement continued

Looking ahead

Accsys is a business that I am proud to have joined and at a time where the world is increasingly looking for sustainable construction products. Through the Group's recent work in its US joint venture, we have been able to reconfirm the significant demand and growth opportunity for our products through independent market research. I strongly believe that Accsys is well positioned to seize the large global market opportunity for its products and its 2025 '5x' increased production capacity target.

I look forward to working with the Board and the executive team as Accsys continues to deliver its growth strategy and capitalise on the market opportunity ahead.

Stephen Odell
Non Executive Chairman
21 June 2021

“Accsys is well positioned to seize the large global market opportunity for its products.”



Accoya® wood 'raft' boat dock,
Salt Spring Island, Canada
Architect: Michael Green Architecture
Photo: Dorian Banks



CASE STUDY

Ecological school brings sustainability to life for students

Architect: ORGA Architect
Location: Almere Nobelhorst, Netherlands

De Verwondering, also known as the Netherlands' first 'ecological school', builds the importance of sustainability into every part of the learning experience. By incorporating sustainable building materials and biophilic design principles in the very structure of the school, even the students' environment itself is part of this commitment to a better future.

Accoya® wood features prominently throughout, thanks to its unique combination of exceptional performance and leading sustainability credentials. Most strikingly, it forms the pedestrian bridge that guides students to the building, and was also chosen for the cladding, banisters and planters in the school, as well as the window frames, exterior doors and the roof garden wall covering.

Our Products

Accsys produces two main products: Accoya® solid wood and Tricoya® wood elements.



accoya®

Accoya® is our acetylated solid wood product. It is the world's leading high performance sustainable wood, sourced from fast-growing, certified sustainable forests. It is stable, durable and resists rot; its properties match or exceed those of the best tropical hardwoods, plastics and other non-renewable alternatives.



tricoya®

Tricoya® wood chips are used by our licensees to create Tricoya® panel products (such as MDF) with enhanced properties: exceptional durability, stability, and suitable for use in wet environments. This opens countless new opportunities for specifiers, architects, designers and joinery manufacturers.

By enhancing the natural properties of wood we offer a unique combination of performance and sustainability to our customers: quality without compromise.

Product Performance

Our products are:



Durable

They are highly resistant to rot and decay, with durability that outperforms competing materials including the very best tropical hardwoods.

Warranty for 50 years above ground and 25 years in ground or freshwater



Stable

Our products offer outstanding dimensional stability and can be confidently used in external applications in varying moisture conditions.

Over 75% reduction in swelling caused by moisture uptake



Sustainable

They are produced from fast growing, FSC® certified responsibly managed wood sources, and store sequestered carbon for decades.



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

Accoya® is non-toxic and fits perfectly into the bio-cycle of the circular economy, with leading credentials in the building materials sector.

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.



50 year warranty



Sustainably sourced



Low maintenance



Highly stable



Natural wood



Non toxic



For all climates

Our Market

A significant growth opportunity

Overview

Accsys' products are positioned within the substantial global wood products market, a subset of the wider building and construction market.

Macro-economic trends, wider societal 'megatrends' and market penetration opportunities provide us with significant growth and demand drivers within our market.

With demand for our products exceeding our volume of supply, currently a key enabler for sales growth is growing our volume of production capacity. Our '5x by 2025' production target is a key goal in our growth strategy, further details of which can be read in the CEO's Report.

Market size

We operate within the global wood products industry which produces approximately 800 million cubic metres per annum, according to the UN Food & Agriculture Organization. As our products compete with and displace other non-wood building materials from concrete to plastics, the market in which we operate is even larger.

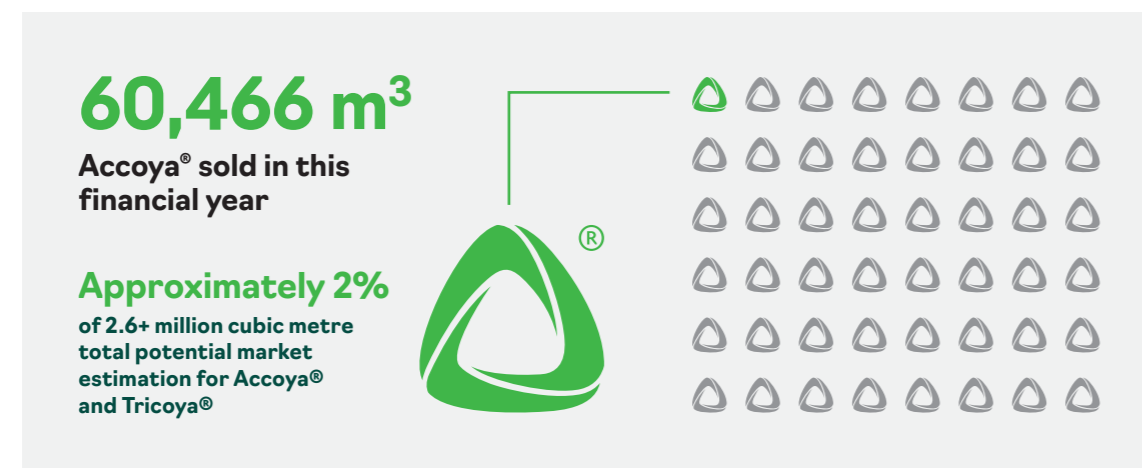
We have used independent market research to estimate that by continuing in our current market approach, with prioritised targeting of regions and product use applications, the potential achievable market for Accoya® and Tricoya® is in excess of 2.6 million cubic metres annually.

Our achievable market figure has three important factors behind it:

- Firstly, we know that our products outperform competing materials most strongly when used outdoors. The global outdoor wood market is estimated to be around 14% of the global lumber or sawnwood market.
- Secondly, our products compete with the high value end of the outdoor wood market, representing around a quarter of the global outdoor wood market.
- Thirdly, our targets for Accoya® and Tricoya® are currently six geographic markets and four product use categories, and our achievable market figure reflects only this scope.

Based on these factors, within the broader global market for solid wood, our target of an achievable 1 million cubic metres for Accoya® still only represents a fraction of the addressable market opportunity.

The global market for Tricoya® panel products is estimated to be at least 1.6 million cubic metres per annum, equating to around 1% of global MDF manufacturing capacity.



Demand drivers

There are three main types of drivers of demand for our products.

Industry demand drivers

GDP

Over time, construction – the main driver of wood consumption – increases as a result of rising GDP per capita, associated economic development and standards of living rising.

Construction & redevelopment

Our products are used in new constructions as well as refurbishment, redevelopment and remodelling for commercial and residential buildings and projects.

Underlying drivers include social and market expectations of building usages, performance and design, as well as regulatory changes (e.g. building safety, maintenance, sustainability and energy performance).

One-off events can also impact construction and redevelopment growth, as seen with the COVID-19 pandemic causing consumers to spend more time at home and increases in home improvement.

Megatrends

The superior performance and sustainability characteristics of our products tie into a number of broader macroeconomic trends.

Sustainability

The world is coming to a consensus that action is needed to address climate change. 36% of global energy use is accounted for by the building and construction sector.

In addition to decarbonisation, the 'Race to Zero', and setting of carbon neutral targets, there is also an increasing focus on the renewability of resources: reducing embodied carbon in materials and buildings and shifting to the circular economy philosophy. Many countries and even global businesses now have mandatory, legislative targets to be carbon neutral by 2050; decarbonisation is not simply an option but an obligation.

Shifting consumer priorities

Consumers in our geographic end markets continue to shift towards products that have a lower environmental impact.

This can be seen everywhere, from the types of shopping bags or drinking straws we use, to the cars we drive.

In the built environment, the trend is the same. We can see evidence all over the world of mass timber buildings – using renewable, carbon-storing wood instead of concrete and steel. Wood is the increasingly popular 'green building material' choice, with its natural look and feel and particular favour shown for natural and sustainable products over non-renewable tropical woods.

Increasing customer importance is being placed on whole life cycle considerations – both of costs and environmental impacts.

Lifestyle changes

Socio-economic changes drive a cultural shift in expectations for residences and commercial buildings. There is increasing demand for high performance and low maintenance wood products suitable for outdoor use, with this segment expected to grow faster than for softwood grades generally. Causes of this include lifestyle changes across economies.

Market penetration

Our products are most frequently chosen for their exceptional performance and characteristics across all climates. The exceptional performance, sustainability and quality of Accsys' products are fundamental to our proposition. With this valued competitive advantage against other woods and non-wood materials, we believe we can grow faster than the market through market penetration and share gains.

Market share and growth

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.

Our Market continued

Competitive advantage and material substitution

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 need 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.

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 not just ultra-high quality and performance but also market-leading warranties and service life, along with the sustainable benefits and credentials that make them so attractive in this increasingly environmentally-responsible world.

Targeted segment penetration

With products that could be described as 'disruptive' to the existing materials on offer, and with demand exceeding production capacity, we have focused on developing the regions and product applications to support rapid but sustainable growth. This means targeting the product categories and use cases for which our products are particularly well-suited, offering the most substantial and easily-understood advantages over other materials.

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.

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 and 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.

As we expand our manufacturing capacity, we will be targeting not just development of and expansion into new regional markets, but also into more application types as we continue to develop our product range.

Route to market

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 networks in key territories.

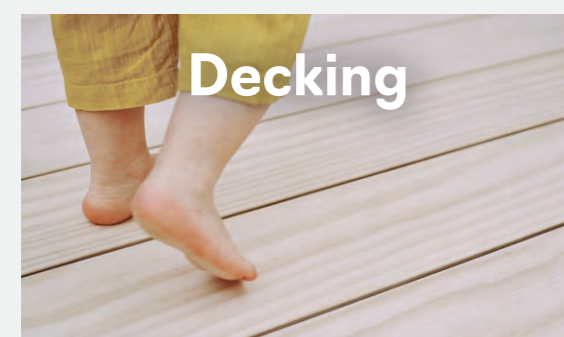
Through training, support and engagement with them and their manufacturing customers, we develop brand and product advocates throughout the value chain.

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. The Accoya® brand was refreshed in FY2021, supported by a new website and consumer-facing digital campaigns. The integration of our Approved Manufacturer Programme with location- and application-based 'Where to Buy' listings on the new website has resulted in significantly increased throughput of demand to vendors of Accoya® products: benefitting our brand, our customers, and end-consumers.

By developing our multi-channel marketing strategy, coupled with continued close support with our distributors and manufacturers, we will ensure that we continue to build on our strong market position.

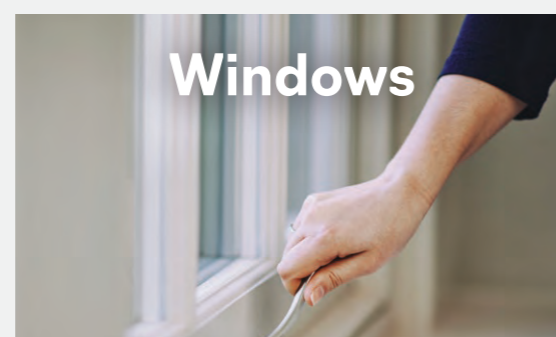
Product applications

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




Decking

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



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.



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 exterior doors.



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.

Our Business Model

Giving the world a choice to build sustainably...

Through our sourcing, production, and bringing our products to market, our business model enables Accsys to fulfil our purpose and give the world a choice to build more sustainably.

Our activities

We combine chemistry, technology and ingenuity to make high performance wood products that are extremely durable and stable, and opening new opportunities for the built environment. Our business and products add value at each stage from sourcing to sale and use, through their quality, sustainability, competitive benefits and longevity.



Sourcing

We obtain all our timber for production from certified sustainable, well-managed and fast-growing forests, primarily in New Zealand.



Forest Stewardship Council® (FSC) certified



Proprietary product manufacturing

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

60,466m³

Accoya® wood sold this year



Global sales and distribution

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

+10%

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

...and creating value for all our stakeholders

Our business and products add value at each stage from sourcing through to sale and use, through quality, sustainability, competitive benefits and longevity.

How we are investing in our future

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



Building new plants and optimising existing sites

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

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

5x by 2025

production capacity growth target



Research and development (R&D)

We have developed innovative, proprietary and protected technologies.

We continue to invest in R&D, focused on optimising our existing product offering and technologies and investing in focused technology solutions.

In FY21 we launched a new, unique product to selected markets, offering customers Accoya® wood which is coloured through from surface to core:

Accoya® Color

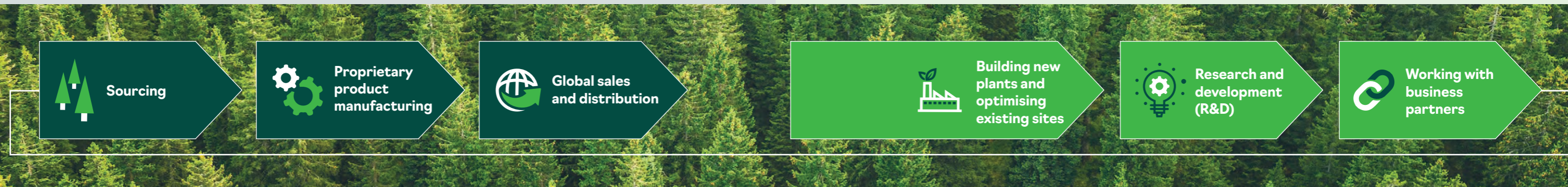


Working with business partners

Working with the right business partners helps us maximise our potential, enabling our growth to realise the substantial global market opportunity for our products.

We continue to advance our strategic priorities, in particular by working with partners which have resources or technologies that complement our own.

Work progressing towards the planned construction of an Accoya® plant in the USA through our joint venture with Eastman Chemical Company



Our differentiators

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

Our technology and IP

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

42 countries

in which we hold 356 patents and patent applications

Our people and 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.

59% headcount

increase over past three years

Environment and sustainability

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

Accoya® is

Cradle to Cradle Certified™

at the Gold level

Strong industry relationships

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

See page 56 for Stakeholder Engagement

Industry leading brands

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

64 countries

in which our brands are registered trademarks

Financial strength

With strong profitability progression, a robust balance sheet and cash-generative Accoya® business, we have a strong platform to progress our global growth plans.

+44%

underlying EBITDA growth in FY21

Our Strategy



Grow product demand

Developing market opportunities to drive revenue growth.

Our focus

- Drive sales growth in key markets and categories
- Superior customer relationships, service and support
- Build and protect brands
- Competitive advantage through product sustainability, quality and performance
- Capturing growth from energy & climate megatrends

[Read more about product demand in 'Our Market' on page 12](#)

Material Issues

- Sustainable & quality products
- Energy & climate change
- Governance, management and advocacy
- Responsible sourcing
- Society & Communities

2021 Progress

- Total volume sold increased by 5% to 60,466m³
- Strong underlying market demand drove capacity-level volume, and quick recovery after initial COVID-19 disruption
- B2B brand recognition and loyalty growth through Approved Manufacturer Programme (AMP)
- New Accoya® product website increasing customer support and training
- North America market research and expanded North America distributor network
- New Accoya® Color product received well in launch markets and in high demand

Looking forward

- Increasing North America sales & marketing activity to grow demand and volumes
- Further expansion of B2B activities including AMP and collaboration with distributors and manufacturers
- Increased brand development into B2C space to drive consumer 'pull'
- Grow Accoya® Colour sales as capacity increases



Practise manufacturing excellence

Growing our global manufacturing production capacity. Doing things faster, better, and more safely.

Our focus

- Grow manufacturing position and production capacity in Europe and internationally
- Optimising plants & processes for scalable growth
- Replicating technology with continuous improvement
- Safe operations, everywhere
- Partnering fairly

[Read more about our manufacturing expansion in 'CEO Report' on page 20](#)

Material Issues

- Sustainable & quality products
- Energy & climate change
- Governance, management and advocacy
- Responsible sourcing
- Health and safety
- People and wellbeing
- Ecological footprint

2021 Progress

- Accoya® Arnhem fourth reactor expansion construction underway
- JV with Eastman Chemical formed to construct US Accoya plant
- Site-specific US plant design underway; market feasibility study and €31m net equity funding for US plant raised
- Tricoya® Hull plant construction nearing completion, despite delays
- New Safety strategy, resources and initiatives, with increased awareness and improved reporting
- Three Lost Time Incidents (LTIs), up from two in FY20

Looking forward

- Tricoya® Hull plant and Arnhem fourth reactor to double production capacity from 60,000m³ to 120,000m³
- Progression of North American JV Accoya® activities
- Targeting 200,000 m³ production capacity by 2025
- Progression of Safety strategy and safety-first culture, new internal 'Think Safe, Act Safe' brand



Develop our technology

R&D of product and process-related technologies and IP to protect and grow our leading market position.

Our focus

- Pursuing process technology to enhance efficiency
- Optimising existing products
- Protecting our IP
- Sourcing responsibly
- Lowering resource use and incorporating circular processes

[See our 'CEO Report' on page 20 to read more about our IP](#)

Material Issues

- Sustainable & quality products
- Innovation and technology

2021 Progress

- Continued and expanded IP protection and safeguarding
- R&D team expanded and reorganised as a global centre of excellence to better support worldwide expansion
- First commercial orders of Accoya® Color made H1 21
- Off-cut recycling pilot programme launched
- Ongoing research into alternative source wood species' performance
- Efficiency improvements in production processes resulting in reduced year on year emissions intensity

Looking forward

- Improving process efficiencies, including from new wood handling process and equipment
- Longer-term research into potential for additional product categories as overall capacity increases
- Continue to develop and expand our IP portfolio
- Research into and assessment of alternative raw materials supply options



Build organisational capability

Developing our people and organisational capabilities to manage our growth.

Our focus

- Talent management: Adding new skills and talent
- Developing our people: Leadership & training
- Engaged workforce
- Living our values and culture

[Read our 'Sustainability report' on page 46](#)

Material Issues

- Governance, management and advocacy
- People and wellbeing
- Fair & ethical conduct

2021 Progress

- Expanded senior leadership, talent and skills to support growth
- Operational effectiveness improvement programmes launched
- Implemented actions to address prior year employee survey feedback
- Alignment of employee Objectives and Key Results with Accsys strategic goals
- Improved employee engagement scores across all key areas
- Developed compensation strategy to align with growth ambitions

Looking forward

- Evolve organisational structure to enable Group to grow effectively in size and geographically
- Progressive enhancement of processes and management systems (eg ISO 9001, 14001)
- Continued improvements resulting from annual employee survey feedback
- Internal activities to reinforce purpose and values

Chief Executive's Report



“In my first full year as CEO we have continued to make strategic progress under our ambitious growth strategy.”

Accoya® sales volume



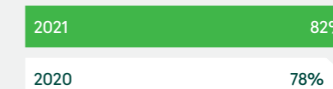
60,466m³

Accoya® manufacturing margin



33.4%

Employee engagement



82%

Introduction

In my first full year as CEO of Accsys, our team has delivered a strong set of results for the year ended 31 March 2021 that demonstrate the agility of our business and the high levels of underlying demand for our products. We have continued to make strategic progress in building our organisational capability under our ambitious growth strategy to expand production capacity five times by 2025.

We have strengthened our corporate and product brands, embraced our values, improved ‘how’ we work and our talent development and engagement, and driven forward with our core purpose of “Changing wood to change the world”. While ongoing challenges in the final completion of our Hull plant are disappointing, we have continued to make progress even through the difficult circumstances of the past year, and our overall growth, results and achievements in the year have been very encouraging.

We remain committed to our strategic priorities that will enable us to achieve our goals and fulfil the substantial growth potential in our markets. In the period, we have made further progress in our development of new production capacity and global expansion. The new plant and expansions being built at Hull and in Arnhem, are expected to double our total Group production capacity from 60,000m³ to 120,000m³. We are making good progress in our preparations for a North American plant through our Accoya® USA JV with Eastman Chemical Company.

In November 2020 we published our new ESG framework and Sustainability report, marking a significant step forward in our commitment to both

our own corporate sustainability ambitions and our alignment to the UN Sustainable Development Goals. We have developed and integrated our approach to ESG and sustainability into our business, led by our purpose, values and the issues important to us and our stakeholders.

The year has not been without challenges. Many of our staff have carried the burden of COVID-19 on their personal lives, and for office-based staff, many have missed the face-to-face work and rapport with colleagues. Amidst this we have found new ways of working together, and strengthening our global team: new processes driving efficiency and global collaboration, new initiatives bringing us closer together across our teams and sites, and growing our team with world class talent in new roles and strategic remits for engineering, research and development, health and safety and on-site management and operations.

COVID-19

The COVID-19 pandemic has presented a challenging year for people and businesses worldwide. The effects of the pandemic on Accsys’ full year performance can be seen primarily in the initial disruption to sales flows in the first quarter, and in contributing to the additional delay and challenges in completing construction and bringing production online at our Hull plant.

Our priority in managing the pandemic has been to ensure the safety and well-being of our people. Operationally, we introduced new protocols and workflow practices for site-based employees. The remainder of our workforce continues to be successfully flexed to home working around

the applicable government rules and employees’ personal circumstances, a change that also gives us greater adaptability around unforeseen events in future. The way that we have adapted and responded to these dynamic times is something we are all proud of.

Colleagues and teams throughout the business also showed great agility and responsiveness in managing not just the challenges posed to some of our customers and supply chains, but also the very rapid recovery in demand that followed. This has at times stretched our inventory levels, and we want to thank our partners, customers and suppliers for helping us meet as much of the strong demand for our products as possible.

Preserving our balance sheet and ability to execute our growth plans remained a key focus, during the pandemic and beyond. In the first quarter of FY21, COVID-19 and the measures taken by governments to reduce the spread of the virus caused lower than previously anticipated sales in certain key geographies while Accsys was part-way through the completion of significant capacity expansion projects. Ensuring that we can continue to allocate our capital to these long-term growth projects, through strong cost and working capital management, was an important area of focus in the earlier part of the year.

As a result of the initial reduced sales, Accsys received some government support in The Netherlands and the UK to support operations through the initial stages of the pandemic. At that time, Directors and other senior staff accepted a 20% reduction in their pre-tax salary for four months as part of our impact mitigation measures.

Relative to many other organisations around the world, the impact of the pandemic on Accsys’ financial performance has been limited by the strong underlying product demand and rapid recovery in sales volumes. As a consequence, once the scope of impacts and resilience became clear after the year-end, we have paid back in full the government grants received, and in May 2021 paid back the salary difference to all employees below the senior-management team level, reflecting their hard work throughout that challenging period.

Summary of results

The Group has delivered a strong 12 months driven by the Accoya® business during which we have grown revenues, profits and seen a strong cash performance despite the challenges presented by the COVID-19 pandemic. Total revenue for the 12 months ended 31 March 2021 increased by 10% to €99.8m (FY20: €90.9m). Accoya® sales volumes of 60,466 cubic metres represent a 4.5% increase compared to last year.

Overall, these results were driven by the strong performance of the Accoya® business. Average sales prices improved as a result of product price increases that took effect during the year. This improved pricing was one of the main drivers in helping underlying gross margin to increase to 33% compared to 30% last year.

As a result, Group underlying EBITDA increased by 44% to €10.1m (FY20: €7.0m). This increase in part reflected the ability to redirect production volumes during the start of the period which was most impacted by COVID-19.

Chief Executive's Report continued

Accoya® segment – summary of results

	FY 2021	FY 2020	Change %
Accoya® sales volume – cubic metres	60,466	57,842	4.5%
Underlying Accoya® segmental revenue	€97.6m	€90.0m	8%
Accoya® wood revenue	€91.1m	€82.8m	10%
Licence income ¹	€0.4m	€3.2m	(88%)
Acetic acid sales	€5.8m	€6.7m	(13%)
Manufacturing margin – %	33.4%	30.0%	+3.4%
Underlying EBITDA	€21.4m	€16.9m	+27%
Underlying EBIT	€17.1m	€12.6m	+36%

¹ FY20 Licence income was reported as exceptional income and relates to the Cerdia termination agreement.

Sales Volume by region

	2021 m ³	2020 m ³	Increase %
UK & Ireland	14,937	15,564	(4%)
Tricoya®	15,891	14,134	12%
Rest of Europe	13,388	13,567	(1%)
Americas	6,642	5,935	12%
Benelux	5,186	4,201	23%
Asia-Pacific	3,998	4,118	(3%)
RoW	424	323	31%
	60,466	57,842	5%

The Group has finished the year in a strong financial position. A combination of the strong Accoya® performance and cash generation, together with later than anticipated capex and working capital outflow from delays in the Hull plant construction meant that Group Net debt decreased to €12.2m at 31 March 2021 from €25.2m as at 31 March 2020.

Accoya® global performance

The Accoya® business performed strongly in FY21 with strong EBITDA growth and a good cash flow performance.

Revenue from the sale of Accoya® increased by 10% to €91.1m compared to the prior year. This reflects a strong performance particularly in the last three quarters of the year, after the initial 13% reduction in Accoya® volumes sold in the first quarter largely as a result of the COVID-19 disruption to our sales channels. We saw this impact most strongly in April 2020 when customer supply chains were initially disrupted.

Sales volumes recovered strongly with demand exceeding our production capacity across the remainder of the year.

As a result, full year Accoya® volumes sold were 4.5% above the prior year, with our production at Arnhem largely at capacity. Our full year production volume result reflects three factors: 1) Sales returned quickly to pre-COVID-19 levels in the second quarter, 2) Demand continues to exceed our production capacity with strong underlying demand for Accoya® and 3) Some supply chain disruption during the year to our wood material sourcing led us to utilise and reduce our inventory levels. As a result, we ended the year with lower than usual inventory levels, but which will be rebuilt into the new financial year.

Revenue growth in the period has been supported by an increase in average sales prices. Price rises were implemented in the last financial year for all customers, including all Accoya® customers from 1 January 2020, and have benefitted the 2021 financial year and were maintained through the COVID-19 period. From 1 April 2020, the European markets were successfully transitioned into our direct sales and marketing channels, from their previous exclusive licence to Cerdia also removing the previous Cerdia discount arrangements which supported profitability. A further price increase took effect in November 2020 including to address an expected increase in raw material costs.

Overall, we have continued to see strong underlying demand for Accoya® across our regions and with our Tricoya® panel manufacturing partners. This demand continues to be in excess of our current production capacity.

During FY21 our total annual sales volume growth and regional sales trends also reflect some disruption to supply chains from COVID-19 particularly in the UK and USA which were impacted more significantly by COVID-19 than others. The USA performed strongly in the second half, as we continue to ramp up our sales and marketing activity and increase allocation in the region to support our future production expansion plans there. Strong growth in Benelux reflects prioritisation of sales efforts to build the local market as a more significant contribution to the overall sales mix.

Demand for Tricoya® chips from our panel manufacturing partners remains strong, and sales volumes to our Tricoya® licensees for the production of Tricoya® panels increased by 12% which was also supported by the impact of price increases.

Accoya® manufacturing gross margin increased to 33.4% (FY20: 30.0%), driven by the price increases referred to above and strategic decisions to optimise operations around COVID-19 challenges. We completed our annual maintenance shut down ahead of schedule in the first half of the financial year to take advantage of reduced production levels when COVID-19 was causing significant uncertainty. Subsequently we operated all three Accoya® reactors at full capacity to meet demand during the year.

The launch into selected regions at the end of the last financial year of Accoya® Color, a true colour wood product that is tinted throughout the material, has gone well with the first commercial orders received and demand increasing across the year. While the production ramp-up and limited Accoya® stock availability will limit near term sales as anticipated, we expect increased Accoya® Color sales in the medium term with its unique proposition proving attractive to customers in our target markets. This will be supported by increased sales and marketing activity overall to drive end consumer awareness and demand.

Accoya® strategic progress

During the period we have made good progress in our planned expansion of Accoya® production capacity at our existing Accoya® plant in Arnhem in 2021. Under these plans we expect to increase the site capacity by 33% to 80,000 cubic metres by adding a fourth reactor. The detailed engineering is complete, and we began ground works for construction in February 2021, with good progress since then including the delivery to site of the new reactor in May and key procurement orders placed. We have also secured the full permit required for the construction project and recruited the additional people required.

CASE STUDY

Striking Accoya® black cladding for private residence in UK

This striking private home has Accoya® wood cladding across the entire front facade. The homeowners undertook a large extension to their property and wanted their home to look unique and unlike any of their neighbours.

The Surrey homeowners were familiar with charred wood and liked the dark burnt effect it creates. Architect Karl Harrison presented them with an inspired alternative: "Just because it's black does not mean it has to be charred, so let's use something truly unique". The result is Accoya® wood cladding coated with a Sansin paint to create a remarkable jet black appearance, with precise tongue, groove and v-joint boards that hide all fixings for a pure, minimalist facade.

Harrison believes Accoya® cladding is "contemporary and offers a texture like no other", in addition to its incredible stability and 50-year warranty, providing peace of mind that the initial outstanding finish will remain for years to come.



Architect: Karl Harrison Landscapes
Location: Surrey, UK

Chief Executive's Report continued

The broader expansion project also includes increased chemical storage and an upgrade of our wood handling equipment, which is also being progressed, with the order for equipment placed. The expansion remains on track to be operationally complete by the end of Q1 calendar year 2022.

North America represents the largest potential regional market for our product. New independent market research has confirmed an achievable market for Accoya® in North America of up to 948,500m³ per annum within a wider addressable market of up to approximately 9.6 million m³. North America is a market that Accoya® already has a growing footprint in, but in which we are significantly constrained by the volume of product we can deliver to customers from our Arnhem production capacity. We have strong foundations for growth in the region with a number of key distributor customers in place and have rolled out our Approved Manufacturers Programme for our distributors' customers, which has been highly successful in Europe. During 2021 we have also made good progress in our plans to expand our manufacturing footprint into North America and build a new Accoya® plant there.

In August 2020 we formed a joint venture with Eastman Chemical Company (NYSE: EMN), a world leader in the production of acetyls, to construct an Accoya® plant in USA. Under the JV, Accsys holds a 60% interest and Eastman a 40% interest.

Since August we have made good progress in our initial planning and feasibility work, and in preparing the commercial agreements needed. Work has spanned various areas including developing site-specific engineering plans, detailed capex estimates and financial planning the formalising of working protocols between the parties as well as project financing planning. We expect to complete the final aspects of this, including the detailed front-end engineering design in the summer of 2021 and are targeting to make the final investment decision at this stage also.

We believe Eastman is a strong collaborative JV partner who brings multiple benefits to the Accoya® USA JV given its leading position in the production of acetyls, a key raw material in Accoya® production, as well as its extensive experience in building and operating chemical plants. The plant will be located on Eastman's operating site in Kingsport, Tennessee, USA, which offers cost and geographical benefits by being adjacent to Eastman's existing acetyls operations.

The initial plant designs will target a two-reactor 40,000 m³ capacity plant, while the plans and site also allow for further efficient expansion (subject to market conditions) of up to eight reactors in total. Importantly, the plant will replicate the success of our Accoya® plant in Arnhem by duplicating our existing Accoya® technology and operational know-how.

The planning to date confirms the strong financial returns from the plant itself, with a targeted pre-tax IRR of over 20%. In addition, Accsys will licence its technology to the Accoya® USA JV, with sales and marketing support also expected to be provided by Accsys under a separate fee bearing agreement with the Accoya® USA JV.

We expect that the plant will take approximately two years to construct from the point of final investment decision which is targeted for summer 2021. Following construction, sales are expected to ramp up over a further two years to the plant's full production capacity.

In May 2021, we successfully completed the issuance of new share capital to fund Accsys' equity share of the project, through a placing and open offer. Further details on the financing for the USA plant can be found in the Financial review.

Tricoya® Strategic progress

The construction of the world's first Tricoya® plant at Hull is in its final stages. During the year, construction work on the Tricoya® plant in Hull was progressed but was impacted by COVID-19 related challenges, and recent engineering changes. While construction progress resumed over the summer of 2020, the final stages of construction have been taking longer than anticipated.

As a result, in April of 2021 we updated our guidance that at that time we expected a three to six month delay to the lead contractor's schedule, and full operational ramp-up of the plant would likely commence in H2 FY22.

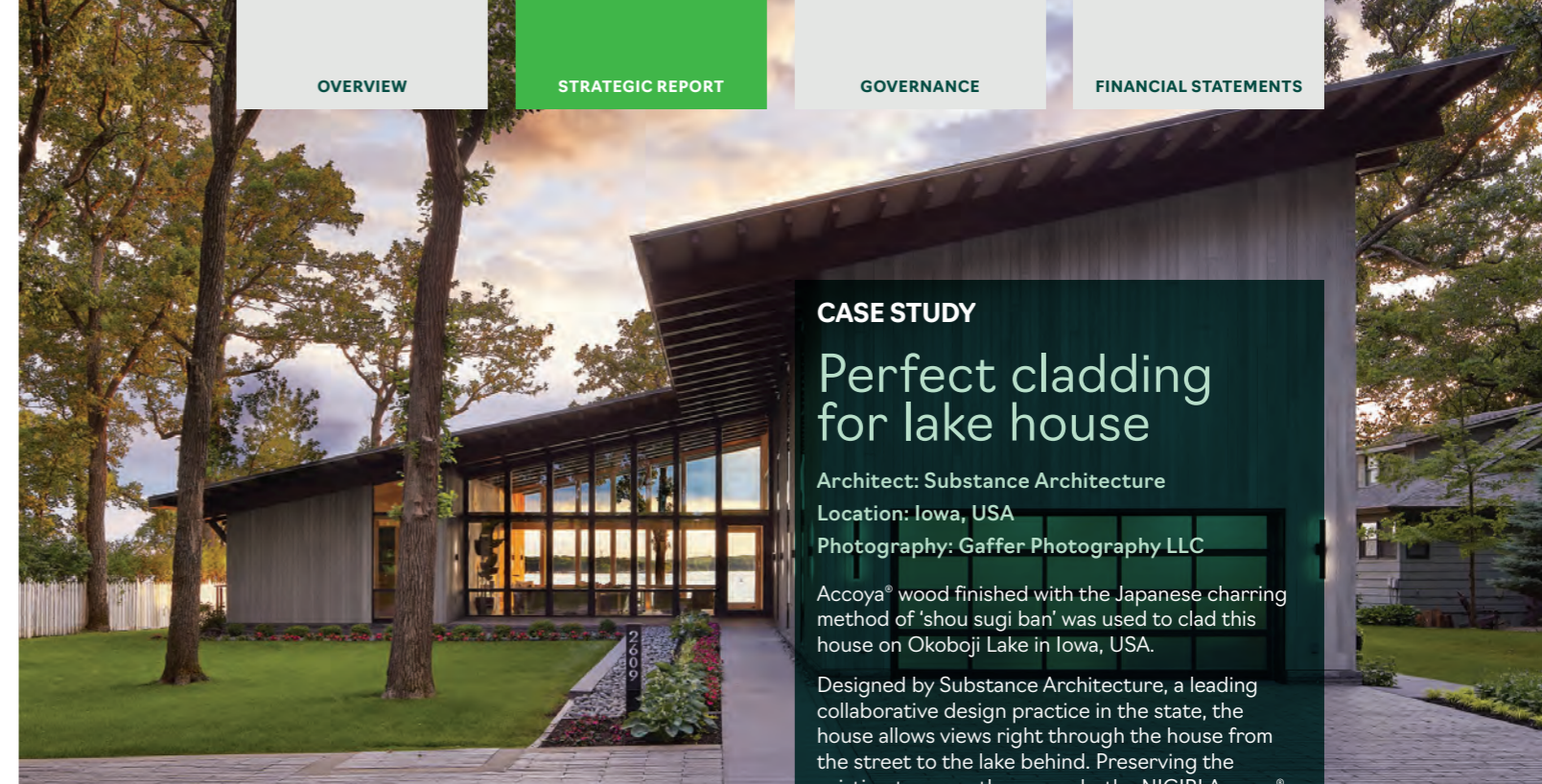
Subsequent to this in early June 2021, we received a notice from the lead contractor responsible for the delivery of the plant, Engie Fabricom UK Limited, purporting to terminate the engineering, procurement and construction (EPC) agreement for the project by reason of force majeure arising out of the COVID-19 pandemic.

OVERVIEW

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CASE STUDY

Perfect cladding for lake house

Architect: Substance Architecture

Location: Iowa, USA

Photography: Gaffer Photography LLC

Accoya® wood finished with the Japanese charring method of 'shou sugi ban' was used to clad this house on Okoboji Lake in Iowa, USA.

Designed by Substance Architecture, a leading collaborative design practice in the state, the house allows views right through the house from the street to the lake behind. Preserving the existing trees on the grounds, the NIGIRI Accoya® wood cladding from reSAWN TIMBER co. provides not just a stunning aesthetic but also incredible durability and performance.

Combining the characteristics of Accoya® wood with the shou sugi ban charring technique creates a dense outer char layer for a seamless transition over time to a beautiful weathered look.

With the contract now terminated, Engie Fabricom has spent two weeks demobilising from the site, ensuring that the handover of the site to Accsys is completed safely and securely. Work has commenced to develop the detailed plans necessary to complete the remaining items of construction and commissioning of the plant. Given the relatively advanced status of the project, we are now evaluating the potential to project manage the final works directly and may not need to appoint another lead contractor. Our team is conducting a comprehensive GAP analysis which will be completed following obtaining full access to the site which is expected this week, together with receipt of the project documentation held by Engie Fabricom. This will enable us to validate the remaining works, costs, timeline and people required to complete construction and for commissioning required for full operation of the plant to be carried out. Once this evaluation has been completed, we shall update the market with our expectations for the start-up of the plant and likely remaining associated costs to completion.

Notwithstanding the delays and challenges, our planning for the plant continues to allow for the ramp-up of production to full capacity over approximately three years following start-up. This reflects that this is the first plant of its type and that various modifications and operating improvements may be identified once the plant is initially operational. Once at capacity, we continue to expect that a gross margin of approximately 40% should be achievable. This is higher than the Accoya® plant gross margin due to lower wood input costs and a higher level of automation attributable to the continuous process used for the Tricoya® process.

We continue to explore the opportunity to expand Tricoya® production into Malaysia through the ongoing feasibility study with PETRONAS Chemicals Group Berhad for the construction of a Tricoya® plant in Malaysia. The full decision to progress with the plant will only follow after the Hull Tricoya® plant has been operational for a sufficient period to ensure that any engineering learnings can be factored into the Malaysian plant design.

In June 2020, BP, a minority investment partner in the Tricoya® consortium, announced the sale of its petrochemicals business to INEOS, which saw the transfer of the Tricoya investment from December 2020. We have been pleased to welcome and work together with INEOS alongside our wider consortium partners.

Group Strategic Development

The Group has four strategic priorities that we focus on to enable us to achieve our goals and fulfil the substantial growth potential for Accoya® and Tricoya® in our markets.

Chief Executive's Report continued

Grow product demand

During the period we have made good progress in developing market opportunities to drive our revenue growth.

Following the launch of our new product website in June 2020, which includes a 'Where to Buy' section to connect visitors to our customers, we increased the number of our customers trained and included on the site by 50% in the second half of the year.

We launched our global Approved Manufacturer Programme in the 2021 financial year. We have extended this from the UK initially to now include the DACH and Benelux regions and North America over the course of the year. This engagement, and two-way support with our distributors and manufacturers, strengthens our brand at all levels and expands the reach of our customers and, by extension, our product.

Practise manufacturing excellence

With the significant global market opportunity for our products, building additional production capacity in global markets is a key element of our growth strategy. We have made progress during the year in our projects to grow our Manufacturing position in Europe, North America, and Malaysia.

With our specific progress set out in the segmental summaries above, these projects are:

- Accoya®, Fourth reactor expansion at Arnhem, the Netherlands;
- Tricoya®, New plant construction at Hull, UK;
- Accoya®, New plant to be constructed in USA;
- Tricoya®, New plant to be constructed in Malaysia.

In late 2019 we set out our target to increase our production volume capacity by five times, by 2025. Through the construction of new plants and capacity expansions at our existing plants, we intend to increase the annual volume production capacity from 40,000 m³ per annum, to around 200,000 m³ and m³ equivalent per annum.

Develop our Technology

Accsys continues to invest heavily in growing, researching, developing and protecting its valuable portfolio of intellectual property and confidential information. Our technology covers not only the physical equipment and engineering that underpins our manufacturing and production, but also the processes and methodology we follow in our entire supply and production chain, from the way we prepare our wood to the way we market and sell Accoya® in the market.

We continue to develop all aspects of our technology, including our process technology where we continually aim for the best efficiency and best quality for our products and production. During the year we have hired additional people to support our R&D and reorganised our R&D activities as a centre of excellence to support the expanding Group.

We have reviewed and implemented new improved procedures seeking to safeguard as much as possible our proprietary information and are working with teams across the Group to ensure better understanding of, and training on, our confidentiality protocols.

Accsys' patent portfolio totals 356 patent family members, covering 27 distinct inventions in over 40 countries. Over 60% of the patent family members have now been granted, including 179 of the 27 distinct inventions in Europe, USA or China, including notable grants protecting acetylated MDF panel in Europe and Malaysia. By using a combination of patenting and know-how we continue to invest in the generation and protection of core technologies associated with our current and future plants for the production of Accoya® and Tricoya® wood products.

Our principal trademark portfolio covers our brands Accoya®, Tricoya®, the Trimarque device and Accsys®, protected by registration in over 60 countries, with recent trademark activity focused on increasing the strength of those brands, and securing protection for the new corporate logo and our 'changing wood to change the world' strapline.

CASE STUDY

High performance decking

Architect: De Sepibus AG

Location: Gemmi Pass, Switzerland

Decking installer: Stephan Kiechler

Hotel Wildstrubel sits high up on the Gemmi pass near Leukerbad in the Swiss Alps. Situated at 2350m above sea level and accessed by modern cable car, the hotel is a popular tourist destination for hiking and mountaineering during the summer and cross-country skiing in winter. Part of the attraction is its spacious Accoya® deck that invites visitors to relax and enjoy the stunning mountain scenery in style and comfort.

Accoya® was not only chosen for its authentic wooden aesthetics but also for its impressive performance, as the mountain climate – while ideal for skiing – could pose a few challenges to the materials used for the deck. At that altitude, winters are long and bring a lot of snow and freezing temperatures, the stress of which can cause other materials to crack. The high footfall of tourists all year round also puts a lot of stress on the deck, especially with heavy ski and hiking boots. For Accoya®, these challenges are no problem at all: due to the patented acetylation process, Accoya® wood is so dimensionally stable that it barely shrinks, swells or warps at all, and is extremely durable in all weather conditions. It's the best decking material for challenging environments.

Accsys continues to maintain an active watch on the commercial and IP activity of third parties to ensure its IP rights are not infringed, and to identify any IP which could potentially hinder our commercial activity. In 2021 we completed an additional worldwide patent search which has reconfirmed our freedom to operate position, as we continue our Accoya® joint venture in the United States and our plans for a Tricoya® joint venture in Malaysia.

Build organisational capability

In 2021, we have continued to develop the group by investing in people and processes to better support our growth including through a programme focussing on operational effectiveness and addressing areas identified from the employee engagement survey carried out at the end of last financial year.

The Group continues to invest in its Organisational capability with new Heads of department hired in HSE, Technology, Engineering, IT, Investor Relations & Acetyls management. We are also developing processes and systems to support our growth and ensure that the Group can expand effectively including into new locations.

Chief Executive's Report continued

While developing and building world-first, market-disruptive technology has its inherent challenges, as an organisation we are increasing our focus on the execution of our construction and other development projects. Our construction planning and project management approaches are incorporating more detailed engineering principles in order to improve delivery, and we have added new skills and talent into the Company in the period to manage the growth in this area ahead.

Health and safety

As Accsys continues to grow, safety remains at the core of our business. We have worked hard to develop our new Health & Safety strategy, our processes, safety messaging, policies and associated metrics to help us measure performance. During the 2021 financial year we have also changed our working practices to keep our people safe in a COVID-19 environment. While in the year we experienced three Lost Time Incidents (LTIs), up from two in FY20, we are seeing a positive response to the new strategy and initiatives. Preventative and leading actions and indicators improved considerably, with more than double the number of Toolbox Talks and Management Safety Tours conducted, and much higher engagement with hazard, near miss and safety opportunity internal reporting.

Unfortunately, as previously reported, an incident resulting in a serious injury to one of our contractors occurred on our Arnhem site. The incident involved a routine tanker unloading operation at the production plant. The incident has been investigated and various root causes have been identified. A number of important and significant actions to further improve this process have now been implemented.

The incident serves as a reminder that health and safety of our employees, partners, contractors and other associates and stakeholders must remain the top priority as Accsys continues to grow to more sites and geographies.

Environment, Social and Governance

This year has been important in the development of our approach to ESG and sustainability, with the launch of our first Sustainability Report in November 2020. This was one output of extensive work both internally and with our stakeholders to make sure we are focusing on the right areas and topics. We established our 10 key material issues and impact areas and created an ESG framework that aligns with our purpose, values and strategy, defines our approach to these issues, and contributes to five main UN Sustainable Development goals, with additional impacts on seven more.

The approach we are taking is to ensure that ESG and sustainability are not simply 'additional' factors or considerations, but meaningful and integrated with our business. We have created a new ESG Committee and added a dedicated ESG Manager within the business to advance our approach and roadmap, engage our colleagues throughout the business, and further refine and develop the details of our ESG strategy. We continue to have a strong focus on responsible sourcing and product sustainability: 100% of our products are made from FSC® certified sustainable wood from well-managed forests and 100% of our key materials suppliers are screened against social and environmental criteria. The increase in annual sales volumes means that more sequestered CO₂ than ever before is safely stored in our products, for decades ahead. Further detail on our ESG performance can be found in our Sustainability Report.

Significant work has been done to expand and improve our data recording and management for these areas, giving us robust and useful information and metrics with which to make informed decisions and plans rather than just well-meaning statements of intent. In our Sustainability Report we significantly increased the number of reported ESG-related metrics and data points. I'm very pleased that we have quickly built further on that and expect to report to GRI and SASB standards alongside our Annual Report this year and are currently developing ambitious but realistic internal targets for key performance indicators.

The internal action plans developed for each issue have been progressed well. For some topics this is a continuation of the high standards already in place, such as responsible sourcing and sustainable and quality products, and in other areas such as People and Wellbeing, Health and Safety, and Society and Communities there have been some great steps forward. We have established new global functions, teams and strategies for HSE, Technology and Engineering, and seen very positive results of our second Accsys People employee engagement survey a reflection of the many workstreams improving the lives, wellbeing and enablement of our colleagues. More can be read about our engagement survey in our Sustainability report.

We have also established a new Charities Committee and approach aligned to our business' locations, activities and purpose.

Outlook

As focus on sustainability grows, demand continues to exceed supply for our sustainable products and underpins our strategic growth plans which progressed well during the year. Construction of our Hull plant is in its final stages and the fourth reactor at Arnhem is progressing, and, as these complete we will double our capacity as a Group. Additionally, following the close of our year, we announced a successful equity raise to support our joint venture with Eastman Chemical Company to build an Accoya® USA plant. This raise was significantly oversubscribed and will allow us to address the substantial North American market where demand continues to grow.

We expect revenue growth as the additional capacity at Arnhem becomes operational. Further to our update earlier this month regarding the status of the Hull plant, we are taking over the project and completion of construction following termination of the EPC contract, and are in the process of validating the remaining works, costs and timeline for completing the project. Group overheads will increase next year given the investment in our organisation for growth and ahead of the planned Hull plant start-up.

Longer term, for Accsys as a whole, we expect to continue to achieve improving profitability as each step in our growth journey allows us to significantly increase the level of sales and take advantage of economies of scale associated with higher operating levels. As the focus on the carbon footprint of the built environment continues to intensify, we expect significant demand for our high-performance and sustainable products and remain on track to meet this demand through increasing our capacity fivefold by 2025.

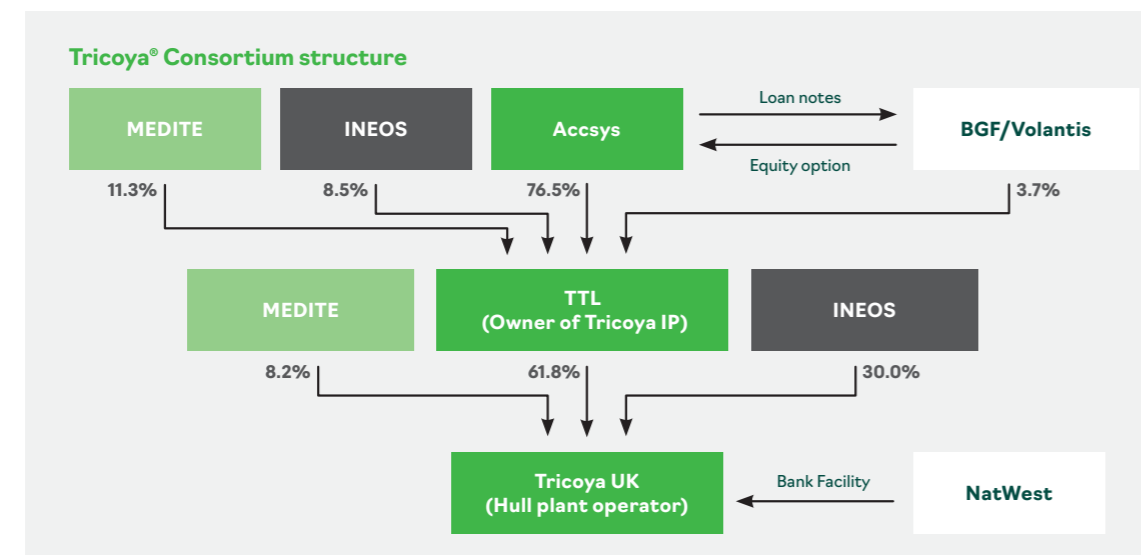
I remain confident in the significant long-term growth opportunities ahead and in our ability to execute our strategy in pursuit of sustainable growth.

Rob Harris
Chief Executive Officer

21 June 2021

Tricoya® Consortium

The Tricoya® Consortium was formed on 29th March 2017, with its members currently comprising Accsys Technologies, INEOS Acetyls Investments Ltd, MEDITE Europe DAC, BGF & Volantis (Lombard Odier) and with project finance debt provided by NatWest. INEOS 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 UK Limited (Tricoya UK) – is building and will operate and run the Tricoya® plant at Saltend Chemicals Park, Hull, a site selected for its adjacency to INEOS'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 Acccoya® at higher cost
- Wholesale price of Tricoya® panels above that of Acccoya® reflecting its exceptional properties and that it is a unique offering in the market
- Construction of the Hull plant is expected to address the increased global demand and promote increased supply

Tricoya® 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

The Hull plant:

- Construction is in the final stages of completion
- Targeting production capacity of 30,000 tonnes of chip per annum, sufficient to produce approximately 40,000 cubic metres of Tricoya® panels
- Licensee or 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 three years
- Further details on the latest status of the project can be found in the CEO's Report

Targeted Tricoya® Hull plant capacity

30,000
metric tonnes

Acccoya® sold for Tricoya® market seeding

15,891m³
in FY2021

CASE STUDY

Top three levels of acetylation tower lifted into place

In October 2020, construction of the Tricoya® plant in Hull reached new heights: the final levels of the acetylation tower were lifted into place, bringing it up to its full vertical reach of 56 metres.

Weighing in at approximately 60 tonnes, the structure and equipment assembly of levels 7, 8 and 9 were successfully placed, marking a significant step forward for the project. The plant is the first of its kind in the world, and will acetylate certified responsibly sourced wood chips into Tricoya® acetylated wood elements, ready to be made into panel products with exceptional performance characteristics that unlock new possibilities in the built environment.

Financial Review

“Accsys delivered a strong financial performance in the financial year.”



	FY 2021	FY 2020	Change %
Underlying Group Revenue	€99.8m	€90.9m	10%
Underlying Gross Profit	€33.1m	€27.5m	20%
Underlying EBITDA	€10.1m	€7.0m	44%
Underlying EBIT	€4.4m	€1.4m	214%
Underlying profit/(loss) before tax	€1.1m	(€2.2m)	
Statutory profit before tax	€0.3m	€1.5m	
Year-end cash balance	€47.6m	€37.2m	
Year-end net debt balance	(€12.2m)	(€25.2m)	
Accoya® Sales volume	60,466m ³	57,842m ³	4.5%

Overview

Accsys delivered a strong financial performance in the financial year with underlying Group revenue up 10% to €99.8m and underlying EBITDA up 44% to €10.1m. Accoya® sales volume increased by 4.5%, having performed strongly following the significant reduction in certain geographies in April 2020 (down 35% year on year) resulting from COVID-19 disrupting our customers' supply chains. Despite the challenges of COVID-19 during the year, we were pleased to deliver an increase of €3.0m in underlying EBIT to €4.4m (FY20: €1.4m), principally driven by a 340bps increase in our Accoya® manufacturing margin to 33.4% (2020: 30.0%).

The Accoya® business continued to perform strongly driving a €4.5m increase in Group operating cashflow before working capital changes and exceptional items to €11.8m (2020: €7.3m) contributing to a €13.0m reduction in Group net debt in the year. This ensured the preservation of the capital raised in December 2019 for the Arnhem Reactor 4 expansion project and the Hull Tricoya® plant.

The impact of COVID-19 on the financial performance of the business in the 2021 financial year can be seen through the initial impact on sales volumes and revenues as outlined below, and in the implications for the construction of the Hull plant as discussed elsewhere in these reports. Overall, our Accoya® operating business has come through the pandemic in good financial shape and proven its resilience.

Statement of comprehensive income

Underlying Group revenue increased by 10% to €99.8m for the year ended 31 March 2021 (2020: €90.9m). Higher sales volumes together with higher average selling prices resulted in revenue from Accoya® wood increasing by 10% to €91.1m. The Group benefited from full price sales to the former 'Cerdia' region during the period, following the early termination of the commercial agreements with Cerdia International GmbH (Cerdia) effective from 1 April 2020.

Underlying Group EBIT



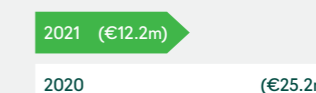
€4.4m

Cash balance (year end)



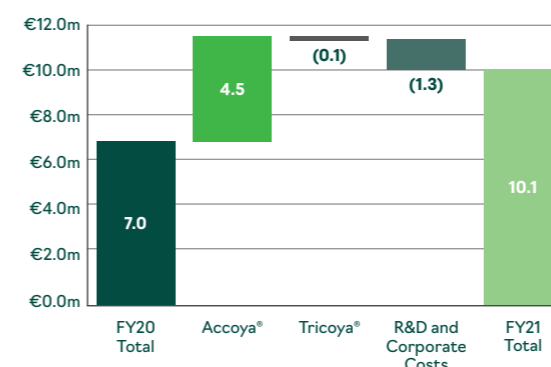
€47.6m

Net debt (year end)



(€12.2m)

Underlying EBITDA



Included within Accoya® revenue, are sales of lower priced Accoya® for the manufacture of Tricoya® panels, which increased to €18.3m (2020: €15.3m). 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 €2.1m (2020: €0.5m) represented sales of Tricoya® panels, purchased from our Tricoya® licensees, to sell into other geographies in order to provide market seeding material for the global Tricoya® market.

Licence revenue of €0.4m was attributable to the new licence agreement entered into in August 2020 with Accoya USA, LLC, a JV company formed with Eastman Chemical Company to construct and operate an Accoya® wood production plant to serve the North American market. Accoya USA, LLC is accounted for as a joint venture and equity accounted for in these results. €3.2m of exceptional Licence revenue was recorded in the prior year which related to the termination fee associated with the early termination of the

Cerdia commercial arrangements. The amount was deducted from the on-going loan from Cerdia on 1 April 2020. Licence revenue of €0.3m was reflected in our Tricoya® segment in the prior year period.

Other revenue of €6.2m (2020: €7.3m) predominantly relates to the sale of acetic acid which decreased compared to the prior year due to lower average acetic acid prices.

Underlying gross margin increased from 30% to 33% compared to the previous year with the Accoya® manufacturing gross margin increasing 340bps to 33.4%. These increases were driven by higher average selling prices, following a 22% decrease (to 26%) in Accoya® sold in the year at discounted prices (for Tricoya® panels manufacture). This compared to 48% sold in the prior year which included sales to Cerdia and for Tricoya®, following the termination of the commercial agreements with Cerdia with effect from 1 April 2020. General sales price increases were also successfully implemented in January 2020 and November 2020, although these were partially offset by upward variable costs pressures, with higher wood costs, and higher net acetyls costs as compared to the prior year. Higher net acetyls costs were particularly impacted by lower acetic acid prices, although an increase in acetic anhydride pricing was seen in Q4 FY21 which has continued into the FY22 financial year. This has been partially offset by an increase in acetic acid prices in Q1 FY22.

Financial Review continued

Underlying other operating costs, excluding depreciation and amortisation, increased by €2.3m to €22.8m. This increase was due to an increase in staff costs and related recruitment costs, following the majority of the remaining Hull operating team being hired in H2 and as the Group continues to invest in its Organisational capability with new Heads of department hired in HSE, Technology, Engineering, IT, Investor Relations and Acetyls management. The staff costs increase also included a higher share-based payment charge and a related increase in the National Insurance accrual resulting from the Group's share price increasing.

A change in the nature of the bonus awards compared to the prior year also increased the bonus expense with bonus awards in the prior year being granted as share awards vesting in July 2021, with the cost of the awards spread over the vesting period (2 ¼ years). In the current year, bonus awards are currently expected to be awarded as cash bonuses, with the full expense of these awards expensed in the financial year. The current year bonus scheme has also been extended to incentivise and reward more of the Company's employees.

The above staff cost movements were partially offset by lower staff travel costs and COVID-19 related temporary salary decreases for the Directors and Senior management team (€0.2m) with the remainder of the employees repaid their COVID-19 related temporary salary decreases shortly after year end. Depreciation and amortisation charges were largely in line with the prior year. Underlying finance expenses decreased to €3.3m (2020: €3.5m) in line with lower average borrowings.

Share of net loss from joint venture of €0.1m relates to the Group's attributable share (60%) of Accoya USA, LLC's net loss for the year. The net loss relates to operating costs, including market research, external studies and legal fees, incurred during the current pre-investment stage of the project.

Exceptional income recognised in H1 attributable to COVID-19 related government support funding received from the UK and Netherlands governments (the UK Government's Coronavirus Job Retention Scheme and NOW respectively) totalling €0.6m, was reversed in H2 following the decision to repay these funds in full. These repayments were made in Q1 FY22.

Other adjustments, excluded from the underlying results, include a foreign exchange loss of €0.8m (2020: gain of €0.5m) 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 and to a lesser extent, as a cashflow hedge against future sterling corporate costs. The effective portions of the cash flow hedges are recognised in Other comprehensive income.

Underlying profit before tax increased by €3.3m to €1.1m (2020: loss of €2.2m). After taking into account exceptional items and other adjustments, a profit before tax was reported of €0.3m (2020: €1.5m). The tax charge of €1.3m (FY20: €0.6m) reflects the improved profitability of the Group.

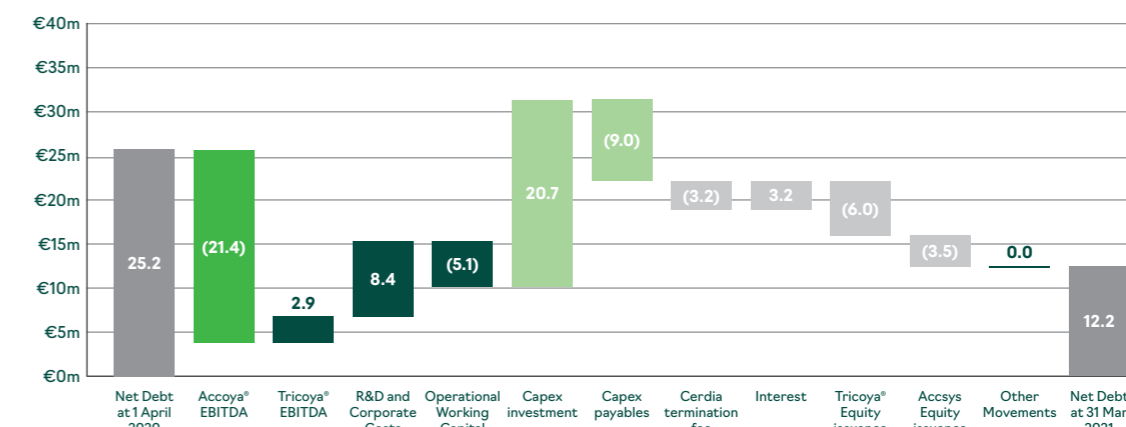
Cash flow

Cash flow generated from operating activities of €20.2m compared to €2.4m in the prior year, reflects the strong operational cash flow being generated by the Group and careful working capital management during the year. Inventory levels were managed lower during H1, following the initial COVID-19 impact, and despite endeavours to increase inventory levels in H2, they remained lower than planned at the end of the financial year. As a result, we anticipate working capital increasing in the first half of the new financial year, in particular as inventory levels are expected to increase back to ideal operating levels and also to support the expected increase in production capacity coming on stream.

At 31 March 2021, the Group held cash balances of €47.6m, representing a €10.4m increase in the year. The cash increase in the year is attributable to the cashflow generated from operating activities referred to above, equity funding received totalling €9.5m, explained further below, partially offset by investments in tangible fixed assets of €11.7m.

Investment in property, plant and equipment of €21.4m during the year reflects the construction progress made on the Tricoya® plant project in Hull (€14.4m) and the Arnhem Accoya® Reactor 4 expansion project (€4.8m). The difference between the property, plant and equipment additions of €21.4m and capital investment in the Consolidated

Net Debt

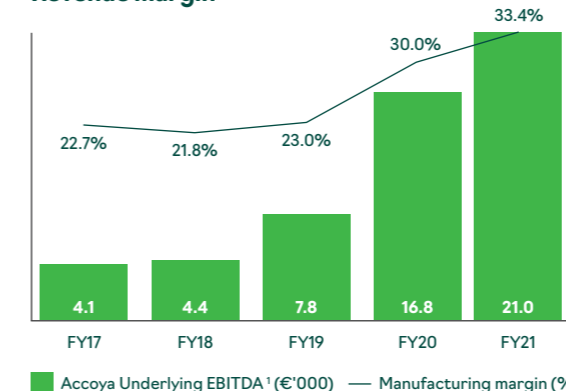


statement of cash flow of €11.7m principally relates to an increase in capex payables of €9.0m reflecting the milestone nature of the construction, with the capital investment in the Consolidated statement of cash flow reflecting actual payments made in the period.

The Group received €6.0m of equity funding during the year from our Tricoya® consortium partners related to funding the completion of the Tricoya® plant in Hull and other Tricoya® related activities.

The Group also received a one-off cash amount of £2.8m (€3.3m) from Volantis following their exercise of 4,655,667 options at £0.5971 exercise price. These options were issued under the 2017 capital raise for Accsys' initial investment into the Tricoya® consortium (see note 30 to the financial statements).

Revenue margin



1 Accoya® segment underlying EBITDA & Manufacturing margin above excludes licence income and other income, predominantly for marketing services.

Loan repayments of €2.5m and interest payments of €1.8m were made during the year (2020: €5.3m), with the decrease compared to the prior year due to repayments of €0.5m relating to the ABN AMRO €14m term loan being deferred to the end of the loan term, as a COVID-19 action taken by ABN AMRO together with lower interest payments on the Cerdia loan, following the €3.2m reduction in the loan balance from 1 April 2020.

Trade and other receivables decreased to €12.3m (2020: €15.3m) following the Cerdia termination fee (€3.2m), which was raised as a receivable at 31 March 2020, being deducted from the on-going Cerdia loan on 1 April 2020.

Total inventory decreased in the year to €12.3m (2020: €16.9m), with both finished goods (€1.4m decrease) and raw materials (€3.3m decrease) reducing compared to the prior year. Levels of Accoya® inventory remain low, with the finished goods balance representing approximately 2 ½ weeks of sales. Inventory levels are expected to increase, firstly to increase our current lower than normal raw material levels and secondly to support the expected increase in production capacity coming on stream.

The increase in trade and other payables to €29.8m (2020: €16.9m) is primarily due to the timing of accruals associated with the construction of the Hull plant with actual cash payments being lower, reflecting the timing of milestone payments in relation to construction.

Financial Review continued

Financial position

The Group has closed the year in a strong financial position, and the Group's balance sheet remains robust. Net debt decreased by €13.0m in the year to €12.2m due to the strong cashflow generated from operating activities (€20.2m) referred to above, partially offset by Capex investment of €11.7m.

The Group held cash balances of €47.6m at 31 March 2021 together with €6.0m headroom on the ABN AMRO committed working capital facility and €7.9m headroom on the Tricoya® Natwest €17.2m facility. Amounts payable under loan agreements decreased to €54.3m (FY20: €57.3m) primarily relating to the €3.2m termination fee associated with the early termination of the Cerdia commercial agreements, which was deducted from the Cerdia loan on 1 April 2020.

In May 2021 (post year-end), Accsys completed a successful Placing and open offer for an issue of shares in the Company, raising gross proceeds of approximately €37 million. The net proceeds from this are to be used primarily to fund the Group's investment in expanding its Acccoya® business into North America through the construction of a new Acccoya® USA plant, through its joint venture with Eastman Chemical Company ('Eastman'), as well as to provide additional capital to support the Group's continued growth and ongoing development. The planned Acccoya USA plant project has been estimated to cost approximately \$130m and is expected to be funded through a combination of project finance debt and through equity from Accsys and Eastman. Accsys has a 60% share of the joint venture with Eastman holding a 40% share.

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 assessed the Group's trading forecasts and working capital requirements for the foreseeable future under a base case scenario

taking into account the Group's financial resources including the current cash position and banking and finance facilities which are currently in place (see note 29 for details of these facilities) and the possible further impact of COVID-19.

The Directors have also assessed a severe but plausible downside scenario with reduced sales volumes and lower gross margin. 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 Acccoya® 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 possible amount and timing of capital expenditure required to complete the Tricoya® plant in Hull following the recent purported termination of the engineering, procurement and construction contract by the main contractor. This has been considered together with the current expansion of the Arnhem operation and intended investment in the USA, noting that the full forecast project costs have not yet been committed to. 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.

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 uncertainty over future cash flows in completing the Hull plant construction as set out above, together with the continued heightened risk that COVID-19 entails, there is sufficient liquidity under the severe but plausible downside such that there is no material uncertainty with respect to going concern. Therefore the Directors believe that the going concern basis is the most appropriate on which to prepare the financial statements.

William Rudge
Finance Director

21 June 2021

Risk Management

How we identify, evaluate, and mitigate risks

Overview

Identifying, evaluating, and mitigating risk remains a matter of importance for the Board, now more so than ever as Accsys continues on its exciting and ambitious '5x' growth journey.

At Accsys, the Board is ultimately responsible for risk management. Ongoing risk assessment is delegated to the Audit Committee which seeks to improve and increasingly ensure that Accsys' risk processes remain focused and robust.

Accsys' Risk Committee conducts regular and structured reviews of risk ahead of reporting to, and further review and discussion with the Audit Committee. The Audit Committee then seeks to ensure that risks have been appropriately identified and evaluated with appropriate mitigation plans in place.

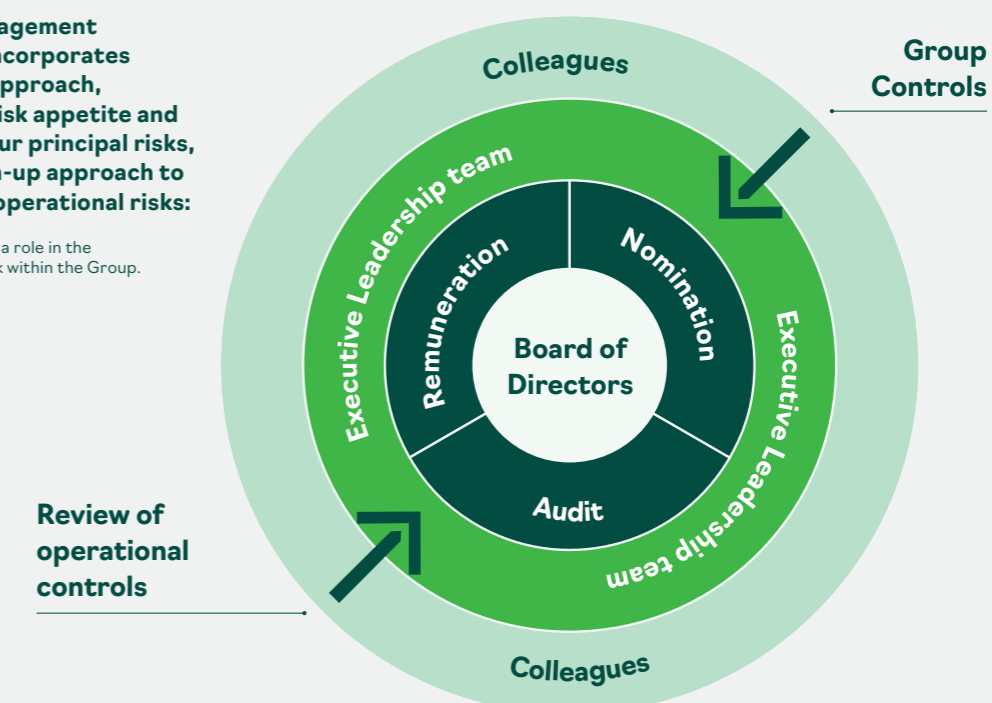
The Risk Committee meets at least quarterly and is chaired by the Finance Director and is constituted by members of the Executive Committee.

The Risk Committee maintains a detailed risk register and seeks to:

- identify and rank key risk areas, including existing and new risks;
- allocate an Executive Committee member with day to day oversight of each risk;
- evaluate the likelihood and impact of each risk;
- highlight to the Audit Committee changes in the risk register;
- 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.



Risk Management continued

A non-exhaustive summary of the principal risks facing the Group are set out below. The below is subject to ongoing review and change and consequently should not be read as in any order of priority.

Health, Safety and Environment

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

Mitigation

The Group maintains and continues to invest in HSE processes and systems internally. Our aim is also to continually increase HSE awareness among our people.

In the 2021 financial year, a new Group HSE Director has been recruited to oversee, implement and (where necessary) improve all HSE matters across the Group. The Group HSE Director is supported by dedicated full time HSE Managers at both our Arnhem and Hull sites, 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.

In 2021 a Safety Awareness Programme has been launched for all Group personnel to further drive HSE awareness. HSE training for all personnel working in industrial areas remains mandatory and a priority.

Hull Plant

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

Mitigation

Progressing the completion of the Hull plant remains a key priority for the Executive Management team and the Board.

The project's status and progress are focal topics on the regular Board and Executive Committee meeting agendas on which progress is updated on and analysed.

Regular reviews of the project are also held with relevant contractors and separately at a Project Management level, seeking to ensure that all issues are properly understood and plans are in place to address them appropriately to enable completion of construction and commercial operation as soon as possible.

During the year, the Group has increased its internal resources dedicated to the project, and on the ground operationally. A third-party consultancy firm has been retained by the Group to provide additional advice, including as to the project schedule and options for optimisation and redeployment of staff.

Supply of Raw Materials

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. A failure to secure the supply of raw materials in the right volumes, at the right times, and appropriate price will hinder our ability to produce and sell our products, which in turn is likely to materially adversely affect our revenue and EBITDA. Supply of raw materials remains a key risk that Accsys is focused on mitigating.

Mitigation

Building long-term relationships with key suppliers of raw materials, including new and existing suppliers of acetic anhydride, continues to be of paramount importance to Accsys. Where possible, maintaining a diversity of supply is key among this, as is ensuring good supplier relationships that provide us with materials on time, in line with our expectations.

In FY 2021, the Group entered into a wood chip supply agreement with one of the UK's largest suppliers of wood chips, de-risking the supply of raw wood chip into the Tricoya[®] plant in Hull ahead of its forthcoming start-up. Testing continues for new species diversification for our raw wood sourcing, including in respect of both Accoya[®] and Tricoya[®] for application at our current and future sites.

Our supply chain team work closely with both our suppliers and 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.

Sale of Products

As a business that sells products, a key risk for the Group is changes in customer demand and other factors that may adversely affect the sales of our products. In the first quarter of FY 2021, the initial impact of the COVID-19 pandemic led to a temporary dislocation in customer supply chains and a temporary decrease in sales volumes of Accoya[®] from our Arnhem plant.

In the longer term, a failure to supply pent up demand risks customers adopting alternative technologies and products which may adversely impact future demand and sales growth. Sales may also be impacted by quality control failures which may lead to reputational damage.

Mitigation

The Group maintains structured and well-resourced Sales, Marketing and Product Quality functions which focus on supporting and growing our sales and customer demand, while ensuring the quality of our products.

In FY 2021, we mitigated the adverse impacts of COVID-19 on EBITDA and sales in the first quarter with steps including reducing inventory levels and working capital more generally including to ensure prompt debtor collections, reducing non-essential operating costs and new recruitment, and ran targeted regional marketing campaigns to overcome customer dislocation.

Research and development continues, with the goal of increasing overall product quality by way of enhancing quality control standards and carrying out root cause analysis.

The Group continues to progress its plans to add new production capacity, at Hull, Arnhem and abroad, and further details on these projects can be read in the CEO's Review. These projects are expected to allow us to increase production capacity as reflected in our '5x' production capacity target for 2025 which in turn is expected to help to address pent-up demand.

Movement



Movement



Movement



Movement



Risk Management continued

Environmental, Social and Governance (ESG) and Sustainability

Through our products, Accsys offers the world a choice to build more sustainably, and ESG goes to the heart of what we do. An inability to recognise ESG issues and mitigate ESG risks may be materially detrimental to the Group's prospects as a company with strong ESG credentials.

Mitigation

Ensuring appropriate ESG governance is in place is important to us, as is fulfilling our commitments in key ESG areas including health and safety, people and well-being, ensuring fair and ethical conduct, producing and selling products that are sustainable and sourced responsibly, controlling our impact on the environment, and seeking to benefit the broader society and communities around us.

During the 2021 financial year, a new ESG governance structure has been developed, including an ESG Committee to assess ESG risks and opportunities and to implement Accsys' ESG Strategy. Having identified key material ESG issues, Accsys has developed an integrated sustainability framework and strategy aligned with its purpose: 'Changing wood to change the world'. This approach includes not just identification, mitigation, and adaptation, but also the consequent and cumulative impact of both the business' operations and its sustainable products on the world.

A new Accsys Sustainability Report that includes details of the Company's strategy and performance on ESG topics was subsequently published in November 2020.

Movement
NEW

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.

This risk was identified in last year's reporting and remains equally relevant today.

Mitigation

Optimisation of production output at our Arnhem plant continues to be a focus, with a view to mitigating the adverse impacts of operational down-time.

Attention continues to be given to plant reliability and integrity, including failure analysis, structured preventative maintenance programmes and associated procurement of high impact spare parts are designed to mitigate downtime, as well as implementation of projects to address any plant and reactor issues.

As noted above, to mitigate risk of further delays at our new plant in Hull, heightened reviews of the project are held at a Project Management, Executive and Board level, with the project being a key focus for our Chief Operating Officer.

Movement
↔

Expansion

New plants, including our Tricoya® plant in Hull, which rely on new engineering and technology, may not perform as expected, particularly in the early stages of operations.

Failure to grow manufacturing in line with market expectations may adversely impact our financial results and ability to achieve our ambitious '5x' growth.

Mitigation

Accsys invests in ensuring we have the right level of project management skills, experience, and capabilities, as we grow, primarily through our team of people managing the execution of our projects, led by our Chief Operating Officer. Our technology research and development team also focus on ensuring that our existing and new technologies are tested and developed to reduce unforeseen risks when planning and deploying this technology into new projects.

We have recently made a number of new appointments to strengthen our engineering and technology team, with both new engineers and technologists having been recruited.

As noted above in relation to the fourth reactor at Arnhem and our joint venture with Eastman Chemical Company, expansion plans continue, building on the 'lessons learned' from previous projects, with the goal of meeting our growth objectives. We continue to evaluate other new manufacturing opportunities, to meet global demand.

Movement
↓

IT

As a company with valuable technological IP and 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.

Mitigation

Accsys maintains a high level of IT security through the adoption of a continuous improvement in enterprise information and data security process, and policy compliance. Physical device security software and industry-leading security platforms have been implemented to combat the continually evolving threat landscape.

We continue to develop processes and procedures to support the Company's ongoing operational security and towards the strategic objective to acquiring ISO 27001 compliance.

In order to seek to mitigate IT risk, Accsys' Group Head of IT is carrying out a new review of our IT systems to ensure that they are appropriately robust and able to support the business as it continues to grow. It will also identify where upgrades or additional support are needed.

Movement
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Risk Management continued

Licensing/Partnering

A loss of demand for technology licences or interest in partnering with us for new or existing plants may adversely impact our ability to realise value from our IP and grow in line with our strategy.

Likewise, a failure of our existing business partners, including contractors, licensees, and suppliers to perform as expected under our agreements could adversely impact our financial performance.

Mitigation

Developing strong relationships with current and future business partners to embed a pipeline of new business opportunities and foster key relationships is an important focus of our dedicated business development team. Our sales, marketing and licensee support teams will also work with these partners to help them to grow their Accoya® or Tricoya® businesses.

In FY 2021 we were pleased to announce a joint venture with Eastman Chemicals Company and are now progressing our plans with Eastman for a new Accoya® plant in the US. Developing relationships with our joint venture partners is important to us, and is maintained through on-going constructive meetings, both in respect of the US joint venture, and in respect of the Hull joint venture where in the last financial year we have developed further our relationship with INEOS, following their acquisition of BP's petrochemicals business, which includes the supply of acetyls to Accsys and BP's shareholding in Tricoya Technologies Limited and Tricoya UK Limited.

Movement
↑

Finance

As with any businesses, a lack of strong financial control and planning may adversely impact the Group. As Accsys continues to grow, its financing needs, both debt and equity, are likely to increase. Should those financial needs not be met, this could reduce the on-going growth of Accsys' business and delivery on our expansion plans which require access to capital.

Planning and securing appropriate finance, operating within agreed financing covenants, and maintaining robust internal systems and controls are all essential in meeting the Group's growth targets. There is also the risk the Group is adversely affected by the movement in foreign exchange rates, which may result in significant, unexpected financial gains or losses.

Mitigation

Reviewing our financing needs as the Group grows and exploring funding options to ensure that the Group's financing arrangements are as efficient as possible are a key focus of the Group's Finance Director and finance team. The Group has formed strong relationships over recent years with both equity and debt providers, mitigating risk in this area. The Group's minimises 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, or foreign exchange derivatives such as forward contracts to minimise the risk where appropriate.

The Company completed a Placing and Open Offer in May 2021 and raised gross proceeds of approximately €37 million (before expenses) to fund the Company's expansion into North America together with its joint venture partner, Eastman. The raise has also provided additional capital to support the Company's continued growth. The Group is now focused on securing the required debt ahead of a final investment decision in relation to the new Accoya® plant in the USA which is targeted for later this summer.

Movement
↑

Litigation and Disputes

Litigation and other disputes with business partners or other third parties may require significant resources to resolve, incur costs and may adversely impact the Company's reputation.

The outcome of any dispute is inherently uncertain, and even with a successful outcome, may be distracting or detrimental to the Group's interests during a period of growth. Disputes with key contractual counterparts may also have broader adverse operational implications.

Mitigation

The Group seeks to mitigate the risks involved with litigation and disputes by developing strong relationships with key business partners and advisers and keeping in regular communication with them on business matters, so as to address and resolve any issues at an early stage wherever possible.

Movement
↑

Protection of Intellectual Property (IP) and Trade Secrets

As an IP rich business, the loss of confidential information, patent rights, trademarks and other intellectual property over these key assets is a key risk. Also, a failure to maintain and grow its portfolio of IP, by patenting new inventions, acquisition or by prevailing in any IP litigation may have a material adverse impact on the Group. Together these risks could weaken the Group's competitive advantage in its Tricoya® and Accoya® businesses.

Mitigation

The Group's dedicated IP Manager, together with external IP attorneys, are responsible for maintaining and developing our IP portfolio. Confidentiality and IP Agreements are put in place with counterparts to control risk and training is given to Group personnel to help ensure awareness of the need to protect our IP.

During 2021 the Group appointed a new Group Head of Technology who is now actively involved in developing a pipeline of new inventions and is working closely with our IP Manager to help maintain and grow our valuable intellectual property portfolio, and assist with a review of our IP strategy.

Movement
↓

Risk Management continued

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

The Group protects its ability to attract and retain skilled people through various processes and policies under the leadership of the Group's Chief People Officer. In addition, we value and invest in employee engagement and communication to maintain a positive and motivated culture.

Detailed reviews of departmental needs aim to ensure that the Group can 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. 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. The annual bonus plan has also been extended to a much larger pool of employees.

In 2021 we have implemented a number of actions agreed following our 2020 employee engagement survey and conducted a second survey in 2021. This is designed to monitor the level of personnel engagement and again allow all personnel an opportunity on an anonymous basis to give valuable feedback. Further detail of the results of this survey can be read in the CEO Report.

Governance, Compliance and Law

A failure to maintain appropriate governance structures or a lack of a clear business strategy may lead to poor decision making and operational performance. It may also increase the risk of the Group failing to meet or stay compliant with applicable laws and regulations.

Mitigation

As noted on page 65 of 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.

During the 2021 financial year the Board and Executive Committee engaged with a third-party consultancy to assist with an extensive and detailed review of Group strategy, to ensure clarity and alignment in the short, medium, and longer term. Review of Group strategy is on-going.

The Board also engaged an independent consultant to facilitate a Board review and evaluation to identify any areas where the functioning of the Board may be improved, or where gaps or possible areas of risk may lie.

Investor and Public Relations

Maintaining good investor and public relations helps the Group's to maintain and grow its business over time. Reputational risk can occur directly through the actions of the Group itself, or indirectly through the actions of employees or other parties, such as joint venture partners, contractors, suppliers and customers. Damage to Accsys' reputation may have an adverse impact on our financial performance. It may include a loss of support from shareholders, contractors, suppliers, and customers and may impact shareholder value, impact our sales and diminish our ability to raise new capital and implement new projects to grow our business.

Mitigation

The Group maintains various internal controls and processes that directly and indirectly seek to reduce reputational risk and to manage the impact should it occur.

In 2021 we have increased our investor relations resources to ensure regular contact with investors through a variety of means, including shareholder announcements, face to face meetings with management, and live biannual web-cast presentations of financial results amongst others. In doing so, the Group seeks to keep shareholders informed on a regular and transparent basis which in turn is designed to mitigate risks in this area.

Consultation with key shareholders on important issues is actioned where appropriate, including for example on changes to the Group's Remuneration Policy and new ESG framework. Accsys' joint brokers, Numis Securities and Investec Bank PLC work together, with support from ABN AMRO in the Netherlands, with a mandate to grow our investor base, access to capital and share price for the benefit of all shareholders.

Sustainability

Our approach to sustainability

In November 2020 Accsys published its first Sustainability Report. Looking back at performance in FY2020 with an increased focus on transparency and data, the report also marked the launch of a restructured and more formalised approach to sustainability for the future.

The foundation of this is the Environmental, Social and Governance (ESG) framework of 10 material issues aligned to Accsys' purpose, and how these issues contribute to the United Nations Sustainable Development Goals (SDGs). Supported by increased resources and improved organisational effectiveness, our approach to these issues is a core part of both our purpose and our integrated business and growth strategy.

Delivering on our purpose

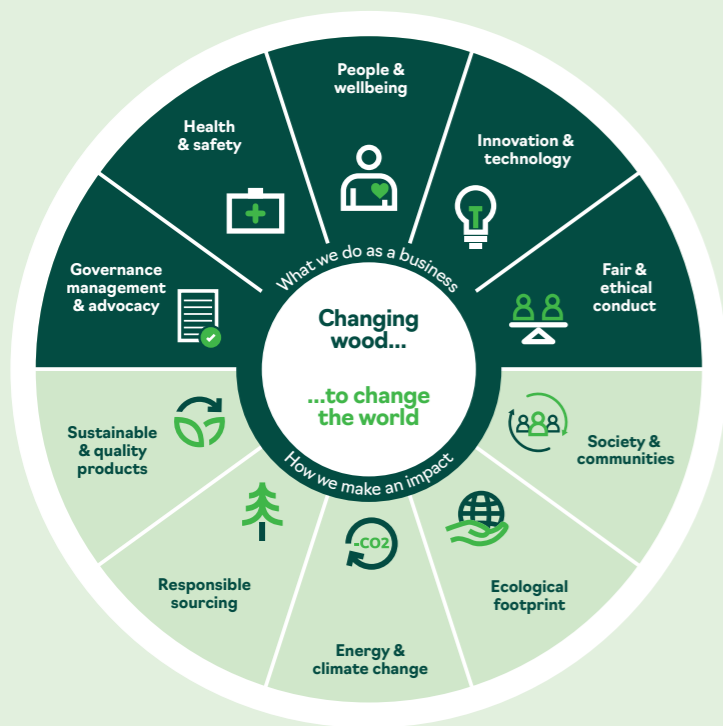
'Changing wood' is what we do, and 'to change the world' is why we do it: to have a positive impact on a global scale.

This year, we have further developed our approach, processes and action plans for our material issues, with particular focus on improving measurement, monitoring, reporting and management of performance.

In addition to our Sustainability Report, material issue matrix and ESG framework, we have:

- Expanded data capture and improved management systems and processes to ensure the continued improvement and accuracy of data
- Formalised our approach and good governance of issues with the formation and commencement of the ESG Committee and recruitment of a dedicated ESG Manager
- Increased reporting scope and transparency, including reporting to established global reporting frameworks GRI and SASB alongside this Report
- Integrated additional ESG factors into employees' Objectives and Key Results and Executive Remuneration
- Created a new cross-cutting ESG and Sustainability risk category in our risk register
- Commenced review of climate risk and opportunities in alignment with the Task Force on Climate-related Financial Disclosure (TCFD)

Our ESG Framework



Our contribution to the United Nations Sustainable Development Goals (SDGs)

Our main contributions focus on SDGs 9, 11, 12, 13 and 15, as these areas are where our business can have the most meaningful impacts:



Aside from these targeted areas, the strong sustainability performance of our business and product also align with a broader group of SDGs.



Looking ahead

We are accelerating progress on our ESG and sustainability roadmap, and we are proud to have achieved so much already in FY2021. While we celebrate our achievements, we recognise that this is a journey and there is always more that can be done, and more to aim for. A selection of our focus areas for FY2022 include:

- Building on robust governance processes
- Continuing to build on performance reporting and monitoring systems with improved data capture and management
- Developing ambitious, realistic targets for top material issues based on confirmed data
- Continuing to assess and meet current and upcoming trends and best practices
- Building on our role in the built environment through growth in provision of our sustainable and quality products to the market, supported by the best sustainability standards and accreditations

On the following pages we describe our approach, key highlights, metrics, and next steps for each of our key material issues, as seen in our ESG Framework.

More information and detail is also available in our SASB and GRI Content Index (www.accsysplc.com/esg-reporting), and queries can be directed to sustainability@accsysplc.com.

Sustainability continued

CHANGING WOOD...



Governance, management & advocacy

We strive for first-class governance, management and stakeholder relationships to sustain our growing scale.

0 fines

and non-monetary sanctions from non-compliance with environmental laws and/or regulations

FY20: 0

- First ESG Committee Meeting held
- First annual GRI and SASB reporting initiated

2021 Highlights

- Continued adherence to QCA Corporate Governance Code (see page 65 for more information)
- Appointments to the Board of Stephen Odell as Chairman and Alexander Wessels as Non-Executive Director
- ESG Committee formation complete; development of robust ESG data collection and management processes
- Explicit establishment of ESG (including climate risk) in Group Risk Register
- Further integration of ESG into OKRs and Executive Remuneration
- ISO 9001 and ISO 14001 action plan commenced

Looking forward

- Identification of data management and collection software
- Sustainability and ESG-related policy development
- Assessment and progress of ISO 9001 and 14001 standards implementation

See the Governance section on page 64 for additional information



People and wellbeing

We focus on the wellbeing of our people through employee engagement, diversity and inclusion, development and talent management, and rewards and recognition.

82%

of engagement survey respondents proud to work at Accsys

FY20: 78%

- 78% employee engagement survey response rate (FY20: 81%)
- 93% believe "The Company provides high quality products and services" (FY20: 90%)
- 0 incidents of discrimination (FY20: 0)
- 34% employees invested in Accsys Employee Share Plan (FY20: 28%)

	% Male	% Female
Non-Executive Board Members	67	33
Senior managers*	88	12
All employees	84	16

* Senior managers includes our Executive Board Members, Senior Leadership Team, and senior managers with highest levels of strategic influence for the organisation.

2021 Highlights

- Second annual Accsys People employee engagement survey
- Expanded training provision including topics such as time management and wellbeing
- Global adoption of digital employee performance management platform, focused on Objectives and Key Results (OKRs), regular check-ins and feedback culture
- Increased scope of employee Annual Bonus Plan (ABP) linking Company & personal objective performance to reward
- Continued improvement and formalisation of processes including employee inductions, training requirement assessment and role clarity
- Frequent all-company video updates, multilingual digital and offline written updates, and expanded site-specific communications resources

Looking forward

- New 'Accsys in Action' suite of global and local engagement initiatives on environmental and social issues, including employee wellbeing
- Creation of new, dedicated learning and development leadership role and strategy within HR function
- Creating competency framework for the Company to facilitate development and further our reward strategy
- Continuous review of our benefits proposition



CASE STUDY

Celebrating employee engagement

In FY2021 we held our second annual Accsys People employee engagement survey and worked with an external expert consultancy to review the results and identify opportunities for continuous improvement.

In addition to the headline improvement in employees proud to work at Accsys, there were positive year on year movements across all topic areas, including belief that 'the Company provides high quality products and service' (up to 93%) and an increase of 7% (up to 92%) in linking individual roles to Company strategy.

Our efforts around Objectives and Key Results have also had a positive impact, with a 24% improvement on the response, 'I receive clear and regular feedback on how well I do my work'. Actions to improve communications and collaboration across the organisation have also showed strong improvement in sentiment, with a 13% rise to 89% on cooperation within work groups, and the number of respondents agreeing that there is effective sharing of ideas and resources across the Company up 15% from last year.

Sustainability continued

CHANGING WOOD...



Innovation and technology

We'll innovate and utilise technology with sustainability and quality as our goals, going above and beyond to make a positive impact on a global scale.

€1.1m

dedicated investment in R&D

FY20: €1.2m

2021 Highlights

- Establishment of Group Head of Technology role and Global Technology Centre
- Restructuring of related organisational structure to improve global and cross-cutting collaboration, best-practice and efficiencies
- Further development of strategic approach to technology and innovation aligned to business growth plans
- Accoya® Color launch in selected regions and markets

Looking forward

- Development of Accoya® Color range and production capabilities
- Develop a collaboration strategy with academia and research institutes
- Increasing focus on process efficiency and product quality innovation through Global Technology Centre
- Continued investigation of alternative raw wood species options to improve product offering and further strengthen security of supply
- Continued protection of technology, processes, know-how and other intellectual property assets
- Review of IP strategy
- Development of Quality Control lab and capabilities in wood panel (MDF) making and testing
- Continued focus on 'cleaning' acetic acid by-product to increase circularity and reuse in the industry
- Continuing to work with industry partners (i.e. coatings, adhesives and hardware) to ensure products are used effectively in applications



Fair and ethical conduct

We'll uphold our commitment to high ethical standards, ensuring our processes and procedures are strengthened as we continue to grow.

0 incidents

of bribery and corruption

FY20: 0 incidents

100% relevant employees (including Board) communicated with on anti-corruption policies (FY20: 100%)
100% operations assessed for corruption risks (FY20:100%)
€0 regulatory fines, sanctions or settlements (FY20: €0)
€0 spend on political campaigns, lobbying or think tanks (FY20: €0)

2021 Highlights

- Review and refresh of policies:
 - i) Anti-Bribery, Corruption and Tax Evasion
 - ii) Whistleblowing
 - iii) Political and Charitable Donations and Sponsorship
 - iv) Conflicts of Interest, Gifts and Hospitality
- Updated and revised training* for Bribery Prevention; Data Protection; Market Abuse Regulation; and Modern Slavery; these are provided for all colleagues and mandatory for relevant employees.

* As the deadline for training completion was after the FY21 year end, we cannot yet update on the 'training completed on time' metric which was reported in the 2020 Sustainability Report.

Looking forward

- Assessment of current processes and performance reporting to external, best practice benchmarks
- Re-launch of updated compliance policies
- On-going monitoring and training in relation to, amongst other things, Anti-Bribery, Market Abuse and Modern Slavery



Health & safety

Our ambition is ultimately for zero harm, which we will achieve through practising continuing health and safety excellence, improved monitoring, raising awareness of our safety policies and strategy, and further work embedding the importance of health and safety in our company culture.

1.84 LTIR

(Lost Time Incident Rate)

FY20: 1.37*

3 Lost Time Incidents (LTIs) (FY20: 2)
6.75 Total Recordable Incident Rate (TRIR)*
98 Management Safety Tours (FY20: 23)
16 Safety Committee Meetings (FY20: 8)
2780 Toolbox Talks (FY20: 1204)
90 Hazard/Near-miss Reports (FY20: 22*)
0 Fatalities (FY20: 0)

* Significant updates were made to our HSE strategy, data management, recording scope, scale and methodology during FY20, resulting in restatement or retirement of previous figures for comparative purposes.

2021 Highlights

- Improved HSE governance and resource with recruitment of dedicated Group HSE Director and Hull HSE Manager
- Refreshed and expanded Group HSE Strategy and global business function; improved data capture processes
- Improved internal health and safety communications
- Continued embedding of health and safety culture, with increased visibility and attention given across the organisation to preventable incidents
- Development of our Group emergency response and escalation policy
- Introduction of various and extensive COVID controls to maintain safe working environments for our staff

Looking forward

- Increased frequency of company-wide HSE events including annual HSE day and monthly topic-led video conferences
- Deployment of new global Accsys health and safety brand and campaigns
- Targeting increased safety observation reporting
- Targeting increased number of Senior Leader safety inspections/audits
- Specific focus on targeted areas for improvement including forklift truck safety, hazards awareness and minor incident prevention
- Introduction of behavioural-based safety training for all senior team members

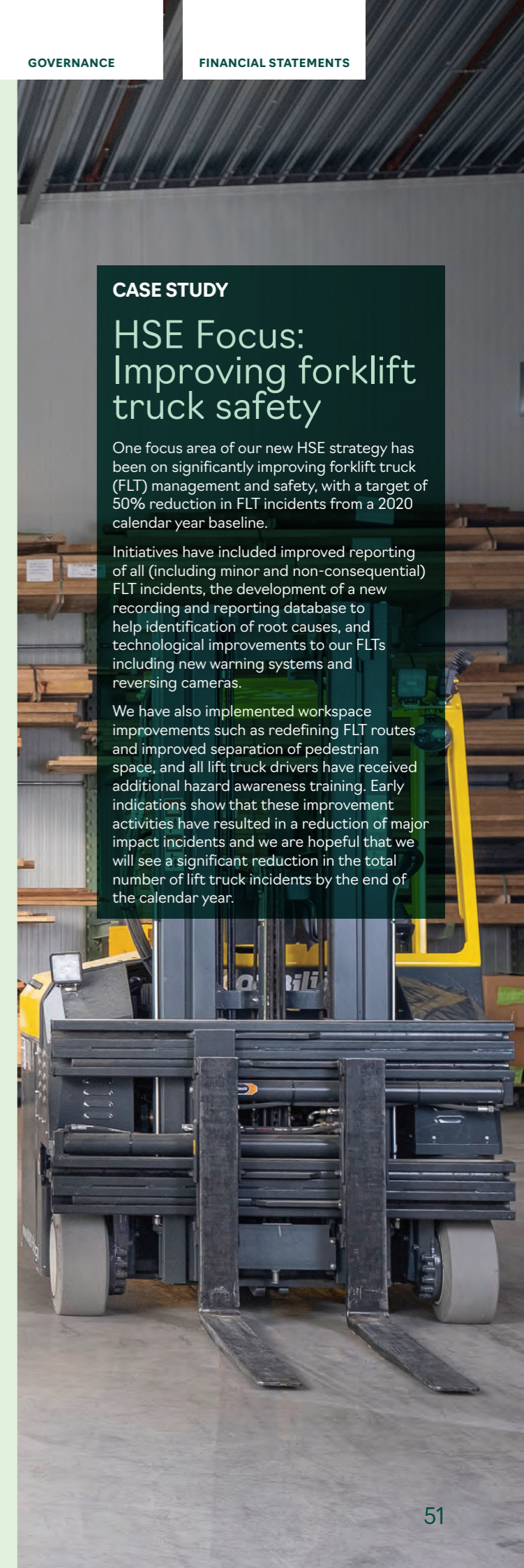
CASE STUDY

HSE Focus: Improving forklift truck safety

One focus area of our new HSE strategy has been on significantly improving forklift truck (FLT) management and safety, with a target of 50% reduction in FLT incidents from a 2020 calendar year baseline.

Initiatives have included improved reporting of all (including minor and non-consequential) FLT incidents, the development of a new recording and reporting database to help identification of root causes, and technological improvements to our FLT's including new warning systems and reversing cameras.

We have also implemented workspace improvements such as redefining FLT routes and improved separation of pedestrian space, and all lift truck drivers have received additional hazard awareness training. Early indications show that these improvement activities have resulted in a reduction of major impact incidents and we are hopeful that we will see a significant reduction in the total number of lift truck incidents by the end of the calendar year.



Sustainability continued

...TO CHANGE THE WORLD



Responsible sourcing

We'll keep sourcing timber responsibly, working with our suppliers to ensure our needs are met and forging new partnerships to ensure the secure supply of sustainable materials.

100%

certified sustainable (i.e. FSC® and/or PEFC®) wood sources

FY20: 100%

- 100% of key materials suppliers* screened using social and environmental criteria (FY20: 100%)
- 93.3% of key materials suppliers met with, visited, or audited in the past year (FY20: 100%)
- 100% of new supplier wood mills visited in advance of commercial supply (FY20: 100%)
- 85% of wood supply mills visited within three years (FY20: 70%)
- 100% of operations subject to human rights reviews or impact assessments. (FY20: 100%)
- 0 reported incidents of human rights (including rights of indigenous people) violations in our supply chain (FY20: 0)
- 100% of key materials suppliers confirmed compliance with our Conduct, Anti-Slavery and Anti-Bribery and Corruption policies (FY20: 100%)

2021 Highlights

- Successful supply chain management and contingency planning throughout coronavirus pandemic
- Maintained strict standards of sustainable sourcing
- Secured sourcing of local UK supply of FSC® certified wood chips for Tricoya® production in Hull
- FSC® Recycled certification for Accsys' approved customer offcut reclamation and recycling/upcycling programme

Looking forward

- Continued focus on responsible and sustainable sourcing of raw materials
- Exploration of other wood species, source locations and options for security, quality and sustainability of raw materials inputs
- Ongoing evaluation of acetic anhydride supply sourcing, reuse and recycling of our acetic acid by-product



Energy and climate change

We are committed to monitoring, managing and reducing the overall negative impacts of our operations, while maximising the beneficial impacts of our business and products on the world. Operationally, our key focus is on climate change mitigation and adaptation so we are able to deliver on our purpose effectively.

0.067 tCO₂e/m³

net scope 1 (direct) and scope 2 (indirect) emissions intensity*

FY20: 0.088 tCO₂e

* Scope 1: direct emissions from company owned or controlled sources; Scope 2: indirect emissions from the generation of purchased energy, such as electricity; see Greenhouse Gas Emissions information on page 55 for more information.

- 4,421 tCO₂e scope 1 emissions (FY20: 4,443)
- 2,277 tCO₂e scope 2 emissions market-based (FY20: 2,414)
- 2,673 tCO₂e offsets retired (FY20: 1,845)
- 51% overall renewable energy mix (FY20: 40%)

See further information on page 55 and our GRI and SASB ESG data Content Index (www.accsysplc.com/esg-reporting)

2021 Highlights

- 24% reduction in net scope 1 and 2 emissions intensity per cubic metre of Accoya® (including purchase of carbon credits and RECs)
- 7.5% reduction in emissions intensity achieved solely through efficiency improvements
- Continued development of energy and climate change strategy and action plans, which includes energy efficiency audit conducted for Arnhem site
- Improvements made to data management and collection
- TCFD review commenced

Looking forward

- Improved and expanded data collection and analysis to enable targeted improvements
- Refinement of internal progress targets and climate-related goals
- Establishment of 'Green Champions' network throughout the organisation for local and global awareness, initiatives and support
- Refresh and review of renewable energy and offsetting activities to align with purpose, strategy and values
- Energy efficiency initiatives to be implemented in Arnhem



Sustainable and quality products

We'll ensure our products continue to meet high standards of quality and sustainability by achieving accreditations and certifications – while always meeting our customers' needs.

48,493 tCO₂

sequestered in products sold

FY20: 46,389 tCO₂*

* We have updated the data and methodology for calculation of this figure, see 'What does carbon sequestration mean?' for more information. Product LCAs also contain more details.

- 200,000m³: 2025 production capacity target
- 2.6+ million m³ potential total annual achievable market estimation (see page 12 for more information)
- 60,466 m³ Sales volume (FY20: 57,842 m³)
- CO₂ sequestered in our products sold in FY21 is equivalent** to...
- 121,872,504 miles driven by an average passenger vehicle, or...
- 24,311 tonnes of coal burned, or...
- 5.9 billion smartphones charged

** Source of equivalencies: EPA calculator (www.epa.gov/energy/greenhouse-gas-equivalencies-calculator).

2021 Highlights

- Accoya® wood Life Cycle Analysis (LCA) refresh commenced
- Recertification process of Accoya® to Cradle to Cradle® commenced and first Cradle to Cradle® certification of Tricoya® wood elements in progress
- New Accoya® Color product brought to market in selected regions
- Good progress with Accoya® Arnhem Plant fourth reactor (see pages 23-24)
- Continued progress with Eastman on Accoya USA JV (see page 24)

Looking forward

- Completion of updated Accoya® wood LCA
- Completion of Cradle to Cradle® recertification of Accoya® wood, and initial certification of Tricoya® wood elements from Hull production
- Production facility expansion, improvement and construction in Netherlands, UK, USA and Malaysia
- Continued renewal, identification and confirmation of suite of technically valid quality and sustainability accreditations

CASE STUDY

What does carbon sequestration mean?

This refers to the process by which carbon dioxide is removed from the atmosphere and stored within the wood. Trees absorb carbon dioxide from the atmosphere through photosynthesis, as when trees are harvested from sustainably managed forests and are used in our products, they continue to store carbon dioxide for their lifecycle.

We can calculate how much carbon is sequestered in our products through external and reputable standards and research, taking into account many factors such as the species and density of the wood, the proportion of wood made up of carbon at specific moisture levels, and the molecular weight of carbon compared to CO₂.

In FY21 we have updated our calculations, using the latest standards, data and research, resulting in a figure of 0.802 tonnes of carbon dioxide (tCO₂) sequestered per m³ of Accoya® wood. For ease and accuracy of comparison over time we have also recalculated and restated last year's total sequestration.

Sustainability continued

...TO CHANGE THE WORLD



Ecological footprint

We'll work to minimise the ecological impact from our operations, particularly focusing on reducing water and waste and adopting a circular economy approach to materials use instead of 'take-make-waste'.

100%

of our reclaimed Accoya® wood re-processed for Tricoya® wood elements

216 air-dried metric tonnes reclaimed Accoya® wood re-processed for Tricoya®
Zero waste to landfill (FY20: 0)
1,206 tonnes total waste for recycling (FY20: 1,364 tonnes)

See further information in our ESG data content index (www.accsysplc.com/esg-reporting)

2021 Highlights

- Improved and expanded data gathering and management across sites
- Reduction in waste through improved process efficiencies

Looking forward

- One focus of the Global Technology Centre will be on process innovation to identify and implement further waste reduction through process and technology efficiencies
- Formalisation and standardisation of environmental management policies
- Assessment of and further investigation into potential sustainable and circular initiatives and activities including, but not limited to:
 - Improved and expanded data collection and analysis to enable targeted improvements
 - ISO 14001 and ISO 50001 certification
 - Closed-loop recycling of acetic acid
 - Further development of Accoya® reclamation programme



Society and communities

We'll create a positive environmental and social impact through a variety of activities aligned with our purpose of 'Changing wood to change the world'.

New approach

to charitable giving and donations, aligned to our purpose, location and activities.

€6,400 donated to charitable and community activities through product and monetary donations in FY21, based on our new updated approach and valuation methodology
Strategic partnership plan with charities working in areas aligned with our values, purpose and business
Robust processes established to ensure our contributions can have the most impact

2021 Highlights

- Focus on building approach to charitable giving and engagement
- Development of Society and Communities strategy
- Quantitative society and communities target set
- Refreshed Charity Committee formed and policy formalised, including strategic partnership plan and donation level linked to business performance and growth

Looking forward

- Continue to bolster governance and accountability through Charity Committee and its activities
- Full launch and implementation of Society and Communities strategy, including charitable support through monetary and product donations
- Identification of official charity partners and selection through internal stakeholder engagement programme
- Engaging employees through 'Accsys in Action' initiatives with social, community-related and charitable activities, including 'Step out to help out' walking and wellbeing challenge launched in May 2021

Greenhouse gas (GHG) emissions information

	Unit	FY2021			FY2020		
		Total	UK	Global (Excluding UK)	Total	UK	Global (Excluding UK)
Scope 1 emissions	tCO ₂ e	4,421.01	-	4,421.01	4,443.36	-	4,443.36
Scope 2 emissions location-based	tCO ₂ e	3,805.81	1.58	3,804.22	3,942.39	10.25	3,932.14
Scope 2 emissions market-based	tCO ₂ e	2,277.29	1.58	2,275.71	2,413.87	10.25	2,403.62
Total scope 1 and 2 emissions location-based (gross value)	tCO₂e	8,226.82	1.58	8,225.24	8,385.75	10.25	8,375.50
Total scope 1 and 2 emissions market-based	tCO₂e	6,698.30	1.58	6,696.72	6,857.23	10.25	6,846.98
Renewable energy offsets purchased	tCO ₂ e	2,673.00	-	-	1,844.52	-	-
RECs	tCO ₂ e	1,528.52	-	1,528.52	1,528.52	-	1,528.52
Scope 1 and 2 emissions (net value)	tCO₂e	4,025.30			5,012.71		
Scope 1 and scope 2 location-based emissions intensity	tCO ₂ e/m ³ *	0.1361	-	-	0.1476	-	-
Scope 1 and scope 2 market-based emissions intensity	tCO ₂ e/m ³ *	0.1108	-	-	0.1207	-	-
Net scope 1 and scope 2 emissions intensity	tCO ₂ e/m ³ *	0.0666	-	-	0.0883	-	-
Energy consumption associated with Scope 1 emissions	MWh	240.02	-	240.02	241.28	-	241.28
Energy consumption associated with Scope 2 emissions	MWh	8,712.12	6.8	8,705.32	9,039.86	41.83	8,998.03
Energy consumption associated with Scope 1 and 2 emissions	MWh	8,952.14	6.8	8,945.34	9,281.14	41.83	9,239.31

* Accoya® produced.

Methodology

- We have reported on all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 for our manufacturing facility in Arnhem, the Netherlands.
- Due to unavailability of data, GHG emissions related to our offices and staff travel are not included in the figures above, except for the UK office.
- 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, Eco-invent v3.2 and IEA emissions from fuel combustion 2019 report. We also use the UK Government GHG Conversion Factors for Company Reporting (2020).
- Following the 'Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting requirements' (BEIS, DEFRA 2019), carbon offsets may be accounted for separately as a 'NET' figure, while the original electricity consumption figures should be presented as a 'GROSS' figure.
- Scope 2 emissions are reported in both location-based and market-based approaches to take into account the purchase of Renewable Energy Certificates (RECs), a market-based instrument.
- We have purchased 2,673 tCO₂e of carbon credits to offset a proportion of our GHG emissions. The credits are Voluntary Emissions reductions from the Gold Standard and the Verified Carbon Standard (GS VERs and VCS VCUs), which are non-Kyoto-compliant.

The credits are from ClimateCare's Mixed Portfolio, details of which can be found here: ClimateCare Project Portfolios. Credits are retired in accordance with the best practice standards for Voluntary Carbon Offsetting as set out by PAS 2060.

- Following the same (BEIS, DEFRA 2019) 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 on: <https://www.accoya.com/sustainability/environmental-assessment/>

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: Lack of travel due to global circumstances.
- Energy efficient equipment: replacement of IT hardware and screens with more efficient models across the business.
- Implementing maintenance measures at the Arnhem site to improve preventative and predictive maintenance measure which will help to prevent unwanted losses, reduce emissions, improve efficiencies and safety.

Stakeholder Engagement

Accsys considers its stakeholders as integral to its success, and is committed to engaging and collaborating with the key internal and external audiences throughout the value chain. Our progressive approach to sustainability and ESG issues began with a stakeholder engagement exercise, and our resulting material issues framework, strategy and activities are built on that foundation. Additionally, we summarise below how our Directors fulfil their duties in relation to Section 172 of the Companies Act 2006.

Section 172

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, our Directors are briefed on their duties and 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 Code. As part of this review process the Board analysed the way in which it engaged with stakeholders and ways in which such engagement could be improved (please refer to pages 64–73 of the Corporate Governance Report for further information).

The Accsys 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. Here, and throughout this Annual Report, we show 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 and solutions 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 a decision in the long term, the Directors focus on Accsys' key values and stated purpose: 'Changing wood to change the world', to ensure that strategic aims provide long-term benefits and success for the business and its stakeholders.

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

2 The interests of the Company's employees

The Directors recognise that the people throughout the business are key to its success, with encouragingly high staff retention rates and commitment to the future of the Company. Accsys' 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, and in particular due to the COVID-19 restraints in 2020 and 2021, Accsys holds regular communication updates via video-conference on a wide range of topics: from health and safety to financial position and strategy, and updates on project progress and team activities. Employees are also encouraged to ask questions and provide feedback on any matters discussed. Such regular communication forums combine a strong structure with an informal environment to facilitate and promote real engagement and open dialogue throughout all levels and functions in the organisation.

In November 2020 the Company re-launched an annual Employee Share Participation Plan intended to engage, retain and motivate colleagues, promoting the long term growth and profitability of the Company by providing employees with an opportunity to acquire an ownership interest in shares as an additional benefit of employment.

In February 2020, a Group-wide employee survey was commissioned to better understand views of all employees on a broad spectrum of issues. The results of the survey provided valuable information and feedback as to employee engagement and matters of concern within the broader work-force. The survey results were subject to a detailed review and thereafter actions were implemented to address feedback in the interests of the Group's employees. In February 2021, the Company undertook a further employee survey to understand engagement levels one year on, providing personnel an opportunity again on an anonymous basis to give valuable feedback and to evaluate how any changes implemented since the previous survey have affected their views. The results of this survey are currently being reviewed and considered carefully by the Executive Committee.

The Directors are aware that the success of the business depends on the attraction, motivation and retention of our employees. The Company intends to ensure that we remain a responsible and well-regarded employer, considering factors from health and safety to pay and benefits, and the implications of decisions on employees.

For further information please see pages 64–73 of the Corporate Governance Report and pages 48–49 of the Sustainability section

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 and 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 continents of the world. Important relationships with suppliers in the wood and acetyls industries have been fostered over more than a decade to mitigate risk and promote success. Since 2017, Accsys has committed significant resource to developing joint ventures with business partners such as Medite in relation to Tricoya®, and since December 2020, with INEOS in relation to both Tricoya® (taking over an equity position in the Tricoya® Consortium previously held by BP), and in relation to acetyls supply to the Group's facilities in Arnhem and Hull.

Stakeholder Engagement continued

In August 2020, Accsys formed a joint venture company with Eastman Chemical Company in relation to Accoya®: creating Accoya USA, LLC. The Group is also evaluating the potential for an additional joint venture with Petronas Chemicals Group in relation to Tricoya® in Malaysia. We believe that our Accoya® and Tricoya® products will serve a long-term role in replacing non-renewable hardwoods and environmentally damaging man-made products while crucially being able to offer all of the attributes desired of a high performance product.

Furthermore, the Company provides training to its end-users (most frequently joineries) and distributors in relation to Accoya®, including not just information for use and manufacturing but also on environmental and social benefits; frequent contact with and, when possible, regular visits to customers ensure regular and open dialogue.

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

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. Together with a commitment to health and safety, these are fundamental priorities of our business and part of our corporate values. Our stated purpose is '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 part of the Board's responsibility to ensure that they remain a key focus.

In November 2020, the Company launched the Accsys Sustainability Report which further builds on the recognised sustainable credentials of its Accoya® wood and Tricoya® wood chip products, and details the work the Company has undertaken over the last year to assess the issues most relevant and important to the business, its industry, markets and stakeholders.

For further information please see pages 64–73 of the Corporate Governance Report, page 54 in the Sustainability section, and the Accsys Sustainability Report (www.accsysplc.com/changing-the-world)

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

Accsys 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 Sustainability Report, Anti-Corruption, Bribery and Tax Evasion Policy and Accsys' Modern Slavery Statement. Accsys is committed to improving its practices to combatting 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. In January 2021, the Group refreshed and re-launched online training to all personnel in both the Dutch and English languages, covering key areas of legal and regulatory compliance, such as Anti-Corruption, Bribery and Tax Evasion, Modern Slavery and Market Abuse, with a view to making the training easily accessible to all.

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

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

The Board is 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-bi annual web-cast 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 64–73 of the Corporate Governance Report



Accoya cladding at Great Smoky Mountains National Park, USA
Supplier: Delta Millworks
Architect: Sanders Pace Architects

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. Accoya USA, LLC

In August 2020, the Company and Eastman Chemical Company formed a joint venture company, Accoya USA, LLC. The joint venture intends to construct and operate an Accoya® wood production plant to serve the North American market.

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

- **Shareholders** – the expansion plans of the Group and the potential to enhance revenue, underlying earnings and growth.
- **Joint venture partners** – discussions with joint venture partners are frequent and vital to ensuring alignment that will deliver successful outcomes in the longer term.
- **Distributors and other customers** – understanding the market demand from distributors and key customers for our Accoya® products has been key in evaluating whether to proceed with and/or adjust growth plans.
- **Employees and Works Council** – our ambitious growth plans will only succeed in the longer term with the support, dedication and hard work of our employees. Understanding their views and addressing concerns as we continue on our growth journey is key. Before launching the joint venture our growth plans were discussed across the Group, including at internal communication forums.
- **Community and environment** – ultimately, we believe that growing our manufacturing capability will give people the choice to build using sustainable, environmentally-friendly products. For example, the expansion plan in the US will allow sustainable building options to be made in the US and offered to local markets. Changing wood to change the world is our core proposition, and we are supporting this through several actions in our approach to our ESG and sustainability material issues.

2. Appointment of new Chairman

The Board approved the appointment of Stephen Odell as Chairman effective immediately after the Company's Annual General Meeting in September 2020. 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 an extensive search, engaging with or having regard to the following stakeholder groups:

- **Global recruitment advisors** – a leading search firm was retained with a clear brief as to the extensive operational background sought in the new Chairman. The agency initially delivered a list of candidates for consideration by the Nomination Committee, and advised the Committee as it proceeded through the selection process.
- **Key Employees** – an agreed shortlist of prospective candidates were then interviewed by members of the Board, with the preferred candidate then introduced to the Company Secretary and the Company's Nominated Advisor.
- **Shareholders** – before the Board approved the appointment of Mr Odell, the Company's largest shareholder in the Netherlands and its largest shareholder in the UK were introduced to Mr Odell and afforded the opportunity to feed back to the Board with any comments prior to his appointment.
- **Business partners** – in reaching its decision to appoint Mr Odell, the Board considered carefully his background and experience, which included 38 years of international operational service at Ford Motor Company, including extensive Board and Chair positions.

3. Sustainability Report

In November 2020, the Board approved the publication of a new updated Sustainability Report, that had been prepared internally after considerable engagement with multiple stakeholder groups including shareholders, customers and suppliers. This included independent research, interviews, surveys and focus groups with internal and external participants, resulting in a material issues matrix that maps importance and relevance of ESG topic areas to Accsys and its stakeholders. This foundation, framework and approach will be built on over time, with updates to our progress on material issues detailed on preceding pages in this Report.

Board of Directors

Key to Committees

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Chair of Committee



Stephen Odell
Non-Executive Chairman



Robert Harris
Chief Executive Officer



William Rudge
Finance Director



Nick Meyer
Non-Executive Director



Sue Farr
Non-Executive Director



Sean Christie
Non-Executive Director



Trudy Schoolenberg
Non-Executive Director
(Senior Independent Director)



Alexander Wessels
Non-Executive Director



Background and Experience

Stephen Odell joined the Board initially as a Non-Executive Director, before becoming Chairman immediately after the Annual General Meeting in 2020 when Patrick Shanley stepped down from the role.

He came to 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 Global Marketing, Sales and Service and oversaw these areas for all of Ford's operations globally, following work for the company in the USA, Asia and Europe. Stephen also moved to and lived in various locations around the world in order to lead several of Ford's other historic brands, and his strategic insight and global experience will be valuable to Accsys as it delivers on its growth strategy.

Rob, born 1963, was appointed CEO of Accsys with effect from 20 November 2019. Rob has significant experience across a range of industrial sectors, including chemicals, oil, metals, renewables and speciality products.

Prior to joining Accsys Rob was CEO, Europe at Eco-Bat Technologies Limited, a global energy storage product recycling business with sustainable values. He 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 subsequently held senior roles with manufacturing businesses including British Vita, Nippon Glass, and Reliance Industries, a Fortune 500 Industrial company and the largest private sector corporation in India.

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.

Nick, born December 1944, has extensive board room experience in the timber industry, having previously been Chairman of Montague L Meyer Limited, Deputy Chairman and Chief Executive of Meyer International PLC.

Nick is currently Executive Chairman of Consolidated Timber Holdings Limited, an innovative and substantial group of companies which imports, distributes and processes sustainable timber and timber products. Nick is also a former president of the Timber Trade Association of the United Kingdom.

Sue, born 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, stepping down from that role in 2020. 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.

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 finance and strategy in major businesses and is an experienced Audit Committee Chairman.

Trudy has nearly 30 years' experience working for blue-chip companies in the chemicals, engineering and high performance product sectors, including over 20 years with Royal Dutch Shell where she led business strategy and growth plans for Shell Chemicals, a business unit with a multi-billion dollar turnover. Trudy joined the Accsys Board on the 1st April 2018.

As well as strategy and growth experience, Dr Schoolenberg has strong operational knowledge, gained both during her time at Shell and thereafter at Akzo Nobel, where following supply chain and research and development roles on Akzo's \$4 billion decorative paints Board, she subsequently had responsibility for delivering a new manufacturing plant in Newcastle.

Alexander brings over 30 years of chemical, pharmaceutical and process industry knowledge and experience to Accsys. He is currently Vice-Chairman of colour and speciality chemicals company Archroma, having led the business through a significant period of growth and success as CEO for over six years since it was established in 2013 until January 2020.

With an MSc in Molecular Sciences, and an MBA, Alexander has a strong track record of improving business performance and transformational growth in his previous roles in the Netherlands, the USA, Switzerland and other international and global roles. He has held executive and management positions with DSM, Campina, and Unilever.

External Appointments

Non-Executive Director:
• Evraz plc

Member of the University of Nottingham Council (effective 1 August 2021)

• Director of Cat's Pyjamas II Limited

None

Executive Chairman:
• Consolidated Timber Holdings Group Limited
• Executive Chairman of Hardwood Ltd

Non-Executive Director:
• British American Tobacco PLC
• Unlimited Marketing Group Limited
• Helical PLC

Non-Executive Director:
• Applied Graphene Materials PLC
• Turner & Townsend Ltd
• Optibiotix Health PLC

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

Non-Executive Director:
• Archroma (Vice Chairman)
• Agrifirm
• Topigs Norsvin
CEO of Caldic B.V.

Senior Leadership Team

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
Group Sales Director



Francis Lenders
Site Managing Director, Arnhem



Natalia Bikkenina
Chief People Officer



George Neel
Director of Marketing and Communications

Background and Experience

Bob Mannion joined Accsys in December 2019. He is a qualified Chemical Engineer and holds 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, and eventually leading full P&Ls through general management. His experience has been built across the world, having 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 Euronext-listed Pharming Group 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 15 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 led the initial establishment of the wood acetylation business in 2003, subsequent flotation as Accsys Technologies PLC, and development of both the Accoya® brand and the production facility in Arnhem. His in-depth knowledge of the business helps develop new markets and partnerships for Accsys and its branded products, including licensing and establishment of joint ventures.

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. His formal education culminated in graduating summa cum laude with an MBA in International Management from the Anderson School at the University of New Mexico.

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 all aspects of product sales for Accsys, managing a team across the globe. With a degree in Forestry and Forest Products from the University of Wales and an MSc in Timber Engineering from the University of Maine, USA, John's career in the wood product industry started as technical manager at Jeld-Wen, the world's largest manufacturer of windows and doors, and he subsequently moved to BSW Timber, the largest forestry and sawmilling group in the UK.

Initially joining Accsys as Head of Product Development in 2010, John became Director of Sales and Product Development in 2015 and in 2020 tightened the focus of his role on sales activities and strategy.

Francis joined Accsys as Site Managing Director for Arnhem in October 2020, responsible for day to day business and manufacturing operations for our facility in the Netherlands. With a Magna cum Laude degree in Commercial Engineering from The University of Antwerp, his business experience has included senior executive roles in supply chain and general management with The Quaker Oats Company, ISP – Ashland, Baxter International, and Elementis plc.

He has built a wealth of operational, leadership and transformational experience with businesses across many industries including life sciences, medical devices, chemicals and manufacturing, and prior to joining Accsys was Operations Director for Van Hoorebeke Timber.

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 Accsys 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 both an MBA and a degree in Languages.

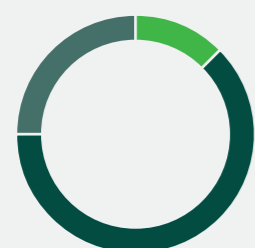
George joined Accsys in August 2019 with responsibility for marketing and communications across the Group. He and his team also lead ESG and sustainability strategy development, promotion and implementation across the organisation.

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.

Chairman's Introduction to Governance

Dear fellow shareholder,

On the following pages we outline Accsys' corporate governance frameworks and compliance.



Composition of the Board

- Non-Executive Chairman 1
- Non-Executive Directors 5
- Executive Directors 2



Diversity of the Board

- Female 25%
- Male 75%



Non-Executive Director tenure (including Chairman)

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



“The Board believes that good governance plays a key part in Accsys' ability to achieve its strategic aims.”

See our Compliance with the QCA Corporate Governance Code from page 69

As I have outlined in my introduction to the Annual Report since joining the Company I have been impressed with the good governance processes in place relative to Accsys' global corporate size, and in the Company's commitment to fostering a fair and inclusive culture, with engaged and motivated people.

Here I wish to provide some further detail on key aspects of our governance performance.

Quoted Companies Alliance (QCA) Corporate Governance Code

Accsys has adopted the QCA Code and follows and reports against it on a comply-or-explain basis.

The purpose, the values, the strategy, and the people at Accsys are all geared towards making a positive and lasting impact in the world.

As a company with strong values and purpose, this also shapes our relationships with our stakeholders from our employees, to our distributors, licensees and others. 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 and more sustainable world.

The Board believes that good governance plays a key part in Accsys' ability to achieve its strategic aims, the successful long-term development of the Group, and the creation of value for all of our stakeholders.

As such, corporate governance and social responsibility lies at the very core of our business and remains a key focus for the Board.

Key Governance Changes during the Year

During the financial year ending on 31 March 2021 there were three key changes to our Board composition.

Having served on the Board for nine years, in line with best corporate governance practice, Patrick Shanley stepped down as your Chairman following the Company's AGM in September 2020. Accsys will remain forever grateful for Patrick's dedication and significant contribution to our success so far and the Board would like to put on record their heartfelt thanks to Patrick.

I was appointed as Non-Executive Chairman Designate in June 2020, having retired from 38 years of service at Ford Motor Company, including extensive Board and Chair positions; more information on my background can be found at page 60.

Following an orderly handover from Patrick, I am honoured to have been appointed Chairman of Accsys in September 2020. I look forward to continuing to serve the Company at this exciting time in its growth journey.

In addition, and again immediately following the Company's AGM in September 2020, the Company appointed Alexander Wessels as a Non-Executive Director of the Company. Alexander joined the Board and became a member of the Nomination, Remuneration and Audit Committees.

In the following 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.

Stephen Odell
Non-Executive Chairman

21 June 2021

Corporate Governance

The Board of Directors

During the year the Board comprised a Non-Executive Chairman, one Senior Independent Non-Executive Director, four further Non-Executive Directors (noting that the appointment of Alexander Wessels was effective immediately after the AGM in 2020) and two Executive Directors.

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

During the year, all serving Directors attended (in the main by video conference due to COVID-19 restrictions) 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. Currently, the members of the Audit Committee are Sean Christie (Chairman), Stephen Odell, Trudy Schoolenberg, Sue Farr and Alexander Wessels.

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 37
- 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. Currently, Stephen Odell chairs the Nomination Committee and the other members are Sue Farr, Sean Christie, Trudy Schoolenberg and Alexander Wessels.

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 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 to the Executive Committee. Currently, Sue Farr chairs the Remuneration Committee and the other members are Stephen Odell, Sean Christie, Trudy Schoolenberg and Alexander Wessels.

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.

Relations with shareholders

Communications with shareholders are given high priority.

There is regular dialogue with shareholders including presentations after the Company's preliminary announcement of the year-end results and six monthly results. Subject to any restrictions on gatherings arising out of the COVID-19 pandemic, the Board uses the Annual General Meeting to communicate with investors and welcomes their participation. Again, subject to any restrictions due to the recent pandemic, the Chairman aims to ensure that the Directors are available at Annual General Meetings to answer questions.

Corporate Governance continued

Board and Committee Meeting Attendance Schedule year ended 31 March 2021

Board Meetings

Director name	23 April 2020	3 June 2020	16 June 2020	22 June 2020	26 June 2020	18 Sept 2020	29 Sept 2020	20 Oct 2020	26 Nov 2020	27 Nov 2020	21 Jan 2021	18 March 2021
Patrick Shanley	Yes	Yes	Yes	Yes	Yes	-	-	-	-	-	-	-
*Stephen Odell	-	Attended	Attended	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Robert Harris	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sean Christie	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sue Farr	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Nick Meyer	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
William Rudge	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Trudy Schoolenberg	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Alexander Wessels	-	-	-	-	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes

* Prior to his appointment as a Director of the Company on 23 June 2020 Stephen Odell attended 2 Board meetings as an invited guest, namely the two Board meetings held on 3 June 2020 and on 16 June 2020.

Directors' attendance record

The attendance record of individual Directors at meetings of the Board and its committees in the year to 31 March 2021 was as follows. Whilst the Executive Directors are not members of the standing committees they attend such meetings by invitation.

Director	Board meetings*		Audit Committee		Remuneration Committee		Nomination Committee	
	Attended	Serving	Attended	Serving	Attended	Serving	Attended	Serving
Stephen Odell**	10	8	3	2	6	6	3	3
Michael 'Sean' Christie	12	12	3	3	9	9	5	5
Robert Harris	12	12	3	0	9	0	5	0
Sue Farr	10	12	3	3	9	9	5	5
Patrick Shanley	5	5	1	1	4	4	3	3
Montague John 'Nick' Meyer***	10	12	3	1	9	3	5	2
William Rudge	12	12	3	0	6	0	2	0
Dr Geertrui 'Trudy' Schoolenberg	10	12	3	3	9	9	5	5
Alexander Wessels	7	7	2	2	5	5	2	2

* Although the total number of Board meetings is 12, 2 of the meetings were convened as Board Committee meetings.

** Prior to his appointment as a Director of the Company on 23 June 2020 Stephen Odell attended 2 Board meetings and one Audit Committee meeting as an invited guest.

***Nick Meyer was determined to be a non-independent Director on 16 June 2020 and stepped down from membership of all Board Committees on that date. He was subsequently invited to join Committee meetings as a guest.

Notes

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

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

The QCA Corporate Governance Code

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
✓	<p>The Company's strategy is to i) develop market opportunities to 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 position in Europe, USA and Malaysia and establish new platforms in key markets in support of, and to enable, demand growth; iii) develop technology and IP programmes based on evidence and commercial viability and to manage risk; and iv) develop its people and organisational capability to enable Accsys to meet its growth objectives;</p> <p>Further information on our business model and strategy can be found at pages 16–19 and our Strategic Report commences on page 10.</p> <p>Our Statement of Compliance explains in further detail the Company's key strengths which in turn promote long-term value for shareholders.</p>	<p>See pages 16–19 for information on our business model and strategy</p> <p>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement.</p> <p>See pages 10–59 for our Strategic Report</p>

2. Seek to understand and meet shareholder needs and expectations

Compliant	Explanation	Further Reading
✓	<p>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.</p> <p>In advance of finalising its updated Remuneration Policy to be put to shareholders at the 2021 AGM, the Company has recently consulted with key shareholders to gauge views as to material changes proposed to the Remuneration Policy. Similarly, ahead of launching the recent equity raise announced by the Company on 5 May 2021, 'market soundings' were taken from key shareholders (in accordance with the Market Abuse Regulation) to ensure underlying support for the Company's proposals.</p> <p>Whilst not possible at present given the COVID-19 pandemic, in the ordinary course, Accsys also organises bi-annual 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.</p> <p>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.</p>	<p>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement.</p>

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 is 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 and the results were subject to a detailed review and thereafter actions implemented to address feedback in the interests of the Group's employees. The employee wide survey has been repeated in February 2021 and the results of this survey are currently being reviewed and compared to the results of the survey undertaken in 2020.</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 November 2020, the Company launched the Accsys Sustainability Report which further builds on the recognised sustainable credentials of its Acccoya® wood and Tricoya® wood chip products, and details the work the Company has undertaken over the last year to assess the issues most relevant and important to the business, its industry, markets and stakeholders.</p> <p>The Company is committed to continuing research and development concerning its products and processes.</p>	<p>See page 56 for further information on stakeholder and social responsibilities</p> <p>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement, CSR Policy and Modern Slavery Statement.</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 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 financial 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, 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 page 37.</p>	<p>See page 37 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 at page 66.</p> <p>See pages 10–59 for our Strategic Report</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, five 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 (other than Nick Meyer by reason of him having served on the Board for more than nine years) and are able to scrutinise matters and challenge the Executive Directors on an unencumbered basis.</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 page 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 at pages 60 to 68, including attendance at, and number of, Board meetings and Committee meetings.</p>	<p>See pages 60 & 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 page 60.</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 included from page 77 that is to be tabled to shareholders for approval at the 2021 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>The appointment of Stephen Odell as Chairman and Alexander Wessels as Non-Executive Director further strengthens the Board's international operational expertise.</p>	<p>See page 60 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. A subsequent review by an independent consultant was commissioned in the year ending 31 March 2021 to evaluate Board effectiveness, amongst other things.</p> <p>The results of a 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 external Board evaluation were discussed with the Board at a meeting in May 2021 and any areas for development were reviewed ahead of development of an action plan for implementation.</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 page 46.</p> <p>Accsys aims to reduce the use of environmentally-unfriendly building materials and products by the utilisation of its proprietary 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 page 46 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, the majority of 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, Modern Slavery Statement, Terms of Reference Audit Committee, Terms of Reference Nomination Committee and Terms of Reference Remuneration Committee. See Section 172 Statement at page 56

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 bi-annual webcasts. 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 at page 66 and Remuneration Report can be found at page 74, each of which reviews the work of the respective committee during the year.</p> <p>The Nomination Committee has been engaged with the appointment of Stephen Odell as Chairman and the appointment of Alexander Wessels as Non-Executive Director. The Nomination Committee has also been engaged in the recent Board and Director external evaluation carried out in 2021.</p>	See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement and News. See the Audit Committee Report at page 66. See the Remuneration Report at page 74.

Remuneration Report

“During the year we undertook a comprehensive review of our remuneration policy.”

Sue Farr
Non-Executive Director



On behalf of the Board, I am pleased to present our Remuneration Report for the year ended 31 March 2021.

We obtained shareholder approval for our Remuneration Policy at the 2018 AGM. Therefore, in line with the three-year renewal cycle set out in the UK remuneration reporting regulations, we will be seeking approval for a new Remuneration Policy at the 2021 AGM.

During the year we undertook a comprehensive review of all aspects of the current Policy, to ensure it continues to be aligned with our business strategy, reflects best practice and supports the attraction and retention of talent as Accsys continues to grow in size and complexity. This review included engagement with our major investors and we would like to thank them for their feedback which has been helpful in formulating our proposals. We are proposing some changes to the Remuneration Policy, as discussed below.

The Remuneration Policy is set out on pages 77 to 81 and will be subject to a binding vote at the AGM. The remainder of the report sets out how we propose to implement the Policy for the year ahead and summarises the outcomes in respect of the year ending 31 March 2021. This part of the report will be subject to an advisory vote at our AGM.

Our current Policy was approved at our 2018 AGM with 99.9% of votes cast in favour of it. Shareholders have shown a similarly high level of support for our Directors' Remuneration Report for the year ended 31 March 2020, with 99.9% of votes in favour. These high levels of support reflect our responsible approach to executive pay, an approach that will continue under the proposed Policy.

Business context

Since our current Policy was approved at the AGM in 2018, Accsys has significantly increased in size and complexity. Our market capitalisation has grown from c. £85m to c. £240m.

Despite the unprecedented challenges of COVID-19, Accsys delivered robust performance in the year ended 31 March 2021 (FY21), underpinned by continued strong demand for our products and our operational agility which allowed us to adapt quickly in the face of the pandemic. Looking ahead, we continue to see significant growth potential and opportunity for expansion.

As reported last year, as the COVID-19 pandemic evolved, a clear plan of action was driven by our Executive Directors to ensure the health and welfare of employees across the Group while managing our cost base, enabling us to maintain a strong financial position and continue to deliver growth. Our Board Directors, Senior Management Team (SMT) and a number of mid-senior level employees accepted a temporary 20% pay cut from 1 April 2020, to protect our lower income employees where possible, and waived any salary increase in respect of the FY21 financial year. All employees below Board Director and SMT level have been repaid for this voluntary reduction given the robust performance for the year as a whole.

Accsys accessed government support in the UK and Netherlands (the UK Government's Coronavirus Job Retention Scheme and NOW respectively), however in March 2021 we made the decision to repay all funds in full.

Remuneration philosophy

Accsys' remuneration philosophy is designed to support our purpose-led strategy and drive long-term sustainable growth in the next phase of our ambitious journey. As part of a review of remuneration across Accsys during the year, we identified core pay principles to underpin our pay policies:

Attract, retain and motivate – ensure that pay opportunities across the Group enable us to attract and retain talent to drive the next phase of growth with motivated employees.

Alignment with purpose and values – our purpose of 'Changing Wood to Change the World' guides our strategy and actions and sustainability is at the heart of what we do. Our remuneration framework should align with long-term sustainable success and reflect the importance of our ESG strategy, and we promote personal development opportunities for all employees.

Pay for performance – 'be ambitious' is a core Accsys value, and we operate a simple and transparent pay for performance culture throughout the organisation.

Remuneration policy – proposed changes

The Committee considers that the overall remuneration framework continues to be broadly fit for purpose, but is proposing to implement a number of changes across the three-year life of the new Remuneration Policy. In summary:

- We are proposing to adjust the overall quantum of Executive Director packages to reflect the increase in the size and complexity of our business and corresponding increase in the scope of the Executive Director roles.
- Incentive levels have remained unchanged since 2016 when we introduced annual awards under our long-term incentive plan. We are proposing to increase the normal annual bonus maximum from 100% to 125% of salary for the CEO and Finance Director respectively, and the normal

LTIP maximum from 100% and 75% for the CEO and Finance Director, to 125% and 100% of maximum respectively. These increases will require additional stretch in the performance delivered so that more pay is delivered only for the achievement of more stretching performance targets.

- LTIP awards will be based on a fixed number of shares set in FY22, delivering alignment with shareholders over the life of the Policy. While the number of shares granted each year will be fixed, the number of shares vesting will be subject to performance, as in previous years. Fixing the number of shares at grant means that the award size can move up or down each year and is aligned with shareholder experience.
- In addition, in line with best practice, we are introducing an element of bonus deferral under the annual bonus plan, to further align executive and shareholder interests. Best practice features such as two-year holding periods under the LTIP, and malus and clawback features, will continue to apply.
- Shareholding guidelines will be increased from 200% of salary for the CEO, to align with the total FY22 incentive opportunity under the new proposals. From FY22, shareholding guidelines will be 250% of salary for the CEO and 225% of salary for the Finance Director.
- Following a review of market positioning against companies of similar size and complexity in the UK market where we primarily recruit for executive talent, we found that base salaries have fallen significantly behind the market. Base salary increases will be phased across the three-life of the policy, in line with best practice. For FY22, salary increases will be in line with wider workforce.
- Sustainability sits at the core of Accsys' business. From FY22, in addition to the ESG element incorporated in the annual bonus, we will also include an ESG-related objective under the LTIP, aligned with our ambitious strategy in this area.

A comparison of our current and proposed Policy is set out on page 77.

Remuneration Report continued

Incentive outcomes for the year ended 31 March 2021

As discussed in detail in the Financial review, the Group has reported strong financial results which saw underlying Group revenue increasing by 10% to €99.8m, underlying EBITDA increase by 44% to €10.1m with strong profitability progression and a robust balance sheet.

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.

Overall, and taking into account personal performance, the bonus outcomes were between 67% and 73% of the maximum (67% and 73% of salary excluding the temporary pay cut), for the Executive Directors. The Committee believes this outcome is an appropriate reflection of performance in the year.

Further detail on the individual outcomes and performance against the targets is set out on page 90 on this report.

The LTIP awards granted in 2018 will vest in June 2021. These are based on EBITDA per share (60% weighting) and Sales Volume (40% weighting), measured to 31 March 2021. The EBITDA target was achieved in part, resulting in 41% of the EBITDA element vesting. The Sales Volume threshold was not met, and this element lapsed in full. Therefore, the overall vesting was 24.6% of the maximum award. The Committee considers the level of pay-out is reflective of the overall performance of the Group and no discretion was exercised in respect of the formulaic outcome.

LTIP awards – 2020

Given the uncertainties arising out of the COVID-19 pandemic last year, the Committee elected to defer the grant of 2020 LTIP awards until it had greater visibility of the Group's outlook. 2020 LTIP awards were granted to the CEO, Finance Director and other participants on 15 July 2020, and performance targets are disclosed on page 91.

Board changes

Stephen Odell was appointed a Non-Executive Director on 23 June 2020 and subsequently Chairman immediately following the Company's AGM on 18 September 2020. Details of Stephen's fees for acting as Non-Executive Chairman are set out on page 88. Alexander Wessels was appointed a Non-Executive Director with effect immediately following the Company's Annual General Meeting on 18 September 2020.

2021 AGM

The Remuneration Committee remains committed to operating remuneration arrangements which align with our strategic priorities and the best interests of our stakeholders. We 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

21 June 2021

Context for executive pay

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

Directors' Remuneration Policy

This part of the Remuneration Report sets out our proposed 2021 Directors' Remuneration Policy and has been developed taking into account the views of our major shareholders.

The Policy will be put to a binding shareholder vote at the 2021 AGM to be held on 17 September 2021 and, subject to shareholder approval, will take formal effect from the conclusion of the AGM. Key areas of difference between the current and proposed policies are set out in the table below. The current Directors' Remuneration Policy is available to view on the Company's website at www.accsysplc.com.

In setting the Remuneration Policy for Executive Directors, the Remuneration Committee ensures that the arrangements are in the best interests of the Company and its wider stakeholders, including employees and shareholders.

Summary of proposed changes to Policy and to the implementation of Policy

Element	Current policy	Proposed change	Implementation in FY22
Base salary	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.	No change to Policy.	For FY22, salary increases will be in line with wider workforce. CEO: 2.4% increase to £297k. Finance Director: 2.4% increase to £174k. It is our intention to increase the CEO and Finance Director salaries to c.£360k and c.£210k, phased over the three-year life of the policy, subject to the continued performance of Accsys.
Benefits	Benefits consist of car allowance, private medical insurance, life insurance and travel.	No change	As per previous years.
Pension	Pension allowance of 8% of salary for current executive directors, being aligned with other employees in the business in the UK. Maximum limit 15% of salary.	Removal of 15% of salary maximum limit. The maximum pension contribution (or cash allowance in lieu) for Executive Directors will be aligned with the contribution level for the wider workforce in the relevant country (currently 8% of salary in the UK).	As per current approach – contributions of 8% of salary (or cash alternative in lieu) for the current Executive Directors, being aligned with other employees in the business in the UK.

Remuneration Report continued

Summary of proposed changes to Policy and to the implementation of Policy continued

Element	Current policy	Proposed change	Implementation in FY22
Annual bonus	<p>Maximum annual bonus opportunity of 100% of base salary for CEO and Finance Director.</p> <p>Target opportunity of 50% of salary</p> <p>No deferral into shares.</p> <p>Based on a mix of financial, strategic and operational objectives, with stretching targets.</p> <p>Overall maximum of 200% of salary in exceptional circumstances.</p> <p>Malus and clawback provisions apply.</p>	<p>Normal maximum annual bonus opportunity of 125% of base salary for CEO and Finance Director.</p> <p>Target opportunity of 62.5% of salary</p> <p>20% deferral into fixed number of shares for two years, strengthening alignment of executive and shareholder interests.</p> <p>No change to overall maximum in exceptional circumstances.</p>	<p>Maximum annual bonus opportunity of 125% of base salary for CEO and Finance Director.</p> <p>20% deferral into shares for two years, strengthening alignment of executive and shareholder interests.</p> <p>Stretching performance targets will apply, linked to EBITDA, progression with Hull plant, Supply chain optimisation, Progression of US Accoya® plant and Malaysian Tricoya® plant project, ESG agenda and personal objectives.</p>
Long-term incentive plan	<p>Normal awards of 100% of salary and 75% of salary for CEO and Finance Director.</p> <p>Awards vest over a period of at least three years, subject to performance.</p> <p>Awards are subject to an additional two year holding period following the end of the three year performance period, aligned with best practice for UK-listed companies and in excess of typical practice for AIM-listed companies.</p> <p>Overall maximum of 300% of salary in exceptional circumstances.</p> <p>Malus and clawback provisions apply.</p>	<p>From FY22, LTIP grants will be a fixed number of shares, delivering alignment with shareholders over the life of the Policy. The maximum number of shares will be fixed at the FY22 grant level.</p> <p>The number of shares that vest will be subject to performance measured over a period of at least three years. No change is proposed to the additional two year holding period.</p> <p>For FY22, maximum LTIP awards will be equivalent to 125% of salary and 100% of salary for the CEO and Finance Director respectively (previously 100% and 75% of salary). This number of shares will continue to be fixed through the life of the Policy.</p> <p>No change to overall maximum in exceptional circumstances.</p>	<p>LTIP grant of 125% of salary and 100% of salary for the CEO and Finance Director respectively.</p> <p>Sustainability sits at the core of Accsys' business. From FY22, we will include an ESG-related objective under the LTIP, aligned with our ambitious strategy in this area.</p> <p>FY22 awards will be subject to stretching performance targets based on EBITDA (60%), Sales Volume (30%) and ESG (10%).</p>
Shareholding guidelines	<p>Executive Directors are expected to build up and retain a shareholding of at least 200% of salary.</p>	<p>Increased to be in line with total FY22 incentive opportunity (250% of salary for CEO and 225% of salary for Finance Director).</p>	<p>As per new Policy</p>

Directors' Remuneration Policy

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>The maximum level of pension contribution (or cash allowance in lieu) for Executive Directors will be aligned with the contribution level for the wider workforce in the relevant country.</p> <p>Current contributions are 8% of salary for the Executive Directors.</p>	N/A

Remuneration Report continued

Directors' Remuneration Policy continued

Element	Purpose and operation	Maximum	Performance measures
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>Normally no more than 80% of any bonus will be paid in cash, with the balance paid in deferred shares.</p> <p>Deferred shares typically vest after two years with no further performance conditions.</p> <p>Malus and clawback and dividend provisions apply (see notes to the table).</p> <p>Amounts may be satisfied in cash, or at the Committee's discretion, shares.</p>	<p>The current maximum annual opportunity for all Executive Directors is 125% 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% of the maximum annual opportunity 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>
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. Awards are subject to an additional holding period of at least two years following the end of the three year performance period.</p> <p>Clawback and dividend equivalent provisions apply (see notes to the table).</p>	<p>For awards made in FY22 onwards, the award will be a fixed number of shares. In FY22 this fixed number of shares will be equivalent to 125% of salary for the CEO and 100% of salary for the Finance Director.</p> <p>In future years for which this policy applies it is intended that Executive Directors will each be awarded the same fixed number of shares as in FY22.</p> <p>The fixed number of shares awarded will be restricted so that it does not exceed the overall maximum LTIP award opportunity.</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>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	To increase long term alignment between executives and shareholders. Executive Directors are expected to build up and retain a beneficial holding of at least 250% of salary for CEO and 225% of salary for Finance Director.	N/A	N/A

Notes to the Policy table:

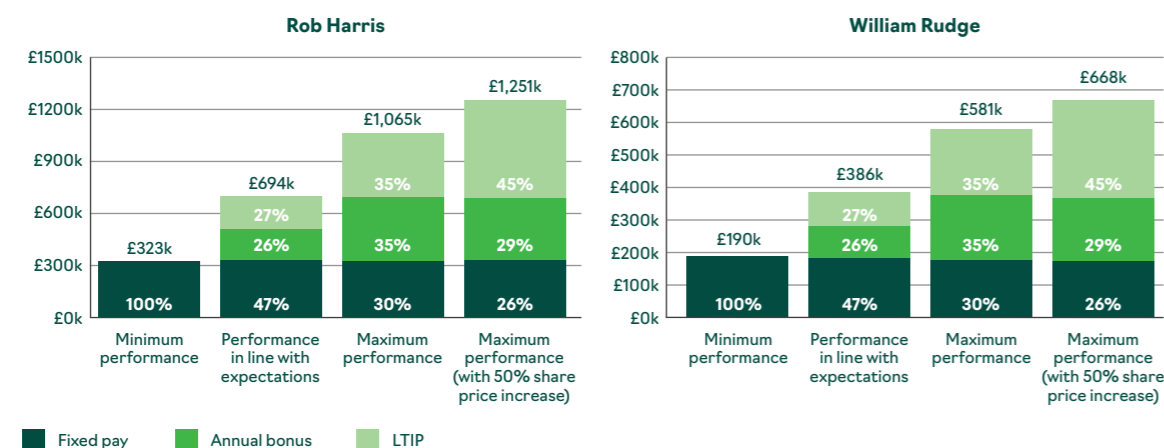
- Deferred shares and LTIP awards which vest under this Policy may benefit from the right to receive an amount equal to the value of, if applicable, any dividends which would have been paid on vested shares up to the time of vesting (or where the award is subject to a holding or deferral period, up to the time of release).
- The Annual Incentive Plan and LTIP contain malus and 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, senior managers and other key staff, 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.
- The choice of the performance measures applicable to the Annual Incentive Plan 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 FY2022 award (EBITDA per share, sales volume and ESG measures) 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. The Committee may use its discretion to adjust payouts under the Annual Incentive Plan and LTIP to Executive Directors, within the range of the minimum to maximum opportunity, including reducing it down to zero. Such discretion will only be used where the Committee believes that performance against the prescribed targets does not accurately reflect the Company's underlying performance.
- 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.
- The terms of any deferred shares or LTIP shares may be adjusted to take account of a Company reorganisation, such as a variation of capital, rights issue, demerger or special dividend.

In respect of the shareholding guideline, vested but unexercised LTIP shares and the proposed new 20% deferred element of the Annual Incentive Plan 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 date that the increased shareholding guideline comes into effect i.e. from the approval of this Policy). The Committee will take into account LTIP vesting levels and personal circumstances when assessing progress against the guideline.

Remuneration Report continued

Application of the Remuneration Policy

The potential pay-out under the Policy for each Executive Director under different illustrative performance scenarios is set out below.



In illustrating the potential reward, the following assumptions have been made.

	Fixed pay	Annual Bonus	LTIP
Minimum performance	Base salary (being the latest known salary as at 1 April 2021).	No bonus	No LTIP vesting
Performance in line with expectations	Employer pension contributions of 8% based on the latest known salary. Benefits as disclosed in the single figure table on page 88 for the year ending 31 March 2021.	Bonus equal to 62.5% of salary (50% of maximum)	LTIP vests equivalent to 62.5% of salary for the CEO and 50% of salary for the Finance Director (i.e. 50% of the maximum award)
Maximum performance		Bonus equal to 125% of salary (maximum bonus earned)	LTIP vests equivalent to 125% of salary for the CEO and 100% of salary for the Finance Director (i.e. maximum vesting)
Maximum performance (plus an assumed 50% increase in the share price for the purposes of the LTIP element)		Bonus equal to 125% of salary (maximum bonus earned)	LTIP vests equivalent to 125% of salary for the CEO and 100% of salary for the Finance Director (i.e. maximum vesting and an assumed 50% increase in the share price)

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. Circumstances in which other elements of remuneration may be awarded include:

- an interim appointment being made to fill an Executive Director role on a short term basis;
- if exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short term basis; and
- if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or LTIP award for that year as there would not be sufficient time to assess performance; subject to the limit on variable remuneration, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis.

Salaries would be set at an appropriately competitive level to reflect the skills and experience of the individual and the scope of their role and their potential to lead the Company's growth agenda. 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 Robert 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. Directors' service contracts are kept available for inspection at the Company's registered office.

Remuneration Report continued

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

When determining leaving arrangements for an Executive Director the Committee takes into account any contractual agreements including the provisions of any incentive arrangements, typical market practice and the performance and conduct of the individual.

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	<p>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.</p> <p>Deferred shares will normally continue on cessation of employment, other than in the event of gross misconduct.</p> <p>The Committee retains discretion to pay the annual bonus early and not to apply deferral, but would do so only in compassionate circumstances.</p>
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>Alternatively, in good leaver circumstances, the Committee may determine that awards should vest when the participant ceases employment.</p> <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.
- Deferred shares and LTIP awards will vest. Deferred shares would vest in full. The proportion of LTIP awards 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. Supplementary fees may be paid for other responsibilities or time commitments.</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
Stephen Odell	24
Sean Christie	29
Sue Farr	29
Trudy Schoolenberg	33
Alexander Wessels	26

Remuneration Report continued

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 directly with employees in preparing the Directors' Remuneration Policy, but feedback on reward policies is gathered via the annual employee survey.

Consideration of shareholder views

The Committee undertook a consultation exercise with major shareholders in respect of the development of this Remuneration Policy in 2021, 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 2022

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 March 2022 is set out below.

Base salary

Base salaries for the Executive Directors are set out below:

Name	Year ending March 2022	Year ending March 2021	% increase
Robert Harris	£297,000	£290,000	2.4%
William Rudge	£174,000	£170,000	2.4%

As set out on page 75, following a review of market positioning against companies of similar size and complexity in the UK market where we primarily recruit for executive talent, we found that base salaries have fallen significantly behind the market. It is our intention to increase the CEO and Finance Director salaries to c.£360k and c.£210k, phased over the three-year life of the policy, subject to the continued performance of Accsys. This includes a circa 2% p.a. 'inflation' increase and the Committee would continue to review the proposed increases taking into account market conditions over the three year life of the Policy.

Pension arrangements

In accordance with the Policy, the Executive Directors will receive pension contributions (or cash supplements) of 8% of base salary, in line with the pension contribution for wider employees.

Annual bonus

For the year ending 31 March 2022, the maximum annual bonus opportunity will be 125% of salary in accordance with the Policy. 20% of any earned bonus will be deferred in shares for two years. Payouts will be determined based on the delivery of stretching financial, operational and personal objectives with the weightings for the various components as follows:

Name	Weighting (% of bonus)	
	CEO	Finance Director
Group EBITDA	50%	37.5%
Progression with the Hull plant	25%	18.75%
Supply chain optimisation	10%	7.5%
Progression of US Accoya® plant and Malaysian Tricoya® plant projects	10%	7.5%
ESG Agenda	5%	3.75%
Sub-total		75%
Personal objectives	–	25%
Total	100%	100%

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 125% (but within the policy limit of 200%) in the event of exceptional events resulting in significant unexpected value creation for the Group.

Long-term incentives

For the year ending 31 March 2022, subject to shareholder approval at the 2021 AGM, annual LTIP awards will be made in line with the Policy, as shown in the following table.

Name	(% of salary)
Robert Harris	125%
William Rudge	100%

Remuneration Report continued

Long-term incentives continued

The 2021 LTIP awards will be subject to stretching performance metrics, as set out in the table below. Sustainability sits at the core of Accsys' business, and from FY22, we will include an ESG-related objective under the LTIP, aligned with our ambitious strategy in this area.

Metric	Weighting (% of award)	Threshold	Maximum
Total vesting (% of maximum)		25%	100%
EBITDA per share in FY24	60%	€0.15	€0.24
Cumulative Sales Volume (FY22 to FY24)	30%	267,000m ³	297,000m ³
ESG – improvement in reporting ratings	10%	33% on attaining each of the 3 year milestones: Y1 – Attain investor ESG external rating/score Y2 – Improve or at least maintain ESG external rating/score Y3 – Improve or at least maintain ESG external rating/score	–

Non-Executive Directors

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

	Year ending March 2022	Year ending March 2021	% increase
Chairman fee	£90,000	£90,000	0%
Base NED fee	£41,820	£41,820	0%
Additional fees:			
Senior Independent Director	£5,228	£5,228	0%
Committee chairmanship per Committee	£5,228	£5,228	0%

There will be no increase in NED fees for the year ending 31 March 2022. However, NED fees have not increased since FY20 and it is intended to review fees and make appropriate adjustments for FY23 to recognise the increase in size and complexity of the Company.

Remuneration received by Directors in the year ended 31 March 2021 (audited)

Directors' remuneration for the year ended 31 March 2021 (and for the prior year ended 31 March 2020) is shown in the following tables:

	Salary/ Fees ¹ £	Benefits in Kind ² £	Pension ⁵ £	Total Fixed Remuneration £	Annual Bonus £	LTIPs Vested/ Expected to Vest ⁴ £	Total Variable Remuneration £	2021 Total Remuneration £	2021 Total Remuneration EUR
Executive Directors									
Robert Harris	271	2	23	296	212	–	212	508	579
William Rudge	159	2	14	175	114	52	166	341	390
Non-Executive Directors									
Sean Christie	44	–	–	44	–	–	–	44	49
Sue Farr	44	–	–	44	–	–	–	44	49
Montague John 'Nick' Meyer	39	–	–	39	–	–	–	39	44
Patrick Shanley	32	–	–	32	–	–	–	32	35
Trudy Schoolenberg	44	–	–	44	–	–	–	44	49
Stephen Odell ⁶	59	–	–	59	–	–	–	59	67
Alexander Wessels ⁷	22	–	–	22	–	–	–	22	25

	Salary/ Fees £	Benefits in Kind ² £	Pension ⁵ £	Total Fixed Remuneration £	Annual Bonus ³ £	LTIPs Vested/ Expected to Vest ⁴ £	Total Variable Remuneration £	2020 Total Remuneration £	2020 Total Remuneration EUR
Executive Directors									
Robert Harris ⁸	106	1	8	115	73	–	73	188	216
William Rudge	155	2	12	169	73	32	105	274	312
Non-Executive Directors									
Sean Christie	47	–	–	47	–	–	–	47	53
Sue Farr	47	–	–	47	–	–	–	47	53
Montague John 'Nick' Meyer	41	–	–	41	–	–	–	41	47
Patrick Shanley	78	–	–	78	–	–	–	78	89
Trudy Schoolenberg ⁹	88	–	–	88	–	–	–	88	101

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.

Remuneration Report continued

Remuneration received by Directors in the year ended 31 March 2021 (audited) continued

- Salaries for the Directors were reduced by 20% for four months during the initial COVID period.
- Taxable benefits for the Executive Directors in the year included private medical insurance, life insurance and reimbursed business expenses.
- Represents annual bonus paid in shares in respect of the financial year ended 31 March 2020 and a £10,000 cash bonus to Will Rudge paid during the year ended 31 March 2020.
- For 2021, an estimated amount is shown in respect of vesting of the 2018 LTIP award. The value of this award has been based on the three-month average share price as at 31 March 2021 of €1.73. This award is expected to vest in June 2021. For 2020, the actual value of the 2017 LTIP award which vested in June 2020 is shown and is based on the actual share price on the date of vesting.
- Robert Harris received cash in lieu of pension.
- Stephen Odell was appointed to the Board on 23 June 2020 and to Chairman on 18th September 2020, his remuneration in the table above reflect his time in service during the year.
- Alexander Wessels was appointed to the Board on 18th September 2020.
- Robert Harris was appointed to the Board on 20 November 2019, his remuneration in the table above reflect his time in service during the prior year.
- Trudy Schoonenberg's fees for the prior 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 2021 (audited)

For the year ended 31 March 2021, 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:

	CEO (% of bonus)		FD (% of bonus)	
	Maximum	Outcome	Maximum	Outcome
Group Objectives:				
Group EBITDA (including Tricoya®)	50%	50%	37.5%	37.5%
Accoya® Sales Volume	10%	10%	7.5%	7.5%
Progression with Hull Plant	25%	0%	18.75%	0%
Progression of Arnhem Reactor 4, US Accoya® and Malaysian Tricoya® projects	10%	8%	7.5%	6%
ESG agenda	5%	5%	3.75%	3.75%
Sub-total – Group Objectives:	100%	73%	75%	54.75%
Personal Objectives:	-	-	25%	12.5%
Final bonus outcome (% of maximum)		73%		67.25%

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

Overall, and taking into account personal performance, the bonus outcomes were between 67% and 73% of the maximum for the Executive Directors. The Committee believes this outcome is an appropriate reflection of performance in the year.

LTIP vesting in respect of performance to the year ended 31 March 2021 (audited)

The 2018 LTIP awards (see table below) are expected to vest in June 2021 by reference to EBITDA (60% weighting) and Sales Volume (40% weighting) performance over a three year period ended 31 March 2021.

	Weighting (% of award)	Threshold	Maximum	Actual performance	Vesting (% maximum)
Total vesting (% of maximum)		25%	100%		25.9%
EBITDA per share in FY21	60%	€0.05	€0.013	€0.069	43%
Sales Volume	40%	70,000m ³	85,000m ³	60,466 m ³	0%

- 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.

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.

The 2018 LTIP award was granted on 19th June 2018 when the share price was €0.91. The three-month average share price ending on 31 March 2021 was €1.73. This equated to an increase in value of €0.82 per share due to vest on 19th June 2021. The proportion of the value attributable to share price growth is therefore 47%. The Committee did not exercise discretion in respect of this award.

Paul Clegg's 2018 LTIP will be pro-rated to reflect his time in service during the performance period.

Scheme interests awarded during the year (audited)

The grant of LTIP awards in 2020 were deferred given uncertainties arising out of the Coronavirus pandemic. In line with the Policy, 2020 awards were made to the Executive Directors on 15 July 2020, as set out below.

	Type of Award	Basis of award granted	Face value of award €000s ¹	% of maximum vesting for threshold performance	Performance period
Robert Harris	Nil cost options	100% of salary	324,800	25%	Three years to 31 March 2023
William Rudge		75% of salary	142,800	25%	Three years to 31 March 2023

¹ Face value determined using share price determined at grant of €1.05 per share, being the issue price of the Companies equity issuance in December 2019, being considered an appropriate basis, prior to the subsequent share price reduction attributable to COVID-19.

Remuneration Report continued

Scheme interests awarded during the year (audited) continued

The performance targets for these awards are as follows:

Metric	Weighting (% of award)	Threshold	Stretch	Maximum
Vesting (% of maximum)		25%	70%	100%
EBITDA per share in FY23	60%	€0.14	€0.19	€0.24
Total Sales Volume	40%	90,000m ³	105,000m ³	112,720m 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 and details of termination arrangements were disclosed the directors' remuneration report last year. Awards granted in 2018 will vest on 19th June 2021, pro-rated for time and performance. Awards will continue to be subject to holding periods and malus and clawback provisions in accordance with our remuneration policy and LTIP rules.

Payments for loss of office (audited)

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

Statement of Directors' shareholding and share interests (audited)

	Shares beneficially held ¹ as a 31 March 2021	Vested but unexercised LTIPs	Unvested LTIP awards ²	Unvested EBT awards ³
Robert Harris	44,444	–	415,032	89,250
William Rudge	192,000	252,663	268,116	77,067
Sean Christie	83,369	–	–	–
Sue Farr	35,000	–	–	–
Montague John 'Nick' Meyer	74,189	–	–	–
Stephen Odell	–	–	–	–
Trudy Schoolenberg	44,444	–	–	–
Alexander Wessels	–	–	–	–

- 1 Includes shares held by connected persons.
- 2 Includes 25.9% of the 2018 LTIP expected to vest in June 2021 as disclosed above.
- 3 Represents annual bonus in respect of the financial year ended 31 March 2020, paid in shares and which vests in July 2021 (deferred in case of William Rudge and Robert Harris).

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 2018, 2019 and 2020 LTIP awards. The performance conditions for the 2018 and 2020 awards are summarised in the sections above. The performance conditions for the 2019 award is summarised in the table below.

2019 LTIP

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 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 2021, the total pay for all Group employees increased by 18% to €14,394,000 (2020: €12,249,000). There were no dividends or share buybacks in either year.

Annual percentage change in remuneration of Directors and employees from FY20 to FY21

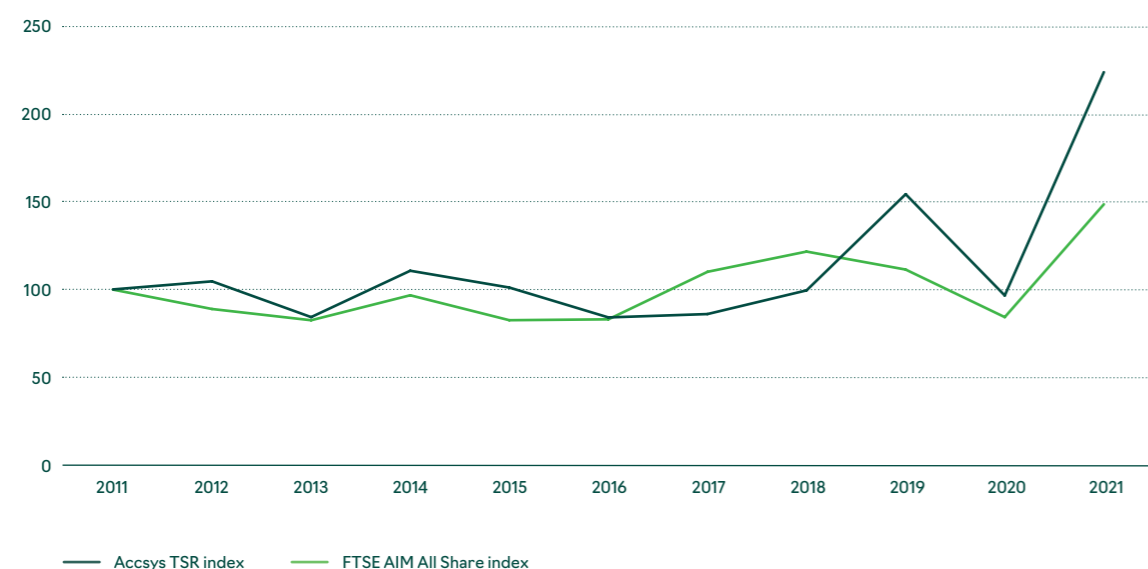
	Salary/fees ¹	Benefits	Annual bonus
Chief Executive remuneration²	(7%)	0%	5%
Finance Director remuneration	3%	8%	57%
Average Non-Executive Director remuneration	(8%)	N/A	N/A
Average of UK PLC employees	(1%)	10%	14%

- 1 Table above includes a 20% reduction in salary for the Chief Executive, Finance Director and Non-Executive Directors for the period April to July 2021. For the remaining UK employees below the Senior Management Team, any reduction in salary for the initial COVID-19 period has been decided to be repaid, therefore the repayment has been included in the table above.
- 2 Robert Harris (Chief Executive) was appointed to the Board on 20th November 2019. In the above table, the annual change for his salary, benefits and bonus have used annualised FY20 salary, benefits, and bonus awarded amounts to provide an effective year on year comparison.

Remuneration Report continued

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 closely reflects the performance of companies with similar characteristics as the Company's.



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:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2020	2021
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	(P.Clegg) ¹ €'000	(R.Harris) ² €'000	(R.Harris) €'000
Total remuneration	283	604	627	676	783	613	1,632	502	809	477	216	579
% Bonus of Total	0%	46%	46%	51%	54%	36%	18%	32%	26%	16%	38%	43%
% Bonus of Cap	N/A	N/A	N/A	N/A	68%	33%	48%	28%	36%	17%	33%	41%
% vested LTIPs of maximum	N/A	N/A	N/A	N/A	N/A	N/A	58%	N/A	50%	45%	N/A	N/A

1 Paul Clegg stepped down from the Board on 31 December 2019, his remuneration in the table above reflect his time in service during the prior year.

2 Robert Harris was appointed to the Board on 20 November 2019, his remuneration in the table above reflect his time in service during the prior 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), Stephen Odell, Trudy Schoolenberg, Alexander Wessels, and Sean Christie. All members of the Remuneration Committee (including the Chairman on appointment) are 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 online at <https://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 2021 were £42,520 (plus VAT).

Statement of voting at general meeting

The AGM held on 30 September 2020 included an ordinary resolution in respect of the approval of the Directors' Remuneration Report (excluding the Remuneration Policy) for the year ended 31 March 2020. 92,480,700 (99.99%) votes were cast for the resolution, 2,002 against and 954 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 2021

The Directors present their report together with the audited consolidated financial statements for the year ended 31 March 2021.

Results and dividends

The consolidated statement of comprehensive income for the year is set out on page 112, and shows the loss for the year.

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

Principal activities and review of the business

The principal activities of the Group are the production and sale of Accoya® solid wood and Tricoya® wood elements, technology and product development as well as the licensing of technology for the production and sale of Accoya® and Tricoya® via the Company's subsidiaries, Titan Wood Limited, Titan Wood B.V., Titan Wood Technology B.V., Titan Wood Inc., Tricoya Technologies Limited, Tricoya UK Limited, Accsys (Accoya USA) Holdings LLC, Accsys USA Holdings Inc and its joint venture Accoya USA, LLC (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 6 and the Chief Executive's Report on page 20. 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 the back page inside cover.

Business model and Strategy

The Business model and Strategy section, from page 16, sets out the Company's strategy, business model and key performance indicators.

Financial instruments

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

Share issues

1,259,449 shares were issued on 12 May 2020 following the exercise of nil cost options, granted under the Company's 2013 Long Term Incentive Plan (LTIP).

727,250 shares were issued to an Employee Benefit Trust (EBT) on 29 June 2020 at nominal value, in lieu of cash bonuses for the year ended 31 March 2020. These shares will vest on 1 July 2021, subject to the employees continuing employment within the Group.

In February 2021, following the subscription by employees, in the prior year, for shares under the Employee Share Participation Plan (the 'Plan'), 198,219 shares were issued as 'Matching Shares' at nominal value under the Plan.

In addition, various employees newly subscribed under the Plan for 195,524 shares at an acquisition price of €1.43 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).

On 26 March 2021, the Company announced that Lombard Odier Asset Management (USA) Corp on behalf of 1798 Volantis Catalyst Fund II Ltd ('Volantis') exercised options over a total of 4,655,667 ordinary shares in the Company for a total consideration of £2,779,898.77 (exercise price of £0.5971 per ordinary share) (see note 30 to the financial statements).

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

Greenhouse gas emissions data for the period 1 April 2020 to 31 March 2021 can be found in the Sustainability report on page 55 and is incorporated into the Directors' Report by cross-reference.

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

Directors

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

Michael 'Sean' Christie

Susan Jane Mair (known as Sue Farr)

Robert Harris

Montague John 'Nick' Meyer

Stephen Odell (appointed 23 June 2020)

William Rudge

Patrick Shanley (resigned 18 September 2020)

Geertrui 'Trudy' Schoonenberg

Alexander Wessels (appointed on 18 September 2020)

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 practices will be objective, free from bias and based solely upon work criteria and individual merit.

Information on the gender ratio of our employees is available in the Sustainability section on page 48.

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.

Directors' Report continued

for the year ended 31 March 2021

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 new Group HSE Director joined the Company during the year, with oversight over Health and Safety for the Group. A dedicated health and safety officer is also 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% as at 31 March 2021:

Teslin Participaties Cooperatief U.A.	15.22%
De Engh B.V.	7.32%
BGF Investment Management Limited	6.95%
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 page 66 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 2021 was therefore the eleventh consecutive audit for PwC. In accordance with current legislation, the Company was required to tender for the audit for the year ended 31 March 2021. However due to COVID-19, and with the approval of the Financial Reporting Council (the 'FRC'), the Company has deferred this tender for up to two years. This will enable the Audit Committee to undertake a proper audit tender process as outlined in the 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 accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002, as it applies in the European Union 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.

Angus Dodwell

Company Secretary

21 June 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006 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). The Group has also prepared the financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002, as it applies in the European Union.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the parent 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 Group and parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

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 parent 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 parent Company;
- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 parent 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 parent 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 parent Company's auditors are aware of that information.

Independent Auditors' Report

to the members of Accsys Technologies PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Accsys Technologies PLC's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2021 and of the Group's loss and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements 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
- the financial statements 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 Consolidated Statement of Financial Position and the Company balance sheet as at 31 March 2021; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flow, and the Consolidated and Company 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.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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.

Other than those disclosed in the Audit Committee Report, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- We performed audit work over the complete financial information for two reporting units, audit work over material financial statement line items for four reporting units including the new joint venture entity in North America and audit procedures over revenue in respect of the subsidiary business in North America, which cumulatively accounted for approximately 100% (2020: 100%) of the Group's revenue.
- As the Group audit team, we maintained regular contact with our component team in the Netherlands throughout the planning and execution of their work.

Key audit matters

- Going concern (Group and parent)
- Impairment of non-current assets (Group)
- Cost capitalisation of Property, Plant and Equipment (Group)
- Impact of COVID-19 (Group and parent)

Materiality

- Overall Group materiality: €900,000 (2020: €800,000) based on approximately 1% of total revenue.
- Overall Company materiality: €800,000 (2020: €760,000) based on 1% of total assets, restricted by Group materiality allocation to components, including that to the Company.
- Performance materiality: €675,000 (Group) and €600,000 (Company).

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.

Independent Auditors' Report continued

to the members of Accsys Technologies PLC

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.

Recoverability of investments in Group subsidiaries including receivables held (applicable to Company only), which was a key audit matter last year, is no longer included as a result of the improved trading and market capitalisation of the Group. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p>Going concern (Group and parent) – (see note 1 to the Group's and Company's financial statements)</p> <p>The Directors have modelled a base case and a severe but plausible downside scenario in respect of the going concern assessment. The assessment forecasts the Group 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.</p> <p>The assessment also considers significant capital expenditure during the going concern period for the construction of the Tricoya® plant in Hull and reactor 4 in Arnhem along with the repayment of loan notes approaching maturity. The Directors have concluded that there is sufficient liquidity available for the Group to remain a going concern taking into account the Group's financial resources including the current cash position and banking and finance facilities which are currently in place. The going concern assessment is dependent upon achieving certain operating performance measures as mentioned above which requires significant judgement and in particular, considering the uncertainty over the quantum and timing of capital expenditure required to complete the Tricoya® plant in Hull following the recent purported termination of the contract by the contractor, there remains a risk that both liquidity headroom and financial covenants come under pressure. As such we have considered going concern as a significant risk.</p>	<p>Our procedures and conclusions in respect of going concern are set out in the 'Conclusions relating to going concern' section below.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of non-current assets (Group) – (see notes 16 and 17 to the Group's financial statements)</p> <p>At 31 March 2021 the Group carried €4.2m of goodwill (2020: €4.2m), €6.6m of other intangible assets (2020: €6.8m), and €139.6m of tangible fixed assets (2020: €122.1m).</p> <p>Management is required to perform an annual impairment review of goodwill held within intangible assets in accordance with IAS 36. The carrying value of non-current assets are contingent on future cash flows of the underlying cash generating units (CGUs) and there is a risk that if these cash flows do not meet the Directors' expectations, the non-current assets will be impaired.</p> <p>A particular focus during our testing was the carrying value of non-current assets of €85.8m in relation to the Tricoya CGU, due to uncertainty over the timing and quantum of costs to complete the Hull Plant. No impairment charge was recorded in the Group's financial statements.</p>	<p>The headroom in the Accoya® CGU was significant and therefore, our audit work primarily focused on the Tricoya CGU given the lower level of headroom and specific assumptions in management's model. Our specific audit procedures included:</p> <ul style="list-style-type: none"> 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; Understanding and auditing management's impairment calculations (value-in-use) by performing the following procedures: <ul style="list-style-type: none"> We evaluated the future cash flow forecasts as per management's model and the process by which they were prepared and approved and tested the mathematical accuracy of the underlying value in use calculations; Recalculating the carrying value of each of the CGUs by agreeing balances back to the financial records; Challenging management's key assumptions used in the model for future years including revenue growth, gross margin, discount rates and long-term growth rate. We evaluated the discount rate used in the calculations by assessing the cost of capital for the Group and comparable organisations. We involved our valuation experts to determine a range of acceptable discount rates, with reference to valuations of similar companies and other relevant external data and compared this range with the discount rates adopted by the Group. The discount rates adopted by the Group were slightly below the discount rates determined by our valuation experts. We performed sensitivity analysis on the key assumptions within the cash flow forecasts which included sensitising the discount rate applied to the future cash flows, the long-term growth rates and profit margins. We also considered the additional liabilities for uncertainty in respect of the timing and quantum of costs to complete the Hull plant given the uncertainty with the main contractor. We ascertained the extent to which a change in these assumptions both individually or in aggregate would result in impairment and considered the likelihood of such events occurring. <p>Overall, we are satisfied that no impairment of non-current assets is required but that certain assumptions that are sensitive to change, could give rise to an impairment. Accordingly, we are satisfied that the disclosures included within the Annual Report are appropriate.</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 (Group) – (see note 17 to the Group's financial statements)</p> <p>During the year the construction of the Hull plant and 4th reactor in Arnhem continued. Of the total capitalisation during the year amounting to €20.7m (FY20: €22.6m), the Group has capitalised €14.5m (FY20: €19.3m) of costs on the construction of the Tricoya® plant in Hull. The capitalisation of expenditure in Hull is deemed a significant risk because the amount is material and there is some judgement over the percentage of completion at the year end.</p> <p>The costs capitalised in Arnhem are not deemed a significant risk in our audit as the group has been constructing the various reactors of this facility for a number of years. Most of the Arnhem costs are external costs and not significantly material in comparison to the Hull plant.</p>	<p>Our audit procedures focused on the construction of the Hull plant and included the following:</p> <ul style="list-style-type: none"> Substantively verified a sample of external costs capitalised to supporting documentation to ensure they meet the capitalisation criteria of IAS 16; Challenging management's assessment to ensure costs sampled were directly attributable to the projects. We confirmed that the majority of the costs were external and the value of internal costs capitalised was immaterial; Discussions with the CFO, project manager and cost controller including performing site visits 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; and Obtained confirmation from the Group's external legal counsel in respect of the purported termination by the main contract of the contract to complete the Hull plant. <p>We considered the overall capitalisation and the accounting thereof in light of our understanding from the evidence obtained. Based on our procedures, we consider the capitalisation of costs during the year to 31 March 2021 to be appropriate.</p>
<p>Impact of COVID-19 (Group and parent)</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; and Impairment of assets, specifically the carrying value of the CGUs. <p>Management's assessment of going concern is considered in more detail in the Key Audit Matter above along with their assessment of the impairment of assets.</p>	<p>Our procedures on going concern are considered in the separate Key Audit Matter above 'Going Concern'.</p> <p>Our work on impairment is considered in the separate Key Audit Matter above 'Impairment of non-current assets'.</p> <p>We performed additional procedures to assess any implications over the control environment arising from the impact of the pandemic, including inquiries regarding the operation of IT and other key business processes especially purchase and payables, and whether there had been any impact on the Group. Based on the inquiries performed and the results of our audit procedures, we did not identify any evidence of deterioration in the control environment.</p> <p>We increased the frequency and extent of our oversight over the component audit team, using video conferencing and remote working paper reviews, to satisfy ourselves as to the appropriateness of audit work performed.</p> <p>We considered the appropriateness of management disclosures in the financial statements in respect of the impact of COVID-19 and the increased uncertainty on certain accounting estimates and consider these to be appropriate.</p>

How we tailored the audit scope

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

The Group's accounting process is structured around a central finance function in the UK. The accounting records for each of the territories in which the Group operates is managed through the central finance function except for the Netherlands entity which maintains their own accounting records and controls and reports to the central finance function in the UK through the submission of management reporting packs.

We used a component auditor from PwC Netherlands to perform the audit of complete financial information in respect of the subsidiary in that territory who are familiar with the local laws and regulations.

In order to direct and supervise the Group audit, the Group engagement team sent detailed instructions to the component audit team. This included communication of the areas of focus and other required communications. Given the restrictions on overseas travel as a result of COVID-19, the Group engagement team increased the frequency and extent of oversight over the component audit work. This included regular video conferences and remote working paper reviews to direct and supervise the work of these teams, and to satisfy ourselves as to the appropriateness of the audit work performed. The Group audit team also joined remotely the audit clearance meeting for the component audited by PwC Netherlands.

The Group consolidation, financial statement disclosures and a number of complex items were audited by the Group engagement team at the head office. These included the going concern assessment, share-based payments, tax accounting and impairment assessment in respect of non-current assets. Taken together, these procedures gave us the evidence we needed for our opinion on the financial statements as a whole.

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:

	Financial statements – Group	Financial statements – Company
Overall materiality	€900,000 (2020: €800,000).	€800,000 (2020: €760,000).
How we determined it	Approximately 1% of total revenue	1% of total assets, restricted by Group materiality allocation to the components including that to the Company.
Rationale for benchmark applied	Given that the business is in a growth stage, revenue was considered the most appropriate measure used and is a generally accepted benchmark.	The parent Company is a non-trading holding company and accordingly we conclude that total assets is an appropriate benchmark.

Independent Auditors' Report continued

to the members of Accsys Technologies PLC

Materiality continued

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 €290,000 and €800,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to €675,000 for the Group financial statements and €600,000 for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €45,000 (group audit) (2020: €40,000) and €40,000 (company audit) (2020: €38,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Understanding of the approach adopted by management through discussions with appropriate individuals within and outside the finance function and in particular with the Group CFO;
- Testing the integrity of the model used for management's going concern assessment covering the period through to 30 June 2022, by recalculating certain outputs and checking the mathematical accuracy of the formulas within the model. We also performed the following:
 - agreeing the forecasts to the FY22 Board approved budget;
 - testing the accuracy of the inputs of the model by agreeing back to source documentation; and
 - obtaining loan agreements for covenant calculations and recomputing financial covenants in the model.
- Challenging the key assumptions included in the model, namely:
 - the completion of the Hull Plant including the uncertainty over the quantum and timing of the completion of the facility and the cash flows assumed in the model given the recent purported termination of the construction contract with the contractor. Further, considering the appropriateness of contingencies held and possible additional liabilities and cash outflows within the going concern period arising from this development; and
 - management's ability to achieve the forecast selling price increase in respect of the operations in Arnhem.
- Using our knowledge from the audit and the assessment of management's ability to forecast accurately, we applied our own stress test to management's downside cash flow forecasts and in particular to the timing and additional cost for completion of the Hull plant and uncertainty in respect of conclusion with the contractor in light of the purported termination of the contract. We considered the potential mitigating actions included in management's downside case and assessed whether those are within the control of the Group.
- We have challenged management on the appropriateness of disclosures within the Annual Report in Note 1 of the Group and Company financial statements in respect of going concern and are satisfied that they are appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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 Company and their 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.

Independent Auditors' Report continued

to the members of Accsys Technologies PLC

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 in respect of the financial statements, 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 and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, UK employment legislation and equivalent local laws and regulations applicable to the significant component team, 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 financial statements such as the Companies Act 2006. 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 auditor 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 auditor included:

- Gaining an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considering the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We held discussions with Group management and the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation, that could give rise to a material misstatement in the Group and Company financial statements.
- Challenging assumptions and judgments made by management in its significant accounting estimates, in particular in relation to the going concern assessment, capitalisation of property, plant and equipment and impairment of non-current assets (see related key audit matters above).
- We did not identify any key audit matters relating to irregularities, including fraud. We also addressed the risk of management override of internal controls, including testing journals, and evaluated whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 obtained 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 Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- a corporate governance statement has not been prepared by the Company.

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 11 years, covering the years ended 31 March 2011 to 31 March 2021.

Richard Porter (Senior Statutory Auditor)

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

21 June 2021

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2021

	Note	2021 €'000			2020 €'000		
		Underlying	Exceptional items and other adjustments*	Total	Underlying	Exceptional items and other adjustments*	Total
Accoya® wood revenue		91,095	–	91,095	82,836	–	82,836
Tricoya® panel revenue		2,091	–	2,091	512	–	512
Licence revenue		419	–	419	293	3,200	3,493
Other revenue		6,198	–	6,198	7,268	–	7,268
Total revenue	3	99,803	–	99,803	90,909	3,200	94,109
Cost of sales		(66,714)	–	(66,714)	(63,402)	–	(63,402)
Gross profit		33,089	–	33,089	27,507	3,200	30,707
Other operating costs	4	(28,559)	103	(28,456)	(26,143)	(165)	(26,308)
Operating profit	8	4,530	103	4,633	1,364	3,035	4,399
Finance income	10	1	–	1	–	–	–
Finance expense	11	(3,250)	(900)	(4,150)	(3,517)	626	(2,891)
Share of net loss from joint venture accounted for using the equity method	28	(144)	–	(144)	–	–	–
Profit/(Loss) before taxation		1,137	(797)	340	(2,153)	3,661	1,508
Tax (expense)	12	(1,251)	–	(1,251)	(454)	(177)	(631)
Profit/(Loss) for the year		(114)	(797)	(911)	(2,607)	3,484	877
<i>Items that may be reclassified to profit or loss</i>							
Gain/(loss) arising on translation of foreign operations		5	–	5	(11)	–	(11)
Gain/(loss) arising on foreign currency cash flow hedges		–	192	192	–	(280)	(280)
Total other comprehensive income/(loss)		5	192	197	(11)	(280)	(291)
Total comprehensive gain/(loss) for the year		(109)	(605)	(714)	(2,618)	3,204	586
Total comprehensive gain/(loss) for the year is attributable to:							
Owners of Accsys Technologies PLC		1,279	(605)	674	(1,080)	3,204	2,124
Non-controlling interests		(1,388)	–	(1,388)	(1,538)	–	(1,538)
Total comprehensive gain/(loss) for the year		(109)	(605)	(714)	(2,618)	3,204	586
Basic and diluted profit/(loss) per ordinary share	14	€0.01	–	€0.00	€(0.01)	–	€0.02

The notes on pages 116 to 157 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 2021

Registered Company 05534340

	Note	2021 €'000	2020 €'000
Non-current assets			
Intangible assets	16	10,865	10,986
Investment accounted for using the equity method	28	326	–
Property, plant and equipment	17	139,557	122,123
Right of use assets	18	4,859	4,536
Financial asset at fair value through profit or loss	19	–	–
		155,607	137,645
Current assets			
Inventories	22	12,262	16,932
Trade and other receivables	23	12,314	15,308
Cash and cash equivalents		47,598	37,238
Corporation tax receivable		183	283
Derivative financial instrument		134	–
		72,491	69,761
Current liabilities			
Trade and other payables	24	(29,810)	(16,867)
Obligation under lease liabilities	18	(948)	(859)
Short term borrowings	29	(9,664)	(5,265)
Corporation tax payable		(1,863)	(640)
Derivative financial instrument		–	(330)
		(42,285)	(23,961)
Net current assets		30,206	45,800
Non-current liabilities			
Obligation under lease liabilities	18	(4,584)	(4,262)
Other long term borrowing	29	(44,626)	(52,048)
		(49,210)	(56,310)
Net assets		136,603	127,135
Equity			
Share capital	25	8,466	8,114
Share premium account		189,598	186,390
Other reserves	26	114,635	112,551
Accumulated loss		(213,263)	(214,394)
Own shares		(36)	–
Foreign currency translation reserve		37	32
Capital value attributable to owners of Accsys Technologies PLC		99,437	92,693
Non-controlling interest in subsidiaries	9	37,166	34,442
Total equity		136,603	127,135

The financial statements on pages 112 to 157 were approved by the Board of Directors on 21 June 2021 and signed on its behalf by

Robert Harris
Director

William Rudge
Director

The notes on pages 116 to 157 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2021

	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 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
Total comprehensive income/(expense) for the period	-	-	192	-	5	477	674	(1,388)	(714)
Share based payments	-	-	-	-	-	717	717	-	717
Shares issued	352	-	-	(36)	-	(63)	253	-	253
Premium on shares issued	-	3,215	-	-	-	-	3,215	-	3,215
Share issue costs	-	(7)	-	-	-	-	(7)	-	(7)
Issue of subsidiary shares to non-controlling interests	-	-	1,892	-	-	-	1,892	4,112	6,004
Balance at 31 March 2021	8,466	189,598	114,635	(36)	37	(213,263)	99,437	37,166	136,603

Share capital is the amount subscribed for shares at nominal value (note 25).

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.

Own shares include 727,250 shares issued as part of the Company's reward, incentivisation and retention strategy and in light of the Coronavirus (COVID-19) pandemic, in lieu of cash bonuses for the year ended 31 March 2020. These shares shall vest if the employees, including the Executive Directors, remain in employment with the Company to the vesting date, being 1 July 2021.

See note 26 for details concerning Other reserves.

Non-controlling interests relates to the investment of various parties into Tricoya Technologies Limited and Tricoya UK Limited (notes 9 and 27).

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 116 to 157 form an integral part of these financial statements.

Consolidated Statement of Cash Flow

for the year ended 31 March 2021

	2021 €'000	2020 €'000
Profit/(loss) before taxation and before exceptional items and other adjustments	1,137	(2,153)
<i>Adjustments for:</i>		
Amortisation of intangible assets	803	664
Depreciation of property, plant and equipment, and right of use assets	4,934	4,939
Net finance expense	3,352	3,352
Equity-settled share-based payment expenses	717	615
Accsys portion of Licence fee received from joint venture	600	-
Share of net loss of joint venture	144	-
Currency translation loss/(gains)	110	(79)
Cash inflows from operating activities before changes in working capital and exceptional items	11,797	7,338
Exceptional Items in operating activities (see note 5)	-	3,200
Cash inflows from operating activities before changes in working capital	11,797	10,538
(Increase) in trade and other receivables	(159)	(2,427)
(Decrease)/Increase in deferred income	(42)	190
Decrease/(Increase) in inventories	4,670	(2,924)
Increase/(Decrease) in trade and other payables	3,864	(3,164)
Net cash generated from operating activities before tax	20,130	2,213
Tax received	71	165
Net cash from operating activities	20,201	2,378
Cash flows from investing activities		
Interest received	5	19
Investment in property, plant and equipment	(11,674)	(22,040)
Foreign exchange deal settlement related to hedging of Hull Capex	(258)	307
Investment in intangible assets	(682)	(861)
Investment in joint venture	(1,070)	-
Net cash (used in) investing activities	(13,679)	(22,575)
Cash flows from financing activities		
Proceeds from loans	-	4,500
Other finance costs	(80)	(79)
(Repayment of) trade facility draw down	-	(1,825)
Interest Paid	(1,831)	(2,370)
Repayment of lease liabilities	(1,308)	(1,022)
Repayment of loans/rolled up interest	(2,474)	(2,942)
Proceeds from issue of share capital	3,468	46,504
Proceeds from issue of subsidiary shares to non-controlling interests	6,004	9,167
Share issue costs	(7)	(3,320)
Net cash from financing activities	3,772	48,613
Net increase in cash and cash equivalents	10,294	28,416
Effect of exchange rate changes on cash and cash equivalents	66	(35)
Opening cash and cash equivalents	37,238	8,857
Closing cash and cash equivalents	47,598	37,238

The notes on pages 116 to 157 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 assessed the Group's trading forecasts and working capital requirements for the foreseeable future under a base case scenario taking into account the Group's financial resources including the current cash position and banking and finance facilities which are currently in place (see note 29 for details of these facilities) and the possible further impact of COVID-19.

The Directors have also assessed a severe but plausible downside scenario with reduced sales volumes and lower gross margin. 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 possible amount and timing of capital expenditure required to complete the Tricoya® plant in Hull following the recent purported termination of the engineering, procurement and construction contract by the main contractor. This has been considered together with the current expansion of the Arnhem operation and intended investment in the USA, noting that the full forecast project costs have not yet been committed to. 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.

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 uncertainty over future cash flows in completing the Hull plant construction as set out above, together with the continued heightened risk that COVID-19 entails, there is sufficient liquidity under the severe but plausible downside such that there is no material uncertainty with respect to going concern. 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. Revenue is recognised when the Group's performance obligations under the relevant customer contract have been satisfied. Manufacturing revenue includes the sale of Accoya® wood, Tricoya® panels and other revenue, principally relating to the sale of acetic acid.

Licensing fees and Marketing income

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

Finance income

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

Notes to the Financial Statements continued

for the year ended 31 March 2021

1. Accounting Policies continued

Finance expenses and borrowing costs

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

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

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

Share based payments

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

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

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

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

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

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; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the 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.

Notes to the Financial Statements continued

for the year ended 31 March 2021

1. Accounting Policies continued

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 is recognised in the consolidated statement of comprehensive income.

Joint venture

The Group has entered into a joint venture agreement with Eastman Chemical Company, forming Accoya USA LLC. The Group applies IFRS 11 for this joint arrangement, and following assessment of the nature of this joint arrangement, has determined it to be a joint venture. Interest in the joint venture is accounted for using the equity method, after initially being recognised at cost.

Further details concerning the Accoya USA LLC joint venture with Eastman Chemical Company are included in note 28.

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

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.

Notes to the Financial Statements continued

for the year ended 31 March 2021

1. Accounting Policies continued

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.

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 use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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.

Fair value measurement

Assets and liabilities that are measured at fair value, or where the fair value of financial instruments has been disclosed in notes to the financial statements, are based on the following fair value measurement hierarchy:

- level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Specific valuation methodologies used to value financial instruments include:

- the fair values of foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates; and
- other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments

Financial assets

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

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

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Financial liabilities

Other financial liabilities

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

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

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.

Notes to the Financial Statements continued

for the year ended 31 March 2021

1. Accounting Policies continued

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 (International financial reporting standards). 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 and includes the Group's attributable share of our USA joint venture's underlying EBITDA. 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 and includes the Group's attributable share of our USA joint venture's underlying EBIT. 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.

Net Debt/Underlying EBITDA

Net debt divided by trailing 12-month underlying EBITDA. A measure of the Group's net indebtedness relative to its cash-generating ability.

Accoya® Manufacturing margin

Accoya® segmental underlying gross profit excluding Accoya® underlying licence revenue and marketing services expressed as a percentage over Accoya® segmental total revenue excluding Accoya® underlying licence revenue and marketing services. Accoya® Manufacturing margin provides a measure of the profitability of the Accoya® operations relative to revenue.

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

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 & 17). The recoverability of these balances is dependent upon the level of future licence fees and manufacturing revenues. While the scope and timing of the production facilities to be built under the Group's existing and future agreements remains uncertain, the Directors remain confident that revenue from own manufacturing, existing licensees, new licence or consortium agreements will be generated, demonstrating the recoverability of these balances.

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

The Group tests the carrying amount of the intellectual property rights and property, plant and equipment whenever events or changes in circumstances indicate that the net book value may not be recoverable. These calculations require the use of estimates in respect of future cash flows from the assets by applying a discount rate to the anticipated pre-tax future cash flows. Within this process, the Group makes a number of key assumptions including operating margins, discount rates, terminal growth rates and forecast cash flows. Additional information is disclosed in note 16 & 17, which highlights the estimates applied in the value-in-use calculations for those CGUs that are considered most susceptible to changes in key assumptions and the sensitivity of these estimates. 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.

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, including with relation to construction of the Hull plant. 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.

Notes to the Financial Statements continued

for the year ended 31 March 2021

2. Accounting judgements and estimates continued

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.

Financial asset at fair value through profit or loss

The Group has an investment in listed equity shares carried at nil fair value 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 determine the fair value (See note 19).

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 UK Limited (Tricoya UK). The Group has consolidated the results of TTL and Tricoya UK as subsidiaries, as it exercises the power to govern the entities in accordance with IFRS 10. See note 9.

Joint venture

The Group considers all relevant facts and circumstances when assessing whether it meets the IFRS 11 requirements to account for Accoya USA LLC as a joint venture. The Group has equity accounted for Accoya USA LLC within these financial statements. See note 28.

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 2020:

- Definition of Material – Amendments to IAS 1 and IAS 8;
- Definition of Business – Amendments to IFRS 3;
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7; and
- Revised Conceptual Framework for Financial Reporting

The 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 2021 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 2021			Year ended 31 March 2020		
	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000
Accoya® wood revenue	91,095	-	91,095	82,836	-	82,836
Licence revenue	400	-	400	5	3,200	3,205
Other revenue	6,142	-	6,142	7,187	-	7,187
Total Revenue	97,637	-	97,637	90,028	3,200	93,228
Cost of sales	(64,713)	-	(64,713)	(62,878)	-	(62,878)
Gross profit	32,924	-	32,924	27,150	3,200	30,350
Other operating costs	(15,725)	-	(15,725)	(14,527)	-	(14,527)
Profit from operations	17,199	-	17,199	12,623	3,200	15,823
Profit from operations	17,199	-	17,199	12,623	3,200	15,823
Accoya® USA EBITDA	(144)	-	-	-	-	-
EBIT	17,055	-	17,199	12,623	3,200	15,823
Depreciation and amortisation	4,371	-	4,371	4,323	-	4,323
EBITDA	21,426	-	21,570	16,946	3,200	20,146

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 = 140 (2020: 130)

Notes to the Financial Statements continued

for the year ended 31 March 2021

3. Segmental reporting continued

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.

	2021 €'000	2020 €'000
Accoya® segmental underlying EBITDA	21,426	16,946
Accoya® underlying Licence revenue	(400)	(5)
Other income, predominantly for marketing services	-	(168)
Accoya® segmental underlying EBITDA (excluding Licence Income)	21,026	16,773
Accoya® segmental underlying gross profit	32,924	27,150
Accoya® underlying Licence revenue	(400)	(5)
Other income, predominantly for marketing services	-	(168)
Accoya® manufacturing gross profit	32,524	26,977
Accoya® Manufacturing Margin	33.4%	30.0%

Tricoya®

	Tricoya® Segment					
	Year ended 31 March 2021			Year ended 31 March 2020		
	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000
Tricoya® panel revenue	2,091	-	2,091	512	-	512
Licence revenue	19	-	19	288	-	288
Other revenue	56	-	56	81	-	81
Total Revenue	2,166	-	2,166	881	-	881
Cost of sales	(2,001)	-	(2,001)	(524)	-	(524)
Gross profit	165	-	165	357	-	357
Other operating costs	(3,668)	103	(3,565)	(3,607)	(165)	(3,772)
Loss from operations	(3,503)	103	(3,400)	(3,250)	(165)	(3,415)
Loss from operations	(3,503)	103	(3,400)	(3,250)	(165)	(3,415)
Depreciation and amortisation	563	-	563	397	-	397
EBITDA	(2,940)	103	(2,837)	(2,853)	(165)	(3,018)

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 = 22 (2020: 17), 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 2021			Year ended 31 March 2020		
	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	(8,048)	-	(8,048)	(6,786)	-	(6,786)
Loss from operations	(8,048)	-	(8,048)	(6,786)	-	(6,786)
Loss from operations	(8,048)	-	(8,048)	(6,786)	-	(6,786)
Depreciation and amortisation	715	-	715	731	-	731
EBITDA	(7,333)	-	(7,333)	(6,055)	-	(6,055)

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 = 29 (2020: 23)

Research and Development

	Research & Development Segment					
	Year ended 31 March 2021			Year ended 31 March 2020		
	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	(1,118)	-	(1,118)	(1,223)	-	(1,223)
Loss from operations	(1,118)	-	(1,118)	(1,223)	-	(1,223)
Loss from operations	(1,118)	-	(1,118)	(1,223)	-	(1,223)
Depreciation and amortisation	88	-	88	152	-	152
EBITDA	(1,030)	-	(1,030)	(1,071)	-	(1,071)

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 (2020: 9)

Notes to the Financial Statements continued

for the year ended 31 March 2021

3. Segmental reporting continued

Total

	Total					
	Year ended 31 March 2021			Year ended 31 March 2020		
	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000
Accoya®/Tricoya® revenue	93,186	-	93,186	83,348	-	83,348
Licence revenue	419	-	419	293	3,200	3,493
Other revenue	6,198	-	6,198	7,268	-	7,268
Total Revenue	99,803	-	99,803	90,909	3,200	94,109
Cost of sales	(66,714)	-	(66,714)	(63,402)	-	(63,402)
Gross profit	33,089	-	33,089	27,507	3,200	30,707
Other operating costs	(28,559)	103	(28,456)	(26,143)	(165)	(26,308)
Profit from operations	4,530	103	4,633	1,364	3,035	4,399
Finance income	1	-	1	-	-	-
Finance expense	(3,250)	(900)	(4,150)	(3,517)	626	(2,891)
Investment in joint venture	(144)	-	(144)	-	-	-
Profit/(Loss) before taxation	1,137	(797)	340	(2,153)	3,661	1,508

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

Reconciliation of underlying earnings

	Year ended 31 March 2021			Year ended 31 March 2020		
	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000
	Profit from operations	4,530	103	4,633	1,364	3,035
Accoya® USA EBITDA	(144)	-	-	-	-	-
EBIT	4,386	103	4,633	1,364	3,035	4,399
Depreciation and amortisation	5,737	-	5,737	5,603	-	5,603
EBITDA	10,123	103	10,370	6,967	3,035	10,002

Analysis of Revenue by geographical area of customers:

	2021 €'000	2020 €'000
UK and Ireland	41,890	39,208
Rest of Europe	27,187	24,962
Americas	13,170	10,949
Benelux	9,701	8,510
Asia-Pacific	7,360	6,293
Rest of World	495	987
	99,803	90,909

Revenue generated from two customers exceeded 10% of Group revenue of 2021. These two customers represented 36% and 40% of the revenue from the United Kingdom and Ireland, relating to Accoya® revenue. 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.

Assets and liabilities on a segmental basis:

	Accoya® 2021 €'000	Tricoya® 2021 €'000	Corporate 2021 €'000	R&D 2021 €'000	TOTAL 2021 €'000
Non-current assets	64,994	85,696	4,620	297	155,607
Current assets	34,752	13,134	19,567	5,038	72,491
Current liabilities	(16,706)	(18,933)	(6,576)	(70)	(42,285)
Net-current assets/(liabilities)	18,046	(5,799)	12,991	4,968	30,206
Non-current liabilities	(21,798)	(9,990)	(17,262)	(160)	(49,210)
Net assets/(liabilities)	61,242	69,907	349	5,105	136,603

	Accoya® 2020 €'000	Tricoya® 2020 €'000	Corporate 2020 €'000	R&D 2020 €'000	TOTAL 2020 €'000
Non-current assets	62,143	70,638	4,773	91	137,645
Current assets	38,777	10,896	15,330	4,758	69,761
Current liabilities	(11,692)	(9,407)	(2,833)	(29)	(23,961)
Net-current assets/(liabilities)	27,085	1,489	12,497	4,729	45,800
Non-current liabilities	(27,740)	(8,727)	(19,843)	-	(56,310)
Net assets/(liabilities)	61,488	63,400	(2,573)	4,820	127,135

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

	2021 €'000	2020 €'000
UK	90,344	75,435
Other countries	61,032	57,979
Un-allocated – Goodwill	4,231	4,231
	155,607	137,645

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.

Notes to the Financial Statements continued

for the year ended 31 March 2021

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:

	2021 €'000	2020 €'000
Sales and marketing	3,847	3,295
Research and development	1,030	1,071
Other operating costs	6,013	6,742
Administration costs	11,932	9,432
Exceptional Items and other adjustments	(103)	165
Other operating costs excluding depreciation and amortisation	22,719	20,705
Depreciation and amortisation	5,737	5,603
Total other operating costs	28,456	26,308

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 €22,719,000 in the current period includes €3,002,000 in respect of the Tricoya® segment, compared to €3,375,000 in the previous year.

Group average headcount increased from 179 in the year to 31 March 2020, to 199 in the year to 31 March 2021.

During the period, €682,000 (2020: €860,000) of internal development and patent related costs were capitalised and included in intangible fixed assets, including €524,000 (2020: €701,000) which were capitalised within Tricoya Technologies Limited (TTL). In addition €336,000 of internal costs have been capitalised in relation to our current Arnhem Accoya® plant expansion project (2020: €204,000) and €38,000 of internal costs have been capitalised in relation to our plant build in Hull, UK (2020: €44,000). Both are included within tangible fixed assets.

5. Exceptional items and other adjustments

	2021 €'000	2020 €'000
Cerdia contract termination fee – Licence revenue	-	3,200
Total exceptional items	-	3,200
Foreign exchange differences arising on Tricoya® & Corporate cash held – Operating costs	103	(165)
Foreign exchange differences arising on Loan Notes – including in Finance expense	(900)	626
Foreign exchange differences on Tricoya® & Corporate cash held – Other comprehensive income/(loss)	18	(96)
Revaluation of FX forwards used for cash-flow hedging – Other comprehensive income/(loss)	174	(184)
Total other adjustments	(605)	181
Tax on exceptional items and other adjustments	-	(177)
Total exceptional items and other adjustments	(605)	3,204

Exceptional Items

During the year, the Group received government grants relating to the COVID-19 response, of which €460,000 was received in the Netherlands (Netherlands NOW scheme), and €135,000 in the UK (UK Coronavirus Job Retention Scheme). In the interim results, these amounts were recognised as Exceptional income. It was decided before the reporting date, given the overall performance of the Group in the year, to repay both of the government grants received, with the exceptional income reversed.

In the prior year, the exceptional licence fee revenue of €3.2m resulted from the early termination of the Cerdia commercial agreements. This amount previously included in receivables was recorded as a reduction to net debt from 1st April 2020, with the fee offset against our loan held with Cerdia which continues.

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 and to a lesser extent, pounds sterling held within the Corporate segment for future sterling corporate costs. The Group has mitigated this currency exchange risk by adopting hedge accounting 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 29). These exchange rate differences are included as finance expenses.

Notes to the Financial Statements continued

for the year ended 31 March 2021

6. Employees

	2021 €'000	2020 €'000
Staff costs (including Directors) consist of:		
Wages and salaries	14,394	12,249
Social security costs	2,206	1,768
Other pension costs	1,008	894
Share based payments	869	537
	18,477	15,448

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

	2021	2020
Sales and marketing, administration, research and engineering	112	99
Operating	87	80
	199	179

7. Directors' remuneration

	2021 €'000	2020 €'000
Directors' remuneration consists of:		
Directors' emoluments	1,187	1,443
Company contributions to money purchase pension schemes	41	49
	1,228	1,492

Compensation of key management personnel included the following amounts:

	Salary, bonus and short term benefits €'000	Pension €'000	Share based payments charge €'000	2021 Total €'000	2020 Total €'000
Rob Harris	553	26	33	612	224
William Rudge	314	15	61	390	306
Paul Clegg ¹	–	–	–	–	680
	867	41	94	1,002	1,210

The Group made contributions to one (2020: two) Director's personal pension plan, with Robert Harris receiving cash in lieu of pension.

The figures in the above table are impacted by foreign exchange noting that the remuneration for R Harris and W Rudge are denominated in pounds sterling.

¹ Paul Clegg's amounts above for 2020 represent the remuneration received for the period to 31 December 2019, when he resigned as a Director.

8. Operating profit

	2021 €'000	2020 €'000
This has been arrived at after charging/(crediting):		
Staff costs	18,477	15,448
Depreciation of property, plant and equipment, and right of use assets	4,934	4,939
Amortisation of intangible assets	803	664
Operating lease rentals	32	28
Foreign exchange losses (gains)	110	(81)
Research & Development (excluding staff costs)	524	624
Fees payable to the Company's auditors for the audit of the Group's annual financial statements	73	78
Fees payable to the Company's auditors for other services:		
– audit of the Company's subsidiaries pursuant to legislation	84	71
– audit related assurance services	34	26
Fees payable to Component auditor for audit of subsidiaries:	98	93
– other audit related services	14	–
Total audit and audit related services:	303	268

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

9. Tricoya Technologies Limited

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

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

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

Structurally, Accsys, BP Ventures, MEDITE, BGF and Volantis have invested into TTL in 2017. TTL has then invested, alongside BP Chemicals and MEDITE, in Tricoya UK Limited (Tricoya UK), a special purpose subsidiary of TTL that will construct, own and operate the Hull Plant. The company changed its name from Tricoya Ventures UK Limited to Tricoya UK Limited on 3rd September 2020.

INEOS Acetyls Investments Limited (INEOS) acquired BP Ventures' share capital of TTL and BP Chemicals share capital of Tricoya UK on 31 December 2020.

INEOS (through acquiring BP's share of TTL & Tricoya UK) have invested €31.8 million in the Tricoya[®] Project, including €23.3 million as equity in Tricoya UK and €8.5 million as equity in TTL. All funding was received by 31 March 2021, with €2.4m being received in the year ended 31 March 2021.

MEDITE have invested €15.0 million in the Tricoya[®] Project, including €8.4 million as equity in TTL and €6.6 million as equity in Tricoya UK. All funding was received by 31 March 2021, with €3.0m being received in the year ended 31 March 2021. A further 495,310 TTL shares were issued as a result of MEDITE continuing to seed the market with Tricoya[®] panels ensuring continued market development ahead of the completion of the Hull Plant.

Notes to the Financial Statements continued

for the year ended 31 March 2021

9. Tricoya Technologies Limited continued

In the period to 31 March 2021, the Group's shareholding in TTL decreased from 77.8% to 76.5% which included a further investment of €4.5m.

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, Tricoya UK entered a six-year €17.2 million finance facility agreement with Natwest Bank plc (formerly called The Royal Bank of Scotland PLC) in respect of the construction and operation of the Hull Plant. As at 31 March 2021 the Group have utilised €9.3m (2020: €8.7m) of the facility.

The Group has consolidated the results of TTL and Tricoya UK 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 Tricoya UK, are set out below:

TTL Group income statement:

	Consolidated 2021 €'000	Consolidated 2020 €'000
Revenue	2,178	881
Cost of sales	(1,999)	(538)
Gross profit	179	343
Operating costs:		
Staff costs	(2,582)	(2,879)
Research & development (excluding staff costs)	(217)	(228)
Intellectual Property	(255)	(203)
Sales & marketing	(122)	(388)
Depreciation & Amortisation	(563)	(397)
EBIT	(3,560)	(3,752)
EBIT attributable to Accsys shareholders	(2,172)	(2,214)

TTL Group balance sheet:

	2021 €'000	2020 €'000
Non-current assets		
Intangible assets	4,376	4,216
Property, plant and equipment	79,999	65,557
Right of use assets	1,321	865
	85,696	70,638
Current assets		
Receivables due within one year	1,232	2,378
Inventory	–	53
Cash and cash equivalents	11,464	8,399
FX Derivative Asset	134	–
	12,830	10,830
Current liabilities		
Trade and other payables	(20,159)	(10,419)
FX Derivative Liability	–	(330)
Net current assets	(7,329)	82
Non-current liabilities		
Other long term borrowing	(8,955)	(8,284)
	(8,955)	(8,284)
Net assets	69,412	62,435
Value attributable to Accsys Technologies	32,246	27,993
Value attributable to Non-controlling interest	37,166	34,442

TTL Group cash flows:

	2021 €'000	2020 €'000
Cash flows from operating activities	(841)	(2,417)
Cash flows from investing activities	(6,400)	(19,178)
Cash flows from financing activities	10,306	23,104
Net increase/(decrease) in cash and cash equivalents	3,065	1,509

10. Finance income

	2021 €'000	2020 €'000
Interest receivable on bank and other deposits*	1	–

* €5,000 interest received in the year ended 31 March 2021 (31 March 2020: €19,000) in relation to cash balances held in Tricoya 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.

Notes to the Financial Statements continued

for the year ended 31 March 2021

11. Finance expense

	2021 €'000	2020 €'000
Arnhem land and buildings lease finance charge	187	200
Foreign exchange loss/(gain) on loan notes	900	(626)
Interest on loans	2,767	3,108
Interest on lease liabilities	296	209
	4,150	2,891

12. Tax expense

	2021 €'000	2020 €'000
(a) Tax recognised in the statement of comprehensive income comprises:		
Current tax charge		
UK Corporation tax on losses for the year	-	-
Research and development tax expense in respect of current year	24	28
	24	28
Overseas tax at rate of 15%	11	(30)
Overseas tax at rate of 25%	1,216	633
Deferred Tax		
Utilisation of deferred tax asset	-	-
Total tax charge reported in the statement of comprehensive income	1,251	631
	2021 €'000	2020 €'000
(b) The tax charge for the period is higher than the standard rate of corporation tax in the UK (2021 & 2020: 19%) due to:		
Profit/(Loss) before tax	340	1,508
Expected tax charge at 19% (2020: 19%)	65	287
Expenses not deductible in determining taxable profit	153	116
Over provision in respect of prior years	-	(41)
Tax losses for which no deferred income tax asset was recognised	880	135
Effects of overseas taxation	130	106
Research and development tax charge in respect of prior years	79	129
Research and development tax (credit) in respect of current year	(56)	(101)
Total tax charge reported in the statement of comprehensive income	1,251	631

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

13. Dividends Paid

	2021 €'000	2020 €'000
Final Dividend €Nil (2020: €Nil) per ordinary share proposed and paid during year relating to the previous year's results	-	-

14. Basic and diluted profit/(loss) per ordinary share

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

	2021		2020	
	Underlying	Total	Underlying	Total
Basic earnings per share				
Weighted average number of ordinary shares in issue ('000)	164,890	164,890	132,721	132,721
Profit/(Loss) for the year attributable to owners of Accsys Technologies PLC (€'000)	1,274	477	(1,069)	2,415
Basic profit/(loss) per share	€0.01	€0.00	€(0.01)	€0.02
Diluted earnings per share				
Weighted average number of ordinary shares in issue ('000)	164,890	164,890	132,721	132,721
Equity options attributable to Volantis	-	-	4,656	4,656
Equity options attributable to BGF	8,449	8,449	8,449	8,449
Weighted average number of ordinary shares in issue and potential ordinary shares ('000)	173,339	173,339	145,826	145,826
Profit/(Loss) for the year attributable to owners of Accsys Technologies PLC (€'000)	1,274	477	(1,069)	2,415
Diluted profit/(loss) per share	€0.01	€0.00	€(0.01)	€0.02

Notes to the Financial Statements continued

for the year ended 31 March 2021

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	
	2021	2020	2021	2020
1 August 2011	90,000	90,000	0.3	1.3
19 September 2013 (LTIP)	918,226	2,177,675	2.5	3.5
24 June 2016 (LTIP)	482,827	482,827	5.3	6.3
20 June 2017 (LTIP)	326,999	338,275	6.3	7.3
18 June 2018 (LTIP)	185,840	829,882	7.3	8.3
25 June 2019 (LTIP)	541,049	593,376	8.3	9.3
20 November 2019 (LTIP)	105,699	105,699	8.7	9.7
23 December 2019 (LTIP)	41,468	41,468	8.8	9.8
15 July 2020 (LTIP)	1,267,657	–	9.3	–
Total	3,959,765	4,659,202	6.5	5.8

Movements in the weighted average values are as follows:

	Weighted average exercise price	Number
Outstanding at 1 April 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
Granted during the year	€0.00	1,326,966
Forfeited during the year	€0.00	(766,954)
Exercised during the year	€0.00	(1,259,449)
Expired during the year	€0.00	–
Outstanding at 31 March 2021	€0.12	3,959,765

The exercise price of options outstanding at the end of the year ranged between €nil (for LTIP options) and €0.50 (2020: €nil and €0.50) and their weighted average contractual life was 6.5 years (2020: 5.8 years).

Of the total number of options outstanding at the end of the year 1,818,052 (2020: 2,750,502) 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 ended 31 March 2017. 918,226 nil cost options remain as at 31 March 2021 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 ended 31 March 2020. 482,827 nil cost options remain as at 31 March 2021 after allowing for forfeitures and options exercised in the year.

2017 LTIP Award performance conditions and 2016 outcome

The LTIP in 2017 awarded 1,087,842 nil cost options and 326,999 vested in the financial year ended 31 March 2021. 326,999 nil cost options remain as at 31 March 2021 after allowing for forfeitures and options exercised in the year.

Awards made in June 2018 and LTIP Award performance conditions

During the year ended March 2019, 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 excluding 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.
- Sales Volume is defined as combined sales volume (in cubic metres, or equivalent) of Accoya® and Tricoya®.

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

Notes to the Financial Statements continued

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15. Share based payments continued

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. As at 31 March 2021, the expected vesting amount is estimated to be 185,840 share options.

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

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

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

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

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

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 20th November 2019 and 23rd December 2019, a total of 147,167 LTIP awards (included in the 686,049 LTIP awards above) were made to two 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 the year ended 31 March 2020 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.

Awards made in July 2020 and LTIP Award performance conditions

During the year, a total of 1,326,966 LTIP awards were made primarily to members of the Senior Management team including the Executive Directors:

The performance targets for 1,255,829 of these awards are as follows:

Metric	Weighting (% of award)	Threshold	Stretch	Maximum
Vesting (% of maximum)		25%	70%	100%
EBITDA per share in FY23	60%	€0.14	€0.19	€0.24
Total sales volume in FY 23 (m ³)	40%	90,000	105,000	112,720

- Vesting is on a straight-line basis between points in the schedule.
- 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

Element	Element A (EBITDA per share)	Element B (Sales volume growth)
Grant date	15 July 20	15 July 20
Share price at grant date (€)	1.00	1.00
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	-0.69%	-0.69%
Expected volatility	20%	20%
Expected dividend yield	0%	0%
Fair value of option	€0.998	€0.998

The remaining 71,137 of the awards made in summer 2020 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 €0.998 on their Grant date.

All of the above awards, made in summer 2020 are subject to a three year performance period (i.e. year end March 2023) 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 year and given the smaller number of options remaining, no details have been disclosed.

Employee Benefit Trust – Share bonus award

Following a share issue on 23 June 2020 as part of the annual bonus, in connection with the employee remuneration and incentivisation arrangements for the period from 1 April 2019 to 31 March 2020, 727,250 (2020: nil) new ordinary shares were held by an Employee Benefit Trust, the beneficiaries of which are primarily senior employees. Such new ordinary shares vest if the employees remain in employment with the Company at the vesting date, being 1 July 2021 (subject to certain other provisions including regulations, good-leaver, take-over and Remuneration Committee discretion provisions). As at 31 March 2021, the Employment Benefit Trust was consolidated by the Company and the 727,250 shares are recorded as Own Shares within equity.

Notes to the Financial Statements continued

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15. Share based payments continued

Employee Share Participation Plan

During the prior year, the Company re-introduced the Employee Share Participation Plan (the 'Plan') for subscription. 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 2021 various employees subscribed for a total of 195,524 Shares at an acquisition price of €1.43 per Share. Also during the year, 1 for 1 Matching shares were awarded in respect of subscriptions that were made in the previous year as a result of the participants continuing to remain in employment at the point of vesting. 198,219 matching shares were issued to employees in February 2021.

16. Intangible assets

	Internal development costs €'000	Intellectual property rights €'000	Goodwill €'000	Total €'000
Cost				
At 1 April 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
Additions	277	405	-	682
At 31 March 2021	7,464	74,456	4,231	86,151
Accumulated amortisation				
At 1 April 2019	1,796	72,023	-	73,819
Amortisation	350	314	-	664
At 31 March 2020	2,146	72,337	-	74,483
Amortisation	364	439	-	803
At 31 March 2021	2,510	72,776	-	75,286
Net book value				
At 31 March 2021	4,954	1,680	4,231	10,865
At 31 March 2020	5,041	1,714	4,231	10,986
At 31 March 2019	5,000	1,559	4,231	10,790

Refer to note 17 for the recoverability assessment of these intangible assets.

17. Property, plant and equipment

	Land and buildings €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
Cost or valuation				
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
Additions	-	20,742	651	21,393
Foreign currency translation (loss)	-	-	(9)	(9)
At 31 March 2021	17,976	146,433	3,885	168,294
Accumulated depreciation				
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
Charge for the year	358	3,249	351	3,958
Foreign currency translation (loss)	-	-	(8)	(8)
At 31 March 2021	995	25,945	1,797	28,737
Net book value				
At 31 March 2021	16,981	120,488	2,088	139,557
At 31 March 2020	17,339	102,995	1,789	122,123
At 1 April 2019	17,697	84,267	1,441	103,405

Plant and machinery assets with a net book value of €80,853,000 are held as assets under construction and are not depreciated, relating to the Hull Plant, and €5,716,000 relating to the further expansion of the Arnhem Plant (31 March 2020: €66,409,000 relating to the Hull Plant, €725,000 relating to the Arnhem Plant).

The carrying value of the property, plant and equipment, internal development costs and intellectual property rights are split between two cash generating units (CGUs), representing the Accoya® and Tricoya® segments and the carrying value of Goodwill is allocated to the Accoya® segment. The recoverable amount of these CGUs are determined based on a value-in-use calculations which uses cash flow projections based on latest 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 rate plus assumptions concerning a terminal value discounted at a pre-tax discount rate of 10.5% (2020: 10.0%) to determine their present value.

Notes to the Financial Statements continued

for the year ended 31 March 2021

17. Property, plant and equipment continued

The key assumptions used in the value in use calculations are:

- the manufacturing revenues, operating margins and future licence fees estimated by management;
- the completion of construction of additional facilities on time (and associated output);
- the long term growth rate; and
- the discount rate.

The Directors have determined that there has been no impairment to either CGU. 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. Key assumptions applied to this CGU were as follows:

- a discount rate of 10.5%;
- a long-term sales growth rate of 1.8%; and
- Gross margin of approximately 40%.

The headroom in the value-in-use model for this CGU would be reduced to nil if the following adverse changes to those key assumptions were made in isolation:

- a 2.1% increase to the discount rate;
- a 1.2% reduction in the long-term sales growth rate;
- a 5% decrease to Gross margin; and
- an increase of 130% above assumed remaining costs to complete the plant.

18. Leases

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	Right-of-use assets	
	2021 €'000	2020 €'000
Right-of-use assets		
Properties	4,113	3,708
Equipment	671	745
Motor Vehicles	75	83
	4,859	4,536
	Minimum lease payments	
	2021 €'000	2020 €'000
Amounts payable under lease liabilities:		
Within one year	1,208	1,044
In the second to fifth years inclusive	2,631	2,787
After five years	4,369	3,441
Less: future finance charges	(2,676)	(2,151)
Present value of lease obligations	5,532	5,121

Additions to the right-of-use assets during the financial year were €1,303,000 (2020: €1,542,000).

(ii) Amounts recognised in the statement of profit and loss

The statement of profit and loss shows the following amounts relating to leases:

	2021 €'000	2020 €'000
Depreciation charge of right-of-use assets		
Properties	664	783
Equipment	279	258
Motor Vehicles	33	26
	976	1,067
Interest expense (included in finance cost)	483	408
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	30	27
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	2	1
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	-	-

The total cash outflow for leases in 2021 was €1,308,000 (2020: €1,022,000)

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 one to ten 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.

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.

Notes to the Financial Statements continued

for the year ended 31 March 2021

19. Financial asset at fair value through profit or loss

	2021 €'000	2020 €'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.

There continues to be no active market for these shares as at 31 March 2021, 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 fair value (2020: nil).

The carrying value is similar to the previous accounting treatment under IAS 39, under which the historical cost of the listed shares of €10m was offset by a provision for impairment of the entire balance of €10m, resulting in a nil carrying value.

A total of 498,522 shares were held at 31 March 2021.

20. Deferred taxation

The Group has a deferred tax asset of €nil (2020: €nil) relating to trading losses brought forward.

The Group also has an unrecognised deferred tax asset of €30m (2020: €26m) which is largely in respect of trading losses of the UK subsidiaries. The deferred tax asset has been recognised only to the extent of the deferred tax liability, 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.

21. 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.

22. Inventories

	2021 €'000	2020 €'000
Raw materials and work in progress	7,339	10,660
Finished goods	4,923	6,272
	12,262	16,932

The amount of inventories recognised as an expense during the year was €60,907,693 (2020: €57,167,975). The cost of inventories recognised as an expense includes a net credit of €2,739 (2020: credit of €47,982) in respect of the inventories sold in the period which had previously been written down to net realisable value.

23. Trade and other receivables

	2021 €'000	2020 €'000
Trade receivables	9,836	8,611
Other receivables	575	3,520
VAT receivable	1,013	2,552
Prepayments	890	625
	12,314	15,308

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 €1,597,056 of the trade and other receivables denominated in US dollars (2020: €1,246,000).

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

	2021 €'000	2020 €'000
Up to 30 days overdue	409	806
Over 30 days and up to 60 days overdue	6	18
Over 60 days and up to 90 days overdue	-	-
Over 90 days overdue	49	5
	464	829

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 (2020: €25,002,000) due from Diamond Wood.

Movement in provision for doubtful debts:

	2021 €'000	2020 €'000
Balance at the beginning of the year	25,239	25,002
Net (decrease)/increase of impairment	(237)	237
Balance at the end of the year	25,002	25,239

24. Trade and other payables

	2021 €'000	2020 €'000
Trade payables	9,451	7,827
Other taxes and social security payable	1,104	779
Accruals and deferred income	19,255	8,261
	29,810	16,867

The increase in Trade and other payables primarily relates to the timing of accruals associated with the construction of the Hull plant with actual cash payments being lower, reflecting the timing of milestone payments in relation to construction.

25. Share capital

	2021 €'000	2020 €'000
Allotted – Equity share capital		
169,324,264 ordinary shares of €0.05 each		
(2020: 162,288,155 ordinary shares of €0.05 each)	8,466	8,114
	8,466	8,114

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).

Notes to the Financial Statements continued

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25. Share capital continued

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.

In the year ended 31 March 2021:

1,259,449 shares were issued on 12 May 2020 following the exercise of nil cost options, granted under the Company's 2013 Long Term Incentive Plan (LTIP).

727,250 shares were issued to an Employee Benefit Trust (EBT) on 29 June 2020 at nominal value, in lieu of cash bonuses for the year ended 31 March 2020. These shares will vest on 1 July 2021, subject to the employees continuing employment within the Group.

In February 2021, following the subscription by employees in the prior year for shares under the Employee Share Participation Plan (the 'Plan'), 198,219 shares were issued as 'Matching Shares' at nominal value under the Plan.

In addition, various employees newly subscribed under the Plan for 195,524 shares at an acquisition price of €1.43 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).

On 26 March 2021, the Company announced that Lombard Odier Asset Management (USA) Corp on behalf of 1798 Volantis Catalyst Fund II Ltd ('Volantis') exercised options over a total of 4,655,667 ordinary shares in the Company for a total consideration of £2,779,898.77 (exercise price of £0.5971 per ordinary share) (see note 30 to the financial statements).

26. Other reserves

	Capital redemption reserve €000	Merger reserve €000	Hedging Effectiveness reserve €000	Other reserve €000	Total Other reserves €000
Balance at 1 April 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
Total comprehensive income for the period	-	-	192	-	192
Issue of subsidiary shares to non-controlling interests	-	-	-	1,892	1,892
Balance at 31 March 2021	148	106,707	229	7,551	114,635

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® & Corporate segments (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 27).

27. Transactions with non-controlling interests

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, Tricoya UK 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%)

In the year ended 31 March 2021:

On 15 June 2020, TTL issued 281,919 shares to Titan Wood Limited for a consideration of €0.6m. An additional 68,081 shares were issued to non-controlling interests for a consideration of €0.1m. On 2 July 2020, TTL issued 90,956 shares to Titan Wood Limited for a consideration of €0.2m. An additional 416,694 shares were issued to non-controlling interests for a consideration of €0.8m and an additional 495,310 shares were issued in consideration for continued provision of discounted Accoya® to MEDITE for market seeding purposes. On 29 October 2020, TTL issued 1,862,356 shares to Titan Wood Limited for a consideration of €3.7m. An additional 498,987 shares were issued to non-controlling interests for a consideration of €1.0m. On 31 December 2020, BP Ventures' share capital of TTL was acquired by INEOS Acetyls Investments Limited (INEOS). As a result the non-controlling interests' shareholdings were amended to:

INEOS (8.5%), MEDITE (11.3%), BGF (2.6%), Volantis (1.1%)

On 17 July 2020, Tricoya UK issued 486,572 ordinary shares to Tricoya Technologies Ltd for a consideration of €1.0m. An additional 1,600,530 shares were issued to non-controlling interests for consideration of €1.6m. On 29 October 2020, Tricoya UK issued 3,972,686 ordinary shares to Tricoya Technologies Ltd for a consideration of €4.0m. An additional 2,452,798 shares were issued to non-controlling interests for consideration of €2.5m. On 31 December 2020, BP Chemicals' share capital of Tricoya UK was acquired by INEOS. As a result the non-controlling interests' shareholdings were amended to:

INEOS (30.0%), MEDITE 8.2%)

The total carrying amount of the non-controlling interests in TTL and Tricoya UK at 31 March 2021 was €37.17m (2020: €34.44m).

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

	2021 €'000	2020 €'000
Opening Balance	6,235	2,925
Carrying amount of non-controlling interests issued	(4,112)	(5,857)
Consideration paid by non-controlling interests	6,004	9,167
Excess of consideration paid recognised in Group's equity	8,127	6,235

Notes to the Financial Statements continued

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28. Investment in Joint Venture

In August 2020, Accsys together with Eastman Chemical Company formed a new company, Accoya USA LLC, with the intention to construct and operate an Accoya® wood production plant to serve the North American market.

The new company has been formed with Accsys having a 60% equity interest and Eastman having a 40% equity interest, with the two parties assessed to jointly control the entity as defined under IFRS 11 – Joint arrangements. Accoya USA is accounted for as a joint venture and equity accounted for within the financial statements. A technology licence has also been entered into with Accoya USA LLC so that front-end engineering and design for the proposed plant in the USA can be completed.

The plant is being designed to initially produce approximately 40,000 cubic metres of Accoya® per annum and to allow for cost-effective expansion.

A decision whether to proceed to the next stage with plant construction, and as to funding, is targeted for summer 2021, following the completion of the initial engineering and design work.

The carrying amount of the equity-accounted investment is as follows:

	2021 €'000	2020 €'000
Investment in Accoya® USA	1,070	-
Less: Accsys proportion (60%) of Licence fee received	(600)	-
Loss for the year	(144)	-
Closing balance	326	-

29. Commitments under loan agreements

	2021 €'000	2020 €'000
Amounts payable under loan agreements:		
Within one year	9,664	5,265
In the second to fifth years inclusive	44,626	50,967
In greater than five years	-	1,081
Present value of loan obligations	54,290	57,313
Within one year	12,012	5,644
In the second to fifth years inclusive	49,714	61,855
After five years	-	1,120
Less future finance charges	(7,436)	(11,306)
Present value of loan obligations	54,290	57,313

The change in total borrowings in the year of €3m primarily related to the €3.2m termination fee associated with the early termination of the Cerdia commercial agreements, which was deducted from the Cerdia loan on 1 April 2020.

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. £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 2021, the Group had €4.2m (2020: €8.3m) borrowed under this facility. Quarterly repayments of the loan commenced on 21 December 2018 until November 2025.

In a prior year, the Group entered into an agreement with Cerdia Producties GmbH (Cerdia) under which Accsys took on responsibility for commercial activities under agreements with Cerdia relating to Accoya® wood, which terminated as of 1 April 2020 (the 'Termination Agreement'). Under the terms of the Termination Agreement, payments to Accsys included fees of €3.2 million, which was recognised as an exceptional item in the year ended 31 March 2020. The €3.2 million was deducted from the loan balance on 1 April 2020, with subsequent repayments for the remaining term of the loan being reduced accordingly.

Tricoya® facility:

On 29 March 2017 the Company's subsidiary, Tricoya UK Limited entered into a six-year €17.2 million finance facility agreement with Natwest Bank 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 UK Limited. At 31 March 2021, the Group had €9.3m (2020: €8.7m) borrowed under the facility. 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 five years. At 31 March 2021, the facility was undrawn (2020: undrawn).

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.

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29. Commitments under loan agreements continued

Reconciliation to net debt:

	2021 €'000	2020 €'000
Cash and cash equivalents	47,598	37,238
Less:		
Amounts payable under loan agreements	(54,290)	(57,313)
Amounts payable under lease liabilities (note 18)	(5,532)	(5,121)
Net debt	(12,224)	(25,196)

	Liabilities from financing activities			Other assets	
	Borrowings €'000	Leases €'000	Sub-total €'000	Cash €'000	Total €'000
Net debt as at 31 March 2019	(56,909)	(2,021)	(58,930)	8,857	(50,073)
Adjustment on initial application of IFRS 16	-	(2,247)	(2,247)	-	(2,247)
Net debt as at 1 April 2019	(56,909)	(4,268)	(61,177)	8,857	(52,320)
Cash flows	267	1,022	1,289	28,416	29,705
New leases	-	(1,542)	(1,542)	-	(1,542)
Foreign exchange adjustments	626	4	630	(35)	595
Other changes	(1,297)	(337)	(1,634)	-	(1,634)
Net debt as at 31 March 2020	(57,313)	(5,121)	(62,434)	37,238	(25,196)
Cash flows	2,474	1,308	3,782	10,294	14,076
Decrease in Cerdia Loan from Termination fee	3,200	-	3,200	-	3,200
New leases	-	(1,303)	(1,303)	-	(1,303)
Foreign exchange adjustments	(900)	(76)	(976)	66	(910)
Other changes	(1,751)	(340)	(2,091)	-	(2,091)
Net debt as at 31 March 2021	(54,290)	(5,532)	(59,822)	47,598	(12,224)

30. Equity options

On the 29 March 2017, the Company announced the formation of the Tricoya[®] Consortium and as part of this, funding was agreed with BGF and Volantis (see note 29). In addition to the issue of the Loan Notes the Company granted options over ordinary shares of the Company to 95 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 had been converted to Options.

On 26 March 2021, the Company announced the Options issued to Volantis had been exercised in full for a total consideration of £2,779,898.77 payable to the Company, representing an exercise price per ordinary share of £0.62 as agreed on 29 March 2017 (adjusted to £0.5971 following a subsequent share issuance in April 2017).

At 31 March 2021 a total 8,449,172 Options exist attributable to BGF. This represents 5.0% (2020: 8.1%) of the issued share capital of the Company as at 31 March 2021.

31. Financial instruments

Financial instruments

Lease liabilities

Lease creditors of €5,532,000 as at 31 March 2021 (2020: €5,121,000) relates to various offices, land, equipment and cars that the Group leases (see note 18).

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 2021 (2020: €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.

Financial Instruments by category

2021/€'000	Fair value hierarchy	At amortised cost	At fair value though profit or loss	At fair value through OCI	Total
Financial assets					
Trade and other receivables		10,411	-	-	10,411
Financial asset investments	Level 2	-	-	-	-
Derivative financial instruments (FX forward)	Level 2	-	134	-	134
Cash and cash equivalents		47,598	-	-	47,598
Total		58,009	134	-	58,143

2020/€'000	Fair value hierarchy	At amortised cost	At fair value though profit or loss	At fair value through OCI	Total
Financial assets					
Trade and other receivables		12,131	-	-	12,131
Financial asset investments	Level 2	-	-	-	-
Derivative financial instruments (FX forward)	Level 2	-	-	-	-
Cash and cash equivalents		37,238	-	-	37,238
Total		49,369	-	-	49,369

2021/€'000	Fair value hierarchy	At amortised cost	At fair value though profit or loss	At fair value through OCI	Total
Financial liabilities					
Borrowings – loans		(54,290)	-	-	(54,290)
Lease liabilities		(5,532)	-	-	(5,532)
Trade and other payables		(9,451)	-	-	(9,451)
Derivative financial instruments (FX forward)	Level 2	-	-	-	-
Total		(69,273)	-	-	(69,273)

Notes to the Financial Statements continued

for the year ended 31 March 2021

31. Financial instruments continued

2020/€'000	Fair value hierarchy	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
Financial liabilities					
Borrowings – loans		(57,313)	-	-	(57,313)
Lease liabilities		(5,121)	-	-	(5,121)
Trade and other payables		(7,827)	-	-	(7,827)
Derivative financial instruments (FX forward)	Level 2	-	(330)	-	(330)
Total		(70,261)	(330)	-	(70,591)

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 18 and loans, for which details are given in note 29.

Trade payables are payable on various terms, typically not longer than 30 to 60 days with the exception of some major capex items.

Market risk

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

Financial risk management objectives

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

Foreign currency risk management

The Group's functional currency is the euro with the majority of operating costs and balances denominated in euros. An increasing proportion of costs will be incurred in pounds sterling as the Group's activities associated with the Tricoya® plant in Hull increase, although future revenues will be in euros or other currencies. The Group's Loan Notes, which were issued to fund these UK based operations, are denominated in pounds sterling. A smaller proportion of expenditure is incurred in US dollars and pounds sterling. In addition some raw materials, while priced in euros, are sourced from countries which are not within the Eurozone. The Group monitors any potential underlying exposure to other exchange rates. The Group holds a proportion of the cash associated with the Tricoya® Consortium in pounds sterling and has purchased fx forward contracts with a nominal amount of £5.85m (2020: nominal amount of £5.85m) 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 Natwest 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 Natwest 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 23). 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 23.

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

Liquidity risk management

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

Fair value of financial instruments

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

32. Capital Commitments

	2021 €'000	2020 €'000
Contracted but not provided for in respect of property, plant and equipment	10,808	10,859

Included in the above, are amounts relating to the Engineering, Procurement and Construction contracts relating to the Tricoya® plant under construction in Hull and committed items related to the Reactor 4 expansion project in Arnhem.

33. Events occurring after 31 March 2021

Capital raise

In May 2021, Accsys completed a successful Placing and open offer for an issue of shares in the Company, raising gross proceeds of approximately €37 million. The net proceeds are to be used primarily to fund the Group's investment in expanding its Accoya® business into North America through the construction of a new Accoya® USA plant, through its joint venture with Eastman Chemical Company, as well as to provide additional capital to support the Company's continued growth and ongoing development.

Termination letter received from Lead contractor on Tricoya® Hull plant construction

In early June 2021, we received a notice from the lead contractor responsible for the delivery of the plant, Engie Fabricom UK Limited, purporting to terminate the engineering, procurement and construction (EPC) agreement for the project by reason of force majeure arising out of the COVID-19 pandemic.

With the contract now terminated, Engie Fabricom has spent two weeks demobilising from the site, ensuring that the handover of the site to Accsys is completed safely and securely. Work has commenced to develop the detailed plans necessary to complete the remaining items of construction and commissioning of the plant. Given the relatively advanced status of the project, we are now evaluating the potential to project manage the final works directly and may not need to appoint another lead contractor. Our team is conducting a comprehensive GAP analysis which will be completed following obtaining full access to the site, which is expected this week, together with receipt of the project documentation held by Engie Fabricom. This will enable us to validate the remaining works, costs, timeline and people required to complete construction and for commissioning required for full operation of the plant to be carried out. Once this evaluation has been completed, we shall update the market with our expectations for the start-up of the plant and likely remaining associated costs to completion.

Company Balance Sheet

as at 31 March 2021

Registered Company 05534340

	Note	2021 €'000	2020 €'000
Non-current assets			
Investments in subsidiaries	4	16,555	15,838
Right of use assets		53	65
Financial asset at fair value through profit or loss	5	-	-
		16,608	15,903
Current assets			
Debtors	6	194,125	195,796
Cash at bank and in hand		14,135	11,402
		208,260	207,198
Creditors: amounts falling due within one year	7	(16,635)	(12,941)
Net current assets		191,625	194,257
Creditors: amounts falling due after more than one year	8/9	(16,920)	(19,070)
Net assets		191,313	191,090
Capital and reserves			
Called up Share capital	10	8,466	8,114
Share premium account		189,598	186,390
Reserve for own shares		(36)	-
Capital redemption reserve		85	148
Profit and loss account		(6,800)	(3,562)
Total shareholders' funds		191,313	191,090

The financial statements were approved by the Board and authorised for issue on 21 June 2021 and signed on its behalf by:

Robert Harris
Director

William Rudge
Director

The notes on pages 160 to 167 form an integral part of the parent Company financial statements.

Company Statement of Changes in Equity

for the year ended 31 March 2021

	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
At 01 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
Loss for the financial year	-	-	-	-	(3,955)	(3,955)
Share based payments	-	-	(63)	-	717	654
Shares issued	352	-	-	(36)	-	316
Premium on shares issued	-	3,215	-	-	-	3,215
Share issue costs	-	(7)	-	-	-	(7)
Balance at 31 March 2021	8,466	189,598	85	(36)	(6,800)	191,313

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 €10,064,000 of non-distributable reserves relating to share based payments.

Notes to the Company Financial Statements

for the year ended 31 March 2021

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 2021. 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; and
- 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 €3,955,000 (2020: loss of €2,709,000).

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 assessed the Company's trading forecasts and working capital requirements for the foreseeable future under a base case scenario, taking into account the Company's financial resources including the current cash position and banking and finance facilities which are currently in place (see note 29 in the Group financial statements for details of these facilities) and the possible further impact of COVID-19.

The Directors have also assessed a severe but plausible downside scenario with reduced sales volumes and lower gross margin. 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 possible amount and timing of capital expenditure required to complete the Tricoya® plant in Hull following the recent purported termination of the engineering, procurement and construction contract by the main contractor. This has been considered together with the current expansion of the Arnhem operation and intended investment in the USA, noting that the full forecast project costs have not yet been committed to. 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.

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 uncertainty over future cash flows in completing the Hull plant construction as set out above, together with the continued heightened risk that COVID-19 entails, there is sufficient liquidity under the severe but plausible downside such that there is no material uncertainty with respect to going concern. 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.

Notes to the Company Financial Statements continued

for the year ended 31 March 2021

1. Accounting policies continued

Accounting judgements

In preparing the Financial Statements, management has to make judgments 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 fair value 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 determine the fair value.

Carrying value of intercompany receivables and investments in subsidiaries

The recoverable amounts of these balances have been determined based on value in use calculations. These calculations require the use of judgements in relation to discount rates and future forecasts. The recoverability of these balances is dependent upon the level of future licence fees and manufacturing revenues relating to Group companies. While the scope and timing of the production facilities to be built under the Group's existing and future agreements remains uncertain, the Directors remain confident that revenue from own manufacturing, existing licensees, new licence or consortium agreements will be generated, demonstrating the recoverability of these balances.

2. Profit and loss account

A loss of €3,955,000 (2020: loss of €2,709,000) 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 Group's annual financial statements was €73,000 (2020: €78,000). Fees payable to the Company's auditors for the audit of the Company's subsidiaries was €84,000 (2020: €71,000), fees payable to Component auditors for audit of subsidiaries was €98,000 (2020: 93,000), fees payable for audit related assurance services and was €34,000 (2020: €26,000) and other audit related services €14,000 (2020: Nil) In addition to the above, in the prior year, fees of €273,000 relating to the working capital review for the December 2019 equity fundraise were paid to the Company's auditors. 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 (2021: 2 and 2020: 2) during the current or prior year.

Non-Executive Directors received emoluments in respect of their services to the Company of €320,000 (2020: €344,000). 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 2019	19,904
Share based payments	614
At 31 March 2020	20,518
Share based payments	717
At 31 March 2021	21,235
Impairment	
At 1 April 2019 and 1 April 2020 and 31 March 2021	4,680
Net book value	
At 31 March 2021	16,555
At 31 March 2020	15,838
At 31 March 2019	15,224

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 10.5% per annum (2020: 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:

		2021 % shares and voting rights held	2020 % shares and voting rights held
	Class		
Subsidiary undertakings			
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
Accsys (Accoya USA) Holdings LLC (USA)	Ordinary	100	-
Accsys USA Holdings Inc (USA)	Ordinary	100	-
Tricoya Technologies Limited (UK) ¹	Ordinary	78	78
Tricoya UK Limited (UK) ¹	Ordinary	49	49
Joint venture undertakings			
Accoya USA LLC (USA)	Ordinary	60	-

The shares in Titan Wood BV, Titan Wood Inc, Accsys (Accoya USA) Holdings LLC, Accsys USA Holdings Inc, Accoya USA LLC, Tricoya Technologies Ltd and Tricoya UK Ltd are held indirectly by the Company.

¹ Non-controlling interests shareholdings are detailed in note 9 & 27 of Group financial statements.

Notes to the Company Financial Statements continued

for the year ended 31 March 2021

4. Investments in subsidiaries continued

The principal activities of these companies were as follows:

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

Registered office of subsidiaries:

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

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

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

5. Financial asset at fair value through profit or loss

	2021 €'000	2020 €'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.

There continues to be no active market for these shares as at 31 March 2021, 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 fair value (2020: nil).

The carrying value is similar to the previous accounting treatment under IAS 39, under which the historical cost of the listed shares of €10m was offset by a provision for impairment of the entire balance of €10m, resulting in a nil carrying value.

A total of 498,522 shares were held at 31 March 2021.

6. Debtors

	2021 €'000	2020 €'000
Amounts owed by Group undertakings	193,966	195,674
Prepayments and accrued income	159	122
	194,125	195,796

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 latest 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 discounted at a pre-tax discount rate of 10.5% per annum (2020: 10%) to determine their present value. Refer to note 17 of the Group financial statements for the key assumptions and sensitivity analysis for this calculation.

7. Creditors: amounts falling due within one year

	2021 €'000	2020 €'000
Trade creditors	133	323
Amounts owed to Group undertakings	11,638	11,660
Obligation under lease liabilities	16	21
Short term borrowings	4,662	740
Accruals and deferred income	186	197
	16,635	12,941

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

8. 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 €6,000 as at 31 March 2021 (2020: €14,000).

The Company also leases a car for an employee, resulting in a lease creditor of €23,000 as at 31 March 2021 (2020: €35,000).

	Minimum lease payments	
	2021 €'000	2020 €'000
Amounts payable under lease liabilities:		
Within one year	16	23
In the second to fifth years inclusive	14	30
After five years	-	-
Less: future finance charges	(1)	(4)
Present value of lease obligations	29	49

Notes to the Company Financial Statements continued

for the year ended 31 March 2021

9. Commitments under loan agreements

	2021 €'000	2020 €'000
Amounts payable under loan agreements:		
Within one year	6,436	827
In the second to fifth years inclusive	18,070	23,483
After five years	-	-
Less future finance charges	(2,937)	(4,523)
Present value of loan obligations	21,569	19,787

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

10. Called up Share capital

	2021 €'000	2020 €'000
Allotted – Equity share capital		
169,324,264 Ordinary shares of €0.05 each		
(2020: 162,288,155 Ordinary shares of €0.05 each)	8,466	8,114
	8,466	8,114

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 to the Group financial statements 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.

In the year ended 31 March 2021:

1,259,449 shares were issued on 12 May 2020 following the exercise of nil cost options, granted under the Company's 2013 Long Term Incentive Plan (LTIP).

727,250 shares were issued to an Employee Benefit Trust (EBT) on 29 June 2020 at nominal value, in lieu of cash bonuses for the year ended 31 March 2020. These shares will vest on 1 July 2021, subject to the employees continuing employment within the Group.

In February 2021, following the subscription by employees in the prior year for shares under the Employee Share Participation Plan (the 'Plan'), 198,219 shares were issued as 'Matching Shares' at nominal value under the Plan.

In addition, various employees newly subscribed under the Plan for 195,524 shares at an acquisition price of €1.43 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).

On 26 March 2021, the Company announced that Lombard Odier Asset Management (USA) Corp on behalf of 1798 Volantis Catalyst Fund II Ltd ('Volantis') exercised options over a total of 4,655,667 ordinary shares in the Company for a total consideration of £2,779,898.77 (exercise price of £0.5971 per ordinary share) (see note 30 to the Group financial statements).

11. Reconciliation of movements in shareholders' funds

	2021 €'000	2020 €'000
Loss for the financial year	(3,955)	(2,709)
Share based payments charged to subsidiaries	717	614
Proceeds from issue of shares	3,468	46,504
Share issue costs	(7)	(3,320)
Net increase in shareholders' funds	223	41,089
Opening shareholders' funds	191,090	150,001
Closing shareholders' funds	191,313	191,090

12. Dividends Paid

	2021 €'000	2020 €'000
Final Dividend €Nil (2020: €Nil) per ordinary share proposed and paid during year relating to the previous year's results	-	-

13. Deferred taxation

The Company has an unrecognised deferred tax asset of €3.6m (2020: €2.2m) which is largely in respect of trading losses. The deferred tax asset has not been recognised due to the uncertainty of the timing of future expected profits of the fellow subsidiary (in which the Company is in the same tax group) attributable to licensing activities.

Shareholder Information

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

Directors	Sean Christie Sue Farr Robert Harris Nick Meyer Stephen Odell William Rudge Trudy Schoolenberg Alexander Wessels	Non-Executive Director Non-Executive Director Chief Executive Officer Non-Executive Director Non-Executive Chairman Finance Director Non-Executive Director Non-Executive Director
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	NatWest Bank 250 Bishopsgate London, EC2M 4AA
	ABN AMRO Bank Velperweg 37 6824 BM Arnhem The Netherlands	
Registrars	SLC Registrars PO Box 5222 Lancing, BN99 9FG	
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	
Corporate Access, The Netherlands	ABN AMRO Bank N.V. Gustav Mahlerlaan 10 1082 PP Amsterdam Netherlands	
Investor Relations	FTI Consulting 200 Aldersgate Street Barbican London, EC1A 4HD	



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