ACCSYS
GROUP

ACCSYS TECHNOLOGIES PLC
2017 ANNUAL REPORT AND FINANCIAL STATEMENTS

A YEAR OF TRANSFORMATION AND GROWTH

Accsys Technologies PLC ('Accsys' or the 'Company') is a chemical technology group focused on the development and commercialisation of a range of transformational technologies based upon the acetylation of solid wood and wood elements (wood chips, fibres and particles) for use as high performance, environmentally sustainable, construction materials.

Tricoya Consortium

A transformational deal for Accsys – construction of the world's first Tricoya® plant

Page 10

Arnhem Development

Increasing Accoya capacity from 40,000 to 80,000 cubic meters

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Accoya 10 years on

10th anniversary of Accoya wood being produced commercially

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Overview

Strategic Report

Corporate Governance

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Shareholder Information

2017 HIGHLIGHTS

Total Group revenue €56.5m (2016: €52.8m) 7%	Gross profit €14.4m (2016: €18.2m)	Period end cash balance €41.2m (2016: €8.2m)
Accoya revenue €50.7m (2016: €43.4m) 17%	Underlying EBITDA* (€1.2)m (2016: €2.4m)	Period end net cash balance €20.1m (2016: €8.2m)

* Underlying EBITDA excludes exceptional items. See note 3 of the Group financial statements for reconciliation of Operating profit to EBITDA

Strategic highlights

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

Financial and Operational highlights

- Total revenue increased by 7% notwithstanding the previous year reflected a greater contribution from one-off licensing income; Accoya revenue increased by 17%;
- Accoya sales volumes have grown by 18% to 39,790 cubic meters in the year and strong performance in the second half with volumes up 31%;
- Gross margin decreased as expected from 34% to 25% for a number of reasons including prior year one-off licensing income, full year of discounted prices to Rhodia Acetow, higher sales to Medite for Tricoya and a small increase in raw wood prices;
- 30% gross margin from the manufacturing of Accoya continues to be achievable;
- Positive underlying EBITDA of €0.4m in second half of the year, resulting in underlying EBITDA loss of €1.2m for the full year;
- Balance sheet significantly strengthened through €82m of funding in transformational deal:
  - €68m of equity and debt from Medite , BP, Business Growth Fund, Volantis and RBS to fund the building of the world's first Tricoya wood chip acetylation plant in Hull; €37m of this was received in the financial period; and
  - €12m (net) from a Placing and Open Offer providing additional working capital in the context of the two significant capital projects, with proceeds received post year-end.

AT A GLANCE

Accsys' operations

Our business consists of the following:

- Commercial scale Accoya® wood production and sales facility in Arnhem
- Building and operating of Tricoya® wood chip acetylation plant in Hull
- Accoya and Tricoya technology licensing and business development
- Technology and product development

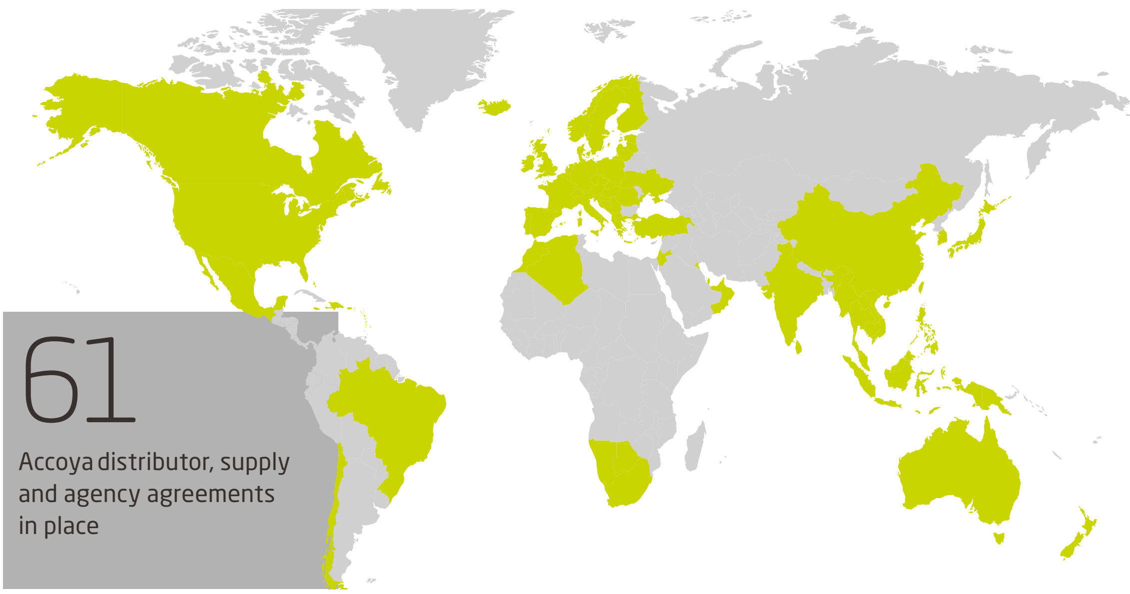
Accoya solid wood and Tricoya wood elements, which is the feedstock for Tricoya panels, are manufactured through the Company's proprietary acetylation wood modification process. These solid wood and wood element products exhibit superior dimensional stability, durability and other important benefits compared with alternative natural, treated and modified woods as well as more resource intensive man-made materials and panels.

The Company's technologies and brands are internationally protected by strict confidentiality, granted patents, patent applications and trademarks as well as being supported by strong sustainability certifications. Many have been technically validated at full commercial production level and long term use, and others are in pilot-scale or are subject to independent validation by experts. Our products have been certified for use by various building regulations around the world.

Distribution network and market

The market for Accoya and Tricoya has been estimated as in excess of 2.6 million cubic meters annually. Last year we sold 39,790 cubic meters of Accoya and Medite sold 5,806 cubic meters of Tricoya panels, representing year growth for the year of 18% and 31% respectively.

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



Our Products

Accoya is the world-leading high performance sustainable wood. It is stable, durable, resists rot, is harder and stronger. It is guaranteed for 50 years for use above ground and 25 years in ground or freshwater; in summary its performance is remarkable.

Accoya has properties that match or exceed those of the best tropical hardwoods, yet is manufactured from sustainable FSC® certified wood. It is the only Cradle to Cradle ('C2C') certified structural building material which has achieved the Gold Level Certification and Platinum level for Material Health. C2C is a design philosophy developed by William McDonough and Michael Braungart, inspired by the circular economy concept.

C2C certification now also results in additional credits for leading green building certification systems such as LEED and BREEAM with Accoya specified in many LEED and BREEAM projects around the world.

In 2015 Google adopted C2C Material Health as one of the certification schemes for Portico, Google's healthy building material assessment software. Accoya has been certified at the highest, Platinum level for C2C Material Health and it is now one of the most highly rated products in Google's Portico.

Accoya is the material of choice for a wide range of demanding outdoor applications, from windows and doors, decking to cladding, bridges to exterior structures and applications that are presently only feasible with non-sustainable or man-made materials.

www.accoya.com

Tricoya wood elements are used in the manufacturing of Tricoya panel products. Tricoya is opening new markets where wood based panels would never have been considered before.

Tricoya panels demonstrate significantly enhanced durability and exceptional dimensional stability which allow Tricoya panels to be used in a wide variety of applications such as window components and door skins, façade cladding, wet interiors and much much more.

The raw wood material that is used for Tricoya production is sourced from FSC® certified forests. Production will be extremely resource-efficient using chips from locally grown pine, including the parts of trees which are not used to make any other wood-based product and would otherwise be sent to waste streams.

Tricoya is also guaranteed for 50 years above ground and 25 years in ground or freshwater; its performance and properties are outstanding.

www.tricoya.com

NEW TRICOYA CONSORTIUM FORMED

See our focus story on pages 10 to 11

Our History

2005
Accsys Technologies listed on London Stock Exchange AIM market

2007
Construction of full scale proof of concept production plant in Arnhem in 2007; First commercial sales of Accoya; cross-listed on Euronext Amsterdam

2009
Current CEO joins – restructuring the Group; Joint Development Agreement with Medite concerning development of Tricoya

2010
Completed fund raising; wrote off significant amounts from balance sheet

2011
Completed further fund raising; stable management team established

2012
First commercial sales of Medite Tricoya; Joint venture with Ineos concerning Tricoya business

Licence agreement entered into with Solvay (now Rhodia Acetow)

2014
Arnhem plant improvements and increased sales result in positive manufacturing EBITDA

2015
Strengthening of Board; End of joint venture with Ineos and MoU agreed with BP concerning Tricoya

2016
Expansion of Arnhem plant commenced and proposed new Tricoya Consortium announced

2017
New Tricoya consortium formed with BP, Medite, BGF and Volantis; fund raising announced

OUR INVESTMENT PROPOSITION

SUBSTANTIAL MARKET OPPORTUNITY

Our products provide a solution to an increasing problem facing the substantial building materials industry. They are natural building materials with low maintenance and consistent qualities with at least the performance properties of the highest performing, non-sustainable man-made materials. In addition, they benefit from all positive attributes of wood (sustainability, strength, beauty) without the downfalls (poor durability and stability).

As a result, our estimates, based upon expert advice and detailed market studies, are that in excess of 2.6 million cubic meters per annum of Accoya® and Tricoya® can be sold. This would be a small fraction of the global solid wood industry. This represents a long-term and substantial growth opportunity, noting last year we sold 39,790 cubic meters of Accoya.

See Our Market on page 12

SUSTAINABILITY

By significantly enhancing the durability and dimensional stability of fast growing, abundantly available FSC® certified wood species, our products provide compelling environmental advantages over scarce slow growing hardwoods, woods treated with toxic chemicals, and non-renewable carbon-intensive materials such as plastics, steel and concrete.

We have obtained numerous certifications and accreditations including Accoya being Cradle to Cradle Gold certified.

See Sustainability report on page 34

WORLD LEADERS IN WOOD TECHNOLOGY

Proprietary and protected technologies which chemically modify wood through a proprietary process. The resulting products benefit from exceptional dimensional stability, durability and many other qualities.

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

See page 25 in the Chief Executive's report

Accoya boardwalk – Norway

SCALABLE GROWTH

Our manufacturing process and modular industrial design is based upon confidential and protected IP which can be expanded and replicated worldwide.

Our existing Accoya site is in the process of being doubled in size in two equal stages. The new Tricoya plant in Hull is being constructed with a view to further significant expansion.

Our business development team works to identify locations and partners to ensure new manufacturing capacity can be developed to meet the long term global demand.

See pages 10 and 18 for further details of current additions to manufacturing capacity

STRONG MANAGEMENT TEAM

Our Board and Senior Management team are highly committed and experienced, with varied backgrounds including from the wood, chemical and finance industries. The team has remained largely unchanged over the last few years as we have transformed the Company and they remain committed to its on going future and success.

See pages 40 to 43 for details of the team

Visit our Investor Relations site at www.accsysplc.com/investor-relations

ARCHITECT CHOOSES MEDITE TRICOYA EXTREME FOR FLOATING HOUSE AND OFFICE-ARK

First discovered during an exhibition in London, designer, Julius Taminiau, has created a floating house equipped with office space using Medite Tricoya Extreme.

The boat covers 100 square metres and consists of two floors with the rooftop being half filled with solar panels.

The floating house idea had to fulfil two key objectives that the architect had in mind: ingenuity and sustainability.

The budget for this project was tight and therefore Julius decided to rationalise the design and make it as clever as possible. The solution was found in a design with a fixed grid basis on the size of panel material. The sizes of the rooms, cladding, windows and other materials had to match precisely and be well proportioned. This reduced the amount of waste material, avoiding unnecessary impact on the environment while also reducing costs.

The lay-out of the Medite Tricoya facades follows a tatami grid system and is applied in a fish-scale pattern. By emulating nature's time-tested pattern, the architect underlines the secondary key principle of sustainability, which played such an important role in the design.

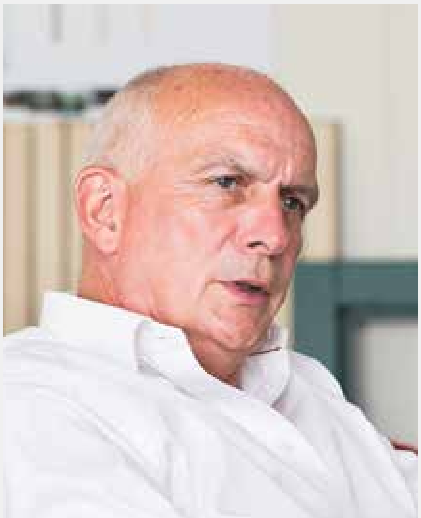
As the facade of the floating house will be continuously exposed to wet and damp conditions the durable Medite Tricoya Extreme was the ideal material to be used for the facades.

The floating house and office were built by Oranje Arkenbouw in Hardenber, the Netherlands and Medite Tricoya Extreme was supplied by RET in Utrecht.

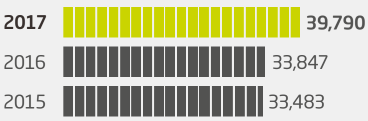
STRATEGIC REPORT

"This has been a transformational year for the Group. We have received great support from existing and new industry and financial partners, including our shareholders to increase our manufacturing capacity to meet demand from the growing markets for Accoya® and Tricoya®."

CHAIRMAN'S STATEMENT



Accoya Sales Volume m^3



€82m

Total new financing secured

▲31%

Growth in sales volumes in the second half of the financial year compared to the same period last year

A transformational year

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

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

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

Sales growth

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

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

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

Additional manufacturing capacity

In March we formed the Tricoya Consortium, with agreements to build, operate and fund a new Tricoya chip acetylation plant in Hull. This includes €68m of comprehensive financing arrangements including debt and equity from BP, Medite, BGF and Volantis and debt

"I BELIEVE WE HAVE NOW REACHED A SOLID PLATFORM FOR FUTURE GROWTH"

from RBS. In addition, these transformational agreements have recognised a pre-funding valuation of the Tricoya business of €35m with Accsys retaining a 74.6% interest in the Tricoya licensing business and a 46% interest in the new Tricoya plant.

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

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

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

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

Financial Results

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

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

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

Balance sheet

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

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

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

Outlook

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

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

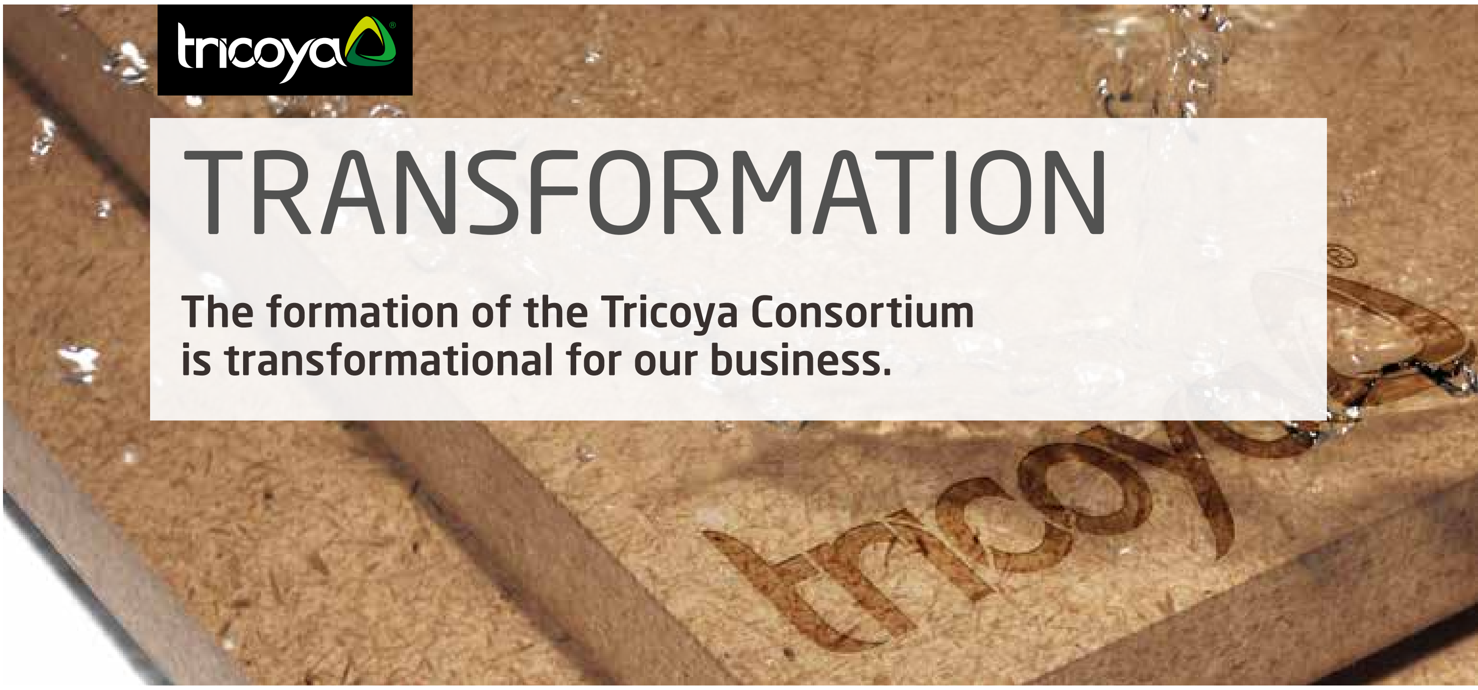
The Firm Placing and Open Offer, which was launched successfully and completed in April, with the Open Offer having been four times oversubscribed has also put the Group in a firm financial position. I am confident that as we continue to invest in growth, and as we benefit from the additional manufacturing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

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

Patrick Shanley

Non-executive Chairman

19 June 2017



TRANSFORMATION

The formation of the Tricoya Consortium is transformational for our business.

FOCUS STORY – TRICOYA CONSORTIUM

On 29 March 2017 Accsys announced the entering into agreements for the formation of the Tricoya Consortium.

The Tricoya opportunity:

- Global market for Tricoya® panels estimated in excess of 1.6 million cubic meters per annum
- Equating to approximately 1.5% of global MDF manufacturing capacity
- Medite Tricoya sales to date limited to market seeding using chipped Accoya® at higher cost
- Growth in sales constrained by a lack of production capacity, nonetheless, sales of Tricoya panel by Medite have grown from 949 cubic meters per annum in 2012 to 5,806 cubic meters in the year to March 2017, despite price increases, and representing a 32% increase on the previous year
- Wholesale price of Tricoya panels is currently approximately €1,500 per cubic meter, with the price above that of Accoya reflecting its exceptional properties and that it is a unique offering in the market
- Construction of the Hull plant is expected to address these constraints and promote increased supply

The Hull plant:

- Tricoya Consortium established to build, operate and run Tricoya plant in Saltend, Hull
- Planning allows for future expansion
- Pre-construction, engineering and design work completed in 2016
- Engie Fabricom appointed as Engineering, Procurement and Construction ('EPC') contractor
- Tricoya chips to be manufactured on a commercial scale and sold globally
- Plant construction expected to be completed by early 2019
- Medite off-take agreement for a minimum of 20% capacity in first year, rising to a minimum 40% after the fourth year of production
- Plant expected to be EBITDA positive operating at 40% capacity
- Initial capacity of 30,000 tonnes of chip per annum, sufficient to produce approximately 40,000 cubic meters of Tricoya panel
- Full capacity expected to be reached in approximately 4 years
- Total capex of €59m
- Tricoya Technologies Limited to continue to pursue additional licence or consortium agreements worldwide

Tricoya wood panel

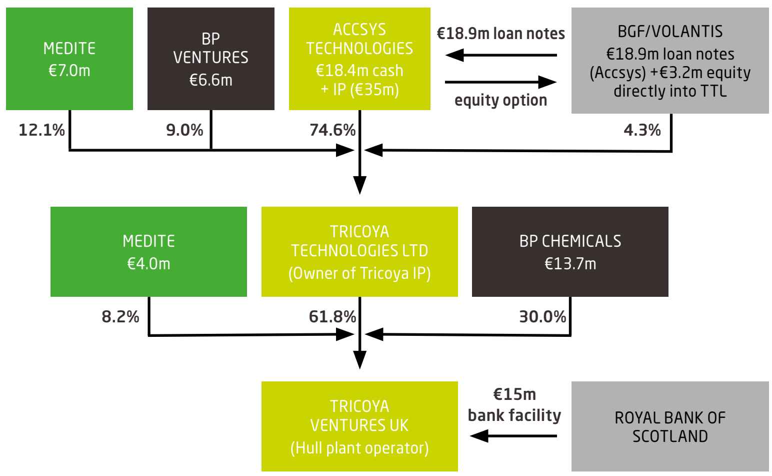
Highlights:

- Transformational deal for Accsys – construction of world's first Tricoya plant
- Strategic benefits from BP's and Medite's participation
- Project reinforced by a significant long-term off-take agreement with Medite
- Enables increased global demand to be addressed and additional user and manufacturing licensing agreements; plus ability to expand at Hull site
- Attractive capital structure to enhance returns through financing arrangements and partnerships with BP, Medite, BGF, Volantis and RBS

The Tricoya Consortium structure:

The Tricoya Consortium is based on two entities:

- Tricoya Technologies Limited ('TTL') will continue to benefit from all Tricoya related intellectual property
- A new entity, Tricoya Ventures UK Limited ('TVUK') has been incorporated as TTL's subsidiary and will own and operate the Tricoya plant in Hull
- TTL will benefit from all other future Tricoya related revenues generated outside the Hull plant



- €31m of funding contributed by long term partners BP and Medite
- Accsys' economic interest in TTL at 74.6%
- Consortium has attributed a €35m pre-funding value as well as value from historical Accoya supply
- BGF and Volantis loan notes are unsecured
- Interest on the loan notes (at 7–9%) accrued, with no capital or interest payments until January 2019
- BGF and Volantis granted options over 14% issued share capital at 59.7p exercise price (being 11.8% of issued share capital following issue of new shares on 24 April 2017)
- Project finance debt provided by RBS

Accsys:

- 74.6% total equity interest
- Contributed all of its Tricoya intellectual property and historical development into TTL in October 2012
- Accsys will generate up to approx 1.5% additional equity in TTL over the next two years as a result of the continued subsidised supply of Accoya

BP:

- BP will invest a total of €20.3m in the Consortium
- €13.7m as equity in TVUK, aligning its interest with the plant it is supplying
- BP's venture capital arm, has invested €6.6m as equity into TTL
- BP Chemicals will be the sole supplier of acetic anhydride to the plant in Hull through a minimum six year supply contract

Medite:

- Medite has invested €7m as equity into TTL and will invest a total of €4m as equity into TVUK
- Medite has agreed an off-take agreement under which it has committed to purchase a minimum capacity of 40% of the capacity of the plant (allowing for a ramp up) by year six of plant operations

BGF & Volantis:

- BGF (65%) and Volantis (35%) have invested a total of £22m as financial investors
- BGF and Volantis have in aggregate subscribed for a total of €18.9m of loan notes in Accsys Technologies PLC (the 'Loan Notes')
- €18.4m of the proceeds, after fees, have been invested by Accsys as equity into TTL

OUR MARKET

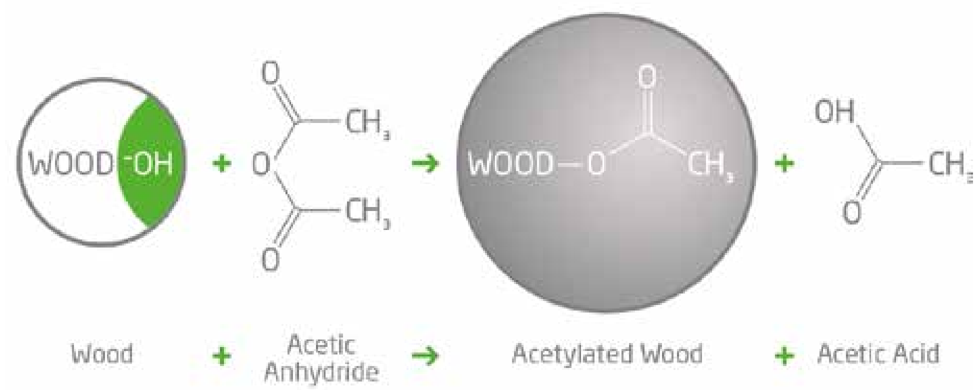
The superior qualities that our technology brings are driving customers to choose our materials over established wood and non-wood products giving enormous scope to increase our penetration of this vast global market.

Our technology

Accoya® is based upon our proprietary wood acetylation technology.

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

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



2.6 million m³

The potential market for Accoya and Tricoya is in excess of annually 2.6 million m³

32%

Last year, sales of Tricoya panel products grew to 5,806m³

Market

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

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

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

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

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

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

OUR BUSINESS MODEL

SUSTAINABILITY

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

OUR KEY STRENGTHS

Intellectual property, expertise and innovation

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

Branding

Our brands Accoya wood and Tricoya are registered trademarks in over 50 countries worldwide.

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

Business partners

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

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

Our people

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

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

OUR TECHNOLOGY

accoya®

SOLID WOOD

tricoya®

WOOD ELEMENTS

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

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

Investment in R&D, People and Partnerships

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

HOW WE CREATE VALUE

Manufacturing

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

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

Working with third parties

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

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

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

Manufacturing in our own plant

38,084

Cubic meters produced in 2017

OUTCOME

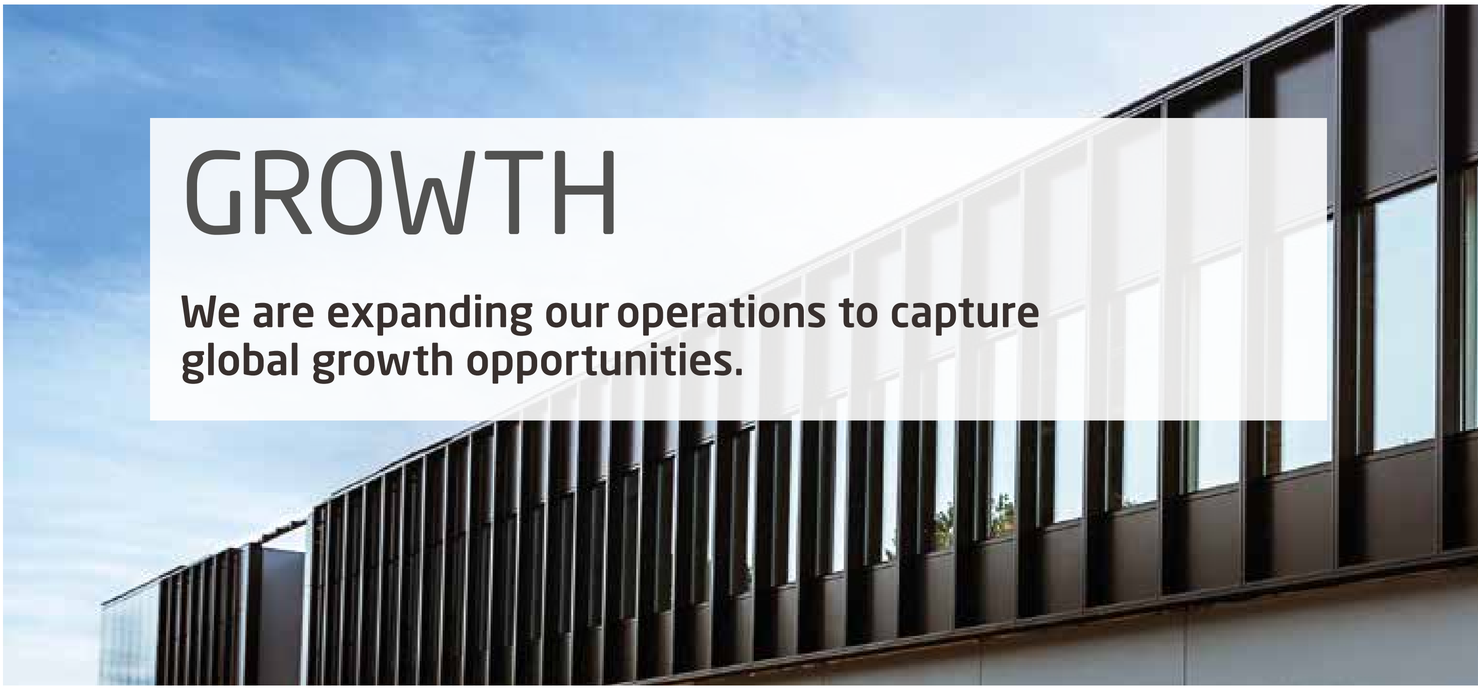
Increasing revenue and returns enable continued investment in R&D, people and partnerships in order to take advantage of the substantial opportunity which we believe exists.

OUR STRATEGY

Strategic Priority	Ambition	Progress in year ended March 2017
Manufacturing	Increased production of Accoya® at our Arnhem plant to supply our clients, develop new markets and drive demand for Accoya as well as for use as a feedstock in the production of Tricoya®.	Production increased from 33,431m^3 to 38,084m^3 as a result of a continued focus to maximise the capacity of the existing two reactors to meet demand.
	Continued focus on reducing cycle time to increase Arnhem capacity and profitability.	Further equipment and other process improvements implemented have increased reliability and capacity such that actual production levels now demonstrate the previously estimated capacity of approximately 40,000m^3.
	Desire to retain equity interest in manufacturing of our products where possible through partnership or consortium arrangements.	The Tricoya Consortium has been finalised resulting in Accsys retaining a 74.6% interest, and an indirect interest in the Hull plant of 46.1%.
Meeting global demand	Ongoing licensing of Accoya acetylation technology to achieve multiple licence agreements, including Rhodia Acetow, to satisfy global demand for solid wood.	Rhodia Acetow progressing with five year off-take commitment and developing market which is now subject to their exclusivity, with sales volumes having grown by 17%.
	Development of extended global distributor network.	61 distribution agreements in place around the globe.
	Establishing and further development of detailed engineering documents, engagement of third party engineering experts.	Commenced conversion of previously completed Front End Engineering and Design studies for expansion in Arnhem and the proposed Tricoya plant in Hull, into full detailed engineering packages in conjunction with appointed contractor, Engie Fabricom.
	Development of model to benefit from our expertise by assisting third parties in areas including sales, marketing, product and technical development, operations and maintenance.	
	Continued close cooperation between Accsys and third parties to further develop and facilitate the licensing of Tricoya.	Formally working with Rhodia Acetow on sales and marketing activities in their exclusive region. Accsys lead the formation of the Tricoya Consortium with BP, Medite and financial partners, BGF and Volantis.
Research and Development	Continued R&D and product development activities to generate future value via development of additional and enhanced applications.	Certification for use of Accoya in public and private decking installations obtained in France and structural certification of Accoya in Germany substantially progressed. Progressed value added market opportunities for Accoya with large industrial counterparts.
	Further development of new species to aid licensing discussions and maximise value through reduced costs as well as to generate new applications and increased revenue.	Extensive field trials of pre- commercial products creating options for wider species use consideration when capacity is increased.
	Strengthened protection of intellectual property.	Now over 60 granted patents and over 170 pending patent applications.
Brand and Sustainability	Continued development, advancement and protection of globally established Accoya and Tricoya brands.	In country marketing campaigns ongoing, tailored for select audiences to increase brand loyalty.
	Desire to grow awareness of the Accsys Group and our corporate vision to reduce the use of environmentally unfriendly building materials and products, whilst also developing a brand platform that will ensure our business is a commercial success.	New consumer facing website targeting homeowners; Accoya window enquiries sent to joinery companies. Consumer online presence supported by Accoya digital campaign focused on new audiences.
		Ongoing development of new markets for Accoya and Tricoya brands with more users creating products with the two products. Initiated a brand messaging and identity project including feedback from stakeholders, and a programme of corporate communications focused around our core vision of sustainability.

Priorities for year ending March 2018	Risks
Completion of expansion of Arnhem plant by addition of third reactor with chemical backbone to be put in place for future fourth reactor at later date.	Sales impacted by inability to meet or manage demand given our relatively small current capacity compared to potential demand.
Further reliability and maximising of output from existing Arnhem facilities in order to meet demand.	Process improvements likely to be ever harder to achieve with no certainty that capacity from existing plant will be increased further.
Commencement of construction of world's first dedicated chip acetylation plant in Hull.	The Tricoya process is based on our core acetylation knowledge but may present unexpected design issues requiring more complex engineering.
Further development with Rhodia Acetow to develop new opportunities in their exclusive region in Europe.	Manufacturing capacity in the short term is limited and our ability to manage demand at near capacity levels could result in negative market reaction.
Focus is on working closely with existing distributor base and optimising sales and marketing methods and developing opportunities for when new capacity becomes available.	European economic climate may reduce the number of new sales opportunities resulting in lower than expected sales.
Acceleration of market and business development work relating to Tricoya, following formation of the Consortium. Establishment of joint Accoya and Tricoya sales approach	A delay in expansion of Arnhem plant or the Tricoya plant in Hull may result in uncertainty with our customers impacting sales in the shorter term.
Finalise high performance value added approaches for Accoya which further enhance market penetration and widen opportunities.	Additional applications and new species development remains uncertain given the inherent nature of R&D. An element of the Group's strategy for growth envisages existing or new products being sold into new markets such that slower development could impact longer term growth.
Commercial review for implementation of additional species for defined market channels.	As our products and IP becomes increasingly valuable, an increased risk of third parties challenging our IP or seeking to copy or use it without authorisation develops.
See CEO's report (on page 20) for further details.	
Roll out corporate brand messaging through all communications to grow awareness of the Accsys Group and its sustainable vision.	Our brands are an increasingly valuable asset for the Group, however as we operate on a global basis the risk of damage to our brand also increases. As with our technical IP, our brands are carefully managed via our qualified in house IP manager working with external trademark attorneys where appropriate.
Maximise opportunities with existing partnerships to reach new audiences and drive brand loyalty. Increased focus on creating brand awareness for Tricoya globally by developing new markets and identifying opportunities to reach new audiences. Building upon the introduction of Accoya consumer online marketing and developing a PR campaign to complement the consumer focus. Extend the successful PR strategy in the UK to our core markets globally. Retain and improve our sustainability accreditations and recognition.	

Further considerations of Risks can be found in the Directors' report on page 44.



GROWTH

We are expanding our operations to capture global growth opportunities.

FOCUS STORY – ARNHEM EXPANSION

Increased Accoya® capacity from 40,000 cubic meters to 80,000 cubic meters in two stages

The Accoya opportunity:

- Current Arnhem capacity 40,000 cubic meters
- Demand is growing
  - Strong sales with an increase of 18% in year to 31 March 2017 to 39,790 cubic meters
  - Demand means growth is constrained by capacity
- Estimated annual sales in excess of 1 million cubic meters believed to be achievable
  - This represents a fraction of the 400 million cubic meters total annual global solid wood market
- Expansion enables growth and continued market seeding

18%
sales growth

50%
capacity increase with 1st stage of expansion

"STRONG SALES WITH AN INCREASE OF 18% IN YEAR TO 31 MARCH 2017 TO 39,790 CUBIC METERS"

Arnhem plant expansion

Highlights:

- Higher manufacturing EBITDA margin driven by operational efficiencies and economies of scale
- Success of the project reinforced by off-take agreement with Rhodia Acetow
- Greater flexibility to target new markets and support Tricoya® market seeding
- Enables Accsys to capitalise on substantial market opportunity

Arnhem plant expansion

- Arnhem plant is profitable today
  - Profitable since 2013
  - Gross manufacturing margin of 23% in FY17
  - Accoya EBITDA (excluding licencing) of €4.8m in FY17 (€4.9m in FY16)
- Work has begun to increase capacity from 40,000 cubic meters to 60,000 cubic meters per annum in the first of a two part expansion
- First stage includes third reactor and chemical infrastructure for the fourth
- Construction expected by the end of calendar year 2017
- The additional capacity will result in further improved economies of scale
- Gross margin of 30% achievable
- Fourth reactor to be added at later date, increasing capacity to 80,000 cubic meters per annum
- 80,000 cubic meters total capacity enables revenue in excess of €120m and Accoya EBITDA in excess of €30m

Funding and off-take agreements

- Approximate €22m capital cost of first stage of expansion (3rd reactor)
- €4.2m from the sale and leaseback of the Arnhem plant completed in 2016
  - Landlord investing further in respect of new warehousing and office facilities
- €9.5m loan (now partially drawn down) and €5.0m fees from the Group's European Accoya licensee, Rhodia Acetow
- Balance and working capital funded from existing cash resources
- Interest rolled up for two years, post construction of the plant
- Success of project reinforced by the Rhodia Acetow off-take agreement
- Rhodia Acetow has agreed to purchase a minimum of 76,000 cubic meters of Accoya in aggregate from the Arnhem facility between 2016 to 2020 (inclusive)
- Annual minimum volumes increasing each year in this period

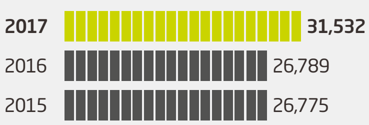
CHIEF EXECUTIVE'S REPORT

Accoya® wood revenue (excl. licensing)

€50.7m

17% (2016: €43.4m)

Sales Volume excluding Medite m³



"WE ARE INCREASINGLY FOCUSED ON THE LONGER TERM MARKET AND NEW OPPORTUNITIES EXPECTED TO RESULT FROM THE INCREASED CAPACITY"

Introduction

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

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

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

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

Accoya® sales growth

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

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

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

“THE OVERALL INCREASE IN SALES VOLUME IN THE YEAR REFLECTS THE CONTINUED INCREASE IN DEMAND FOR OUR PRODUCTS“

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

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

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

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

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

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

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

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

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

CHIEF EXECUTIVE'S REPORT CONTINUED

Accoya® pricing and margin

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

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

> **"THE HULL PLANT IS EXPECTED TO REACH EBITDA BREAKEVEN AT APPROXIMATELY 40% OF ITS CAPACITY AND TO TAKE APPROXIMATELY FOUR YEARS TO REACH FULL CAPACITY FOLLOWING COMPLETION."**

Expansion of Accoya manufacturing plant

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

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

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

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

Tricoya Consortium

Introduction

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

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

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

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

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

Tricoya Consortium structure

The Tricoya Consortium members and funding is set out below.

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

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

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

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

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

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

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

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

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

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

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

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

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

Global exploitation

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

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

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

CHIEF EXECUTIVE'S REPORT CONTINUED

Intellectual Property

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

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

> "THE NEW FINANCIAL YEAR HAS STARTED WELL, WITH ACCOYA® SALES GROWTH COMPARABLE TO THE SECOND HALF OF THE LAST FINANCIAL YEAR"

Management of Company know-how remains an essential element of safeguarding our innovation, with confidentiality protocols in place to prevent unauthorised access to such know-how and to place strict contractual obligations on third parties collaborating with Accsys. Increasing Company-wide awareness of the importance of protecting and controlling our know-how is a key initiative with particular focus on minimising risks when collaborating with third parties.

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

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

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

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

Outlook

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

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

Paul Clegg
Chief Executive Officer

19 June 2017

MEDITE® TRICOYA® EXTREME AND ACCOYA® SELECTED FOR STUNNING ORANGERY IN YORKSHIRE

Manufactured by S.Taylor and Son, Accoya was chosen because the joinery company had previously specified Accoya to the same client who were delighted with its appearance and performance. Accoya was used for all the framing, doors and fascia, plus, Medite Tricoya Extreme was selected for the pilasters. Accoya and Medite Tricoya Extreme were also selected for their long lasting durability and stability, which is ideal for the Yorkshire weather. Since creating this orangery and circulating photos of the finished project, S.Taylor and Son have taken orders for two more orangeries and have several others in the pipeline.

EXTREME MEDITE tricoya accoya®

ESTABLISHED

Over the last 10 years we have established Accoya® as a major presence in the market.

FOCUS STORY – ACCOYA 10 YEARS ON

This year we celebrate the 10th anniversary of Accoya wood being produced commercially

10 year old Accoya cladding looks as good as new

The first of two heavy road traffic bridges in Sneek made from Accoya

We were introducing Accoya into a very traditional market at a particularly tricky time – a business environment where the world was close to financial catastrophe and where the construction industry, which ultimately provides the demand for our product, was in meltdown.

The world's first Accoya project is now over 10 years old and Accoya's decade of durability has been marked with a successful review of the home of architectural designer Gordon Atiken, located near Glenrothes in Fife, Scotland.

During the decade, Scotland has experienced a lot of harsh weather conditions ranging from rain, sleet and snow and even some piercing sunshine, with the north façade being particularly exposed. However in the last 10 years, Gordon has only maintained the cladding once by cleaning with a mild soapy water solution, restoring it to an 'as new' appearance, a truly remarkable testimony to Accoya's now proven properties.

Following this, we started to supply Accoya for the first heavy traffic road-bridge in Sneek, the Netherlands. The designers, builders and governmental bodies were convinced about Accoya's extraordinary performance and they selected it to make this specially designed wooden bridge. Another bridge followed and together they were the only wooden bridges with such a span for heavy traffic use in the world.

Accoya® selected for a unique Otemachi bench in Tokyo, Japan

Demand for Accoya has significantly grown since with the addition of new distributors. By working closely with our distributors, direct customers and joinery companies we are now seeing consumers specifying Accoya too.

Accoya is repeatedly ordered for a wide variety of applications from cladding and decking to windows and doors. In the UK, Accoya has seen a positive acceptance with joineries, with a market share today estimated at 12% of the wooden window market.

North America is currently our fastest growing market for Accoya with increased specifications and manufacturers adoption of Accoya as the material of choice.

The years of testing by the Group before 2007 made the start-up of commercial production successful. The worldwide wood industry, particularly in Europe, was watching very closely but since then Accoya has become the benchmark for wood modification globally. Today, even natural wood species are benchmarked against Accoya on performance.

"NORTH AMERICA IS CURRENTLY OUR FASTEST GROWING MARKET."

UK & Ireland Sales
(excl. sales to Medite for Tricoya)

12,021m³

24% on 2016

Americas Sales

3,846m³

38% on 2016

Benelux Sales

3,682m³

10% on 2016

Accoya represents approximately

12%

of UK wooden window market

FINANCIAL REVIEW

Total revenue

€56.5m

7% **(2016: €52.8m)**

Income statement

Revenue

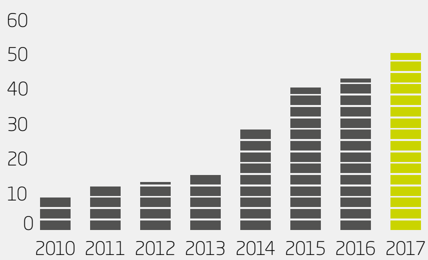
Total revenue for the year ended 31 March 2017 increased by 7% to €56.5m (2016: €52.8m). Within this total, Accoya® wood revenue increased by 17% to €50.7m (2016: €43.5m) as a result of sales volumes increasing by 18%. Accoya revenue includes €7.8m of sales to Medite for the manufacture of Tricoya®,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

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

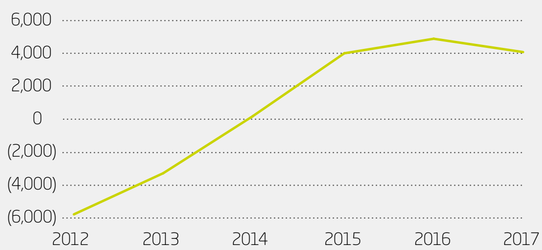
Gross margin

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

Revenue from Accoya wood sales (€ '000's)



Accoya EBITDA excl. Licence Income (€ '000's)



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

Other operating costs

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

Exceptional items

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

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

Loss from operations

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

Finance income

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

Finance expense

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

Research & Development expenditure

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

Taxation

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

Dividends

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

Earnings per share

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

FINANCIAL REVIEW CONTINUED

Balance sheet

Intangible assets

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

Property, plant and equipment

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

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

Available for sale investments

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

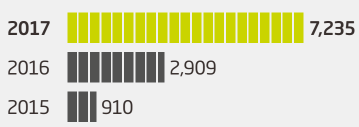
Inventory

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

Cash and cash equivalents

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

Property, Plant & Equipment
Spend €'000



ACCOYA® CHOSEN FOR THE RENOVATION OF 30 DUTCH HOUSING ASSOCIATION PROPERTIES IN AMSTERDAM

The Conrad is a street in the centre of Amsterdam which has recently undergone a monumental renovation of 30 housing association properties. Accoya was selected to renovate the windows and doors for each of the houses. Known for their high quality urban renovation work, Wesselink were tasked with carrying out this project.

Accoya was chosen because it is a low maintenance material which also offers excellent stability.

accoya®

FINANCIAL REVIEW CONTINUED

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

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

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

Trade and other receivables

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

Trade and other payables

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

Finance lease creditor

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

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

Long Term Borrowing

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

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

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

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

Non-controlling interests

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

Capital structure

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

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

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

Going concern

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

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

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

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

William Rudge

Finance Director

19 June 2017

SUSTAINABILITY REPORT

Our Corporate Vision

A focus on corporate and social responsibility lies at the very core of our business. Our technologies not only enable us to manufacture wood products that offer 'best in class' durability, dimensional stability and a wide spectrum of other performance and environmental advantages over alternative environmentally threatened or compromised products, but also provide attractive opportunities for our employees, distributors, licensees and other stakeholders. We want to ensure that our business is not only a commercial success, but also run in a responsible fashion as we continue to advance technologies for a better world.

Accsys has already developed and is commercially producing Accoya®, solid acetylated wood. We have developed the process for the production of Tricoya®, acetylated wood elements used for the production of panel products. We are committed to increase the use of these products globally through sales from our manufacturing facility, and on a substantially larger scale by licensing our technologies to other companies so that they too can manufacture these products.

Accsys aims to reduce the use of environmentally unfriendly building materials and products by the utilisation of our propriety technology and the introduction of our products around the world. The planet continues to consume endangered materials like tropical hardwood and non-renewable, high emitting building materials such as plastics, concrete and metals at an alarming rate. Our 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. In fact, Accoya is the only building product perfectly fitting in the bio-cycle of the circular economy while having the same performance as typical building products such as plastics and metals which cannot be renewed and are from the techo-cycle.

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

Our products and the environment

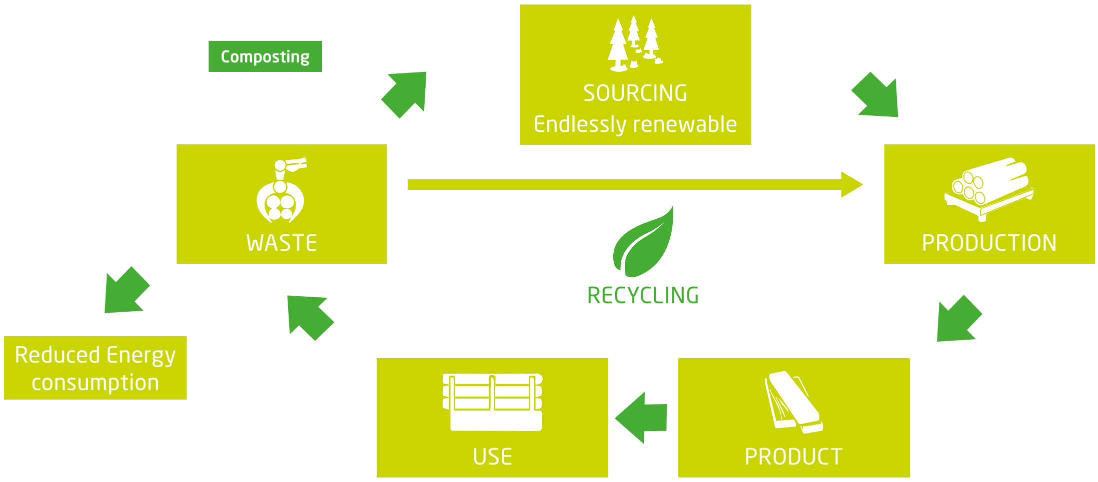
The main environmental benefit of our Accoya and Tricoya acetylated wood products is their use as a substitute for other environmentally damaging products including chemically treated woods that use toxic preservatives, unsustainably sourced tropical timbers and materials produced from energy intensive or non- renewable resources such as metals (for example, steel and aluminium) and plastics (such as PVC).

Carbon footprint

During their growth, trees convert carbon dioxide (CO_2) through photosynthesis into cellulose and lignin, and emit oxygen in the process. As a result, during their lifespan trees act as carbon sinks, as CO_2 is captured from the atmosphere and makes up approximately half of the dry weight stored in the wood of the tree. The carbon is stored in the living

OUR 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.

Circular Economy Based on Renewable Materials (Biological Cycle)



A circular economy is one that is restorative and regenerative by design, and which aims to keep products, components and materials at their highest utility and value at all times, distinguishing between technical and biological cycles.

Source: *Ellen MacArthur Foundation*

Bio-cycle and techo-cycle are the two cycles within the circular economy principles. Materials from the Bio-cycle are organic whereas products from the techno-cycle are defined as from the manmade world.

tree, but will also remain stored once the tree is felled and the wood of the tree is used for products such as Accoya and Tricoya. As a consequence, CO_2 is locked out of the natural carbon cycle during the lifespan of the wood or wood product. Through decay or incineration, the carbon will eventually be released again into the atmosphere in the form of CO_2.

In producing Accoya wood, we improve this carbon capture mechanism in two ways. Firstly by using fast growing softwood species, such as radiata pine, as input for our acetylation process. Per hectare, more cubic metres of radiata pine can be grown (20–28m^3/ha/year) compared to slower growing wood species such as teak (6m^3/ha/ year) or even most bamboo (10m^3/ha/year). Consequently, a larger amount of carbon is sequestered compared to slow growing wood species.

Secondly, through the acetylation process the dimensional stability and durability (durability class 1 according to EN standard 350-1) of a wood species are improved considerably, lengthening the product lifespan. Thus Accoya wood is able to act as a longer term carbon sink that needs less additional care, as compared to other woods. These unique properties allow us to guarantee Accoya wood for 50 years above ground and 25 years below ground (please see our Certificates of Warranty for full details).

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

SUSTAINABILITY REPORT CONTINUED

Accreditations

FSC®

Of the various schemes for sustainability forestry available, the Forest Stewardship Council (FSC®) is regarded as the leading and most comprehensive certification program available. Accoya® wood and Medite Tricoya® Extreme are FSC® certified. FSC certification is focused on benign environmental performance but also safeguards social interests for all stakeholders involved.

Cradle to Cradle™

Accoya wood is one of the very few building products to have acquired Cradle to Cradle Certification on the elusive C2C Gold Level. Cradle to Cradle (C2C) provides a means to tangibly and credibly measure achievement in environmentally-intelligent design including the use of environmentally safe healthy materials and instituting strategies for social responsibility. Accoya wood also recently received Platinum status for Material Health meaning manufacturers are trusted with the way to communicate their work towards chemically optimised products.

Cradle to Cradle certified product scorecard for Accoya®

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

see full scorecard and certificate at www.c2ccertified.org

BREEAM & LEED worldwide

BREEAM (mainly used in Europe) and **LEED** (mainly used in North America) are most widely adopted and recognised. Both are based on various building related environmental indicators including sustainable energy, water and material use. For the latter category the application of Accoya can contribute to several credits in both schemes (BREEAM: MAT 1, MAT 5, LEEDv4: MR1, MR2, MR3, MR4, I1).

Dubokeur the Netherlands

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

Svanen Label Nordic Nations

The outstanding green credentials of Accoya, have been officially recognised by Europe's Nordic nations with the award of the **Svanen** Ecolabel. The label, renowned for its rigor and transparency is the internationally recognised ecolabel for Norway, Sweden, Denmark, Iceland and Finland and was established in 1989 by the Nordic Council of Ministers.

Singapore Green Label

For the South East Asian market we have attained the highly regarded **Green label** of the Singapore Environment Council. The Singapore Environment Council (SEC) was set up to promote environmental awareness in South East Asia.

Future Build UAE

The **Future Build** is a green building materials portal that helps architects, engineers and contractors – particularly in the United Arab Emirates and wider region – confidently select and source environmentally sustainable, third party certified products to meet their projects' environmental objectives. Only products that have been assessed and selected according to standards and criteria set by Masdar City, Abu Dhabi, are listed. Accoya wood was rated as excellent or A.

Our sustainable wood features in an award winning bathroom remodel project, São Paulo, Brazil

ACCOYA® WOOD RESTORES HISTORIC WINDOWS IN MINNESOTA STATE CAPITOL

The majestic State Capitol building in St. Paul, Minnesota was in a state of deterioration: on the outside the regal marble exterior design, completed in 1905, was crumbling.

The state embarked on a $272 million, four-phase restoration plan in 2013, with tasks including replacing plumbing and electrical systems, boosting energy efficiency, improving access, replacing the roof and repairing all of the crumbling stone.

Another major part of the project was restoring the building's original wood windows, which had been covered over with aluminium windows 30 years ago. The aging units – 242 in total – had seriously suffered from fogging, failing glass, air leakage, and broken balances that rendered them inoperable. Window replacement manufacturer Re-View, was selected to restore the windows and bring the Capitol building back to life.

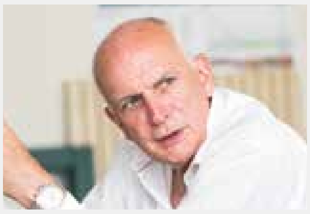
Re-View removed the aluminium replacements, revealing the original wood window frames, which were then restored using restoration epoxies and replicated Accoya wood parts. Re-view used an original complete wood window that still remained in the building as the basis for the designs and to help replicate all the new sashes with Accoya wood. Re-view chose Accoya due to its durability and 50 year guarantee.

Since some of the individual double-hung windows are about 2 meters (6 feet) wide by 4 meters (13 feet) tall, the sashes weigh in excess of 115 kilograms (250 pounds). This resulted in the Re-view team engineering a system of weights and pulleys to make the massive windows easy to open. Many of the Accoya installed windows were tested for air and water infiltration by an independent testing agency and it was determined that they were twice as tight as the published ratings for modern replacement windows.

accoya®

GOVERNANCE

BOARD OF DIRECTORS



Patrick Shanley

Chairman

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

Paul Clegg

Chief Executive Officer

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

William Rudge

Finance Director

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

Hans Pauli

Executive Director, Corporate Development

Hans, born March 1960, has held senior financial positions across the banking and bio-tech sectors and has significant experience in investment, manufacturing, licensing and distribution. Hans holds a BA in Business Administration and has completed an MA in Fiscal Economics from the University of Amsterdam. His commercial career began in the banking sector where he worked for various institutions including Barclays, where he gained investment and M&A experience. He then worked for a number of bio-tech companies, including, most recently, Euronext listed OctoPlus N.V.. Hans is a non-executive director of BioTech VC, MedSciences.

Nick Meyer

Non-Executive Director

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

Sue Farr

Non-Executive Director

Sue, born Leap Year Day 1956 is a highly experienced marketing and communications professional who joined the Accsys Board in November 2014. Sue has been part of the executive management team at Chime Communications plc since 2003. 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 is a Non-Executive Director of British American Tobacco plc, Dairy Crest Group plc, Millennium & Copthorne Hotels plc and Dolphin Capital Investors. She was a Non-Executive Director of Motivcom plc from 2008-2014 and a Trustee of the Historic Royal Palaces from 2007-2013. 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 Christie

Non-Executive Director

Sean, born October 1957 is currently a Non-Executive Director of Applied Graphene Materials Plc, Turner and Townsend Ltd and Produce Investments Plc. He 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 and of Cherry Valley Farms Limited until its sale in 2010. He is a Fellow of both the Chartered Institute of Management Accountants and the Association of Corporate Treasurers. Sean has extensive knowledge of all aspects of finance and strategy in major businesses and is an experienced Audit Committee Chairman.

SENIOR MANAGEMENT TEAM

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

The Senior Management Team includes the three Executive directors and the following individuals:

John Alexander

Director of Sales and Product Development

John is responsible for Group sales and product development, managing a team across the globe. Following degrees in Forestry and Forest Products plus an MSc in Timber Engineering, John's career in the wood product industry started at Jeld-Wen, USA, the world's largest manufacturer of windows and doors. He then moved to BSW Timber, the largest forestry and sawmilling group in the UK before joining Accsys in 2010 as Head of Product Development. In 2015 John took on his current role and joined the Group Operations Committee.

Angus Dodwell

Legal Counsel and Company Secretary

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

Pierre Lasson

General Manager Tricoya Technologies Limited

Pierre holds a PhD in chemical engineering and has more than 30 years' experience in the petrochemical industry. Before joining Accsys in 2015, Pierre has held various positions in research, production, product development, business management, and sales and marketing for global petrochemical companies such as Solvay, BP Solvay Polyethylene, BP, Innovene, and Ineos. He was appointed General Manager of Tricoya Technologies in 2012 and has led the company since its inception. He is also the General Manager of the newly formed Tricoya Ventures UK Limited.

Hal Stebbins

Director of Supply Chain and Customer Service

Hal has spent most of his career leading global sales operations and marketing activities for a variety of businesses including IBM. When he joined Accsys in 2007, Hal was initially responsible for executing the first worldwide marketing strategy for the Group. Since then, Hal has led the growth of our international distributorship, worldwide licensing management and is currently responsible for the management of supply and procurement critical to production, including wood and chemicals.

Eddie Pratt

Director of Business Development

Eddie has been with Accsys since its inception in 2003 and uses his in-depth experience and knowledge of Accsys to lead all activities to develop new markets, attract new investors and secure partnerships for Accsys and its branded products via licensing and distributorships. With a background in corporate financing and asset management, Eddie's inherent understanding of business growth stages means he is well placed to support the Group's expansion.

Karlijn Rademakers

Director of Engineering and Manufacturing

With a PhD in chemical engineering and plant design, as well as an MBA, Karlijn has the skills and experience to manage all production and engineering teams at the Arnhem plant. Karlijn has been an essential part of the process and engineering team since she joined the Group in 2006 and is currently overseeing the expansion of the Arnhem plant including management of all facets of the day to day manufacturing, production and processes.

Martin Robinson

Head of Group Operations

Martin joined Accsys in April 2017 and oversees all the manufacturing activities of the Group, both in Arnhem and Hull. He brings a wealth of experience gained during a very successful career at BP most recently as President Director BP Petrochemicals Indonesia. In his role, Martin will use his experience to help with this period of growth with the expansion of the Arnhem plant, as well as the build of the new Tricoya® chip plant in Hull.

DIRECTORS' REPORT

for the year ended 31 March 2017

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

Results and dividends

The consolidated statement of comprehensive income for the year is set out on page 70, 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 and Tricoya Ventures UK Limited (collectively the 'Group'). Manufactured through the Group's proprietary acetylation processes, these products exhibit superior dimensional stability and durability compared with alternative natural, treated and modified woods as well as more resource intensive man-made materials. A review of the business is set out in the Chairman's statement on page 08 and the Chief Executive's report on page 20. Accsys Technologies PLC is incorporated in the United Kingdom.

Business model and Strategy

The Business model and Strategy section, from page 14, sets out the Company's strategy, business model and key performance indicators.

Financial instruments

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

Share issues

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

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

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

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

Principal risks and uncertainties

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

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

(a) Economic and market conditions

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

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

(b) Regulatory, legislative and reputational risks

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

(c) Employees

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

(d) Intellectual property

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

Further details of how risks and uncertainties relate to our strategy and performance in the year are shown on page 16.

Greenhouse gas ('GHG') emissions

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

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

	2017 kg CO_2eq	2016 kg CO_2eq	2015 kg CO_2eq
Electricity, heat, steam and cooling for own use – GROSS	2,804,839	3,309,630	3,135,167
Electricity, heat, steam and cooling for own use – NET (including Renewable Energy Credits)	1,511,794	1,651,470	88,714
Combustion of fuel & operation of production facility (MP4), in Arnhem, the Netherlands	3,109,664	2,726,868	2,939,167
Total – Gross	5,914,503	6,036,498	6,074,334
External carbon offsets (VCS 2015)	(1,524,000)	(1,420,000)	–
TOTAL – NET (including Renewable Energy Credits)	3,097,458	2,958,338	3,027,882
Chosen intensity measurement: Emissions per cubic meter Accoya produced – GROSS	155	181	178
Chosen intensity measurement: Emissions per cubic meter Accoya produced – NET (including Renewable Energy Credits)	81	88	89

Notes:

- We have reported on all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 for our manufacturing facility in Arnhem, the Netherlands.
- Due to unavailability of data, GHG emissions related to our offices and staff travel are not included in the figures above.
- Emissions have been calculated following the GHG Protocol - Corporate Accounting and Reporting (revised edition) using the following databases: IPCC 2006 Guidelines for National Greenhouse Gas Inventories, 2007 IPCC Fourth Assessment Report and Eco-Invent v3.3.
- Note that following Environmental Reporting Guidelines of Defra (2013), carbon offsets may be accounted for separately as a 'NET' figure, while the original electricity consumption figures should be presented as a 'GROSS' figure.
- Following the same (Defra 2013) guidelines, the emissions associated with our supply chain (inputs and outputs) are not included in the figures above, for readers that are interested in the supply chain related figures we refer to our publicly available carbon footprint report: http://www.accoya.com/wp-content/uploads/2013/09/Verco-Cradle-to-gate-carbon-footprint-update-2012.pdf and Environmental Product Declaration (EN 15804): https://www.accoya.com/wp-content/uploads/2015/06/NEPD-376-262-EN-Accsys-Technologies-Accoya-Wood.pdf.
- For 2014, following Environmental Reporting Guidelines of Defra (2013), carbon offsets due to e.g. purchase of Renewable Energy Credits may be accounted for separately as a 'NET' figure, while the original electricity consumption figures are presented as a 'GROSS' figure.
- In the current and prior year, Accsys has offset its CO_2 emissions mainly through investing in verified carbon offset projects instead of through Renewable Energy Credits (see external carbon offsets) resulting in an amended presentation as recommended under the Defra guidelines.

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

DIRECTORS' REPORT CONTINUED

for the year ended 31 March 2017

Directors

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

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

Directors' indemnities

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

Employment policies

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

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

Health and safety

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

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

Significant shareholdings

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

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

There are no restrictions in respect of voting rights.

Going concern

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

Corporate Governance

The Company's statement on corporate governance can be found in the corporate governance report on pages 63 to 64 of these financial statements. The corporate governance report forms part of this directors' report and is incorporated into it by cross-reference.

Disclosure of information to auditors

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

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

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

Independent Auditors

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

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

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

By order of the Board

Angus Dodwell

Company Secretary

19 June 2017

REMUNERATION REPORT

I am pleased to present our 2017 Remuneration Report in which we have summarised the Company's remuneration policy, described how the policy was implemented in the year to 31 March 2017 and how it will be implemented in the year ending March 2018 and over the following years.

Year ended 31 March 2017 – Performance and Pay

The year ended 31 March 2017 was a transformational year for Accsys, as set out in the Chairman's statement at the beginning of this Annual Report. This included the entry into the Tricoya Consortium to build, operate and finance the world's first dedicated wood chip acetylation plant, significant progress with the expansion of the Accoya® plant in Arnhem, together with continued sales growth.

Remuneration policy considerations for 2017

Last year the Accsys Board undertook a review of executive remuneration, using an independent adviser, to ensure it reflected market and shareholder expectations. One year on, the Board believes the changes made last year continue to be appropriate and that the remuneration structure and mechanisms should continue.

The purpose of last year's review was to put the Company on a clear journey to a more conventional remuneration framework with the clear focus on continuing to improve financial performance.

In particular the changes we made last year to introduce more structure to the Annual Bonus opportunity continue to provide the Committee with necessary measures to incentivise and reward management at a time when the Group is undergoing significant growth and change.

In summary, the key features and how these have been reflected in the year are set out below, noting that these have remained within the approved Remuneration Policy:

- The salaries of Paul Clegg, Chief Executive Officer, Hans Pauli, Executive Director, Corporate Development and William Rudge, Finance Director other than a 1.5% increase applied earlier in the year for all staff, have remained unchanged.
- The annual bonus opportunity was moved to a more formal policy, however it has continued to be satisfied through a mix of cash and shares:
  - Absent extraordinary exceptional circumstances, the bonus opportunity will operate within a normal cap of 100% of salary for each Executive Director (the formal cap in the shareholder approved policy of up to 200% of salary remains although we would not envisage exceeding 100% other than in extraordinary exceptional cases).
  - The awards are anticipated to be wholly satisfied in cash following the year-end although the option to substitute shares will be retained.
  - Formal claw-back provisions permit recoupment within 3 years for an act of gross misconduct or if an error in the calculation/underlying assumptions is found.
  - For the awards made in summer 2016 in respect of performance for the year ended 31 March 2016, the bonus was determined by suitably challenging EBITDA targets subject to limited Committee discretion to adjust for changes in corporate strategy.
  - For the awards to be made in summer 2017 in respect of performance for the year ended 31 March 2017, the bonus has again been determined by suitably challenging targets which included a combination of EBITDA, sales growth and progress in respect of the Arnhem expansion. In addition, the Executive Directors were also eligible for an extraordinary exceptional bonus award of up to a further 50% of the basic salary, dependent upon the successful completion of the Tricoya® project within the financial year. Following the Company's announcement of the completion of the project on 29 March 2017, this was awarded in full. The annual bonus remains subject to limited Committee discretion to make adjustments.
- For the Long Term Incentive Plan ('LTIP'), it is intended to continue the award structure introduced last year:
  - Annual awards will be made, the first such award having been made in the summer of 2016, with a further award to be made in summer 2017, and each subsequent year.
  - The award to the CEO will be over shares worth 100% of his then prevailing salary and over shares worth 50% of salary for other Executive Directors.
  - Awards are subject to a 3 year performance period (i.e. year end March 2019) and a further 2 year holding period.

- A malus/claw-back provision was introduced.
- Consistent with awards made in summer 2016, 50% of the 2017 awards will be subject to a relative TSR condition with 25% of that part vesting at median and 100% at upper quartile. The precise comparator group remains to be finalised but the comparator group selected in for the 2016 award was constituent companies of the FTSE AIM All Share Index (excluding the Resource and Financial Services Sectors).
- The other 50% will be subject to an EBITDA per share target. EBITDA has been selected over the more common EPS given the Company's current focus on EBITDA growth.

Format of the report and context of our policy

The Remuneration Report is prepared under the UK regime for the reporting of executive pay which was first adopted in 2014 as a result of our quote on AIM in the UK, our cross-listing on NYSE Euronext in the Netherlands and our UK incorporated status which means that we come within the definition of a 'quoted company' in the UK Companies Act. Accordingly, and exceptionally amongst AIM companies, we are therefore legally required to comply with regime for the reporting and approval of directors' remuneration by UK quoted companies, including a binding vote on the directors' remuneration policy. The policy as set out in the 2015 Annual Report and Accounts was approved by our shareholders at the AGM held on 17 September 2015 and reflected an amendment to the section concerning Non-executive pay.

We have remained committed to pay at appropriate, but not excessive, levels and to reflect market practice amongst AIM companies.

Over the following pages we have set out:

- Details of the implementation of our reward policy for the year ended 31 March 2017, within the Remuneration Report.
- The Group's forward-looking Directors' Remuneration Policy which was approved by shareholders at our 2015 AGM and is therefore binding. All payments made to directors from that time have been consistent with this policy.

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

Yours sincerely

Sue Farr

Remuneration Committee Chairman

19 June 2017

REMUNERATION REPORT CONTINUED

Introduction

The following section contains the material required to be set out as the directors' remuneration policy for the purposes of Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, which amended The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

At our 2017 AGM we will be holding one vote on remuneration matters:

1) a vote on the this Remuneration Report, excluding the Remuneration Policy (included in part B)

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

Part A: Directors' Remuneration

Directors' remuneration

Directors' remuneration for the year ended 31 March 2017:

	Fees/ Basic Salary €'000	Benefits in kind €'000	Cash bonus[1] €'000	Share bonus[2] €'000	LTIPs vested[3] €'000	Pension €'000	2017 Total €'000	2017 Total GBP[4] £'000
Sean Christie[4]	54	–	–	–	–	–	54	45
Paul Clegg[6, 7]	300	23	163	58	990	30	1,564	1,340
Sue Farr	54	–	–	–	–	–	54	45
Montague John 'Nick' Meyer	48	–	–	–	–	–	48	40
Hans Pauli	209	6	111	40	225	12	603	502
William Rudge	169	2	91	32	125	9	428	362
Patrick Shanley	87	–	–	–	–	–	87	74
	921	31	365	130	1,340	51	2,838	2,408

Directors' remuneration for the year ended 31 March 2016:

	Fees/ Basic Salary €'000	Benefits in kind €'000	Cash bonus[1] €'000	Share bonus[2] €'000	LTIPs vested[3] €'000	Pension €'000	2016 Total €'000	2016 Total GBP[4] £'000
Sean Christie	61	–	–	–	–	–	61	45
Paul Clegg[5]	339	20	173	251	–	34	817	587
Sue Farr[4]	56	–	–	–	–	–	56	42
Montague John 'Nick' Meyer[4]	58	–	–	–	–	–	58	43
Hans Pauli	213	7	55	113	–	12	400	282
William Rudge	173	3	40	77	–	9	302	217
Patrick Shanley	104	–	–	–	–	–	104	76
	1,004	30	268	442	–	55	1,798	1,292

1 Represents annual bonus paid in cash in the period, relating to performance for the previous financial year.

2 Represents annual bonus awarded in form of Ordinary shares, relating to performance for the previous financial year. Shares are held in an Employment Benefit Trust and will fully transfer to the individual after a period of 1 year, assuming still employed or a good leaver and subject to regulation, for example the AIM rules.

3 During the period, 1,704,691 of LTIPs awarded to Executive Directors in 2013 vested with a further 1,175,309 forfeited as a result of not all performance targets having been met. The value included in the table represents the market value of the vested shares only at the date of vesting. No LTIPs vested in the prior year. None of the vested LTIPs have been exercised. See below for further details.

4 The total figures have also been presented in Pounds Sterling in order to help provide a more relevant comparison between the two years as the majority of Directors' remuneration, including 100% of the CEO's and FD's remuneration is denominated in Sterling.

5 Sue Farr was appointed chairman of the Remuneration Committee on 19 November 2015 replacing Nick Meyer.

6 Paul Clegg received an increase in benefits from January 2016 to reflect additional travel costs following the move of the head office from Windsor to London

7 Paul Clegg received cash in lieu of pension from 1 April 2016

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

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

The above section has been audited.

Directors' share options

Directors' share options for the year ended 31 March 2017:

	At 1 April 2016	Granted during year	Forfeited during year	At 31 March 2017
Paul Clegg				
2013 Vested – LTIP Element A (nil cost)	700,000	–	–	700,000
2013 Vested – LTIP Element B (nil cost)	1,040,000	–	(480,551)	559,449
2013 Vested – LTIP Element C (nil cost)	440,000	–	(440,000)	–
2016 Unvested – LTIP Element A (nil cost)	–	189,607	–	189,607
2016 Unvested – LTIP Element B (nil cost)	–	189,607	–	189,607
Total	2,180,000	379,214	(920,551)	1,638,663
Hans Pauli				
2013 Vested – LTIP Element A (nil cost)	200,000	–	–	200,000
2013 Vested – LTIP Element B (nil cost)	160,000	–	(73,931)	86,069
2013 Vested – LTIP Element C (nil cost)	80,000	–	(80,000)	–
2016 Unvested – LTIP Element A (nil cost)	–	65,314	–	65,314
2016 Unvested – LTIP Element B (nil cost)	–	65,314	–	65,314
Total	440,000	130,627	(153,931)	416,696
William Rudge				
2013 Vested – LTIP Element A (nil cost)	100,000	–	–	100,000
2013 Vested – LTIP Element B (nil cost)	110,000	–	(50,827)	59,173
2013 Vested – LTIP Element C (nil cost)	50,000	–	(50,000)	–
2016 Unvested – LTIP Element A (nil cost)	–	53,221	–	53,221
2016 Unvested – LTIP Element B (nil cost)	–	53,221	–	53,221
Total	260,000	106,442	(100,827)	265,615

Options awarded under the Company's Long Term Incentive Plan ('LTIP') are nil priced options.

The Company's share price on the day on which the LTIP Award of 19 September 2013 became effective following approval of the new LTIP scheme at the AGM (20 September 2013) was €0.14 (noting this is the price prior to the 5 for 1 share consolidation on 12 September 2014), and thus the face value of the vested awards made to the Executive Directors was as follows: Paul Clegg €881,515, Hans Pauli €200,248, William Rudge €111,421.

The Company's share price on the day on which the LTIP Award of 24 June 2016 became effective was €0.81, and thus the face value of the unvested awards made to the Executive Directors was as follows: Paul Clegg €307,163, Hans Pauli €105,808, William Rudge €86,218.

The above table has been audited.

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

REMUNERATION REPORT CONTINUED

Part A: Directors' Remuneration continued

2013 LTIP Award performance conditions and 2016 outcome

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

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

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

Notes:

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

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

2016 LTIP Award performance conditions

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

Element A (Share price element)

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

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

Element B (EBITDA element)

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

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

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

The above section in respect of 2016 LTIP Award performance conditions has been audited.

Share Bonus Award – Employee Benefit Trust

On 15 July 2016 in connection with employee remuneration and incentivisation arrangements for the period from 1 April 2015 to 31 March 2016, 673,355 €0.05 new ordinary shares were issued to an Employee Benefit Trust. The beneficiaries of these shares included the Executive Directors as set out below, with the awards reflecting the share element awarded as part of the overall annual bonus, as set out above.

	€0.05 Ordinary Shares
Paul Clegg	75,842
Hans Pauli	52,250
William Rudge	42,576

Such new ordinary shares shall vest if the Directors remain in employment with the Company at the vesting date, being 1 July 2017 (subject to certain other provisions including regulatory requirements, good-leaver, take-over and nomination and remuneration committee discretion provisions). The above shares correspond to the total figure of €130,000 disclosed in the remuneration table for the year ended 31 March 2017 in respect of the share bonus.

Employee Share Participation Plan

Details of the Employee Share Participation Plan (the 'Plan') are set out in Note 15. During the year, none of the Directors participated in the Plan.

Relative importance of spend on pay

During the year ended 31 March 2017, the total pay for all Group employees increased by 4.5% to €8,783,000 (2016: €8,403,000). This compared to a total of nil (2016: €nil) in respect of dividends and share buybacks.

Consideration of matters relating to directors' remuneration

The Nominations and Remuneration Committee consisted of Sue Farr (Chairman), Patrick Shanley, Nick Meyer and Sean Christie. All Non- executive directors (including the Chairman on appointment) are considered to be independent.

The Committee's adviser is FIT Remuneration Consultants LLP which was appointed by the Committee in 2011 and which the Committee is satisfied remains independent and objective. It provided €14,000 (2016: €31,000) of services to the Committee or the Company more generally during the financial year.

Directors' interests in the Ordinary shares of the Company

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

	Legal Holdings		Beneficial interests[2]	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Sean Christie	70,000	70,000	–	–
Paul Clegg[1]	592,692	492,692	142,542	333,249
Sue Farr	–	–	–	–
Montague John 'Nick' Meyer	29,285	29,285	–	–
Hans Pauli	350,527	300,527	52,250	119,788
William Rudge	172,594	131,820	42,576	87,547
Patrick Shanley	68,763	68,763	–	–

1 Beneficial interests at 31 March 2017 include 66,700 (2016: 66,700) shares held directly or indirectly by other members of Paul Clegg's immediate family.

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

The above table has been audited.

REMUNERATION REPORT CONTINUED

Part A: Directors' Remuneration continued

CEO's relative remuneration

Since joining in 2009, the CEO's total remuneration together with the proportion attributable to bonus or vested incentives is as set out in the table below:

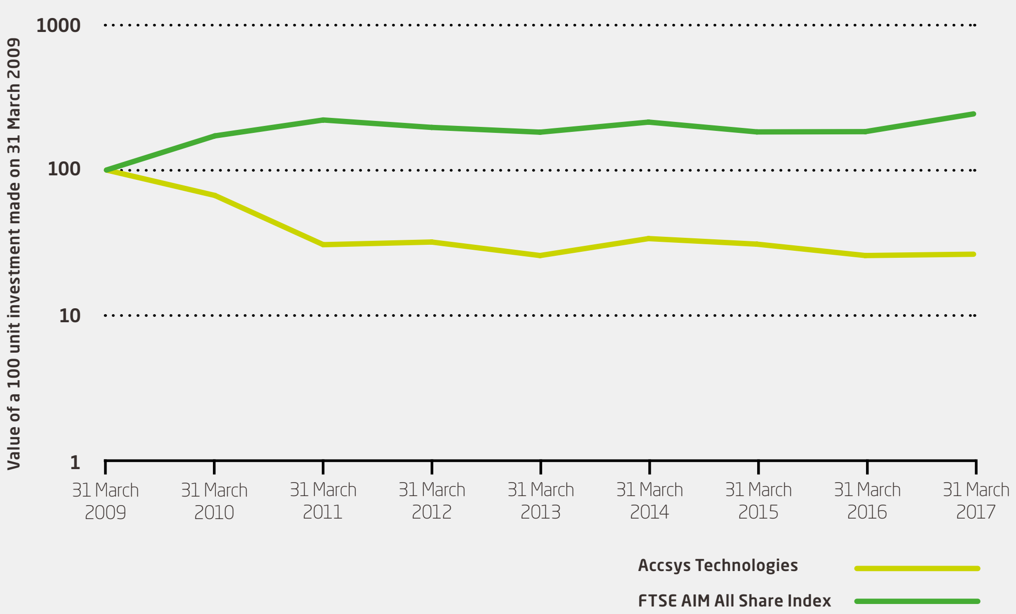
	2010 €'000	2011 €'000	2012 €'000	2013 €'000	2014 €'000	2015 €'000	2016 €'000	2017 €'000
Total remuneration	341	421	325	619	616	706	817	1,563
Bonus	94	139	–	280	288	348	424	221
Vested LTIP	–	–	–	–	–	–	–	990
% Bonus of Total	28%	33%	0%	45%	47%	49%	52%	14%
% Bonus of Cap	N/A	N/A	N/A	N/A	N/A	56%	63%	37%
% vested LTIPs of maximum	N/A	N/A	N/A	N/A	N/A	N/A	N/A	58%

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

2017 is the first financial year in which any share options have vested and therefore no figure has been reported in respect of the change compared to the previous financial year. Excluding the vested LTIP, the CEO's total salary, taxable benefits and annual bonus decreased by 30% in the period compared to the prior year (2016 increase: 16%) in Euros, as a result of a lower annual bonus. This equated to an 18% decrease in Pounds sterling, being the currency the CEO's salary is denominated in. Excluding Directors, the average Group salary, benefits and bonus increased by 3% (2016: 7%).

Performance graph

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



Statement of voting at general meeting

The AGM held on 21 September 2016 included the following resolutions:

An ordinary resolution was passed in respect of the approval of the Directors' remuneration report (excluding the Remuneration policy) for the year ending 31 March 2016. 25,325,939 (89.2%) votes were cast for the resolution, 3,065,943 against and nil withheld.

The AGM held on 17 September 2015 included the following resolution:

An ordinary resolution was passed to approve an increase to the aggregate of fees payable to the Chairman and Non-Executive Directors in any year, as provided for in a revised Directors' Remuneration Policy. 30,763,367 (99.0%) votes were cast for the resolution, 306,400 against and 1,742 withheld.

Auditable part of the remuneration report

In their audit opinion on pages 103 and 104, PricewaterhouseCoopers LLP refer to their audit of the disclosures required by the Companies Act 2006. These comprise the following disclosures in this Report:

- The table on page 50 showing total remuneration received by Directors during the year ended 31 March 2017;
- The table on page 50 showing total pension contributions made on behalf of the Directors during the year to 31 March 2017; and
- The share options table for the year ended 31 March 2017 on page 51.

Further details of the share option awards are set out in note 15 of the financial statements.

REMUNERATION REPORT CONTINUED

Part B: Directors' Remuneration Policy

The Directors' Remuneration Policy as set out in this section of the Remuneration Report is effective for all payments made to Directors from 17 September 2015, being the date of the AGM in which it was approved, and is available on the Company's website within the Annual Report and Accounts. The policy has remained as approved at the 2015 AGM. To assist the reader, the footnotes have been updated to explain how the policy is expected to be implemented.

Remuneration policy

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

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

Policy Table

Element and purpose	Policy and operation	Maximum	Performance measures
Base salary			
This is the core element of pay and reflects the individual's role and position within the Group with some adjustment to reflect their capability and contribution.	Base salaries are reviewed against suitable external comparators, although the Committee does not strictly follow data but uses it as a reference point in considering, in its judgment, the appropriate level of salary having regard to other relevant factors including corporate and individual performance and any changes in an individual's role and responsibilities. Base salary is paid monthly in cash.	In the normal course of events, the executive directors' salaries would not normally be increased by more than the average awarded to staff generally and, in any event, no increase from current salary levels would be made that would take an executive directors' salary above a limit of €400,000 p.a.	N/A

Element and purpose	Policy and operation	Maximum	Performance measures
Benefits			
To provide benefits valued by recipient.	Provide market competitive benefits in kind. Details of the benefits provided are set out in the section above. The Committee reserves discretion to introduce new benefits where it concludes that it is in the interests of Accsys to do so, having regard to the particular circumstances and to market practice. Where appropriate, the Company will meet certain costs relating to Executive Director relocations.	It is not possible to prescribe the likely change in the cost of insured benefits or the cost of some of the other reported benefits year-to-year, but the provision of benefits will operate within an annual limit of 20% of an Executive Director's base salary (plus a further 100% in the case of relocations). The Committee will monitor the costs in practice and ensure that the overall costs do not increase by more than the Committee considers to be appropriate in all the circumstances.	N/A
Pension			
To provide retirement benefits and remain competitive within the market place.	Accsys contributes to personal pension arrangements and/ or offers a salary supplement in lieu.	A contribution limit of 15% of base salary p.a. per Executive Director has been set for the duration of this policy.	N/A
Annual Bonus Plan			
To motivate employees and incentivise delivery of annual performance targets.	Annual bonus levels and the appropriateness of measures are reviewed annually to ensure they continue to support the strategy. Annual bonus is delivered primarily in shares although the Committee proposes to pay annual bonuses substantially or entirely in cash once the business sustains a constant and steady level of working capital to support the Company's growth strategy. Shares awarded as bonus vest one year after the date of award. Share awards attract dividends, should the Company award any dividends.	To date, the annual bonus has operated on an uncapped ad hoc basis without a formal cap although the Committee has, in practice, remained within 120%. To comply with the legislation, a cap of 200% of base salary p.a. has been introduced but it should be particularly noted that this is not an aspiration.	The performance measures applied may be financial or non-financial and corporate, divisional or individual and in such proportions as the Committee considers appropriate. Attaining the threshold level of performance produces a nil pay-out. The Committee retains discretion to adjust performance measures and targets during the year to take account of events outside of management control which were unforeseen when the measures and targets were originally set.

REMUNERATION REPORT CONTINUED

Element and purpose	Policy and operation	Maximum	Performance measures
Long-Term Incentives			
To motivate and incentivise delivery of sustained performance over the long-term, and to promote alignment with shareholders' interests, the Group operates the Accsys Technologies 2013 Long-Term Incentive Plan.	Awards under the LTIP may be granted as nil-cost options. Given the current absence of distributable reserves, it may not be possible to allot shares as fully paid so the Company reserves the right to require participants to pay par value and, in turn, allot further shares at par value which will generate a gain equal to the par value on shares subject to the award. Malus provisions apply to unvested awards on the discovery of deficient performance, or alternatively, award cash bonuses to the equivalent amount. Clawback of vested awards apply in the event of mis-booking of reserves, misstatement of earnings, censure by a regulatory authority or any other serious damage to Company reputation. Three types of awards can be granted: • Retention based awards, not subject to performance conditions but subject to continued employment for 3 years • Performance based awards, subject to performance conditions • Exceptional multiplier awards, subject to performance conditions which require the creation of significant value for shareholders	The LTIP allows for the grant of awards over up to 10% of issued share capital over a 10 year period (including outstanding awards under all other share plans but excluding shares issued in respect of annual bonus arrangements, any options or awards which have lapsed and any awards to be satisfied by shares purchased by an employees' shares trust). The Company will apply an internal limit such that no Executive Director will receive an award under the LTIP of more than 300% of base salary in any given financial year. In practice, the Company had not envisaged and continues not to envisage awards at even this level. The Committee expressly reserves discretion to make such awards as it considers appropriate within these limits.	The Committee may set such performance conditions on LTIP awards as it considers appropriate (whether financial or non-financial and whether corporate, divisional or individual). Once set, performance measures and targets will generally remain unaltered unless events occur which, in the Committee's opinion, make it appropriate to substitute, vary or waive the performance conditions in such manner as the Committee thinks fit. Performance periods may be over such periods as the Committee selects at grant. No less than 25% of awards vest for attaining the threshold level of performance conditions.
Employee Share Participation Plan			
To encourage share ownership by employees, thereby allowing them to share in the long-term success of the Group and align their interests with those of the shareholders.	Executive Directors are able to participate in all-employee share plans on the same terms as other Group employees.	The Employee Share Participation Plan allows for individuals to subscribe for shares on two occasions during the year up to a limit of €5,000 per annum. On each occasion a 1:1 match for shares subscribed is offered subject to still being employed by the Company after one year.	Consistent with normal practice, such awards are not subject to performance conditions.

Element and purpose	Policy and operation	Maximum	Performance measures
Chairman and Non-Executive Director fees	The fees paid to the Chairman and the fees of the other Non-executive directors are set to be competitive with other listed companies of equivalent size and complexity. Fee levels are periodically reviewed. The Company does not adopt a quantitative approach to pay positioning and exercises judgment as to what it considers to be reasonable in all the circumstances as regards quantum. Fees are paid quarterly in cash. Non-Executive Directors are not eligible to participate in incentive arrangements or receive pension provision or other benefits such as private medical insurance and life insurance.	The aggregate fees of the Chairman and Non-executive directors will not exceed €500,000 (increased from €250,000) p.a. in aggregate. The Company reserves the right to vary the structure of fees within this limit including, for example, introducing time-based fees or reflecting the establishment of new Board Committees.	N/A

Notes to the policy table

1. Annual bonus performance measures for year ended March 2018

As set out in Part 1, it is intended to operate the annual bonus plan more formally as in the prior year.

- Absent extraordinary exceptional circumstances, the bonus opportunity will operate within a normal cap of 100% of salary for each Executive Director (the formal cap in the shareholder approved policy of up to 200% of salary remains although we would not envisage exceeding 100% other than in extraordinary exceptional cases).
- The awards are anticipated to be wholly satisfied in cash following the year-end although the option to substitute shares will be retained.
- Formal claw-back provisions exist which permits recoupment within 3 years for an act of gross misconduct or if an error in the calculation/underlying assumptions is found.

For the awards to be made in summer 2017 in respect of performance for the year ended 31 March 2017, the bonus has been determined by suitably challenging targets which included a combination of EBITDA, sales growth and progress in respect of the Arnhem expansion. In addition, the Executive Directors were also eligible for an extraordinary exceptional bonus award of up to a further 50% of the basic salary, dependent upon the successful completion of the Tricoya project within the financial year. Following the Company's announcement of the completion of the project on 29 March 2017, this was awarded in full. The annual bonus remains subject to limited Committee discretion to make adjustments.

2. Performance conditions for LTIP awards in the year ending March 2018

It is expected that LTIP awards will be made in the summer of 2017 for the reasons set out in the section 'Remuneration policy considerations for 2017'. It is expected that:

- The award to the CEO will be over shares worth 100% of his then prevailing salary and over shares worth 50% of salary for other Executive Directors.
- Awards will be subject to a three year performance period (i.e. year end March 2020) and a further 2 year holding period.
- A malus/claw-back provisions will apply.
- 50% of the first awards will be subject to a relative TSR condition with 25% of that part vesting at median and 100% at upper quartile. The precise comparator group remains to be finalised but is likely to be a variant of the constituents of FTSE AIM companies.
- The other 50% will be subject to an EBITDA per share target. EBITDA has been selected over the more common EPS given the Company focus on EBITDA growth.

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

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

4. Stating maximum amounts for the remuneration policy

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

REMUNERATION REPORT CONTINUED

Notes to the policy table continued

5. Travel and hospitality

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

6. Employee Share Participation plan

While the directors have participated in the Employee Share Participation plan in previous years, and it has remained part of the formal policy, in practice the Directors do not participate in the plan. The plan was not open for subscription during the year ended March 2017.

Recruitment remuneration policy

The Company's recruitment remuneration policy aims to give the Committee sufficient flexibility to secure the appointment and promotion of high-calibre executives to strengthen the management team and secure the skill sets to deliver our strategic aims. However, as an external recruitment has not taken place for a considerable period of time, the preparation of this policy is challenging as it provides for an event which has not been the Company's practice.

In terms of the principles for setting a package for a new Executive Director, the starting point for the Committee will be to apply the general policy for Executive Directors as set out above and structure a package in accordance with that policy.

Consistent with the new UK regulations, the caps contained within the policy for fixed pay do not apply to new recruits, although the Committee would not envisage exceeding these caps in practice.

The annual bonus and long-term incentive compensation arrangements will operate (including the maximum award levels) as detailed in the general policy in relation to any newly appointed Executive Director. For an internal appointment, any variable pay element awarded in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate.

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

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

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

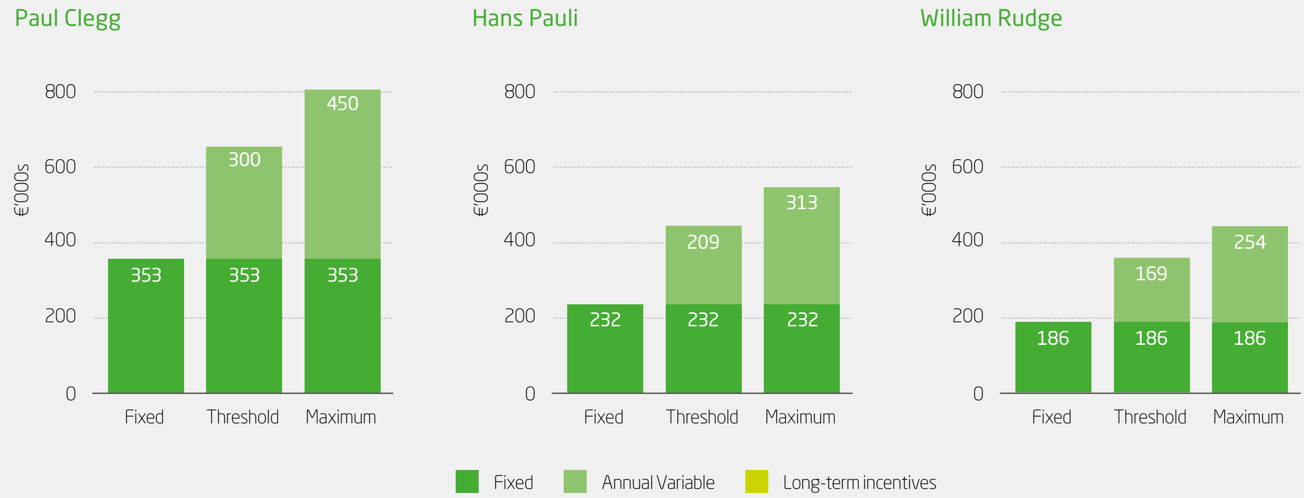
For any buy-outs the Company will not pay more than is, in the view of the Committee, necessary and will in all cases seek, in the first instance, to deliver any such awards under the terms of the existing incentive pay structure. It may, however, be necessary in some cases to make buy-out awards on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

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

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

Potential rewards under different scenarios

The charts below show the potential pay-out under the proposed arrangements for each Executive Director under different scenarios.



Notes:

1 Fixed pay out reflects basic salaries, benefits in kind and pension allowances in place at the start of the year ending 31 March 2018.

2 The threshold pay-out levels are based upon the actual performance against the targets as measured based upon the results for the year ended 31 March 2017 giving rise to 100% award. The maximum is based on a payment of 150%, being the maximum target, including a 50% extraordinary exceptional bonus award dependent upon the successful completion of the Tricoya project (noting the policy allows for a 200% cap which remains in place in exceptional circumstances rather than representing a realistic estimate).

3 The graphs above reflects that none of the options previously granted under the LTIP plan in the year ended 31 March 2017 are expected to vest (in whole or in part) or become exercisable in the year ended 31 March 2018. New options are expected to be granted in the year ended 31 March 2018 as set out in the introduction to the Remuneration Report.

Directors' service contracts

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

Executive Director service contracts, which do not contain expiry dates, provide that compensation provisions for termination without notice will only extend to salary, certain fixed benefits and pension. In the case of William Rudge and Hans Pauli such sums may be paid in instalments and cease if the individual finds an alternative role.

Following a change of control, if the Company terminates Paul Clegg's employment in breach of or in accordance with the terms of his service contract or if Paul Clegg terminates the employment in response to a fundamental breach of contract by the Company or in accordance with the terms of his service contract, then he will be entitled to a termination payment comprising 12 months base pay and benefits, plus an amount in respect of bonus of at least the level of the average of historic bonus levels (or a higher discretionary amount awarded in respect of Company and personal performance in the financial year of termination), unpaid expenses and the value of accrued holiday entitlement.

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

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.

REMUNERATION REPORT CONTINUED

Termination policy summary

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

Incentives	Good leaver	Bad leaver	Exceptional events
	If a leaver is deemed to be a 'good leaver'; i.e. leaving through redundancy, retirement, ill health, disability or death, sale of part of the Group or otherwise at the discretion of the Remuneration Committee	*If a leaver is deemed to be a 'bad leaver'; typically voluntary resignation or leaving for disciplinary reasons*	*For example change in control or winding up of the Company*
Annual bonus	Pro-rated bonus. Pro-rating to reflect only the period worked. Performance metrics determined by the Remuneration Committee. Annual bonus awarded in shares, but still held in the Employee Benefit Trust for a year, will fully vest.	No awards made.	Either the annual bonus will continue for the year or there will be a pro-rated bonus. Performance metrics determined by the Remuneration Committee.
LTIP	Will receive a pro-rated award subject to the application of the performance conditions at the normal measurement date.	All awards will normally lapse.	Awards vest after taking into account both the application of the performance conditions at the date of the event and the period of time served (other than in the respect of retention based awards).

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

Non-Executive Directors' contracts

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

Name	Date of letter of appointment[1]	Appointment end date	Unexpired term (months)
Patrick Shanley	18 November 2010	18 November 2019	27
Nick Meyer	17 May 2011	17 May 2020	35
Sean Christie	27 November 2014	27 November 2017	5
Sue Farr	27 November 2014	27 November 2017	5

1. As amended by agreements dated 21 November 2013, 10 February 2015 and 14 June 2017 in respect of N Meyer and on 21 November 2013, 10 June 2014, 10 February 2015 and 16 November 2016 in respect of P Shanley.

Consideration of employment conditions elsewhere in the Group

As explained in the general policy section of the Remuneration policy, the Committee takes into account Group-wide pay and employment conditions. The Committee reviews the average Group-wide base salary increase and bonus costs and is responsible for all discretionary and all-employee share arrangements.

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

Consideration of shareholders' views

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

CORPORATE GOVERNANCE

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

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

The Board of Directors

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

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

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

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

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

Audit Committee

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

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

Nominations & Remuneration Committee

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

CORPORATE GOVERNANCE CONTINUED

Internal Financial Control

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

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

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

Relations with shareholders

Communications with shareholders are given high priority.

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

Directors' attendance record

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

	Board		Audit Committee		Nomination & Remuneration Committee	
Number of meetings	**Attended**	**Serving[1]**	**Attended[2]**	**Serving**	**Attended[3]**	**Serving**
Sean Christie	9	13	3	3	5	6
Paul Clegg	13	13	1	–	2	–
Sue Farr	8	13	3	3	6	6
Hans Pauli	10	13	1	–	–	–
Patrick Shanley	10	13	3	3	6	6
Montague John 'Nick' Meyer	8	13	3	3	5	6
William Rudge	13	13	1	–	–	–

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

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

Notes

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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.

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

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements of IFRS as adopted by the European Union and the applicable UK Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position and financial performance.

In preparing both the Group and the Company financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Applicable accounting standards have been followed. The financial statements have been prepared on the going concern basis as disclosed in the Statutory Information section of the Directors' Report and Business Review.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the directors, whose names and functions are listed on pages 40 to 41 of this annual report, confirm that:

- to the best of their knowledge, the consolidated financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- to the best of their knowledge, the strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of principal risks and uncertainties that it faces; and
- they consider the annual report, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

ACCOYA® CLADS EXTERIOR OF TASHJIAN BEE POLLINATOR DISCOVERY CENTER

The University of Minnesota's newly constructed Tashjian Bee and Pollinator Discovery Center at The Minnesota Landscaped Arboretum is coupling bee research, with hands-on learning for the public.

The 7,530-square foot center, the first building in a master planned farm to table campus, combines educational programming and public outreach into one thoughtful structure.

All of the exterior cladding on the center is Accoya wood, in charred and stained finishes. The design team wanted to use Accoya wood and had reached out to Delta Millworks in Austin, Texas to see if they could char it as part of the exterior cladding. At that time, Delta Millworks had just started working with Accoya wood and obliged, adding that it is now its preferred charred wood due to its even char finish.

accoya®

FINANCIAL STATEMENTS

GROUP INDEPENDENT AUDITORS' REPORT

to the members of Accsys Technologies PLC

Report on the Group financial statements

Our opinion

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

- give a true and fair view of the state of the Group's affairs as at 31 March 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), comprise:

- the consolidated statement of financial position as at 31 March 2017;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of cash flow for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 65, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of:

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

Other matter

We have reported separately on the parent Company financial statements of Accsys Technologies PLC for the year ended 31 March 2017 and on the information in the Directors' Remuneration Report that is described as having been audited.

Darryl Phillips (Senior Statutory Auditor)

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

19 June 2017

(a) The maintenance and integrity of the Accsys Technologies PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2017

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

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

The notes on pages 74 to 102 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2017

Registered Company 05534340

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

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

Paul Clegg
Director

William Rudge
Director

The notes on pages 74 to 102 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2017

	Share capital Ordinary €000	Share premium €000	Other reserves €000	Own Shares €000	Foreign currency 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 31 March 2015	4,440	128,714	106,855	(39)	180	(199,022)	41,128	–	41,128
Total comprehensive income/(expense) for the period	–	–	–	–	(27)	(858)	(885)	(10)	(895)
Share based payments	–	–	–	–	–	1,038	1,038	–	1,038
Shares issued	55	–	–	(8)	–	–	47	–	47
Premium on shares issued	–	78	–	–	–	–	78	–	78
Issue of subsidiary shares to non-controlling interests	–	–	586	–	–	–	586	71	657
Balance at 31 March 2016	4,495	128,792	107,441	(47)	153	(198,842)	41,992	61	42,053
Total comprehensive income/(expense) for the period	**-**	**-**	**-**	**-**	**(108)**	**(4,882)**	**(4,990)**	**(143)**	**(5,133)**
Share based payments	**-**	**-**	**-**	**-**	**-**	**884**	**884**	**-**	**884**
Shares issued	**36**	**-**	**-**	**14**	**-**	**-**	**50**	**-**	**50**
Premium on shares issued	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Issue of subsidiary shares to non-controlling interests	**-**	**-**	**6,491**	**-**	**-**	**-**	**6,491**	**12,702**	**19,193**
Issue of subsidiary shares to Group companies	**-**	**-**	**(576)**	**-**	**-**	**-**	**(576)**	**-**	**(576)**
Balance at 31 March 2017	**4,531**	**128,792**	**113,356**	**(33)**	**45**	**(202,840)**	**43,851**	**12,620**	**56,471**

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

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

See note 25 for details concerning Other reserves.

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

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

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

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

The notes on pages 74 to 102 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 31 March 2017

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

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

The notes on pages 74 to 102 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ending 31 March 2017

1. Accounting Policies

Basis of accounting

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

Going Concern

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

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

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

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

Changes in accounting policies

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

Exceptional Items

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

Business combinations

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

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

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

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

Revenue recognition

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

Manufacturing revenue

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

Licensing fees and Marketing income

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

Finance income

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

Finance expense

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

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

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

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

Share based payments

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

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

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

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

Dividends

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2017

1. Accounting Policies continued

Pensions

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

Taxation

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

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

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

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

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

Foreign currencies

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

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

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

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

Government grants

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

Goodwill

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

Other intangible assets

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

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

Property, plant and equipment

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

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

Impairment of non-financial assets

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

Leases

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

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

Inventories

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2017

1. Accounting Policies continued

Financial assets

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

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Financial liabilities

Other financial liabilities

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

Loans and other borrowings are initially recognised at the fair value of amounts received net of transaction costs and subsequently measured at amortised cost using the effective interest method.

Share capital

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

Segmental Reporting

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

2. Accounting estimates and judgements

In preparing the Consolidated Financial Statements, management has to make judgements 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 estimation and uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year are discussed below:

Revenue recognition

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

Goodwill

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

Intellectual property rights and property, plant and equipment

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

Inventories

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

Available for sale investments

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2017

3. Segmental reporting

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

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

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

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

Corporate

Corporate costs are those costs not directly attributable to Accoya, Tricoya or Research and Development activities. This includes management and the Group's corporate and general administration costs including the head office in London. Headcount = 15 (2016: 14)

Accoya

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

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

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

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

Tricoya

Revenue and costs are those attributable to the business development of the Tricoya® process and establishment of Tricoya Hull Plant. Headcount = 4 (2016: 3), noting a substantial proportion of the costs to date have been incurred via recharges from other parts of the Group or have resulted from contractors.

Research and Development

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

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

Analysis of Revenue by geographical area of customers:

	2017 €'000	2016 €'000
UK and Ireland	**25,307**	21,426
Rest of Europe	**12,984**	14,085
Benelux	**7,992**	7,764
Americas	**5,810**	4,846
Asia-Pacific	**4,009**	4,382
Rest of World	**427**	266
	56,529	52,769

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2017

3. Segmental reporting continued

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

	2017 €'000	2016 €'000
UK	**7,776**	7,806
Other countries	**20,513**	19,215
Un-allocated – Goodwill	**4,231**	4,231
	32,520	31,252

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

4. Other operating costs

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

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

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

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

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

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

5. Exceptional items

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

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

6. Employees

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

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

	Number	Number
Sales and marketing, administration, research and engineering	**78**	75
Operating	**46**	46
	124	121

7. Directors' remuneration

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

Compensation of key management personnel included the following amounts:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2017

8. Operating loss

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

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

9. Tricoya Technologies Limited

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TTL Group income statement:

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

TTL Group balance sheet:

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2017

10. Finance income

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

11. Finance expense

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

12. Tax expense

(a) Tax recognised in the statement of comprehensive income comprises:

	2017 €'000	2016 €'000
Current tax expense		
UK Corporation tax on profits for the year	**-**	–
Research and development tax credit in respect of current year	**(274)**	(256)
	(274)	(256)
Overseas tax at rate of 15%	**12**	(29)
Overseas tax at rate of 25%	**928**	687
Deferred Tax		
Utilisation of deferred tax asset	**-**	–
Total tax charge reported in the statement of comprehensive income	**666**	402

(b) The tax credit for the period is lower than the standard rate of corporation tax in the UK (2017: 20%, 2016: 20%) due to:

	2017 €'000	2016 €'000
Loss profit before tax	**(4,359)**	(466)
Expected tax credit at 20% (2016 – 20%)	**(872)**	(93)
Expenses not deductible in determining taxable profit	**176**	120
(Over)/Under provision in respect of prior years	**(114)**	183
Tax losses for which no deferred income tax asset was recognised	**1,593**	294
Effects of overseas taxation	**40**	145
Other temporary differences	**117**	9
Research and development tax credit in respect of prior years	**(34)**	(58)
Research and development tax credit in respect of current year	**(240)**	(198)
Total tax charge reported in the statement of comprehensive income	**666**	402

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

13. Dividends Paid

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

14. Loss per share

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

Basic and diluted earnings per share

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

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

15. Share based payments

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

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

Options – total

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

Outstanding options granted are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2017

15. Share based payments continued

Options - total continued

Movements in the weighted average values are as follows:

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

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

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

Long Term Incentive Plan ('LTIP')

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

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

LTIP overview

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

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

2013 LTIP Award performance conditions and 2016 outcome

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

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

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

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

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

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

Awards made in June 2016 and LTIP Award performance conditions

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

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

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for the year ending 31 March 2017

15. Share based payments continued

Long Term Incentive Plan ('LTIP') continued

Element A (Share price element)

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

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

Element B (EBITDA element)

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

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

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

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

2005 and 2008 Share Option schemes

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

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

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

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

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

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

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

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

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

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

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

Options granted on 1 August 2011 were partially exchanged in the period for new awards issued under the LTIP. 30% of the options vest on achievement of median TSR. Full vesting of the options granted occurs upon achievement of upper quartile TSR measured over the three year period. Once vested, these options may be exercised until 1 August 2021. At 31 March 2016, 140,000 (2015: 160,000) of these options were outstanding at an exercise price of €0.50.

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

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

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

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

Employee Benefit Trust – Share bonus award

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

Employee Share Participation Plan

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2017

16. Intangible assets

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

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

17. Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2017

18. Other financial assets

	2017 €'000	2016 €'000
Available for sale investments	**–**	–

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

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

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

19. Deferred Taxation

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

The Group also has an unrecognised deferred tax asset of €24.0m (2016: €23.2m) which is largely in respect of trading losses of the UK subsidiaries. The deferred tax asset has not been recognised due to the uncertainty of the timing of future expected profits of the related legal entities which is dependent on the profits attributable to licensing and future manufacturing income.

20. Subsidiaries

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

21. Inventories

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

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

22. Trade and other receivables

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

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

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. The majority of trade and other receivables is denominated in Euros, with €637,000 of the trade and other receivables denominated in US Dollars (2016: €380,000).

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

	2017 €'000	2016 €'000
Up to 30 days overdue	**251**	258
Over 30 days and up to 60 days overdue	**-**	61
Over 60 days and up to 90 days overdue	**-**	-
Over 90 days overdue	**36**	4
	288	323

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

Movement in provision for doubtful debts:

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

Summary of Receivable Impairments:

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2017

23. Trade and other payables

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

24. Share capital

	2017 €'000	2016 €'000
Allotted – Equity share capital		
90,643,585 Ordinary shares of €0.05 each (2016: 89,890,019 Ordinary shares of €0.05 each)	**4,531**	4,495
	4,531	4,495

In year ended 31 March 2016:

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

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

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

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

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

In year ended 31 March 2017:

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

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

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

Post year-ended 31 March 2017:

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

25. Other reserves

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

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

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

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

26. Transactions with non-controlling interests

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

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

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

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

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

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

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

Transactions with non-controlling interests

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

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27. Commitments under operating leases

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

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

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

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

28. Commitments under finance leases

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

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

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

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

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

29. Commitments under loan agreements

	2017 €'000	2016 €'000
Amounts payable under loan agreements:		
Within one year	**-**	–
In the second to fifth years inclusive	**5,407**	–
In greater than five years	**14,690**	–
Present value of loan agreements	**20,097**	–

Loan Notes:

On 29 March 2017 the Group issued £16.25 million (€18.38 million) of unsecured fixed rate loan notes, due 2021. £10.48 million of Loan Notes in principal were issued to Business Growth Fund ('BGF'), with £5.77 million in principal issued to Volantis. The BGF loan notes are subject to a 7% fixed interest rate for the duration of their term and the Volantis loan notes are subject to a 7% fixed interest rate until 31 December 2018, with the interest rate fixed at 9% thereafter. Interest is rolled up until 31 December 2018 on both loans, with further roll up of interest on the Volantis loan until six-monthly redemption payments of both loans commence on 31 December 2021 and end on 30 June 2023.

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

Rhodia Acetow Facility:

On 29 December 2016 the Group drew down €2 million of its €9.5 million term loan facility with Rhodia Acetow GmBH (formerly known as Solvay Acetow GmBH). The facility is to be used to design, procure and build an extension to the capacity of the Arnhem Plant, with a new reactor for the manufacture of Accoya at a design capacity of approximately 20,000m3. This facility is secured against existing Arnhem chemical plant and associated assets and is subject to interest at 7.5% per annum. At 31 March 2017, the Group had €2m (2016: €nil) borrowed under this facility. Interest is rolled up until quarterly repayment of the loan commences on 29 December 2018.

Tricoya facility:

On 29 March 2017 the Company's subsidiary (Tricoya Ventures UK Limited) entered into a six-year €17.2 million (€15 million net) finance facility agreement with the Royal Bank of Scotland Plc in respect of the construction and operation of the Hull Plant. The facility is secured by fixed and floating charges over all assets of Tricoya Ventures UK Limited. At 31 March 2017, the Group had €nil (2016: €nil) borrowed under the facility which will be drawn down, as required, once the funds provided by shareholders have been fully utilised. Facility repayments will commence 12 months after practical completion of the Hull Plant. Interest will accrue at Euribor plus a margin, with the margin ranging from 325 to 475 basis points.

Trade receivable and inventory facilities:

Trade receivables facility

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

Inventories facility

In August 2016 the Group amended its credit facility agreement with ABN AMRO Bank N.V., which had been initially agreed in 2013. The facility is 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 of 3.5% as at 31 March 2017 (2016: 3.6%). At 31 March 2017, the Group had €nil (2016: €nil) borrowed under both of the facilities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2017

30. Equity options

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

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

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

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

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

31. Financial instruments

Finance lease

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

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

Capital risk management

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

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

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

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

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

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

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

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

Market risk

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

Financial risk management objectives

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

Foreign currency risk management

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

Interest rate risk management

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2017

31. Financial instruments continued

Credit risk management

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

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

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

Liquidity risk management

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

Fair value of financial instruments

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

32. Capital Commitments

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

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

33. Post Balance Sheet Events

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

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

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

INDEPENDENT AUDITORS' REPORT

to the members of Accsys Technologies PLC

Report on the parent company financial statements

Our opinion

In our opinion the Accsys Technologies PLC's parent company financial statements (the 'financial statements'):

- give a true and fair view of the state of the parent company's affairs as at 31 March 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the 'Annual Report') comprise:

- the Company balance sheet as at 31 March 2017;
- the notes to the Company financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in their preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

In our opinion, based on the work undertaken in the course of the audit:

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 65, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

INDEPENDENT AUDITORS' REPORT CONTINUED

to the members of Accsys Technologies PLC

What an audit of financial statements involves

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

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

Other matter

We have reported separately on the Group financial statements of Accsys Technologies PLC for the year ended 31 March 2017.

Darryl Phillips (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

19 June 2017

a) The maintenance and integrity of the Accsys Technologies PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONDENSED COMPANY BALANCE SHEET

as at 31 March 2017

Registered Company 05534340

	Note	2017 €'000	2016 €'000
Fixed assets			
Investments in subsidiaries	4	**14,542**	13,658
Property, plant and equipment	6	**156**	197
Other investments	5	**–**	–
		14,698	13,855
Current assets			
Debtors	7	**151,890**	130,612
Cash at bank and in hand		**1,338**	2,748
		153,228	133,360
Creditors: amounts falling due within one year	8	**(13,469)**	(10,440)
Net current assets		**139,759**	122,920
Creditors: amounts falling due after more than one year	9,10	**(18,153)**	(137)
Total assets less current liabilities		**136,304**	136,638
Capital and reserves			
Called up Share capital	11	**4,531**	4,495
Share premium account	12	**128,792**	128,792
Reserve for own shares	12	**(33)**	(47)
Capital redemption reserve	12	**148**	148
Profit and loss account	12	**2,866**	3,250
Total shareholders' funds	13	**136,304**	136,638

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

Paul Clegg Director

William Rudge Director

The notes on pages 106 to 111 form an integral part of the parent Company financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ending 31 March 2017

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 2017. 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 3 of the Group financial statements.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The Company has taken advantage of the exemption in FRS 101, and has not disclosed information required by the standard as the consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7 'Financial instruments: disclosures'.
- The Company has taken advantage of the exemption available under FRS 101 and not disclosed related party transactions with wholly owned subsidiary undertakings.
- The Company has taken advantage of the exemption available under FRS 101 and the requirements of IAS 7 to not disclose a Statement of Cash Flows.

As permitted under section 408 of the Act the Company has elected not to present its own profit and loss account for the year. The loss for the financial year was €1,268,000 (2016: loss of €970,000). The results of the parent Company are disclosed in the reserves reconciliation in note 12.

Going concern

After making enquiries, and taking into account the proceeds from the Firm Placing and Open offer which was successfully completed on 23 April 2017, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months. For this reason, they continue to adopt the going concern basis in the financial statements.

Investments

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

Share based payments

When the parent entity grants options over equity instruments directly to the employees of a subsidiary undertaking, then in the parent company financial statements the effect of the share based payment 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.

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:

Office equipment: Between 20% and 50%

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.

2. Profit and loss account

A loss of €1,268,000 (2016: loss of €970,000) is dealt with in the Company financial statements of Accsys Technologies PLC. The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company. Fees payable to the Company's auditors for the audit of the Company's annual financial statements was €65,000 (2016: €74,000). Fees payable to the Company's auditors for the audit of the Company's subsidiaries was €112,000 (2016: €106,000) and fees payable for other services were €110,000 (2016: €134,000).

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 (2017: 3 and 2016: 3) during the current or prior year. Non-executive Directors received emoluments in respect of their services to the Company of €242,000 (2016: €280,000). 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 31 March 2015	17,300
Share based payments	1,038
At 31 March 2016	18,338
Share based payments	884
At 31 March 2017	19,222
Impairment	
At 1 April 2016 and 31 March 2017	4,680
Net book value	
At 31 March 2017	14,542
At 31 March 2016	13,658
At 31 March 2015	12,620

The Directors believe that the carrying value of the investments are supported by the underlying net assets and future profitability.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2017

4. Investments in subsidiaries continued

The following were the principal subsidiary undertakings at the end of the year and have all been included in the financial statements:

Subsidiary undertakings	Class	2017 % shares and voting rights held	2016 % shares and voting rights held
Titan Wood Technology BV (Netherlands)	Ordinary	**100**	100
Titan Wood BV (Netherlands)	Ordinary	**100**	100
Titan Wood Limited (UK)	Ordinary	**100**	100
Titan Wood Inc (USA)	Ordinary	**100**	100
Tricoya Technologies Limited (UK)[1]	Ordinary	**75**	97
Tricoya Ventures UK Limited (UK)[1, 2]	Ordinary	**46**	97

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

1. Shareholdings issued to Non-controlling interests (See note 9 & 26 of Group accounts)
2. Subsidiary of Tricoya Technologies Limited (UK) incorporated on 29 March 2016

The principal activities of these companies were as follows:

Titan Wood Technology B.V.*	The provision of technical and engineering services to licensees, and the technical development of acetylation opportunities.
Titan Wood B.V.*	The manufacture and sale of Accoya®, acetylated wood.
Titan Wood Limited **	Establishing global market penetration of Accoya and Tricoya® as the premium wood and wood elements brands respectively for external applications requiring durability, stability and reliability through the licensing of the Group's proprietary process for wood acetylation.
Titan Wood Inc. ***	Provision of Sales, Marketing and Technical services.
Tricoya Technologies Limited **	Engaged in the commercialisation of technology for the production of Tricoya Wood Elements around the world.
Tricoya Ventures UK Limited **	The construction and expected future operation of manufacturing plant for Tricoya wood chips as the premium wood elements brand for external applications requiring durability, stability and reliability.

Registered office of subsidiaries:
* P.O. Box 2147, 6802 CC, Arnhem, The Netherlands
** Brettenham House, 19 Lancaster Place, London, WC2E 7EN, United Kingdom
*** 5000 Quorum Drive, Suite 620, Dallas, Texas 75254, U.S.A

5. Other investments

	2017 €'000	2016 €'000
Unlisted securities available for resale	**–**	–

Accsys Technologies PLC has previously purchased a total of 21,666,734 unlisted ordinary shares in Diamond Wood China. 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.

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

6. Property, plant and equipment

	Office equipment €'000	Total €'000
Cost or valuation		
At 31 March 2015	–	–
Additions	208	208
At 31 March 2016	208	208
Additions	–	–
At 31 March 2017	208	208
Accumulated depreciation		
At 31 March 2015	–	–
Charge for the year	11	11
At 31 March 2016	11	11
Charge for the year	41	41
At 31 March 2017	52	52
Net book value		
At 31 March 2017	156	156
At 31 March 2016	197	197
At 31 March 2015	–	–

Included within property, plant and equipment are assets which have been accounted for as a finance lease (see note 9).

7. Debtors

	2017 €'000	2016 €'000
Amounts owed by Group undertakings	**150,480**	130,426
Prepayments and accrued income	**1,410**	186
	151,890	130,612

The balance of amounts owed by Group undertakings increased in the period largely as a result of the proceeds of the Loan Notes from BGF and Volantis which were invested by way of intercompany loans to the Company's immediate subsidiary, Titan Wood Limited, which invested the net proceeds in Tricoya Technologies Limited. See note 9 of the Group financial statements.

The amounts owed by Group undertakings are payable on demand, however the Company has indicated it has no intention of demanding payment within the next twelve months. The Directors have considered the recoverability of the balances, taking into account the net assets as well as the long term expected performance of the subsidiaries and do not consider that any impairment is currently required. However, a degree of risk remains over the carrying value given the relative uncertainty of the future results.

8. Creditors: amounts falling due within one year

	2017 €'000	2016 €'000
Trade creditors	**338**	407
Amounts owed to Group undertakings	**11,694**	9,866
Obligation under finance lease	**56**	60
Accruals and deferred income	**1,382**	107
	13,469	10,440

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ending 31 March 2017

9. Commitments under finance lease

Agreements were entered into in the previous period for the lease of office furniture and fit-out for the London head office for a total of €244,000. The transaction resulted in a finance lease creditor of €150,000 as at 31 March 2016 (2016: €197,000).

	Minimum lease payments	
	2017 €'000	2016 €'000
Amounts payable under finance leases:		
Within one year	**68**	63
In the second to fifth years inclusive	**97**	162
After five years	**-**	–
Less: future finance charges	**(15)**	(28)
Present value of lease obligations	**150**	197

10. Commitments under loan agreements

	2017 €'000	2016 €'000
Amounts payable under loan agreements:		
Within one year	**-**	–
In the second to fifth years inclusive	**4,515**	–
After five years	**13,544**	–
Present value of loan agreements	**18,059**	–

The balance relates to Loan Notes issued to BGF and Volantis. Further details can be found in note 29 of the Group accounts.

11. Called up Share capital

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

In year ended 31 March 2016:

Own shares represents 944,529 €0.05 Ordinary shares issued to an Employee Benefit Trust ('EBT') at nominal value. This includes 891,044 shares issued on 6 July 2015 and 16,123 shares issued on 10 December 2015. 783,597 €0.05 Ordinary shares had been issued to the EBT at nominal value on 18 August 2014 of which 746,241 Ordinary shares vested on 1st July 2015. On 13 August 2015, a total of 63,909 of €0.05 Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan. On 14 August 2015, a total of 27,825 of €0.05 Ordinary shares were issued and released to employees together with the 27,825 of €0.05 Ordinary shares issued to trust on 18 August 2014. On 22 January 2016, a total of 16,302 €0.05 Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan. On 20 January 2016, a total of 53,922 €0.05 Ordinary shares were issued and released to employees together with the 53,922 of €0.05 Ordinary shares issued to trust on 19 January 2015.

In year ended 31 March 2017:

Own shares represents 679,435 €0.05 Ordinary shares issued to an Employee Benefit Trust ('EBT') at nominal value. This includes 673,355 shares issued on 27 June 2016. 891,044 €0.05 Ordinary shares had been issued to the EBT at nominal value on 6 July 2015, and 16,123 shares issued on 10 December 2015 of which 938,449 Ordinary shares vested on 1st July 2016. On 15 August 2016, a total of 63,909 of €0.05 Ordinary shares were issued and released to employees together with the 63,909 of €0.05 Ordinary shares issued to trust on 13 August 2015. On 9 February 2017, a total of 16,302 €0.05 Ordinary shares were issued and released to employees together with the 16,302 of €0.05 Ordinary shares issued to trust on 22 January 2016.

12. Reserves

The profit and loss account includes €8,010,000 of non-distributable reserves arising from the liquidation of Accsys Chemicals Limited in the year ended 31 March 2007. The profit and loss account also includes €8,050,000 of non-distributable reserves relating to share based payments.

	Called up Share capital €000	Share premium account €000	Capital redemption Reserve €000	Own Shares €000	Profit and loss account €000	Total Shareholders' Funds €000
Balance at 1 April 2016	4,495	128,792	148	(47)	3,250	136,638
Loss for the financial year	–	–	–	–	(1,268)	(1,268)
Share based payments	–	–	–	–	884	884
Shares issued	36	–	–	14	–	50
Balance at 31 March 2017	**4,531**	**128,792**	**148**	**(33)**	**2,866**	**136,304**

13. Reconciliation of movements in shareholders' funds

	2017 €'000	2016 €'000
Loss for the financial year	**(1,268)**	(970)
Share based payments charged to subsidiaries	**884**	1,038
Proceeds from issue of shares	**50**	125
Net increase in shareholders' funds	**(334)**	193
Opening shareholders' funds	**136,638**	136,445
Closing shareholders' funds	**136,304**	136,638

14. Dividends Paid

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

15. Deferred taxation

The Company has an unrecognised deferred tax asset of €1.2m (2016: €1.1m) 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.

16. Post Balance Sheet Events

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

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

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

SHAREHOLDER INFORMATION

Accsys Technologies PLC is a public limited company incorporated in England

Directors	Sean Christie	Non-Executive Director
	Paul Clegg	Chief Executive Officer
	Sue Farr	Non-Executive Director
	Nick Meyer	Non-Executive Director
	Hans Pauli	Executive Director, Corporate Development
	William Rudge	Finance Director
	Patrick Shanley	Non-Executive Chairman
Company Secretary	Angus Dodwell	
Company Number	5534340	
Registered Office	Brettenham House 19 Lancaster Place London, WC2E 7EN	
Bankers	Barclays Bank 50 Pall Mall London, SW1A 1QJ	
	ABN AMRO Bank Velperweg 37 6824 BM Arnhem The Netherlands	
	Rabobank Croeselaan 18 3521 CB Utrecht The Netherlands	
Registrars	SLC Registrars 42-50 Hersham Road Walton-on-Thames Surrey, KT12 1RZ	
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory auditors 1 Embankment Place London, WC2N 6RH	
Lawyers	Slaughter & May One Bunhill Row London, EC1Y 8YY	
Broker and Nomad	Numis Securities Ltd The London Stock Exchange Building 10 Paternoster Square London, EC4M 7LT	
Investor Relations	MHP Communications 6 Agar Street London, WC2N 4HN	

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Cover images

1 Accoya boardwalk – Norway
2 Tricoya exterior lighting – New Zealand
3 Accoya cladding, fast food chain – North America
4 Accoya cladding, fast food chain – United Kingdom
5 Accoya cladding, private residence – New Zealand
6 Accoya boardwalk – Switzerland
7 Accoya floor, indoor velodrome – the Netherlands
8 Accsys guitar – United Kigdom

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