ACCSYS

## CHANGING WOOD

# TO CHANGE THE WORLD

Annual Report and Financial Statements 2022

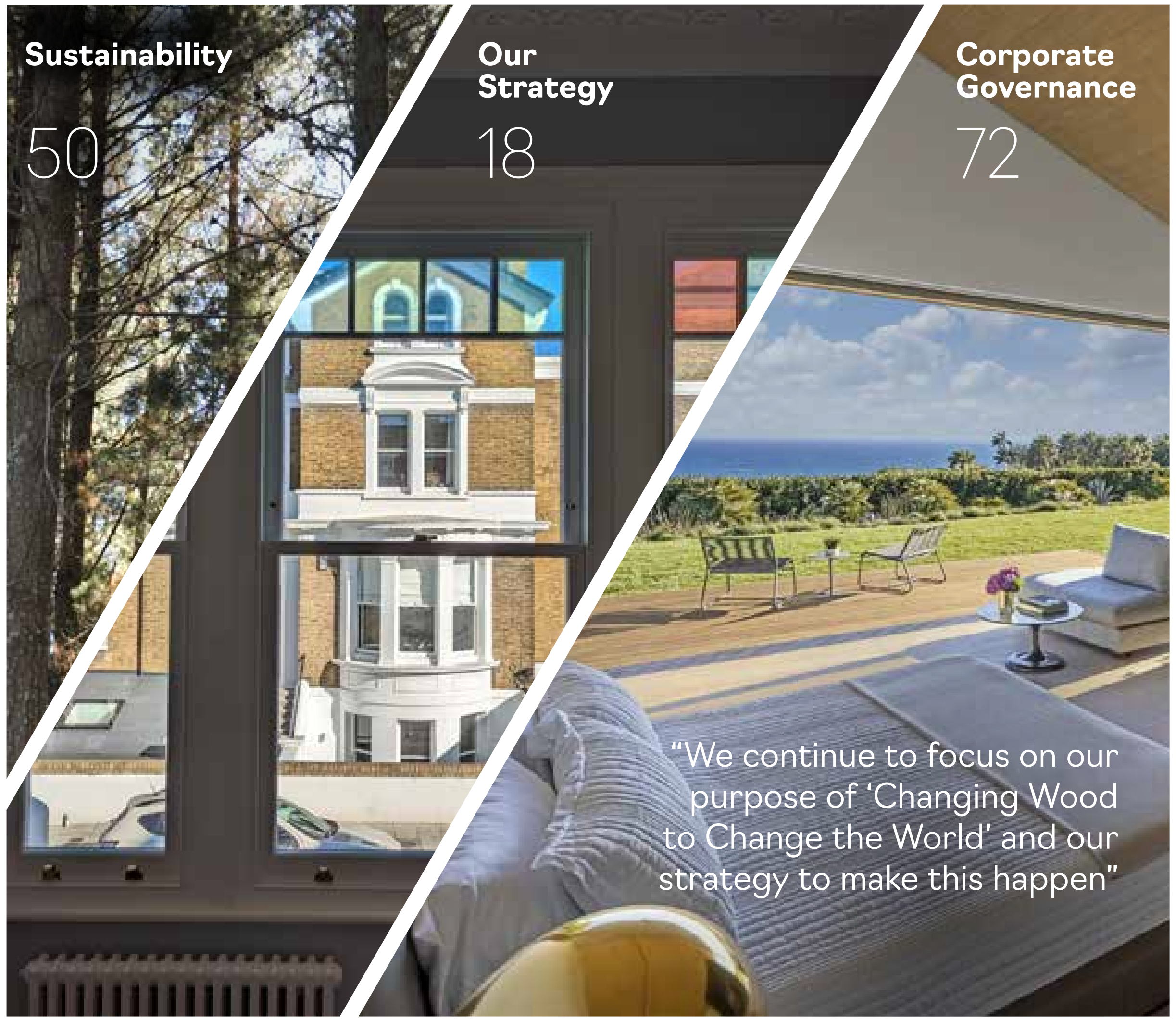
## ACCSYS IS A FAST-GROWING BUSINESS

# WITH A PURPOSE

We combine chemistry, technology and ingenuity to make high performance wood products that are extremely durable and stable, opening new opportunities for the built environment. By doing so, we give the world a choice to build sustainably.

**Cover:** The Butter Lane Residence, Bridgehampton, New York. IKIGAI by reSAWN TIMBER co. features charred Accoya wood burnt in the Japanese style of shou sugi ban. Designer: Young Projects

**Inside Cover:** External cladding and joinery manufactured from Accoya at Casa Hermanas, Madrid, Spain, Architect: ARENAS BASABE PALACIOS






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

# KEY HIGHLIGHTS

## Financial highlights

### Group Revenue

Group revenue up 21%

| | |
|---|---|
| 2022 | €120.9m |
| 2021 | €99.8m |

€120.9m

### Gross Profit

Gross profit up 9%

| | |
|---|---|
| 2022 | €36.0m |
| 2021 | €33.1m |

€36.0m

### Underlying EBITDA[1]

Underlying Group EBITDA up 3%

| | |
|---|---|
| 2022 | €10.4m |
| 2021 | €10.1m |

€10.4m

### Accoya® Margin

Accoya® Manufacturing margin of 30%, in line with long term target level

| | |
|---|---|
| 2022 | 30% |
| 2021 | 33% |

30%

### Underlying Profit before tax[1]

Underlying Profit before tax up 18%

| | |
|---|---|
| 2022 | €1.3m |
| 2021 | €1.1m |

€1.3m

### Net debt

Group net debt increased by €15.0m

| | |
|---|---|
| 2022 | (€27.2m) |
| 2021 | (€12.2m) |

(€27.2m)

See page 36 for more financial highlights

See page 129 for Alternative Performance Measures details

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

## Operational and ESG highlights

### Accoya® sales volume

59,649

cubic metres

Accoya® volume sold in the 2022 financial year.

See page 26 for the CEO Review

### Accoya® sales growth

-1%

FY 2022

Year on year change in Accoya® volume sold in FY22 from existing Arnhem plant, impacted by fourth reactor installation and as the plant remains at capacity.

### Capacity to double

120,000

cubic metres capacity

Hull and Arnhem construction projects to add equivalent of 60,000m³ to our current capacity.

### Health and safety

0.5

Lost-Time Incident Rate

Improved from FY21 rate of 1.8, with a continuing focus on Safety as one of our core values.

See page 50 for more ESG highlights

### Carbon emissions

0.142

Scope 1 and 2 GHG emissions intensity

Location-based $tCO_2$ per $m^3$ of Accoya® sold.

A year on year increase of 4% on FY21.

See page 60 for more detail on carbon emissions

### Employee engagement

78%

Employee survey response rate

In FY22 we held our third employee engagement survey, with a focus on diversity & inclusion, and the same response rate year on year.

See page 53 for more information

Accoya cladding specified in this 'Zero Series' house in MariSol in Malibu, USA. Architect: Burdge Architects Manufacturer: Delta Millworks.

# OUR BUSINESS AT A GLANCE

## Who we are

Accsys combines chemistry, technology and ingenuity to make high performance wood products that are extremely durable and stable, opening new opportunities for the built environment. By doing so, we give the world a choice to build sustainably.

## OUR PURPOSE

# CHANGING WOOD TO CHANGE THE WORLD

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

## Our values

Our values represent what we believe in as a company. We use them to guide our strategy and actions for the long term and on a daily basis. Our values are:

### 1
### Be ambitious – the world depends on us

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

### 2
### Respect and value all stakeholders

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

### 3
### Be committed to safety, quality and sustainability

Safety is of the utmost importance in everything we do. We all share responsibility for protecting people, property and the environment at all times. We strive to fulfil our brand promise and delight our customers. We commit to delivering consistently high quality.





## Our Products

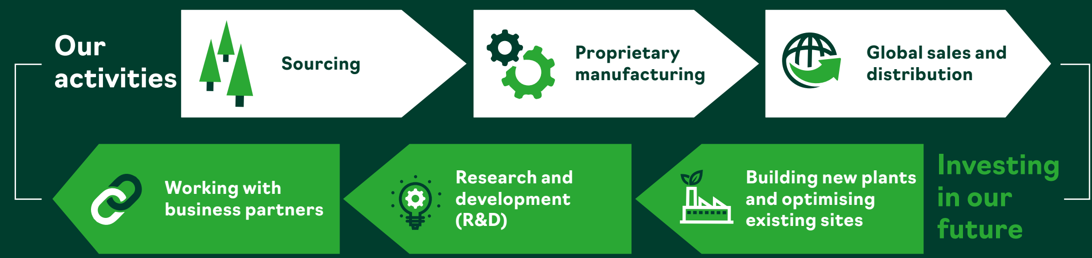

Accoya® is the world's leading high performance sustainable wood. It is stable, durable and resists rot. Manufactured from abundantly available, FSC® certified wood species, it is stable, durable and Cradle to Cradle Certified™.


Tricoya® wood chips are a feedstock for our licensees to manufacture high performance Tricoya® panel products suitable for outdoor use.

See page 34 for an explanation of the Tricoya® consortium

## Our sustainable business model

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




Read more on page 16

## Our footprint

# CHAIRMAN'S STATEMENT

> "Accsys has navigated a dynamic external environment to make substantial progress as the company has moved ahead with its ambitious growth plans"

## Overview

During the 2022 financial year Accsys has navigated a dynamic external environment to make substantial progress as the company has moved ahead with its ambitious growth plans.

COVID-19 has had an evolving impact on labour markets, workplace safety and efficiency, and distribution channels. This together with the wider macroeconomic uncertainty generally and that surrounding the war in Ukraine, has seen challenges for many companies including Accsys in increasing costs and volatility in supply chains. At the same time, demand for sustainable products and solutions to the environmental challenges facing the world has never been stronger.

As set out in the pages of this report, Accsys is reporting a year of progress on its expansion plans, and another year of significant demand for our wood products which continue to outstrip our present production capacity. The resilience of our business against this external backdrop is a testament to the strength of our business model, the value proposition of our products, and the work of our people towards our strategic vision.

## Our strategy

Accsys is a purpose-driven organisation with a clear vision and a clear set of values. Our purpose, vision and values sit at the heart of our company, driving us forward together to 'Change wood to change the world'.

Ambition, Respect for our stakeholders and Sustainability are the company's three core values. During 2022 our ambition and work with our stakeholders is reflected by our plan for operational expansion into North America and in having taken on the final stages of project management to complete our world-first Tricoya® Plant in Hull. Both projects are ventures with world-class partners.

Our '5x' production capacity expansion growth target, highlights the company's deliverable ambition and the conviction we have to participate in the market opportunity for our sustainable products. As a company we are committed to sustainable growth. This is not only through the impact of our products, but also through continuing progress in our own sustainability including through improving the environmental impact of our operations.

## Better and greener wood products

The UN 'COP26' Climate change conference in November 2021 saw governments meet to tackle climate change. It also highlighted the opportunities for industries and companies to innovate to tackle this, including by reducing 'embodied carbon' in buildings. Accsys' products offer a solution to lower embodied carbon, by providing end-users with a more sustainable alternative for traditional materials, where Accoya® can help contribute towards a lower carbon footprint across the life cycle.

Crucially, our products offer high performance, with outstanding durability and stability in the context of other wood species. Innovation in this area, means that choosing sustainable alternatives no longer risks compromising on performance. In Accsys' case, we are offering a substitutional product with both higher performance and better sustainability impacts than competing materials.

### Further reading

See Our Strategy section on pages 18 to 20

See our Sustainability section on pages 50 to 60

See our Governance section on pages 70 to 74

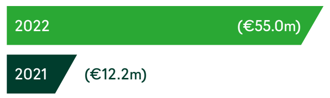
### Underlying Group Revenue


€120.9m

### Underlying EBITDA


€10.4m

### Adjusted Net Debt




(€55.0m)

## 2022 Performance

Accsys has delivered good revenue growth for the year, noting that the operations in Arnhem are fundamentally operating at capacity. With underlying Group revenue growth up 21% to €120.9m, the business demonstrated its pricing power despite raw material cost headwinds, underpinned by the continuing strong market demand for our products. Sales volume of 59,649m³ (2021: 60,466m³) reflects the capacity constraint at Arnhem, with some isolated production downtime as reported in March.

Underlying Group EBITDA of €10.4m, up 3% on the prior year reflects the necessary increased investments made in organisational capability which include increasing our ability to manage the additional production capacity growth that will come online in the year ahead. The Group finished the year with adjusted net debt of €55.0m (2021: €12.2m), reflecting that we are at an important stage of capital deployment on key expansion projects at Hull, Arnhem and the US.

## Capital Raise

The Group has successfully raised capital to fund its future growth, which has been oversubscribed and heavily supported by existing shareholders. In May 2021 €37m gross capital was raised to fund Accsys' equity share of the Accoya USA JV alongside contributions from JV partner Eastman Chemical Company and JV project debt finance.

After the financial year end in May 2022, the company completed a further €20m gross capital raise which was also heavily supported by existing shareholders, to support the completion of current capital projects and increase working capital and cashflow headroom. We extend our thanks to shareholders for their continuing support and to new shareholders for their investment in Accsys.

## ESG

ESG has long been integral to Accsys through our values, our purpose, and our products. As a growing company we are committed to high standards of corporate responsibility, sustainability, and employee engagement, and made excellent progress in FY22 under our ESG framework. We have had another year of good employee engagement with a 78% response rate to our annual engagement survey with a particular focus on inclusion and diversity this year. Through our expanding safety programme which includes increased monitoring, defined strategy and increasing awareness, we are moving towards a stronger safety culture across the organisation. Safety is a strategic imperative for the organisation, as we expand our Group geographic footprint to realise the growth ahead. We have further embedded this commitment to safety by establishing a Board level HSE committee during the period.

As a Board, we were pleased to sign off on our first Group Climate Policy as an important framework for continuing our journey on climate change management, mitigation and adaptation. During the year we completed a Board performance evaluation, and internal review, which complements our three-yearly cycle of external evaluations. The results of the evaluation confirmed the commitment and effectiveness of Directors in their roles and collectively in governing the Group.

# CHAIRMAN'S STATEMENT continued

## Our Board

The Board's composition brings depth and range of experience and views to Accsys, and both supports and challenges the Executive team in the execution of the strategy. During FY22 there were no changes in Board Directors. Accsys' General Counsel and Company Secretary, Angus Dodwell, stepped down in February 2022, after over a decade with the company and we thank Angus for his support to the Board. We are pleased to welcome Nick Hartigan as Accsys' new General Counsel and Company Secretary, who joined in April 2022.

After the period end, on 14 June 2022 Louis Eperjesi joined the Board as a Non-Executive Director, bringing significant experience of building products, manufacturing, and supply chain to the Board. After an eleven-year tenure, Nick Meyer will retire as Director at the close of the Group's AGM in September 2022. Nick has made a significant contribution to the Accsys Board over this time and on behalf of the Board I thank him for the value he has added to the governance of the Group.

## Looking ahead

As we move through FY23, Accsys will continue to focus on delivering on our purpose of 'Changing Wood to Change the World' and our strategy to make this happen. The demand for our products remains strong and increasingly relevant, as high-performance substitutes for less sustainable building products within a world looking to decarbonise. On behalf of the Board, I would like to thank our people for their work in Accsys' growth journey over the past year and look forward to a year ahead of further important milestones as we pursue the growth ahead of us.

**Stephen Odell**
**Non Executive Chairman**

30 June 2022

## Investment proposition

### Substantial market opportunity

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

See page 12 to read more about 'Our Market'

### Sustainability

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

Read our 'Sustainability' section on page 50

### Scalable growth

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

See page 18 to read more about 'Our Strategy'

### World leaders in wood technology

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

Discover 'Our Products' on page 10

### Strong organisational capability

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

Read more about 'People and wellbeing' on page 53

**CASE STUDY**

## Summer Wind House – Cape Town, South Africa

This incredible coastal home in South Africa features sustainable Accoya® wood throughout. Accoya® is ideal for this property as it is constantly exposed to the sea air, in addition to varying weather year round.

The louvres, three garage doors, front door and entrance wall, bifold doors, sliding doors, windows, cladding and pedestrian gate to access driveway were all manufactured using Accoya®.

The homeowner wanted to use a hard-wearing timber due to the close proximity to the sea but also wanted to consider sustainability, making Accoya® the right solution.

All Accoya® wood was coated using Rubio Monocoat to give a darker brown effect whilst allowing the natural grain of Accoya® wood to remain visible.

### Project details

**Architects:** Akha architects
**Joinery:** Window and Door Store Cape
**Photography:** © Sean Gibson Photography

For more Accoya® projects, visit **www.accoya.com/projects**

## OUR PRODUCTS

# ACCSYS PRODUCES TWO PRODUCTS

**accoya**

Accoya is our acetylated solid wood product brand. It is the world's leading high performance sustainable wood brand, sourced from fast growing, FSC® certified forests. It is both highly stable and resistant to rot, with properties that match or exceed those of the most durable tropical hardwoods, plastics and other non-renewable alternatives. Ideal for use across numerous internal and external applications, Accoya's primary applications are windows, doors, decking and cladding.

**tricoya**

Tricoya wood chips are the principal ingredient used by our licensees to manufacture Tricoya panel products (similar to MDF) with enhanced properties: exceptional durability, very high dimensional stability and ideal for use in wet environments internally or externally. These properties open countless opportunities for specifiers, architects, joinery manufacturers and product designers.

See page 34 for more information on the Tricoya consortium

### Accoya comparison chart

| | Accoya | Sapele | Oak | Meranti | Iroko | Redwood |
|---|---|---|---|---|---|---|
| Lifespan | ✓✓✓ | ✓(✓) | ✓(✓) | ✓(✓) | ✓✓ | ✓ |
| Warranty | ✓✓✓ | N/A | N/A | N/A | N/A | N/A |
| Coatings performance | ✓✓✓ | ✓✓✓ | ✓ | ✓ | ✓ | ✓ |
| Thermally insulated | ✓✓ | ✓ | ✓ | ✓ | ✓ | ✓✓ |
| Maintenance intervals | ✓✓✓ | ✓✓ | ✓ | ✓ | ✓ | ✓ |

Our products are defined by three sets of credentials: performance, finish, and sustainability. It is with this combination of product attributes that we seek to delight our customers and stand apart from the competition.

## PERFORMANCE

Accoya and Tricoya redefine performance when it comes to timber. Both product brands are highly durable with industry leading warranties of up to 50 years above ground and 25 years in ground or freshwater. Offering outstanding dimensional stability in their composition, both products are suited to extreme climates as well as offering high levels of insect resistance.

**Warranty for**

**50 yrs**

**above ground and 25 years in ground or freshwater**

25 & 50 YEAR WARRANTIES · HIGHLY STABLE · HIGHLY DURABLE · LONG SERVICE LIFE · INSECT RESISTANT · FOR ALL CLIMATES · FEWER CALL BACKS

## FINISH

Accoya and Tricoya products look better for longer. Accoya affords the option of being left uncoated to weather naturally or opting for a coated finish. Due to the excellent dimensional stability of both Accoya and Tricoya, coatings last longer, with many coatings manufacturers offering extended coating warranties on their products. Maintenance time is reduced, saving time and money over the long term. Versatility of products means design freedom not normally achievable with other wood products.

**Reduction of over**

**75%**

**in swelling caused by moisture uptake**

NATURAL WOOD · LOW MAINTENANCE · MULTIPLE FINISHES · BESPOKE OPTIONS · IDEAL FOR COATING · WIDE BOARDS AVAILABLE

## SUSTAINABILITY

Both wood product brands compete not only with other wood products, such as tropical hardwoods, but also other carbon intensive materials such as aluminium, steel, concrete and plastic. The durability of our products means that we are well placed to substitute these less sustainable materials, as well as offering the additional sustainability benefits that building from wood affords. All sourced wood that is used to manufacture both Accoya and Tricoya is FSC® certified. Our Accoya product brand is also certified by Cradle to Cradle at the Gold level.

**Certification**

**Demonstrating leading sustainability credentials**

LOW ENVIRON-MENTAL IMPACT · SUSTAINABLY SOURCED · 100% RECYCLABLE · LOW $CO_2$ EMISSIONS · NON TOXIC · WORLDWIDE ACCREDITATION

## OUR MARKET

# A SIGNIFICANT GROWTH OPPORTUNITY

### Overview

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

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

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

### Market size

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

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

Our achievable market figure has three important factors behind it:

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

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

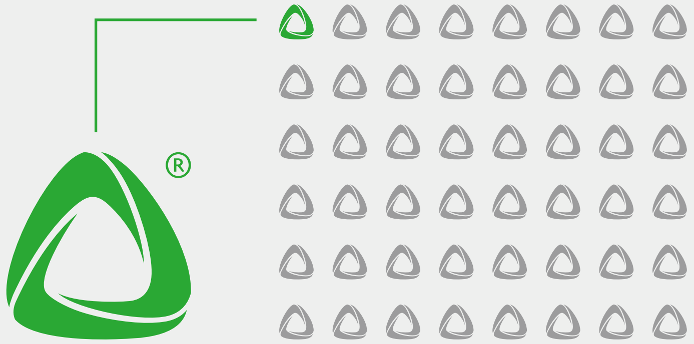
The global market for Tricoya® panel products is estimated to be at least 1.6 million cubic metres per annum, equating to around 1% of global MDF manufacturing capacity.

**59,649 m³**

**Accoya® sold in this financial year**

**Approximately 2%**

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



## Demand drivers

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

### Industry demand drivers

**GDP**

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

**Construction & redevelopment**

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

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

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

### Megatrends

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

**Sustainability**

The world is coming to a consensus that action is needed to address climate change. The built environment is responsible for almost 40% of global carbon emissions.

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

**Shifting consumer priorities**

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

This can be seen everywhere, from the types of shopping bags or drinking straws we use, to the cars we drive. In the built environment, the trend is the same. We can see evidence all over the world of mass timber buildings – using renewable, carbon-storing wood instead of concrete and steel. Wood is the increasingly popular 'green building material' choice, with its natural look and feel and particular favour shown for natural and sustainable products over non-renewable tropical woods.

Increasing customer importance is being placed on whole life cycle considerations – both of costs and environmental impacts. Consumers are also becoming more aware of product health and safety with a trend towards non-toxic products.

**Lifestyle changes**

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

### Market penetration

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

**Market share and growth**

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

# OUR MARKET continued

## Competitive advantage and material substitution

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

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

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

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

## Targeted segment penetration

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

The majority of our Accoya® sales are to a network of timber distributors which in turn supply a variety of industries, principally for joinery (windows and doors), decking and cladding. Accoya® is primarily selected for use by architects, manufacturers and specifiers for its high performance characteristics. We focus on these applications as Accoya® offers particularly clear and compelling advantages over traditional alternatives, both in material performance as well as sustainability.

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

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

## Route to market

Our focus on marketing and selling to our distributors and their customers has been a very successful route to establish our products in the market as we challenge traditional preconceptions about material choice. We have built and developed strong relationships with our distributor networks in key territories.

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

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

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

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

## Product applications

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

### DECKING

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

### WINDOWS

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

### DOORS

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

### CLADDING

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

## OUR BUSINESS MODEL

# GIVING THE WORLD A CHOICE TO BUILD SUSTAINABLY...

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

### Our stakeholders

**We work with our stakeholders across our business activities. Through our business activities, we create value for stakeholders in different ways.**

**Our Stakeholder Engagement report on page 61 sets out further detail on our stakeholder relationships.**


### Our activities

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

**Our activities also focus on strategic expansion of our business to capture the substantial global market opportunity we believe is achievable with our products.**

# ...AND INVESTING IN OUR FUTURE

#### Sourcing

We obtain the raw wood timber we use to produce our products from certified sustainable, well-managed and fast-growing forests through wood mills and wood chip suppliers in New Zealand and the UK. We work with acetyls providers to source acetic anhydride and sell-back acetic acid, our reusable by-product into the market.

#### Proprietary product manufacturing

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

#### Global sales and distribution

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

#### Building new plants and optimising existing sites

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

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

#### Research and development (R&D)

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

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

#### Working with business partners

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

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

### Outputs

**Forest Stewardship Council® (FSC) certified**

**59,649m³**
**Accoya® wood sold this year**

**+21%**
**FY22 underlying revenue growth which continues to be driven by ongoing distribution customers**

**5x by 2025**
**production capacity growth target**

**€1.2m**
**R&D investment* in FY 22**
*excludes capex on new technology

**2 Ventures**
**with world class business partners**

### Our differentiators

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

See page 61 for Stakeholder Engagement

#### Our technology and IP

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

**45 countries**
in which we hold 400 patent family members

#### Our people and engineering expertise

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

**23% headcount**
increase in FY22

#### Environment and sustainability

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

Accoya® is

**Cradle to Cradle Certified™**
at the Gold level

#### Strong industry relationships

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

#### Industry leading brands

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

**Over 60 countries**
in which our brands are registered trademarks

#### Financial position

With continued growth in revenue and a cash-generative Accoya® business, our financial position will support our global growth plans.

**+21%**
Revenue growth in FY22

## OUR STRATEGY

# REALISING OUR AMBITIOUS GLOBAL GROWTH PLAN

**WE ARE SEEKING TO GROW OUR ANNUAL PRODUCTION CAPACITY FIVE-FOLD TO 200,000M$^3$ BY 2025 WITH A FOCUS ON FOUR STRATEGIC PRIORITIES**

Grow product demand

Practise manufacturing excellence

Develop our technology

Build organisational capability

Accoya wood vertical panels on the front façade.
Perth, Western Australia. Supplied & installed by M&B





## Grow product demand

**Developing market opportunities to drive revenue growth.**

### Our focus
- Drive sales growth in key markets and categories
- Strong customer relationships, service and support
- Build and protect brands
- Competitive advantage through product performance, quality, and sustainability
- Well-positioned for global sustainability and consumer megatrends

Read more about product demand in 'Our Market' on page 12

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

### 2022 Progress
- Total sales volume broadly flat at 59,649 $m^3$
- Continuing strong customer demand, in excess of capacity
- New country specific websites for Switzerland, Australia and New Zealand
- >100% increase in traffic to Accoya websites for second consecutive year
- Significant increase in lead generation funnel into Approved Manufacturers
- North America market sales ramp-up progressing well, with >40% sales volume growth in North America
- Accoya® Color sales growth in decking in DACH region

### Looking forward
- Further North American sales and brand development
- System Partner expansion – co-branding with coatings, adhesives, and hardware manufacturers
- Further expansion of B2B activities including Approved Manufacturers Program and collaboration with customers
- Increasing B2C brand awareness in core markets to drive consumer 'pull'
- Accoya® Colour market expansion into North America

## Practise manufacturing excellence

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

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

Read more about our manufacturing expansion in 'CEO Report' on page 20

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

### 2022 Progress
- Accoya® Arnhem fourth reactor 33% capacity expansion construction progressed with commissioning underway
- Construction of ~43,000$m^3$ Accoya plant in North America under JV with Eastman Chemical Company commenced following investment decision in March 2022
- Tricoya® Hull plant physical construction largely complete, and active commissioning underway
- Acquisition and repurposing of new Barry, UK site with first batch of Accoya Color produced from new site
- Further development of safety strategy and culture, and increased monitoring and reporting of safety indicators
- Improved Lost Time Incident Rate (LTIR) rate of 0.5 from 1.8 in prior year

### Looking forward
- Tricoya® Hull plant and Arnhem fourth reactor to double production capacity from 60,000$m^3$ to 120,000$m^3$ in FY23
- Two year construction timeline from March 2022 for 43,000$m^3$ Accoya USA plant
- Completion of feasibility study with PETRONAS Chemicals Group Berhad for the construction of a Tricoya® plant in Malaysia

# OUR STRATEGY continued

## Develop our technology

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

### Our focus

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

See our 'CEO Report' on page 20 to read more about our IP

### Material Issues

- Sustainable & quality products
- Innovation and technology

### 2022 Progress

- Continued and expanded IP protection and safeguarding
- Global Technology Centre housing central R&D team to support worldwide expansion
- Accoya® Color production at new Barry, UK site commenced
- Ongoing research into alternative source wood species' performance
- New automated wood handling equipment installed in H2 FY22 with 100,000m³ annual capability to improve handling and efficiency

### Looking forward

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

## Build organisational capability

**Developing our people and organisational capabilities to manage our growth.**

### Our focus

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

Read our 'Sustainability report' on page 50

### Material Issues

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

### 2022 Progress

- Expanded senior leadership, talent and skills to support growth
- Implemented project management office and stronger project management discipline across new projects
- Recruitment of new operating roles for our teams to operate new capacity at Arnhem and Hull
- Increased investment in training and development to support skills and talent pipeline
- Good employee engagement with a 78% response rate to annual engagement survey, with a focus on inclusion and diversity this year

### Looking forward

- Progressive enhancement of processes and management systems (eg ISO 9001, 14001)
- Continued improvements resulting from annual employee survey feedback
- Improving capital project delivery: Stronger project management and contracting practices
- Also supported by site-based accountability at Arnhem and Hull

## STRATEGY IN ACTION

# COMPETITIVE ADVANTAGE THROUGH PRODUCT PERFORMANCE

For more Accoya projects, visit **www.accoya.com/projects**

The Wood City is an ongoing development in Finland that features Accoya cladding. Accoya was specified for its durability and overall sustainability. Phase one buildings were completed in 2019. These photos were taken during FY 2022, showing that the natural weathering of Accoya has started, turning a distinct shade of grey.

Like other wood species, uncoated Accoya wood will weather over time to an elegant silvery grey colour when left outside and exposed to the elements. Unlike other woods however, weathering does not affect the durability, stability or performance of Accoya.

Wood city, Helsinki, Finland.
Architect: Anttinen Oiva
Photographer: Mikko Hannula

STRATEGY IN ACTION

# DRIVING GROWTH IN NORTH AMERICA

"This award-winning residential project in New York represents not only the beauty and quality of Accoya, but also Accoya's growing presence in the significant North American market in high quality homes and projects"

**Mike Lee**
Regional Head of Sales – North America

**Link to Strategy**

**Grow product demand**

See Our Strategy on pages 18 to 20

For more Accoya projects, visit **www.accoya.com/projects**

## What was the project?

The Butter Lane Residence, otherwise known as the "Six Square House," is located in Bridgehampton, New York. The home is made of six 24' x 24' modules that all feature gabled geometry and a complex-looking roof design that's shaped like an inverted V.

The modules create a seamless and uninterrupted design between the roof and cladding of the home. The simple exterior materials accentuate the roof geometry from all viewpoints. The roof composition translates into the home's interior, creating six distinct areas.

This residential project in New York represents not only the beauty and quality of Accoya, but is an award-winning example of Accoya's growing presence in the significant North American market in high quality homes and projects.

## How was Accoya chosen and used?

reSAWN TIMBER co is an Accsys customer and supplier of Accoya in North America. reSAWN provides prefinished Accoya for architectural specification for exterior and interior applications.

For this project, working with the design firm Young Projects, Accoya was specified in IKIGAI by reSAWN. This features charred Accoya wood burnt in the Japanese style of shou sugi ban. IKIGAI can be used for interior or exterior wall cladding.

## What was the award for?

Six Square House was recognised in the 2021 AINY Design Awards and was nominated for ArchDaily Building of the Year 2022.

AIA New York's annual Design Awards program recognizes outstanding architectural design by AIA New York members, New York City-based architects in any location, and work in New York City by architects around the globe. The purpose of the awards program is to honor the architects, clients, and consultants who work together to achieve design excellence.

In describing the project, the AIA described the home's "deep gray slatted Accoya wood, whose striations enhance the roofscape's dynamic edges and arcs while emphasizing the monolithic nature of each module".

## STRATEGY IN ACTION

# ENHANCING PRODUCTION EFFICIENCY

**Link to Strategy**

**Develop our technology**

See Our Strategy on pages 18 to 20

"The new stacker technology and equipment will support safety, quality and efficiency improvements"

**Francis Lenders**
Managing Director, Accoya NL

### What is 'process technology'?

One of our four strategic pillars is to develop our technology. At our Arnhem facility, we are researching and developing 'process technology' that can improve production processes.

One example is our new 'stacker', which was installed in December 2021, alongside our work in Arnhem this year in adding a fourth reactor.

### What is the new stacker?

This is a high tech wood handling machine that helps in the loading and unloading of wood before and after our proprietary acetylation process. The stacker allows us to mechanically move raw wood planks into our required stack formation, so that the stacks are then ready for moving into our reactors for acetylation.

The new stacker was custom built for Accsys and has the capacity to handle over 100,000m³ per annum, significantly improving our existing stacking process.

### How will it support production efficiency?

The new stacker technology and equipment will support safety, quality and efficiency improvements. The stacker will be used for stacking before and after the acetylation process. In the de-stacking process, the stacker will also allow us to sort and grade the boards ensuring not only increased productivity but also increased quality assurance.

For more Accoya projects, visit **www.accoya.com/projects**



## STRATEGY IN ACTION

# KEEPING UP WITH DEMAND

**Link to Strategy**

**Grow product demand**

See Our Strategy on pages 18 to 20

"2022 has been an important year for our customer relationships"

**John Alexander**
Group Sales Director

### What is the most common customer feedback you receive?

The discussions are often rooted in Accoya's strong product performance and how it benefits their products and business. This is now common feedback across the market, with a notable increase in recognition across the North American market in particular.

Common feedback is also that customers can build business with Accoya and require additional volume. We have been held back on being able to provide more because of capacity constraints.

For more Accoya projects, visit **www.accoya.com/projects**

### How do you manage this balance with customers?

The demand remains really strong, and so communication this year has been really important – more than ever. It is frustrating to not be able to give our customers as much product as they would want, but we have some incredibly passionate and supportive customers and we are working to deliver for them. We are now on the cusp of capacity increasing and the discussions have moved to how we bring that material most effectively to market together. Service focus at scale is an increasingly important part of the growth journey the company is on. We have also spent time this year working with our customers on training, education and on sales and marketing support. This support and collaboration is important as we increase both supply and sales going forward.

# CHIEF EXECUTIVE'S STATEMENT

"With our purpose of 'Changing Wood to Change the World', our talented Accsys team is on a mission to grow five-fold by 2025 and bring our high-performance, sustainable wood products, Accoya® and Tricoya®, to the world"

## Introduction

Accsys has made further strategic progress towards its growth vision in FY 22. With our purpose of 'Changing Wood to Change the World', our talented Accsys team is on a mission to grow five-fold by 2025 and bring our high-performance, sustainable wood products, Accoya® and Tricoya®, to the world.

Accsys has delivered good revenue growth in the 2022 financial year, underpinned by continuing strong demand for our products and increases in average sales prices to offset the inflationary pressures on raw materials. Despite these pressures, Accsys has delivered a resilient performance with growth in underlying EBITDA and underlying profit before tax year-on-year.

In the period we have further progressed our strategic expansion projects under our '5x' growth target of increasing production capacity to 200,000m³ per annum in 2025.

In North America we began construction of a new Accoya® production facility in Tennessee under our majority share JV with Eastman Chemical Company and made significant progress in completing the construction of the World's first Tricoya plant in Hull.

Despite some frustrating and isolated delays, we have commenced commissioning of our 33% capacity expansion at our Arnhem Accoya® plant in the Netherlands.

This has also been an important period of investing in our business and people. New colleagues that have joined bring skills and expertise to help lead and deliver our growth ambitions.

Demand for our products remains strong. FY 22 has been an important year for our customer relationships, as a year in which we have had to manage both the pressures from an inflationary cost environment through sales price increases, disruption to supply chains around COVID-19 and our own production capacity limit in the face of strong customer demand. We are grateful for the support of our customers, and we have remained in close ongoing dialogue with them as we have addressed these market dynamics.

During the year Accoya's® high level of performance and sustainability was recognised in various industry awards including the 2022 Alliance for Sustainable Building (ASBP) Awards in London for sustainable low carbon building products, and the US Architectural Product Magazine's award for product innovation. Accoya also won 'Best Natural Building Material' at the 2021 Green Home Awards and 'Best sustainable technology or product' at the 2021 Build It Awards.

We have been delighted to see Accoya® installed and specified on some flagship architectural projects from London to Rome to the Red Sea. We are proud of the ever-growing pool of residential, commercial, and civic building and renovation projects around the world that are choosing Accoya® and Tricoya® in substitute for less sustainable and lower performance alternative materials.

## Summary of results

The Group has delivered good revenue growth on a broadly stable sales volume while remaining capacity constrained. Total revenue for the 2022 financial year increased by 21% to €120.9m (FY21: €99.8m). Accoya® sales volume of 59,649m³ represents a 1% reduction compared to the prior year.

Revenue growth was driven by an increase in average selling prices for our high-performance wood products, and in our acetic acid by-product, while the volume result primarily reflects that our production is at capacity, and disruption to production at Arnhem in the fourth quarter, as reported in early March 2022 and as further set out below.

**Accoya® sales volume**

| | |
|---|---|
| 2022 | 59,649m³ |
| 2021 | 60,466m³ |

59,649m³

**Accoya® manufacturing margin**

| | |
|---|---|
| 2022 | 30% |
| 2021 | 33% |

30%

**Employee engagement – response rate**

| | |
|---|---|
| 2022 | 78% |
| 2021 | 78% |

78%

In the period, the Accoya® manufacturing margin was 30% (FY21: 33%), in line with our long-term target level. Higher average sales prices through price increases helped to offset increased raw material costs during the year, with significant increases in acetyls costs in the fourth quarter, as a result of global gas market volatility in particular.

In addition to our sales price increases, we continue to benefit from a partial natural hedge on our acetyls raw materials cost through the sale of our acetic acid by-product. Revenue from the sale of this by-product increased 134% in the year to €13.6m driven by the same acetyls market pricing trend that impacted Accsys on the raw material cost side.

Group underlying EBITDA increased by 3% against the prior year to €10.4m.

This reflects our higher revenue being partially offset by higher Group operating costs year-on-year with increased investment in Group organisational capabilities with increased headcount to support our future growth and operate our new capacity.

18% growth in underlying profit before tax to €1.3m (FY21: €1.1m) includes the benefit of lower finance expenses after the Group's refinance and simplification of Group debt in H2 FY22.

At the close of the period the Group's balance sheet reflects €27.2m year-end net debt, and €55.0m, adjusted year end net debt which excludes US$31m committed for investment into the US JV and which is expected to be invested into the JV in Q1 FY23.

## Accoya® – Global performance

| Accoya® segment – summary of results | FY 2022 | FY 2021 | Change |
|---|---|---|---|
| Accoya® sales volume – cubic metres | 59,649 | 60,466 | (1.4)% |
| Underlying Accoya® segmental revenue | €119.3m | €97.6m | 22.2% |
| Accoya® wood revenue | €105.1m | €91.1m | 15.4% |
| Licence income | €0.4m | €0.4m | – |
| Acetic acid sales | €13.6m | €5.8m | 134.4% |
| Manufacturing margin – % | 29.8% | 33.4% | 360 bps |
| Underlying EBITDA | €21.3m | €21.4m | (0.5)% |
| Underlying EBIT | €16.5m | €17.1m | (3.5)% |

Please see note 1 to the Financial Statements for Alternative Measures details.

# CHIEF EXECUTIVE'S STATEMENT continued

The Accoya® business delivered broadly stable sales volumes in FY22, since the Arnhem plant remains at capacity production levels, and also because of temporary production downtime at the Arnhem plant, further detail of which is set out under Accoya® strategic progress below.

Accoya® revenue growth of 22% was similarly driven by increased average sales prices, reflecting the continuing strong demand from customers and increases to offset higher raw material and logistics costs in our supply chain during the period.

Price rises were implemented in June 2021 and September 2021. Average prices were also higher than the prior year period due to changes to the product mix, which included a growing proportion of Accoya Color (1,888$m^3$ in FY22 compared to 171$m^3$ in FY21) and a lower proportion of material sold to Tricoya® customers, which represented 22% of total volumes compared to 26% last year.

The Accoya® manufacturing gross margin was 30% (FY21: 33%). Whilst this is c. 3% lower than the prior year, it remains at our target margin level. Overall the higher average selling price in the period more than offset the effect from the higher raw material costs. In addition, gross contribution per cubic metre of Accoya® of €595/$m^3$ is 11% higher than the prior year, while the percentage margin is lower due to a shift in the mix of types of products sold within Accoya® with further detail set out in the Financial Review.

We have continued to see strong underlying demand for Accoya® across our regions and with our Tricoya® panel manufacturing partners. The FY22 regional sales trend, on a period-on-period basis, primarily reflects increased sales volumes in North America by 44% where we are increasing marketing, sales, and allocation of product volumes available to customers as we develop this market ahead of our planned US capacity expansion.

As a result, and with available production volumes from Arnhem broadly flat year-on-year, sales volumes in most other regional markets have reported a year-on-year decline. This does not reflect underlying demand, but a shift in available volumes in the context of the North American ramp-up.

We expect sales volumes in these markets to improve as increased volumes become available from Arnhem as the new capacity from the new fourth reactor (R4) comes online, and the volume supplied to Tricoya® panel manufacturing partners transitions from Arnhem to Hull.

| Sales volume by end-market | FY22 $m^3$ | FY21 $m^3$ | Change % |
|---|---|---|---|
| UK & Ireland | 14,905 | 14,937 | 0% |
| Tricoya® | 12,860 | 15,891 | (19)% |
| Rest of Europe | 16,809 | 18,574 | (10)% |
| Americas | 9,575 | 6,642 | 44% |
| Rest-of-World | 5,500 | 4,422 | 24% |
| | 59,649 | 60,466 | (1)% |

## Accoya®

### Strategic progress

Across the year we progressed construction to expand our Accoya® production capacity at Arnhem by adding a new 20,000$m^3$ reactor, to increase the site's annual capacity to 80,000 cubic metres.

While approaching the planned project completion at the end of FY22, we faced challenges in the final installation of and temporary production downtime at the Arnhem plant, as reported in early March. Early in the new financial year we experienced further unplanned delays in final installation, tie-ins and delays in the supply of certain equipment as reported in May, which led to a delay in the expected operational start-up of R4 until June. This resulted in an unexpected second shutdown across the plant in April/May 2022. Commissioning of R4 is underway and the plant's existing three reactors are now back up and fully operational. During commissioning and testing in June, defects were identified in certain installed items of equipment which requires remedial work to repair. This remedial work has required the operational target date of June to be extended from Q1 FY23 into Q2 FY23 and we expect the delay impact of this to be at least 8 weeks.

At present we estimate the remedial work cost to be around €1m and are looking to establish if the costs are recoverable.

New automated wood handling equipment, which has the ability to handle 100,000$m^3$ per annum including a stacker and scanner, was installed during the year which will support the overall expanded site. This new equipment will provide greater handling efficiency and safety, and the new laser scanner will allow us greater efficiency in our ongoing pre- and post-production quality-control processes.

We plan to bring the new fourth reactor gradually up to capacity over two years, increasing Accoya® sales volumes into the market in FY23. We are working closely with our customers who have been waiting patiently for more product and remain strong proponents of Accoya®.

As our Tricoya® plant in Hull becomes operational we will gradually stop producing lower-grade Accoya® for production of Tricoya® at Arnhem, effectively making around 22% of the plant's capacity also available for additional Accoya® production.



North America represents the largest potential regional market for our product, with an achievable market for Accoya® of up to almost 1,000,000 cubic metres per annum. Under our joint venture with Eastman Chemical Company (NYSE: EMN), a world leader in the production of acetyls, we are building an Accoya® plant in the USA with an initial approximately 43,000 cubic metres capacity at Eastman's Kingsport, Tennessee site. The plant will replicate our existing Accoya® technology at Arnhem. Under the JV, Accsys holds a 60% interest and Eastman a 40% interest.

In March 2022 we reached a final investment decision to proceed with the project and moved to commence construction with ground broken in April 2022.

Earlier during the 2022 financial year, we completed a number of JV planning workstreams including detailed front-end engineering design (FEED) of the plant, market assessment study, negotiation of operational support and supply agreements, and the project's financing. The project is being funded through a combination of equity contributions from the JV partners, and project debt finance.

Further details of the project's financing arrangements were announced on 4 March 2022 and are included in the Financial Review.

We expect that the plant will take approximately two years to construct, with a further two years to ramp production up to the plant's full capacity. The planning to date confirms the strong financial returns from the plant itself, with an IRR of over 20% targeted.

During the year we expanded our ability to produce Accoya® Color through the acquisition of assets of the former Lignia Wood Company business in Barry, Wales, UK for consideration of €1.2m in July 2021.

**CASE STUDY**

## Accoya cladding chosen for Bay St. Louis residence

Accoya cladding was chosen for this beautiful residence in Bay St. Louis, Mississippi.

### Project details

**Accoya cladding manufactured by:** Delta Millworks

**Architect:** Unabridged Architecture

For more Accoya projects, visit **www.accoya.com/projects**

# CHIEF EXECUTIVE'S STATEMENT continued

The acquisition, which included equipment, raw wood inventory and technology at the 50,000 square foot (4,650 square metre) manufacturing plant in Barry, Wales, increases our ability to convert Accoya® wood into Accoya® Color – a product which combines the benefits of Accoya® wood with colour all the way through the wood from surface to core, through a patented process.

After integrating and successfully repurposing the site for Accoya® Color production, we produced our first batch of Accoya® Color at the site in the period.

The site is able to produce up to 12,500 cubic metres of Accoya® Color per annum, with expansion in future being possible to support global demand. We expect increased Accoya® Color sales in the medium term with its unique proposition proving attractive to customers in our target markets, particularly in the decking category where the surface-to-core grey colour will require less maintenance to retain over the long term. This will be supported by increased sales and marketing activity overall to drive end consumer awareness and demand.

## Tricoya®

### Strategic progress

Accsys and its consortium partners in Tricoya® UK Limited (TUK) are building the world's first Tricoya® plant in Hull. During the period the main physical construction of the plant has been largely completed.

We reported an anticipated three-to-six-month delay to the lead engineering, procurement and construction (EPC) contractor's construction schedule in April 2021. Subsequently the EPC agreement with the lead contractor for the project was terminated in June 2021, with the contractor citing reasons of force majeure arising from COVID-19.

Accsys took over the project management directly to complete the final stages of plant construction. Following an extensive gap analysis, Accsys provided an updated expectation in August 2021 that the plant will be commercially operational by July 2022 and expected €9m to €15m in additional project capital costs than previously anticipated.

These additional costs have been largely due to the extended project duration, including the previously reported engineering changes, delays due to COVID-19, and from the impact of past management of, and demobilisation from, the site. These costs also reflected a settlement agreement between TUK and the former lead contractor, where the parties settled and released each other from liability for claims against each other under the EPC contract.

CASE STUDY

## MAT-SU Health foundation

The Mat-Su Health Foundation (MSHF) is a new office designed for a non-profit organisation whose mission is to improve the health and wellness of the people living in the community. The spaces are meant to build community and bring people together in new ways by creating areas for providers to collocate and provide space for public outreach programmes. The facility covers approximately 46,000 square feet and consists of two two-storey office buildings connected by a central core area and a grand staircase to promote walking between the floors.

The interior and exterior finish pallet takes its cues from the surrounding environment and echoes the natural colours found in the community throughout the year. Sustainably harvested Accoya wood siding provides a contextual connection to other community buildings while energy-efficient systems create a space that is safe, welcoming and accommodating.

For more Accoya projects, visit **www.accoya.com/projects**

### Project details

**Location:** Wasilla, Alaska

**Client:** Mat-Su Health Foundation

**Architect:** Architects Alaska

In November under a new loan agreement with TUK, Accsys agreed to lend up to €17m to TUK for the plant construction project alongside existing funding in place for TUK.

The supply and offtake agreements with TUK partners Medite (sale and purchase of Tricoya® wood elements) and INEOS (acetic anhydride supply) were also updated at that time to reflect the partners' ongoing commitment to the project.

We have made significant progress in the second half of the year, under direct project management by TUK and a significant increase in our own project team, improvements to project governance, and managing key mechanical, electrical and civil contractors.

The plant physical construction workstreams are largely complete, and active commissioning of the plant is well underway. Wood chip commissioning is progressing to further stages of the plant, as we have brought different zones of the plant into commissioning in a staged approach. Most recently utilities have been brought into commissioning and testing the steam system and drying equipment will follow this. Our integrated operating team that will run the Tricoya® plant have been fully recruited and have been playing an active role in the commissioning process in recent months as we learn about and test the plant in its pre-operational commissioning phase.

Since May, further on-going challenges in completing certain day-to-day aspects of the construction have been experienced and commissioning has identified necessary rework of certain areas.

In addition, we have been unable to mitigate certain third-party costs, including in relation to mechanical, electrical, instrumentation, control and piping work, to the extent previously forecast. The construction challenges and rework have extended the timeline to completion and the project team costs are running for a longer duration during these final resource intensive stages of the project. Whilst some uncertainty remains, we are targeting completion in the coming months. We now expect the total project capital costs for the project to be €94-103m, an increase compared to our previously announced range of €90-96m. We are in discussion with our consortium partners regarding the consortium's funding options for the additional costs.

Notwithstanding the recent fundraise, given the recent developments outlined above, there is a risk that Accsys may not fund the full extent of any cost overrun at this time, if an appropriate agreement with the consortium is not reached. The Board is actively monitoring the project to ensure the best interests of Accsys are maintained.

Our planning for the plant continues to allow for the ramp-up of production to full capacity over approximately three years following the commencement of operations.

This reflects that this is the first plant of its type and that various modifications and operating improvements may be identified once the plant is initially operational and as the ramp up progresses.

> "We continue to research and develop our technology, including our process technology to drive efficiency and quality in our products and production"

Once at capacity, we continue to expect that a gross margin of approximately 40% should be achievable for the Tricoya® product.

Accsys remains committed to the safe completion and operation of the plant to realise the potential of the Tricoya® product with a large market opportunity, and ongoing high demand.

Once the Hull plant is operational, we will look to expand Tricoya® production in Malaysia. We have an ongoing feasibility study with PETRONAS Chemicals Group Berhad for the construction of a Tricoya® plant in Malaysia, where Petronas is a producer of acetyls and this location would have potential to open up new markets for Tricoya in Asia. The full decision to progress with the plant will only follow after the Hull Tricoya® plant has been operational for a sufficient period to ensure that any engineering learnings can be factored into the Malaysian plant design.

## Group Strategic Development

### Building organisational capability

In the period we have made good progress in developing our people and organisational capabilities to manage our growth, with Accsys' average headcount increasing from 199 to 244 people. Key hires in place include new heads of departments who are now developing platforms for supporting our growth as we look to increase our capacity significantly in the next six months whilst helping to ensure that the Group can further expand effectively including into new locations.

We have also increased our headcount through the recruitment of new operating roles for our teams who will operate our expanded capacity at Arnhem and new capacity at Hull as these become operational and increased our project management team at Hull in the period to oversee the project construction as previously mentioned.

# CHIEF EXECUTIVE'S STATEMENT continued

In addition, we have welcomed the new team at Barry through our Accoya Color acquisition.

In addition, we have increased training and development. With new leadership training programmes and talent mapping, this is an ongoing but important process to ensure we have the right skills and talent in place and a pipeline to maintain this, as we grow into the future.

## Technology & IP

Developing and protecting Accsys' valuable portfolio of intellectual property and confidential information remains an important priority as the Group grows. Our IP covers not only our physical equipment and engineering but also our supply and production chain processes from the way we prepare our wood to the way we market and sell Accoya® and Tricoya® in the market.

We continue to research and develop our technology, including our process technology to drive efficiency and quality in our products and production. During the year we have improved IP safeguarding procedures across the Group, and enhanced our project management process, capturing protectable technology as early as possible, and ensuring the strength of our patents is maximised.

Accsys' patent portfolio totals 400 patent family members, covering 27 distinct inventions in 45 countries with over 70% of the patent family members now granted. Our core technologies for Accoya® and Tricoya® production are protected by patenting and trade secrets to maintain our differentiation in the marketplace.

Our principal trademark portfolio covers our brands Accoya®, Tricoya®, the Trimarque device and Accsys, protected by registrations in over 60 countries, with continued activity that strengthens those brands.

Accsys monitors the commercial and IP activity of third parties to ensure its IP rights are not infringed and its commercial activity is protected.

## ESG

Accsys remains committed to growing and operating its business in a sustainable way. We have an ESG framework that aligns with our purpose, values and strategy, and sets out how we contribute to five main UN Sustainable Development Goals, with additional impacts on seven more. We have identified 10 key ESG material issues and impact areas.

We have completed stage one of our 2020 sustainability strategy roadmap. This has included reviewing and developing our data and assessments, establishing baseline metrics, and identifying initial actions for improvement in each of our material issues. We continue to work on stage two which is setting specific development plans within each of our key areas. Across FY22 we have made good progress in four key ESG material issue areas set out below.

We also continued our commitment to transparency and achieved our first third-party rating of our ESG, with the S&P Global Corporate Sustainability Assessment (CSA). Accsys was benchmarked with forest and paper products industry companies, the strong majority of which are large companies with a market capitalisation of over €1bn. Accsys gained an industry percentile ranking of 61, and a company score of 38 (industry average: 37). We are pleased with our first-year score which creates a baseline and way for us to assess our progress on our ESG journey against independent criteria in addition to our own targets.

## Safety

The Group has set 'Zero Harm' as a key target for our operations and is committed to developing best practice Health & Safety (HSE) across Accsys.

The 2022 financial year has been an important year of development in this area, through increased monitoring of leading and lagging HSE metric indicators and awareness around safety and developing a safety-first culture across our organisation.

We have increased safety observation card reporting (SOC) to over 800 SOCs, increased leadership safety tours to over 500 tours, and increased our safety communication and awareness including our first ever Safety Day.

In FY22 we reported two lost time incidents (LTIs), a lagging safety indicator. Our Lost Time Incident Rate (LTIR) per 200,000 hours worked has reduced from 1.8 to 0.5 (our interim target is 0.5). This improvement is due to having fewer accidents year-on-year and with significantly increased total hours worked through our contract workers, meaning fewer accidents for every hour that we work, which is a very positive development.

## Energy & Climate change

We have developed our Climate Change policy which has been established to outline and clarify Accsys' approach to climate change, with an expectation that it will be followed by all employees.

Our approach to Energy & Climate includes a focus on energy efficiency and process optimisation, assessing the carbon impact of our products and integrated climate considerations and activities (e.g. risks and opportunities) across multi-functions across the business. Our next steps involve strategy implementation.

In 2022, our location-based scope 1 and scope 2 emissions intensity increased by 4%. This change was driven by a year-on-year increase in electricity usage at Arnhem due to the installation of the new fourth reactor and new wood-handling equipment, but while overall production volumes from the new facilities and equipment have not yet increased.

The acquisition of the new site in Barry, UK site from Q2 in FY22 also increased emissions intensity, where the wood produced from Barry represents a conversion of Accoya volumes into Accoya Color but does not increase volume sold and therefore represents increased intensity.

## Society and Communities

In the period we have begun to implement our new Society and Communities strategy, under which we have developed a more structured approach to social and environmental impact through tools such as charitable giving and employee engagement. We began working with our official charity partners and to engage our employees in our chosen charities' missions.

In September we completed a charitable employee initiative called 'Step out, to help out!'. This saw colleagues across our organisation collectively walk over 16,000km over two months in the summer – the equivalent distance between each of our company locations and back – to promote wellbeing throughout Accsys and in our wider society.

Under the initiative Accsys pledged donations to three charities focused on improving wellbeing in Accsys' communities, with a total of €10,000 donated.

## Sustainable & Quality products

In the period we achieved a renewal of our Cradle to Cradle (C2C) gold certification for Accoya®, where C2C certified® is the global standard for products that are safe, circular, and responsibly made. Accoya® wood is one of the very few building products to have acquired C2C certification on the stringent Gold-level.

C2C assesses the safety, circularity and responsibility of materials and products across five categories of sustainability performance, including material health where Accoya® achieves a platinum rating.

After the end of the period, in May 2022 Accoya Color was awarded Cradle to Cradle certification at the prestigious 'Gold' level, as well as being awarded 'Platinum' level (the highest level) for both 'Material Health' and 'Water Stewardship'. This represents very high standards of sustainability, alongside the recognised high performance and durability credentials of the brand.

## Outlook

In summary, we are pleased to report another period of good revenue growth as we continue to see strong demand for our world-leading high performance, sustainable construction products. It is this demand, which continues to exceed supply, that has enabled us to offset the wider market pressures from raw materials costs and supply chain disruption through price increases. We have grown gross profit, while also investing in our organisation to be ready to manage our growing operations.

We have made substantial progress in our capacity expansion projects, despite ongoing construction and macro-economic challenges during the year and in the first quarter of FY 23. The physical constructions of both the world's first Tricoya plant in Hull and our Accoya plant expansion in Arnhem are largely complete, and whilst some near-term issues have been identified which are being addressed, commissioning of both facilities is in progress with both expected to be operational in the coming months. Our USA JV's new 43,000m³ plant to service the substantial North American market is now also under construction.

In FY23, once complete, the added capacity from Hull and Arnhem is expected to double our operating capacity from 60,000m³ to 120,000m³, enabling us to begin to address the pent-up demand for our products.

With these revised project timelines on Hull and R4, we are targeting to nearly double EBITDA in FY23, subject to any further changes in the projects' status.

In the longer term, we expect to achieve improved profitability and operating cash-flow generation as we penetrate target markets and leverage the expected benefit from greater economies of scale associated with higher production volumes. We remain focussed on executing the significant long-term growth opportunities ahead, with an ongoing commitment to safety and zero-harm to our people and the environment. With continued demand for Accsys' higher performance, lower maintenance and more sustainable products as the world focuses on decarbonisation. We remain on track to meet this demand through increasing our capacity fivefold by 2025.

**Rob Harris**
**Chief Executive**

30 June 2022

### Further reading

See our Strategy section on pages 18 to 25

See our Sustainability section on pages 50 to 60

See our Financial Review on pages 36 to 40

See our Ventures section on pages 34 and 35

# OUR VENTURES

## Tricoya® Consortium

**Accsys and its consortium partners are working together to build the world's first Tricoya plant in Hull, UK and to develop and grow the global market opportunity for Tricoya.**

### Tricoya® Hull plant capacity

30,000

metric tonnes targeted

**Partners:**

**MEDITE, INEOS, BGF, VOLANTIS**

### Overview

Accsys formed the Tricoya consortium in 2017 to realise the market opportunity for Tricoya.

The consortium comprises Accsys, INEOS Acetyls Investments Ltd, MEDITE Europe DAC, BGF & Volantis (Lombard Odier). INEOS and MEDITE provide strategic benefits through acetyls supply and Tricoya sales off-take agreements respectively. Project finance debt is provided by NatWest.

The consortium is building new production capacity at the Hull facility. It also continues to develop the Tricoya® product and its production processes, and is seeding the market for Tricoya® products. Once the Hull plant is established it will pursue additional licence or consortium agreements worldwide to support Tricoya®'s growth potential.

### Tricoya® market opportunity

The global market for Tricoya® panels is estimated to be in excess of 1.6 million cubic metres per annum. This equates to approximately 1.5% of global MDF manufacturing capacity. Prior to the operation of Hull, Tricoya® panel sales have been limited by lack of production capacity, where sales are made under market seeding using chipped Accoya® produced at Arnhem.

### Consortium structure

The consortium includes the following entities:

- Tricoya Technologies Limited (TTL) benefits from all Tricoya® related intellectual property
- Tricoya UK Limited (TUK), incorporated as TTL's subsidiary, owns and will operate the Tricoya® plant in Hull
- TTL will benefit from future Tricoya® related revenues generated outside the Hull plant. An organisation chart showing consortium partner interests can be found in the Investor Relations section of the Accsys website

### Tricoya® revenue streams

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

### The Hull plant (Tricoya UK)

The construction of the world's first Tricoya plant at Saltend Chemicals Park, Hull, is in the final stages of completion. The plant will have an annual production capacity of 30,000 tonnes of Tricoya® chips (equivalent to 40,000 cubic metres of Tricoya® panels) to sell to the panel industry as a feedstock.

The plant is expected to be EBITDA positive operating at approximately 40% capacity, reflecting a combination of continuous production process with greater automation and wood chip raw material. Once operational, production at Hull will be ramped up to full capacity over approximately three years.

**Further details on the latest status of the project can be found in the CEO's Report. See pages 26 to 33**

## Accoya USA LLC

**Accsys is building a new Accoya plant in Kingsport, USA under a joint venture with Eastman Chemical Company to capture the significant market opportunity that North America represents.**

### Accoya USA plant capacity

43,000

cubic metres targeted

**Partners:**

**EASTMAN CHEMICAL COMPANY**

### Overview

In August 2020 Accsys formed a joint venture with Eastman Chemical Company (NYSE: EMN), a world leader in the production of acetyls, to construct an Accoya® plant in the USA to address the strong and growing demand in the US market. The plant will replicate our Arnhem technology as we scale Accsys' production footprint globally, targeting production capacity of 200,000m³ a year by 2025.

### Significant market

North America is the largest potential regional market for Accoya and represents a substantial growth opportunity for Accsys. Independent market research has confirmed an achievable market for Accoya® in North America of up to 948,500m³ per annum within a wider addressable market of up to approximately 9.6 million m³. Accsys has strong foundations and a growing footprint in North America already, but is constrained by the volume of product we can deliver to customers from our Arnhem plant. With key distributor customers and our Approved Manufacturers Programme in place, we are building sales momentum in North America, ready for when the new plant's additional capacity comes online.

### Joint venture structure

Under the JV, Accsys holds a 60% interest and Eastman a 40% interest, through the joint venture company Accoya USA LLC (JV).

The initial plant facility designs will target a two-reactor 43,000m³ capacity plant, while the plans and site will allow for future expansion of up to eight reactors in total.

The plant will replicate existing Accoya® technology and operational know-how, provided by Accsys to the JV under a fee-bearing licence. Accsys also provides sales and marketing support under a separate fee-bearing agreement with the JV.

The final investment decision to proceed with the venture was announced on 4 March 2022. The total construction and start-up costs for the initial facility are expected to be approximately US$136m. $66m of this cost will be funded by pro-rata equity contributions from the JV parties, with Accsys contributing its pro-rata share of US$39.6m (€34.9m).

The remaining $70m is funded through an eight-year term loan to Accoya USA, LLC from First Horizon Bank of Tennessee, USA.

Investment in the Accoya USA LLC joint venture is reported by Accsys using the equity accounting method, with the financial result from the venture for the period reported as a single line item on Accsys' balance sheet. Further details of the financing arrangements can be found in the Financial Review.

### Attractive JV partner

Eastman is a strong collaborative JV partner who brings multiple benefits to the Accoya® USA JV. As a leading producer of acetyls, Eastman has extensive experience in building and operating chemical plants and is playing a lead role in the EPC contract management in the construction phase.

The plant will be located on Eastman's operating site in Kingsport, Tennessee, USA, adjacent to its acetyls operations which brings cost and geographical benefits.

### Outlook

The new Accoya USA plant is expected to take approximately two years to construct with ground broken in April 2022. Following construction, sales are expected to ramp up over a further two years to the plant's full production capacity. The planning to date confirms the strong financial returns from the plant itself, with a targeted IRR of over 20%.

Details of the Accoya USA joint venture's most recent progress can be found in the CEO's Report.

**See our 'CEO Report' on pages 26 to 33**

# FINANCIAL REVIEW

## "Accsys has delivered another year of financial progress in 2022"

| | FY22 | FY21 | Change % |
|---|---|---|---|
| Group Revenue | €120.9m | €99.8m | 21% |
| Gross Profit | €36.0m | €33.1m | 9% |
| Underlying EBITDA | €10.4m | €10.1m | 3% |
| Underlying EBIT | €4.2m | €4.4m | (5%) |
| Underlying profit before tax | €1.3m | €1.1m | 18% |
| Statutory profit before tax | €1.7m | €0.3m | |
| Cash | €42.1m | €47.6m | |
| Adjusted cash | €4.3m | €47.6m | |
| Net debt | (€27.2m) | (€12.2m) | |
| Adjusted net debt | (€55.0m) | (€12.2m) | |
| Accoya® Sales volume | 59,649$m^3$ | 60,466$m^3$ | (1%) |

## Introduction

Accsys has delivered another year of financial progress, with good revenue growth driven by continuing strong demand for our products and increased sales prices despite broadly flat sales volume due to capacity constraints.

Gross profit has increased by 9% driven by increased Accoya® prices which have more than offset input cost price pressures, in particular those relating to our input chemical costs which are linked to natural gas prices. The Accoya® manufacturing gross contribution per cubic metre of Accoya® sold increased by 11% to €595/$m^3$ reflecting the price increases and changes to product mix in the year.

While the existing Accoya® operations continue to generate strong operating cash flows, our balance sheet continues to be significantly influenced by investment into our key expansion projects with a total equivalent of 103,000$m^3$ of capacity under construction at the end of the reported year. We raised new equity for the Accoya USA plant early in the year, most of which was still held on our balance sheet at the end of the year. In addition, we completed a comprehensive re-financing of our debt arrangements, putting in place a facility with our long-term banking partner ABN AMRO in October. In addition to simplifying our debt arrangements, this has helped significantly reduce our cost of debt going forward.

However, additional costs identified for the Hull plant construction, together with more recently identified costs associated with the expansion of the Accoya® plant in Arnhem, resulted in a significant reduction in our overall liquidity levels. As a result, in May 2022 we completed a further equity capital raise of €19m (net of fees) to help fund the additional costs associated with the fourth reactor project at Arnhem (R4) and to ensure that we have an appropriate level of liquidity in place to support the next period of our expected growth, in particular given the significant level of ongoing capital projects.

## Statement of comprehensive income

Group revenue increased by 21% to €120.9m for the year ended 31 March 2022 (FY21: €99.8m). Overall, Group revenue growth was driven by continuing strong market demand for Accoya® and Tricoya® and increases in average product sales prices for both wood and acid during the year and the effect of increases introduced in the prior year, which were implemented to address rising raw material costs. This resulted in revenue from Accoya® wood increasing by 15% to €105.1m.

Accoya® sales volumes were 1% lower than the prior year, where our ability to grow production volumes at Arnhem remains limited by capacity constraints. While the prior year saw a reduction in volumes in the first quarter attributable to COVID-19, sales volumes in FY22 were impacted by temporary production downtime at the Arnhem plant connected with the installation of the new fourth reactor and isolated maintenance work in the second half of the year.

Included within Accoya® wood revenue, in the Accoya® segment, are sales to Medite and Finsa for the manufacture of Tricoya® panels used to develop the market for Tricoya® products ahead of the start-up of the Tricoya® plant. This revenue decreased to €16.0m (FY21: €18.3m), with the associated volume representing 22% of Accoya® sales volumes (FY21: 26%).

Tricoya® panel revenue of €1.5m (FY21: €2.1m), in the Tricoya® segment, represented sales of Tricoya® panels, purchased from our Tricoya® licensees, to sell into other geographies in order to provide initial market seeding material for the global Tricoya® market.

Licence revenue was stable year-on-year (FY22: €0.4m; FY21: €0.4m) with revenue reflecting milestone licence payments received by the Group in the Accoya® segment under the North American joint venture licence agreement with Accoya USA LLC. €16k (FY21: €19k) of licence revenue received from our Tricoya® licence partners was also reflected in our Tricoya® segment in the period.

Other Revenue, which predominantly relates to the sale of our acetic acid by-product, increased by 124% to €13.9m (FY21: €6.2m) driven by a 134% increase in acetic acid by-product sales revenue, due to higher acetyls market pricing which has been driven by the increase in gas prices.

Group gross profit of €36.0m was 9% higher than the prior year (FY21: €33.1m).

Cost of sales increased by 27% driven primarily by higher cost of raw materials, with the largest raw material cost increase in acetic anhydride, with significant increases in Q4 driven by higher gas prices. Accsys sells its acetic acid by-product back into the same acetyls market, which continued to act as a partial hedge to these higher costs. The net acetyls cost increased by 39% in FY22 compared to FY21.

Raw wood input costs were also moderately higher however the cost of this raw material overall remains more stable than the wider lumber market as we purchase appearance-grade wood under long-term supply contracts with many of our partners.

Underlying gross profit margin decreased from 33% to 30% compared to the prior year, with the Accoya® manufacturing gross margin also decreasing to 30% from 33%. The decreases were principally due to the sales mix in the year. Our gross profit margin has and will continue to reflect a number of changing influences including revenue mix between acid and wood products, price increases and changes within our wood product mix including in relation to the introduction of Accoya Color and the proportion of material sold from Arnhem for Tricoya® production.

### Gross profit


€36.0m

### Underlying profit before tax


€1.3m

### Net debt


(€27.2m)

# FINANCIAL REVIEW continued

Accoya® manufacturing gross contribution per cubic metre of Accoya® sold increased by 11% to €595/m³ as previously mentioned. Looking forward, there is opportunity for further growth as we expect to benefit from economies of scale from the expanded Accoya® plant and further changes to product mix after the Tricoya® plant in Hull commences operation.

Underlying other operating costs excluding depreciation and amortisation increased from €22.8m to €25.4m, driven by higher staff costs with average Group headcount increasing by 45 to 244 for the current year. This increase in headcount includes increased operating teams to operate our Hull and Arnhem facilities. In addition, the Group has invested in its organisational capability with the hiring of several heads of department, expanded our Engineering and Sales teams and added 11 former Lignia employees who joined Accsys through the purchase of assets in Barry, UK to grow production of Accoya® Color.

Sales and marketing costs (excluding staff costs) also increased by €0.5m compared to the prior year.

The prior year included a temporary reduction in salaries for the Senior Management team and a reduction in certain other costs as a mitigating action when demand was temporarily disrupted in the first quarter of the year by COVID-19.

Depreciation and amortisation charges increased by €0.5m to €6.2m following the purchase of assets in Barry, UK to grow production of Accoya® Color.

Underlying finance expenses decreased €0.4m to €2.9m, following the refinance of Group Debt Facilities in October 2021 which decreased the average interest rate payable on the Group's borrowings as well as simplifying our overall Group debt structure. As a result, underlying finance expenses decreased from €1.7m in H1 to €1.2m in H2.

Exceptional items of €1.8m include €1.6m related to redemption fees and accelerated amortisation of previously capitalised transactions fees related to the refinance of Group Debt Facilities in October 2021. Also included is €0.1m for redundancy payments related to the purchase of assets in Barry, UK to be utilised to manufacture Accoya® Color.

Other adjustments for the year, which are also excluded from Underlying results, include a foreign exchange gain of €2.1m related to US dollars held as Cash for investment into Accoya USA. Following the May 2021 equity raise, the amount raised to invest into Accoya USA was translated into US dollars and held in cash ensuring that foreign exchange movements did not decrease the amount raised below the future US dollar investment into Accoya USA. This treatment did not meet the requirements for hedge accounting under IFRS 9, Financial instruments and therefore the foreign exchange gain on the revaluation of the US dollars has been accounted for in Finance Expenses as an Other adjustment. Also included in Other adjustments is a foreign exchange gain of €0.2m (FY21: loss of €0.8m) related to loans held in pounds sterling with BGF and Volantis, which were repaid in the October 2021 Group Debt Facilities refinance. Also included are foreign exchange differences on cash held in pounds sterling which is used primarily to act as a cash flow hedge against future sterling project expenditure on the new plant being constructed in Hull and to a lesser extent, as a cashflow hedge against future sterling corporate costs. The effective portions of the cash flow hedges are recognised in other comprehensive income.

Underlying profit before tax increased by 18% to €1.3m (FY21: €1.1m). After taking into account exceptional items and other adjustments, profit before tax increased by €1.4m to €1.7m (FY21: €0.3m).

The tax charge decreased by €0.3m to €1.0m due to re-assessment of prior year Research and development tax claims. (FY21: €1.3m).

## Cash flow

Cash flows generated from operating activities before changes in working capital and exceptional items of €11.5m (FY21: €11.8m) were in-line with the prior year reflecting good operational cash flow generated by the Arnhem Accoya® plant.

Inventory levels increased by €8.1m during the year from a lower than optimal level at the start of the year and ahead of the planned Arnhem Reactor 4 start-up, which increases Arnhem production volume by circa 33%. Inventory levels predominantly include raw materials, with finished good levels remaining low given strong sales demand. Raw material levels were also higher than anticipated given the lower than planned production levels in H2 due to some isolated maintenance downtime reducing production volumes.

In May 2021, Accsys completed a successful Placing and Open Offer for an issue of shares in the Company, raising net proceeds of approximately €34.6m. The net proceeds have been used primarily to fund the Group's investment in expanding its Accoya® business into North America through the construction of a new Accoya® USA plant, through the joint venture with Eastman Chemical Company (Eastman), as well as to provide additional capital to support the Group's continued growth and ongoing development.



At 31 March 2022, the Group held cash balances of €42.1m, representing a €5.5m decrease in the year. The cash decrease in the year is attributable to construction progress made on the Arnhem plant expansion project (€24.7m) and our Tricoya® plant construction in Hull (€18.4m), investment into Accoya USA (€3.8m) and the increase in inventory referred to above, partially offset by the successful Placing and Open Offer and cash flow generated from operating activities referred to above. When adjusting for the Cash committed to be invested into Accoya USA (€27.9m), and cash pledged for the Letter of Credit provided to First Horizon Bank ('FHB') ($10m – explained further below), Adjusted Cash decreased to €4.3m (see note 29).

In July 2021, Accsys entered into a sale and purchase agreement with Lignia Wood Company Limited and its administrators, to acquire certain assets, equipment and technology for €1.2m, including €0.5m for raw wood inventory. Accsys is using the assets to increase production of Accoya® Color, ultimately allowing the Company to accelerate the launch of the product into more geographic markets and for more product applications.

In October 2021, Accsys completed the refinance of its Group debt facilities through a new bilateral agreement with ABN AMRO, one of Accsys' existing relationship banks. The new €60m three-year bilateral facilities agreement with ABN AMRO comprises a €45m Term Loan Facility and a €15m Revolving Credit Facility (RCF). The €45m Term Loan was fully utilised to repay all of the Group's existing debt, with the exception of the Natwest facility held by the Tricoya® consortium which remains in place.

The new facility significantly simplifies Accsys' debt structure, which previously included five different debt providers and commercial partners. The Term Loan is partially amortising, with 5% of the principal repayable per annum after 18 months. The applicable interest rate for the Term Loan will vary between 1.75% and 3.25% above EURIBOR depending on net leverage, resulting in a significant improvement compared to the previous facilities which had a weighted average cost of approximately 6%. The RCF interest rate will similarly vary, but between 2.0% and 3.5% above EURIBOR. The new facilities are secured against the assets of the Group which are 100% owned by the Company and include net leverage and interest cover covenants.

## Financial position

Plant and machinery additions of €41.0m (FY21: €20.7m) in the year largely consisted of the construction of the fourth reactor expansion project in Arnhem (€24.7m), the Tricoya® plant in Hull (€12.7m) and the purchase of certain assets and equipment in Wales to be utilised to grow production of Accoya® Color (€0.7m). The prior year primarily related to construction on the Tricoya® plant build in Hull and initial costs related to the fourth Reactor expansion project in Arnhem.

Trade and other receivables increased to €16.9m (FY21: €12.3m) due to higher sales in March compared to the prior year, and a €1.2m increase in VAT receivables.

Trade and other payables are in line with the prior year at €29.9m (FY21: €29.8m) with an increase in trade payables due to the timing of payments on our expansion projects in Hull and Arnhem, offset by the reversal of accruals raised in the prior year associated with the construction of the Tricoya® Hull plant, following the settlement agreement entered into between Tricoya UK and Engie Fabricom UK Limited in August 2021.

Amounts payable under loan agreements increased to €64.0m (FY21: €54.3m) due to the new €10m convertible loan with De Engh, further detailed below under Accoya USA LLC Financing. The new €45m ABN loan offsetting with the repayment of the previous Group debt.

Net debt increased by €15.0m in the year to €27.2m (FY21: €12.2m) due to Capex investments of €44.6m partially offset by the successful Placing and Open Offer (net proceeds of €34.6m). When adjusting for the Cash committed to be invested into Accoya USA (€27.9m), Adjusted Net Debt increased to €55.0m.

## Tricoya consortium financing

As set out in the CEO's report, we now expect the total project capital costs for the project to be €94-103m, an increase compared to our previously announced range of €90-96m. We are in discussion with our consortium partners regarding the consortium's funding options for the additional costs. The project is also funded through a project finance loan from NatWest bank for €17m, which is in technical default, pending the conclusion of these discussion. A €3m extension to the NatWest loan remains in discussion with NatWest.

## Accoya USA LLC Financing

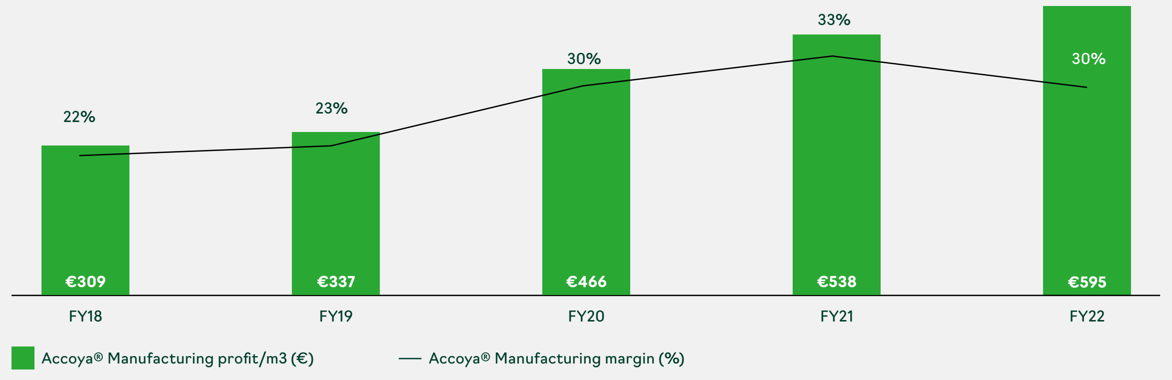
In March 2022, the final investment decision was made to proceed with the construction of the Accoya USA facility. The total construction and start-up costs for the facility, including the initial two reactors, are expected to be approximately $136m ('Total Project cost').

Accoya USA LLC is accounted for as a joint venture and equity accounted, reflecting the jointly controlled nature of the arrangement with Eastman despite Accsys holding 60% equity interest.

$66m of the Total Project cost will be funded by equity contributions from Accsys (60%) and Eastman (40%). Accsys' pro-rata share is $39.6m (€34.9m) of which $5.6m (€4.8m) has already been contributed to Accoya USA by 31 March 2022.

# FINANCIAL REVIEW continued

**Accoya® Manufacturing Margin**




$70m of the Total Project cost will be funded through an eight-year term loan to Accoya USA, LLC from First Horizon Bank (FHB). FHB is also providing a further $10m revolving line of credit to be utilised to fund working capital. The FHB term loan is secured on the assets of Accoya USA and will be supported by Accoya USA's shareholders, including $50m through a limited guarantee provided on a pro-rata basis, with Accsys' 60% share representing $30m. The interest rate varies between 1.25% to 2% over USD LIBOR. Principal repayments commence one year following the completion and start-up of the facility and are calculated on a ten-year amortisation period.

To support Accsys' limited guarantee ($30m), Accsys has provided a $20m Letter of Credit (LC) to FHB. The LC has been issued by ABN AMRO, utilising part of the revolving credit facility agreed in October 2021. To further support the LC, Accsys has agreed a €10m convertible loan (the 'Convertible Loan') with De Engh BV Limited, an investment company based in the Netherlands ('Convertible Loan'). The Convertible Loan proceeds were placed with ABN AMRO solely as cash collateral to enable ABN AMRO to grant the US$20m LC to FHB. The Convertible Loan is unsecured and carries an interest margin of 6.75% above Euribor (see note 29).

## Going concern

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

As part of the Group's going concern review, the Directors have assessed the Group's trading forecasts, working capital requirements and covenant compliance for the foreseeable future under a base case scenario, taking into account the Group's financial resources including the current cash position and banking and finance facilities which are currently in place (see note 29 for details of these facilities) and the possible further impact of supply chain disruption.

The Directors have also assessed a severe but plausible downside scenario with reduced sales volumes, lower gross margin and a delay in the timing of production from R4 in Arnhem beyond the current expected operational date of Q2, FY23. These forecasts indicate that, in order to continue as a going concern, the Group is dependent on achieving certain operating performance measures relating to the production and sales of Accoya® wood from the plant in Arnhem with the collection of on-going working capital items in line with internally agreed budgets.

The Directors' have also considered the possible amount and timing of capital expenditure required to complete the Tricoya® plant in Hull, noting that should additional funding be required beyond what has been committed by the Tricoya® consortium partners to date, further consent would be required by the Tricoya® consortium partners for funding to be contributed. There are a sufficient number of alternative actions and measures within the control of the Group that can and would be taken in order to ensure on-going liquidity including reducing/deferring costs in some discretionary areas as well as larger capital projects if necessary.

The Directors believe that while some uncertainty always inherently remains in achieving the budget, in particular in relation to market conditions outside of the Group's control, under both the base scenario and severe but plausible downside scenario, there is sufficient liquidity and covenant headroom such that there is no material uncertainty with respect to going concern and have prepared the financial statements on this basis.

**William Rudge**
**Finance Director**

30 June 2022


## Accoya® curved windows are a hit for unique residence in Australia

At this unique home in New South Wales, all the timber windows are curved and made from Accoya® wood. Accoya was the ideal material for this project as it is easily machined, exceptionally stable and highly durable.

The windows were manufactured and installed by approved manufacturer Windoor Joinery Pty Ltd and they sourced the Accoya® wood from distributors Britton Timbers.

The windows are coated white to match the aesthetic of the property.

Private residence, New South Wales, Australia. Manufacturer: Windoor

For more Accoya projects, visit **www.accoya.com/projects**

# RISK MANAGEMENT

## How we identify, evaluate, manage and mitigate risks

Given the macroeconomic headwinds which global companies are currently facing, identifying, evaluating, managing and mitigating risk remains as important as ever.

### Risk governance

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

The Audit Committee's terms of reference ensure it has the capability and structure to operate independently of the Accsys executive team, specifically:

- the Committee is required to have a particular focus on Accsys' processes for the management of business and financial risk;
- Committee members should have the ability to understand key business and financial risks and related controls and control processes;
- the Committee is entitled to obtain, at Accsys' expense, independent legal, accounting or other professional advice on any matter it believes is necessary to do so; and
- at least one member of the Committee should be literate in business and financial reporting and control and have past experience in finance or accounting or other comparable experience or background.

The current Chair of the Audit Committee is Sean Christie. Sean understands business and financial risk and related controls and control processes through being an experienced audit committee chair and a long executive career which included group finance director roles at large multinational organisations.

Accsys also has a Risk Committee, which is chaired by Accsys' Finance Director. The Risk Committee reports to the Audit Committee on risk management within Accsys' business and operations. Accsys' Risk Committee meets at least quarterly and is comprised of certain members of the Senior Management Team. The Committee conducts regular and structured reviews of risk ahead of reporting to, and further review and discussion with, the Audit Committee. The Audit Committee then seeks to ensure that risks have been suitably identified and evaluated with appropriate mitigation plans in place.

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

- identify and rank key risk areas, including existing and new risks;
- allocate a Senior Management Team member with day to day oversight of each risk;
- evaluate the likelihood and impact of each risk;
- highlight to the Audit Committee changes in the risk register;
- identify steps that are being taken to mitigate the risk; and
- traffic light those areas of particular concern.

### New and emerging risks

Accsys' Risk Committee meets regularly and remains alert to the presence of new or emerging risks to the business, as well as any changes in the status or prevalence of existing risks to the business. Emerging risks identified during the past year can be found in the following tables and marked as "New" in the 'Risk trend' column.

### Risk culture

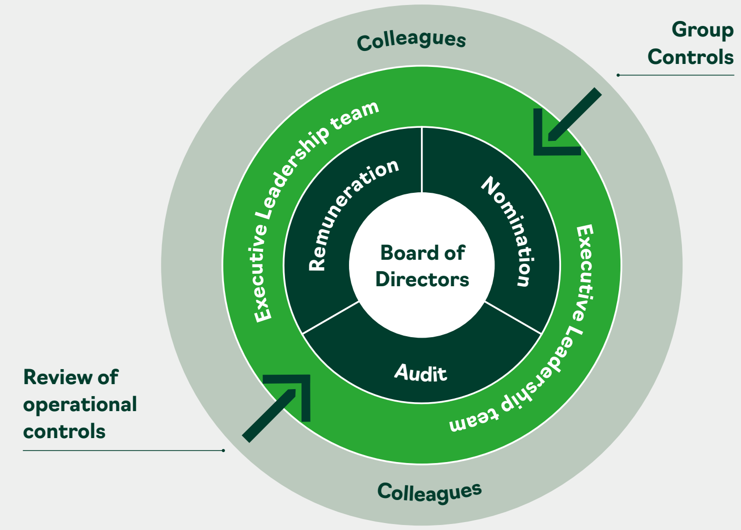
As part of Accsys' commitment to good risk management practices, it is focused on developing cultural awareness of risk and embedding good risk management practices at all levels of the organisation. Company initiatives that reinforce risk culture include a requirement for employees to complete training on certain risk topics. The employee annual appraisal process requires managers to check completion of the training by the employees. These training modules cover:

- Data management;
- Anti-corruption;
- Market abuse; and
- Anti-slavery.

In addition, during the 2022 financial year, particular time was spent on developing cultural awareness of safety risks. Further information can be found under 'HSE risk' on the following pages, in the CEO's report and in our Sustainability update in this report.

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

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




A summary of the principal risks facing the Group is set out below. The below is subject to ongoing review and change. The risks should not be read in any order of priority. The 'Risk trend' column indicates the risk trend in the reporting period compared to the last Annual Report.

| Risk | Description | Mitigation | Risk trend |
|---|---|---|---|
| Finance | As with any businesses, a lack of strong financial control and planning may adversely impact the Group. As Accsys continues to grow, its financing needs, both debt and equity, are likely to increase. Should those financial needs not be met, this could impact the ability of Accsys to realise its strategic growth plans, which are by their nature dependent upon access to sufficient capital.<br><br>Planning and securing appropriate finance, operating within agreed financing covenants, and maintaining robust internal systems and controls are all essential in meeting the Group's growth targets. There is also the risk that the Group's finances are adversely affected by external factors such as economic rates of growth, inflation, or a movement in foreign exchange rates, which may result in significant, unexpected financial gains or losses, or other changes to the Group's financial position that could not be anticipated.<br><br>Given the Group's size relative to the scale of capital-intensive projects necessary for it to meet its growth strategy, the Group may be adversely affected by cost overruns on those projects. Further, if additional capital is required to fund cost shortfalls, such additional capital may not always be readily available, or if it is, the cost of capital may be relatively higher. | Reviewing our financing needs as the Group grows and exploring funding options to ensure that the Group's financing arrangements are as efficient as possible, are a key focus of the Group's Finance Director and finance team. The Group has formed strong relationships over recent years with both equity and debt providers, mitigating risk in this area.<br><br>The Group minimises the financial risk associated with exchange rate movements by using foreign exchange hedging. Where possible, the Group will use natural hedges if assets and liabilities exist in the same currency, or foreign exchange derivatives such as forward contracts to minimise the risk where appropriate.<br><br>In May 2021 and May 2022, the Company undertook equity capital raises to support the Company's continued growth.<br><br>In October 2021, the Company refinanced its Group debt facilities through a new bilateral agreement with ABN AMRO, one of Accsys' existing relationship banks. The new facility has significantly simplified Accsys' debt structure, which previously included five different debt providers, and provides Accsys with greater liquidity to support the Group's growth plans. | ↑ |

# RISK MANAGEMENT continued

| Risk | Description | Mitigation | Risk trend |
|---|---|---|---|
| **Health, Safety and Environment** | The Group's manufacturing business and operation of industrial plants involve the use of both raw wood and the chemical acetic anhydride where there is a risk of health, safety or environmental (HSE) events at our sites such as injury, damage, explosion, contamination, or death. These represent ongoing risks with potentially catastrophic impact.<br><br>Where Accsys is involved in constructing new plants, there is also HSE risk present in the nature of construction activities. | The Group maintains and continues to invest in HSE processes and systems internally. Our aim is also to continually increase HSE awareness among our people.<br><br>Accsys' Group HSE Director is responsible for implementing and (where necessary) improving HSE matters across the Group. The Group HSE Director is supported by dedicated full time HSE managers at our operational sites, reports monthly to the Group's Senior Management Team, with an annual review with the CEO, and in response to specific events. Safety Management Systems are regularly reviewed, with a comprehensive audit programme (regulatory and internal) in place.<br><br>During FY2022 a Safety Awareness Programme was launched for all Group employees to further drive HSE awareness. HSE training for employees working on operational sites remains mandatory and a priority. Senior management carry out site visits as part of a visible leadership approach to HSE. Further information on our HSE outcomes for FY 2022 can be found in the Sustainability section of this report. | ↓ |
| **Hull Plant** | The construction of the new Tricoya® plant in Hull, including its commissioning and start up, may affect the Group's ability to generate revenue as planned if the commencement of the commercial operation of the plant is further delayed. | Completing the Hull plant and moving the plant into operation remains a key priority for the Senior Management Team and the Board.<br><br>During the year, the Group established a new project leadership team and new project leader to help deliver the project's final phase of construction. Additional project controls were also implemented, supplemented by third party reviews of the project schedule to ensure an optimal project schedule.<br><br>Regular reviews of the project were held with relevant contractors and separately at a project management level, seeking to ensure that all issues are properly understood and plans in place to address them appropriately to enable completion of construction and commercial operation as soon as possible. | ↓ |
| **Supply chain stability** | Global and national economic events have the potential to impact the Group adversely in differing ways. The enduring effects of the COVID-19 pandemic, the Ukraine conflict and other events have led to changes and disruption in supply chains, and created volatility in supply chain pricing and availability. These events may also impact overall demand for the Group's products or impact the Group's financial performance. | The Group aims to mitigate macro-economic risk through different internal processes, depending on the nature of the events and how it impacts Accsys. The Group aims to maintain an appropriate level of raw wood inventory for example, to help manage supply chain and logistics pressures, while on the acetyls side it looks to maintain relationships with suppliers that helps it to buffer cost and supply volatility, in addition to re-selling its acetic acid by-product as a partial cost-hedge. During FY 2022 the Group introduced changes to its pricing structures to offset higher-than-normal supply-side cost increases. | NEW |
| **Manufacturing** | The Group's ability to generate revenue and drive EBITDA relies heavily on its manufacturing capability. A plant shutdown or operational down-time in Arnhem, and a failure to realise commercial operations at our new manufacturing facilities in Hull and elsewhere are likely to materially adversely impact our financial results and ability to grow. The Group may also be affected by a failure to properly maintain its operations. | The Group has a continuous improvement approach to optimisation of production output at the Arnhem plant. During the year this continuous improvement included increased availability and flexibility from the third reactor, increased emphasis on plant reliability and integrity programmes, more detailed failure analysis, structured preventative maintenance programmes and associated procurement of high impact spare parts. The installation of automated wood handling equipment at the Arnhem plant in FY 2022 will improve handling and efficiency. | ↔ |
| **Licensing/ Partnering** | A loss of demand for technology licences or interest in partnering with us for new or existing plants may adversely impact our ability to realise value from our IP and grow in line with our strategy.<br><br>Likewise, a failure of our existing business partners, including contractors, licensees, and suppliers to perform as expected under our agreements could adversely impact our financial performance. | Developing strong relationships with current and future business partners to embed a pipeline of new business opportunities and foster key relationships is an important focus of our dedicated business development team. Our sales, marketing and licensee support teams will also work with these partners to help them to grow their Accoya® or Tricoya® businesses.<br><br>In FY 2022, the Group amended its contractual terms to ensure new Tricoya® user licensees include minimum panel performance to applicable EU standards. | ↑ |
| **Litigation and Disputes** | Litigation and other disputes with business partners or other third parties may require significant resources to resolve, incur costs and adversely impact the Company's reputation.<br><br>The outcome of any dispute is inherently uncertain, and even with a successful outcome, may be distracting or detrimental to the Group's interests during a period of growth. Disputes with key contractual counterparties may also have broader adverse operational implications. | The Group seeks to mitigate the risks involved with litigation and disputes by developing strong relationships with key business partners and advisers and keeping in regular communication with them on business matters, with a view to early resolution of any issues wherever possible. | ↓ |
| **Expansion** | New plants (including our Tricoya® plant in Hull) or expansions of existing operations, rely on new engineering and technology, which may not perform as expected, particularly in the early stages of operations.<br><br>Failure to grow manufacturing in line with market expectations may adversely impact the Group's reputation to deliver complex projects, its financial results and the ability to meet its growth targets. | Accsys invests in ensuring we have the right level of project management skills, experience, and capabilities, as we grow, primarily through our team of people managing the execution of our projects. Our technology research and development team also focus on ensuring that our existing and new technologies are tested and developed to reduce unforeseen risks when planning and deploying this technology into new projects.<br><br>The Group has a strong emphasis on continuous improvement. During the year, the Group was able to use many of the lessoned learned from construction activities at Hull and Reactor 4 at Arnhem to inform the project setup which will be used by the Accoya USA joint venture. | ↔ |

# RISK MANAGEMENT continued

| Risk | Description | Mitigation | Risk trend |
|---|---|---|---|
| **Development and Supply of Raw Materials** | The production of Accoya® and Tricoya® requires the procurement and supply of two key raw materials: raw wood (whether in solid form or chip) and acetic anhydride. A failure to secure the supply of raw materials in the right volumes, at the right times, and appropriate price will hinder our ability to produce and sell our products, which in turn is likely to materially adversely affect our revenue and EBITDA. Supply of raw materials remains a key risk that Accsys is focused on mitigating. | Building long-term relationships with key suppliers of raw materials, including new and existing suppliers of acetic anhydride, continues to be of paramount importance to Accsys. Where possible, maintaining a diversity of supply is key among this, as is ensuring good supplier relationships that provide us with materials on time, in line with our expectations.<br><br>In managing the supply chain for our raw wood sourcing, we mitigate risk through a number of supplier screening, selection and monitoring steps and processes. It is also a requirement that our wood suppliers are FSC certified by third parties. Further information on our approach to supply chain risk management and biodiversity can be found in our GRI/SASB disclosure on the Accsys corporate website.<br><br>The Group has continued testing new species of raw wood from different geographic regions which would be suitable for application in respect of both Accoya® and Tricoya®. The Group also continued to build up resilience in its supply chain through further contractually binding arrangements with raw material suppliers. | ↓ |
| **Personnel** | The Group employs many highly experienced personnel that have deep knowledge of our business, technologies, processes, and products. A loss of key personnel who hold highly valuable information or who are highly knowledgeable about the Group may have a material adverse impact on us.<br><br>The highly qualified personnel required by the Group in various capacities are sometimes in short supply in the labour market. An inability to swiftly replace personnel that leave the Group or expand our workforce with additional personnel may limit the rate at which we are able to grow our business. | The Group protects its ability to attract and retain skilled people through various processes and policies under the leadership of the Group's Chief People Officer. In addition, we value and invest in employee engagement and communication to maintain a positive and motivated culture. The Group made progress in FY 2022 with respect to appointments in a number of key roles.<br><br>Detailed reviews of departmental needs aim to ensure that the Group can appropriately resource its organisational needs at a time of rapid growth. Evaluations are carried out to identify those functions that are of critical importance for the Group and individuals within those functions that are themselves critical and/or are considered of high potential. The Group also operates a Group-wide bonus scheme, together with a long-term incentivisation plan which seeks to reward, incentivise, motivate, attract, and retain critical personnel by way of share-based awards with deferred vesting. | ↓ |
| **Sale of Products** | As a business that sells products, a key risk for the Group is changes in customer demand and other factors that may adversely affect the sales of our products. These changes in demand may arise out of macroeconomic events beyond the Group's control. In the longer term, a failure to supply pent up demand risks customers adopting alternative technologies and products which may adversely impact future demand and sales growth. Sales may also be impacted by quality control failures which may lead to reputational damage. | The Group maintains structured Sales, Marketing and Product Quality functions which focus on supporting and growing our sales and customer demand, while ensuring the quality of our products.<br><br>Research and development continues, with the goal of increasing overall product quality by way of enhancing quality control standards and carrying out root cause analysis.<br><br>The Group continues to progress its plans to add new production capacity, at Hull, Arnhem and in the USA, and further details on these projects can be read in the CEO's Review. The Group is also well advanced in developing demand for its Accoya® Color range. | ↑ |

| Risk | Description | Mitigation | Risk trend |
|---|---|---|---|
| **Protection of Intellectual Property (IP) and Trade Secrets** | As a business which materially benefits from IP, the loss of confidential information, patent rights, trademarks and other intellectual property is a key risk. Also, a failure to maintain and grow its portfolio of IP, by patenting new inventions, acquisition or by prevailing in any IP litigation may have a material adverse impact on the Group. Together these risks could weaken the Group's competitive advantage in its Tricoya® and Accoya® businesses. | The Group has dedicated resource to manage its IP which, together with external IP attorneys, are responsible for maintaining and developing the Group's IP portfolio. We use confidentiality and IP agreements when dealing with our business partners. To mitigate risk in relation to IP protection, training is given to employees to help ensure awareness of the need to protect our IP. | ↔ |
| **Environmental, Social and Governance (ESG) and Sustainability** | Through our products, Accsys offers the world a choice to build more sustainably, and ESG goes to the heart of what we do. An inability to recognise ESG issues and mitigate ESG risks may be materially detrimental to the Group's prospects as a company with strong ESG credentials. | Ensuring appropriate ESG governance is a key objective for Accsys. Strong ESG governance will help Accsys to fulfil our commitments in key ESG areas including health and safety, people and well-being, ensuring fair and ethical conduct, producing and selling products that are sustainable and sourced responsibly, controlling our impact on the environment, and seeking to benefit the broader society and communities around us.<br><br>During FY 2022 the Group continued to improve its ESG governance structure, which aims to assess ESG risks and opportunities and to implement Accsys' ESG Strategy. Further details can be found in the Sustainability section of this report. | ↓ |
| **IT** | As a company with valuable technological IP and with manufacturing processes that depend on IT systems, a failure of IT security, continuity or inadequate management information may have a serious impact on the Group's business. Risks relating to IT and cybersecurity are considered by the Audit Committee as part of its regular review of the Group's Risk Register. The Board member with ultimate oversight of risk management on this issue is the chair of the Audit Committee, while at an executive management level, Accsys' Head of IT reports to the Group's Finance Director on the same. | Accsys maintains a high level of IT security through the adoption of a continuous improvement in enterprise information and data security process, and policy compliance. Physical device and systems security software and industry-leading security platforms have been implemented to monitor and manage the continually evolving threat landscape.<br><br>We continue to develop and implement processes and procedures to support the Company's ongoing operational security towards the strategic objective to acquiring ISO 27001 compliance. Approximately 90% of our IT environment is service based/cloud hosted, and supported by organisations which are ISO 27001 certified.<br><br>During the year, the IT function carried out appropriate platform and infrastructure security testing and reviews resulting in various infrastructure, device management and security configuration improvements. IT security policy and procedures are in place for all employees, which includes a notification and escalation process, and IT security training is held regularly. During the year, the IT function rolled out updated security awareness training to all staff to ensure a suitable level of awareness with respect to cyber risk. We have also held learning lunches on information security and run phishing simulation programs. Development of multi-vendor threat intelligence and response systems utilising advance analytics and 24 hour, seven day a week security, provide us with additional layers of security to monitor and protect infrastructure and assets.<br><br>We conduct third-party vulnerability scanning & analysis including simulated hacker attacks, and have IT business continuity plans in place with disaster recovery and incident response testing held annually. | ↓ |

# RISK MANAGEMENT continued

| Risk | Description | Mitigation | Risk trend |
|---|---|---|---|
| **Reputational risk** | Maintaining good relations and business reputation across all of Accsys' stakeholders helps it to maintain and grow its business over time. Reputational risk can occur directly through the actions of the Group itself, or indirectly through the actions of employees or other parties, such as joint venture partners, contractors, suppliers and customers. Damage to Accsys' reputation may have an adverse impact on our financial performance. It may include a loss of support from shareholders, contractors, suppliers, and customers and may impact shareholder value, impact our sales and diminish our ability to raise new capital and implement new projects to grow our business. | The Group maintains various internal controls and processes that directly and indirectly seek to reduce reputational risk and to manage the impact should it occur.<br><br>The Group has a dedicated Head of Investor Relations who ensures the Group maintains regular contact with investors through a variety of means, including shareholder announcements, face to face meetings with management, and live biannual web-cast presentations of financial results amongst others. In doing so, the Group seeks to keep shareholders informed on a regular and transparent basis which in turn is designed to mitigate risks in this area.<br><br>Consultation with key shareholders on important issues is actioned where appropriate. | ↓ |
| **Governance, Compliance and Law** | A failure to maintain appropriate governance structures or a lack of a clear business strategy may lead to poor decision making and operational performance. It may also increase the risk of the Group failing to meet or stay compliant with applicable laws and regulations. | As noted on page 65 of this document, Accsys has adopted the QCA Corporate Governance Code and reports against it on a comply or explain basis. In addition to the disclosures set out in these Report and Accounts, Accsys' current Statement of Compliance relating to the QCA Code explains how Accsys complies with the Code and in turn mitigates risk. A copy of our current QCA Compliance Statement can be found at www.accsysplc.com/qca-compliance.<br><br>The Group also has dedicated legal and governance resource, headed by the General Counsel and Company Secretary, who is responsible for the Group's legal and company secretarial affairs. | ↓ |



CASE STUDY

## Dynamic views of nature from the fire watchtower – Belgium

The Belgian Kalmthoutse Heide park has gained a valuable landmark, a new 42-metre-high fire watchtower. Architect NOHNIK, and construction partners Bureau Bouwtechniek and Ingenieursbureau ABT België have perfectly combined wood and steel to produce an elegant truss construction. From every angle, the fire watchtower offers a dynamic and panoramic view over the natural landscape of the Kalmthoutse Heide.

The tower is built up in 6-metre-high segments, which twist flawlessly into each other. The staircase follows the same orientation, alternating direction at each segment, making the climb up the tower an experience in itself. The fire watchtower is therefore not only an efficient workplace for the fire fighters, but it also provides access for everyone in the area to enjoy the spectacular view from the tower's platforms.

The Kalmthoutse Heide offers great diversity of landscapes, nature, and cultural-historical heritage. With the fire watchtower as its new landmark, and the surrounding area previously destroyed by a forest fire in 2011, the tower serves to significantly protect the area.

Accoya wood was the material of choice for the railings, balustrades, and fire watchtower; the ultimate contrast to the steel truss construction frame. A variation of wood thicknesses and spacing was used, creating a sophisticated look and thanks to the colour and material combination of Accoya wood, the tower harmonises beautifully with the surrounding natural landscape.

### Project details

**Client:** Gemeente Kalmthout

**Commissioning partners:** Agentschap Natuur en Bos, Telecomoperator Astrid

**Tower height:** 42m

**In collaboration with:** Bureau Bouwtechniek and ABT België

**Architect and images:** ©NOHNIK architecture and landscapes

**Distributor:** Martal Houtimport

**Sub-distributor:** Houthandel Jacobs

©NOHNIK architecture and landscapes (architect and images), ABT België and Bureau Bouwtechniek.

For more Accoya projects, visit **www.accoya.com/projects**

## SUSTAINABILITY

# OUR APPROACH TO SUSTAINABILITY

**AT ACCSYS, WE ARE COMMITTED TO DELIVERING ON OUR PURPOSE, CHANGING WOOD TO CHANGE THE WORLD.**

### 2022 highlights

- Health and safety: Moving towards health and safety leadership
- Climate change: Development of Climate Change Policy
- Responsible sourcing: Ensuring future resilience and security of sustainable supply
- People and wellbeing: Inclusion & Diversity and Learning & Development focus
- Culture and engagement: Employee engagement including Accsys Green Champions Network
- Society and communities: Strategy developed and new charity partners appointed

The Accsys ESG Framework is the foundation of our approach to sustainability, which comprises Accsys' 10 material issues that are aligned to the United Nations Sustainable Development Goals (SDGs). Each material issue comprises of a strategy, roadmap of actions, goals and performance metrics with a roadmap and progress review each year.

Supported by increased resources and improved organisational effectiveness, our approach to these issues is a core part of both our purpose and our integrated business and growth strategy.

### Progress on sustainability strategy roadmap

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

### Looking ahead

We are accelerating progress on our ESG and sustainability roadmap, and we are proud to have achieved so much already in 2022. While we celebrate our achievements, we recognise that this is a journey and there is always more that can be done, and more to aim for. A selection of our focus areas for FY 2023 include:

- ESG Governance: Formalising and building on ESG governance and management
- Health and safety: Continuing to work towards health and safety excellence with the creation of global HSE Team
- Climate change – Strategy implementation and roll out of Climate Change Policy
- Sustainable and quality products: Continuing to build on our role in the built environment through growth in provision of our sustainable and quality products to the market, supported by the best sustainability standards and accreditations

On the following pages we describe our approach, key highlights and metrics for FY 22, and next steps for each of our key material issues, as seen in our ESG Framework.

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

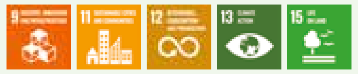
## Our focus on TCFD

While Accsys is not required to report against the TCFD (Task Force on Climate Related Financial Disclosure) yet, we have conducted an initial review on the Framework and will be looking to further engage key senior leaders on the TCFD in 2023. We will focus on key actions which Accsys is able to implement related to the TCFD recommendations, as we understand the importance of evolving our approach to climate risk and resilience.

### Our ESG Framework


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

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




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


### Sustainability strategy roadmap

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

**Stage 1:**
**Evaluation and strategy refinement**

2021 – 2022

- **Improve assessment, monitoring and data management**
- **Review and, where necessary, set up new formal policies, oversight and workflows**
- **Initial actions for improvement in each material issue**
- **Establish baseline statistics and metrics**

**Stage 2:**
**Impactful action and data-led direction**

5+ years

- **Use improved data to refine action plans & set realistic, ambitious and attainable targets**
- **Implement and support new programmes and initiatives**
- **Manage and reassess material issues and stakeholder priorities to ensure continued relevance**

# SUSTAINABILITY continued

**HEALTH AND SAFETY CASE STUDY**

## Leadership and employee engagement towards Zero Harm


This year, we built on our commitment to develop best practice health and safety through a targeted strategy and a 'Zero Harm' target. Developing a safety-first culture depends on all of our employee. We have launched new initiatives to increase employee engagement.

One key focus has been on leadership and accountability to demonstrate strong commitment to safety. We've looked from the 'smaller' and impactful actions, with our CEO, Rob Harris starting each all company meeting with a safety moment, to ensuring visible leadership by increasing safety inspection tours made by senior leader on our sites.

To engage employees directly, our competition for our new health and safety slogan received 120 entries and a winning slogan of 'Think Safe, Act Safe'. This has now been incorporated into a logo which is used on literature and presentations. We also held our first Annual Health and Safety Day, which raised awareness on safety related issues and involved employees from every area of operation physically and virtually.

## Health & safety

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

# 0.5 LTIR

Lost Time Incident Rate** **(2021: 1.8)**

Target 500 SOC (Safety Observation Card) reporting achieved with 811 SOCs received (90 2021)

**2** Lost Time Incidents (LTIs) (2021: 3)

**5.2** Total Recordable Incident Rate (TRIR) (2021: 6.75)

**552** Management Safety Tours (2021: 98)

**51** Safety Committee Meetings (2021: 16)

**2500** Toolbox Talks (2021: 2780)

**811** hazard/Near-miss Reports (2021: 90)

**0** Fatalities (2021: 0)*

* Employee related metrics. Contractor related metrics can also be found in the ESG section of our corporate website.

** Per 200,000 hours worked.

### 2022 highlights

- **Introduced new Health & Safety Strategy, HSE Policy and established a Board HSE Committee**
- **Increased HSE events and communications including first annual HSE day, and monthly HSE scorecard**
- **Increased safety monitoring and awareness**
- **Deployed new global Accsys health and safety brand and campaigns including new HSE brand and campaigns and achieving target number of SOCs ans safety tours**
- **Targeted areas for improvement including forklift truck safety, hazards awareness and minor incident prevention**
- **Introduced behavioural-based safety training for all senior team members**

### Looking forward

- Ultimately target zero harm
- Maintain interim target 0.5 LTIR**
- Maintain interim target <15 accident severity rate
- Safety, Wellbeing and Sustainability Day
- Commissioning related associated safety assessments of Hull plant and Arnhem expansions
- Development of HSE systems for our US plant, currently in construction
- Creation of global HSE Team that operates locally and share best practices

**See more about our approach in our 2022 GRI and SASB Report in the ESG section of the Accsys website**

## People and wellbeing

**We focus on employee engagement, which results in committed and loyal people, who are willing to go the extra mile, and employee enablement, which ensures that we have the right people in the right roles, in an enabling work environment.**

# 78%

I&D survey response rate **(78% employee survey response rate 2021)**

**0** incidents of discrimination (FY21: 0)

**36%** employees invested in Company share plan (2021: 34%)

**29** Total hours of training and development per person

**88%** "I feel able to be myself at work" survey response

| | % Male | % Female |
|---|---|---|
| Non-Executive Board Members | 67 | 33 |
| Senior managers* | 90 | 10 |
| All employees | 84 | 16 |

Note: Table reflects FY 22

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

### 2022 highlights

- **Launch of Inclusion & Diversity workstream alongside third annual Accsys People employee survey**
- **Learning and development strategy developed and roll out commenced**
- **New organisational structure is being developed to combine global strength through the Accsys 'Centres of Excellence' which supports local business units to become P&L centers**
- **Accsys Project Management system implemented**
- **Green Champions Network launched, an employee led engagement initiative to share, learn, and plan sustainable initiatives**

### Looking forward

- 2023/24 target* – Maintain employee survey response rate
- Further development of Inclusion & Diversity strategy
- Build online learning and development system
- Adopting a consistent and formal job level model to allow for more transparent career development and aid reward recognition
- Further development of the Total Reward Philosophy
- Full adoption of 'OKR', employee performance and development system
- 'Accsys in Action' employee initiatives focused on wellbeing, environment and social activities

**See more about our approach including labour practices in our 2022 GRI and SASB Report in the ESG section of the Accsys website**

**PEOPLE AND WELLBEING CASE STUDY**

## Enabling our employees through learning and development

Through our employee engagement activities, we identified that our employees felt that there were opportunities to improve learning and development opportunities at Accsys.

As a result of the feedback, we recruited a new Learning & Development Manager to transform Accsys into a 'Learning organisation' through a new learning and development strategy.

We have provided training on topics such as leadership and performance management, and in the 2022 employee engagement survey responses to the question, 'the company provides training so that I can perform my present job well' increased by 9%.

Next year we plan to add a focus on personal development plans and competency management capabilities into our learning and development programme as it also goes online.

# SUSTAINABILITY continued

## Governance, management and advocacy

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

0 fines

and non-monetary sanctions from non-compliance with environmental laws and/or regulations **(2021: 0)**

**2nd** annual GRI and SASB reporting disclosure

**2** 'meet the Board' events held for Accsys employees

### 2022 highlights

- Continued adherence to QCA Corporate Governance Code (see page 75 for more information)
- Internal Board performance evaluation conducted
- ISO 9001, ISO 45001 and ISO 14001 certification action plan developed
- Integration of sustainability principles into procurement practices
- Integration of ESG target – see Remuneration report for more information (pages 80 to 97)

### Looking forward

- Monitoring new external mandatory reporting requirements, such as EU Taxonomy
- Annual Board performance evaluation
- TCFD (Task Force on Climate-Related Financial Disclosures) implementation commencement
- Sustainability and ESG-related policy development
- Integrating sustainability in procurement practices
- ESG IR Rating (independent benchmark of ESG performance) publish
- Further improvement to data management processes

**See more about our Governance on pages 70 to 79 and in our 2022 GRI and SASB Report in the ESG section of the Accsys website**

## Fair and ethical conduct

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

0 incidents

of bribery and corruption
**(2021: 0 incidents)**

**100%** relevant employees (including Board) communicated with on anti-corruption policies (2021: 100%)

**100%** operations assessed for corruption risks (2021: 100%)

**€0** regulatory fines, sanctions or settlements (2021: €0)

**€0** spend on political campaigns, lobbying or think tanks (2021: €0)

### 2022 highlights

- Re-launch of updated compliance policies
- Monitoring and training in relation to, amongst other things, Anti-Bribery, Market Abuse and Modern Slavery

### Looking forward

- Assessment of current processes and performance reporting to external, best practice benchmarks
- On-going monitoring and training in relation to, amongst other things, Anti-Bribery, Market Abuse and Modern Slavery
- Publication of external facing key ethics relevant policies

**See more about our approach, including our commitments to waste and water in our 2022 GRI and SASB Report in the ESG section of the Accsys website**



## Innovation and technology

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

€1.2m

dedicated investment in R&D
**(2021: €1.1m)**

**2nd** annual GRI and SASB reporting disclosure

**New** automated wood handling equipment installed at Arnhem in FY22 with 100,000m³ annual handling capability to improve handling and efficiency

See cross cutting metrics under:
– Ecological footprint (waste)
– Energy and climate change (GHG emissions)

### 2022 highlights

- Acquisition in Wales for Accoya Color manufacturing scale-up
- IP strategy development to future-proof competitive resilience
- Continued focus on 'cleaning' acetic acid co-product to increase potential for circularity and industrial reuse
- Qualification of alternative wood species and geographies for future supply options
- Strengthening System Partner programme (i.e. coatings, adhesives and hardware) with new and existing partners globally
- Reducing batch cycle time in manufacturing processes which has resulted in energy efficiencies
- Tricoya process optimisation and testing to support Hull

### Looking forward

- Accoya Color ramp up and further innovations
- Building on security of supply efforts
- Progressing IP Strategy development and execution
- New scanner and stacker equipment to ensure products meet specification
- Continuous improvements in operations
- Building on System Partner programme

**See more about our approach in our 2022 GRI and SASB Report in the ESG section of the Accsys website**

## Ecological footprint

**We'll work to minimise the ecological impact from our operations, particularly focusing on adopting a circular economy approach to resources, which includes reducing waste. Another focus is on monitoring water related impacts.**

100%

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

**134** tonnes reclaimed Accoya® wood re-processed for Tricoya® (2021: 216 tonnes)

**Zero** waste to landfill (2021: 0)

**1,476** tonnes total waste for recycling (2021: 1,206 tonnes)

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

### 2022 highlights

- Further development of Accoya® offcuts reclamation programme
- Packaging reduction and elimination for Accoya
- Closed-loop recycling of acetic acid
- Biomass exploration of wood dust and shavings

### Looking forward

- Key focus on process innovation to identify and implement further waste reduction through process and technology efficiencies
- Water efficiency activities investigation
- Continue closed-loop recycling of acetic acid and exploration of increased scale
- Increasing volume of Accoya offcuts reclamation
- Commence biomass use at Barry, UK, if feasible

**See more about our approach, including our commitments to waste and water in our 2022 GRI and SASB Report in the ESG section of the Accsys website**

# SUSTAINABILITY continued

## Responsible sourcing

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

100%

certified sustainable (i.e. FSC® and/or PEFC®) wood sources* **(2021: 100%)**

**100%** suppliers* screened using social and environmental criteria (2021: 100%)

**100%** suppliers* met with, visited, or audited in the past year (2021: 93.3%)

**100%** of new supplier wood mills visited before supply (2021: 100%)

**85%** of wood supply mills visited within three years (2021: 85%)

**100%** of operations subject to human rights reviews or impact assessments (2021: 100%)

### 2022 highlights

- Exploration of other wood species, source locations and options for security, quality and sustainability of raw materials inputs
- Ongoing evaluation of acetic anhydride supply sourcing, reuse and recycling of our acetic acid co-product
- Working with FSC representatives on how to allow for certification of a greater number of inputs of Accoya being reused as Tricoya input
- Working with a new potential wood supplier to successfully have them achieve FSC certification so they can utilise them and let them expand operations to offer more employment in economically stressed area

### Looking forward

- Target FY23: Maintain 100% certified sustainable wood sources
- Target FY23: Increase annual volume (m³) of Accoya offcut reclamation being remanufactured for Tricoya
- Increase in-person wood mill supplier engagement
- Continuation of exploration of other wood species, source locations and supply options for more sustainable and lower impact wood sourcing
- Ongoing evaluation of acetic anhydride supply sourcing, reuse and recycling of acetic acid co-product

**See more about our approach which includes information on our labour practices in our 2022 GRI and SASB Report in the ESG section of the Accsys website**

## Sustainable and quality products

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

47,838 $tCO_2$

sequestered in products sold **(2021: 48,493 $tCO_2$)**

**200,000m³:** 2025 production capacity target

$CO_2$ sequestered in our products sold in 2022 is equivalent** to:

**118,743,750** miles driven by an average passenger vehicle

**24,008** tonnes of coal burned

**5.8** billion smartphones charged

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

**65** CPDs delivered

### 2022 highlights

- Updated Accoya® wood Life Cycle Analysis (LCA)
- Accoya recertified to Cradle to Cradle® Gold overall and Platinum for Material Health
- Continued renewal, identification and confirmation of suite of technically valid quality and sustainability accreditations
- New Accoya® Color product brought to market in selected regions and capacity accelerated through acquisition of assets in Wales, Barry, creating new Accoya Color manufacturing site
- Accoya® Arnhem Plant fourth reactor capacity expansion
- Continued progress with Eastman on Accoya USA JV
- New stacker to support quality control (see page 24 for case study)

### Looking forward

- Publish of Accoya Environmental Product Declarations (EPDs)
- Accoya Color Cradle to Cradle Certification and first full year of operation at Barry, Wales site
- Tricoya® Hull plant commence operation (see pages 26 to 33)
- Accoya® Arnhem Plant fourth reactor completion (see pages 26 to 33)
- Continued progress with Eastman on Accoya USA JV (see pages 26 to 33)

**See more about our approach in our 2022 GRI and SASB Report in the ESG section of the Accsys website**



**SUSTAINABLE AND QUALITY PRODUCTS CASE STUDY**

## Cradle to Cradle Certified® – demonstrating performance and sustainability go hand in hand

At Accsys, we are proud that our products are high performing, while contributing to a more sustainable built environment. Externally assessed accreditations and certifications allow us to demonstrate our sustainability attributes and credentials and ensure that we are progressing and focusing on the right areas.

Cradle to Cradle Certified® (C2C) is an independent global standard for products that are safe, circular and responsibly made. It helps companies to ensure the impact of their products on people and planet is a positive one. Companies must reapply for C2C status every two years.

This year, Accoya has retained Gold C2C certified status, which Accoya has held since 2010, highlighting the company's impressive sustainable wood sourcing strategy, non-toxic product and use of more than 50% renewable energy in production. The separate Platinum certification in the Material Health category recognises that the product poses no danger to either the environment or human health, and is the highest possible certification level.

After the end of the reporting period in May 2022, Accoya Color was awarded Cradle to Cradle certification at the prestigious 'Gold' level. It also achieved 'Platinum' (the highest level) for both 'Material Health' and 'Water Stewardship'. This recognises that Accoya Color as a product adheres to very high standards of sustainability, alongside the recognised high performance and durability credentials of the brand.

For more Accoya projects, visit **www.accoya.com/projects**

# SUSTAINABILITY continued

**ENERGY AND CLIMATE CHANGE CASE STUDY**

## Energy efficiencies through innovative optimisation processes

Acetylated wood has sustainability benefits to other materials and species of wood through its durable, stable, non-toxic and carbon storage properties.

However, producing acetylated wood does require energy. We are continually looking to optimise our processes, which will in turn, reduce our energy use.

At our Arnhem site, Accoya wood is manufactured in 'batches'. We have been successful in reducing the cycle time of each batch.

These innovations have enabled us to reduce the emissions intensity per cubic meter of Accoya for our scope 1 emissions. (The overall scope 1 metric to the right includes emissions associated with additional sites to Arnhem).

This year we have also completed a feasibility assessment on increasing batch sizes to further improve the efficiency of this process, and will look to implement these further initiatives next year.

**See more about our approach in our 2022 GRI and SASB Report in the ESG section of the Accsys website**

## Energy & Climate change

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

# 0.1419 $tCO_2e/m^3$

Location based scope 1 (direct) and scope 2 (indirect) emissions intensity* **(2021: 0.1361 $tCO_2e$)**

Scope 1: direct emissions from company owned or controlled sources; Scope 2: indirect emissions from the generation of purchased energy, such as electricity; see Greenhouse Gas Emissions information on page 60 for more information.

**4,586 $tco_2e$** scope 1 emissions* (2021: 4,421) Scope 1 emissions includes data from Barry, UK and Arnhem, the Netherlands

**3,879 $tco_2e$** scope 2 emissions location-based (2021: 3,806)

**3,910 $tco_2e$** offsets retired (2021: 2.673)

**39%** overall mix with RECs (2021: 19%)

See further information on page 60 and in our 2022 GRI and SASB Report in the ESG section of the Accsys website

### 2022 highlights

- **Development of climate change policy**
- **Improved data collection and analysis for targeted improvements**
- **Launch of Green Champions Network throughout the organisation for local and global awareness, initiatives and support**
- **Refreshed carbon offsetting approach to align with purpose and strategy**
- **Reducing batch cycle time in manufacturing processes which has resulted in energy efficiencies**

### Looking forward

- Continuation of Green Champions Network activities and workstreams to drive activities around sustainable products and manufacturing, green office and personal footprint
- TCFD (Task Force on Climate-Related Financial Disclosures) implementation commencement
- Implementation of climate change policy
- Target setting planning commencement
- Climate awareness training for relevant employees

### Scope 3 emissions reporting

- At Accsys we have long focused on credible assessments on our environmental impact. We have conducted product life cycle assessment of Accoya wood for 20 years.
- This year we built on our progress and have conducted scope 3 emissions internal reporting. We are in the process of reviewing the data internally before an external publish.
- For the next steps, we will be assessing our impacts in more detail as we look towards developing our near to longer term commitments.



## Society and communities

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

# €20,875

donated to charitable activities
**(2021: €6,400)**

**3** official charity partners (including Mind)

Trees for All

CfRN

### 2022 highlights

- **Development of Society and Communities strategy**
- **Accsys employees in all regions voted for official charity partners, aligned to Accsys values and activities**
- **Support delivered to communities through monetary donations and charitable product donations (with screening criteria)**
- **Building on governance and accountability through Charity Committee and its activities**
- **Engaging employees through 'Accsys in Action' charity ambassador initiatives with social, community-related and charitable activities, including 'Step out to help out' walking and wellbeing challenge and Tree Planting day with Trees For All, Accsys Dutch charity partner**
- **Green Champions Network engaging employees on sustainability awareness with Personal Footprint campaign launch**

### Looking forward

- Further development of partnerships with official charity partners
- Green Champions Network, Personal Footprint group campaign delivery
- Group wide employee engagement campaigns to align social and environmental goals

**See more about our approach in our 2022 GRI and SASB Report in the ESG section of the Accsys website**

**SOCIETY AND COMMUNITIES CASE STUDY**

## Engaging employees through Society and communities strategy

**WE** WANT TO MAKE THE WORLD A BETTER PLACE
**ARE** CHANGING WOOD TO CHANGE THE WORLD
**PROUD** OF WHAT WE DO AND HOW WE DO IT
**TO** HAVE A POSITIVE IMPACT THROUGH OUR WORK
**SUPPORT** OUR PEOPLE AND PLANET

In the summer of 2021 the entire Accsys family of colleagues helped to choose our new charity partners for the company.

Accsys sought to reflect the company's purpose, values and operating locations and to have an impact on the people, society and world around them.

Accsys chose to support one UK-based charity, one located in the Netherlands, and one with a truly global remit and impact.

With strong engagement from across all areas of the business, Accsys is proud to support Mind, Trees for All, and the Coalition for Rainforest Nations.

# SUSTAINABILITY continued

## Greenhouse gas (GHG) emissions information

| | | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|---|
| | Unit | Total | UK | Global (Excluding UK) | Total | UK | Global (Excluding UK) |
| Scope 1 emissions | $tco_2e$ | 4,586.47 | 291.85 | 4,294.62 | 4,421.01 | – | 4,421.01 |
| Scope 2 emissions location-based | $tco_2e$ | 3,878.99 | 3.46 | 3,875.53 | 3,805.81 | 1.58 | 3,804.22 |
| Scope 2 emissions market-based | $tco_2e$ | 600.62 | 3.46 | 597.16 | 2,277.29 | 1.58 | 2,275.71 |
| **Total scope 1 and 2 emissions location-based (gross value)** | **$tco_2e$** | **8,465.46** | **295.31** | **8,170.15** | **8,226.82** | **1.58** | **8,225.24** |
| **Total scope 1 and 2 emissions market-based** | **$tco_2e$** | **5,187.09** | **295.31** | **4,891.78** | **6,698.30** | **1.58** | **6,696.72** |
| Carbon offsets purchased | $tco_2e$ | 3,909.88 | – | – | 2,673.00 | – | – |
| Renewable Energy Certifications (RECs) | $tco_2e$ | 3,278.37 | – | 3,278.37 | 1,528.52 | – | 1,528.52 |
| **Scope 1 and 2 emissions (net value)** | **$tco_2e$** | **1,277.20** | | | **4,025.30** | | |
| Scope 1 and scope 2 location-based emissions intensity | $tco_2e/m^3$* | 0.1419 | – | – | 0.1361 | – | – |
| Scope 1 and scope 2 market-based emissions intensity | $tco_2e/m^3$* | 0.0870 | – | – | 0.1108 | – | – |
| Net scope 1 and scope 2 emissions intensity | $tco_2e/m^3$* | 0.0214 | – | – | 0.0666 | – | – |
| Energy consumption associated with Scope 1 emissions | MWh | 249.00 | 15.85 | 233.16 | 243.28** | – | 243.28** |
| Energy consumption associated with Scope 2 emissions | MWh | 8,884.79 | 16.30 | 8,868.49 | 8,712.12 | 6.80 | 8,705.32 |
| **Energy consumption associated with Scope 1 and 2 emissions** | **MWh** | **9,133.80** | **32.15** | **9,101.65** | **8,955.40**** | **6.80** | **8,948.60**** |

* Accoya® produced.
** This figure has been restated in 2022 for updated values.

### Methodology

- We have reported on emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and the Streamlined Energy and Carbon Reporting requirements.
- We report on existing operating sites for our manufacturing facility in Arnhem, the Netherlands and London office. This year we acquired a new site in Barry, UK so have included emissions associated with this site from the date of acquisition.
- Emissions have been calculated following the GHG Protocol – Corporate Accounting and Reporting (revised edition) using the following databases: IPCC 2006 Guidelines for National Greenhouse Gas Inventories, 2007 IPCC Fourth Assessment Report; Eco-invent v3.2 and IEA emissions from fuel combustion 2019 report. We also use the UK Government GHG Conversion Factors for Company Reporting (2021).
- Following the Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting requirements'(BEIS, DEFRA 2019), carbon offsets may be accounted for separately as a 'NET' figure, while the original electricity consumption figures should be presented as a 'GROSS' figure.
- Scope 2 emissions are reported in both location-based and market-based approached to take into account the purchase of Renewable Energy Certificates (RECs), a market-based instrument.
- We have purchased 3,910 $tCO_2$ of carbon credits to offset a proportion of our GHG emissions. The credits are Voluntary Emissions reductions from the Verified Carbon Standard (VCS) and Climate, Community & Biodiversity Standards (CCB) through EcoAct's portfolio.

### Energy efficiency action

- Efficiency improvements in our process to enable more wood to be acetylated in each reactor at once – meaning more finished product for less energy and acetic anhydride use.
- Implementing maintenance measures at the Arnhem site to improve preventative and predictive maintenance measure which will help to prevent unwanted losses, reduce emissions, improve efficiencies and safety.



# STAKEHOLDER ENGAGEMENT

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

## The 'section 172 duty'

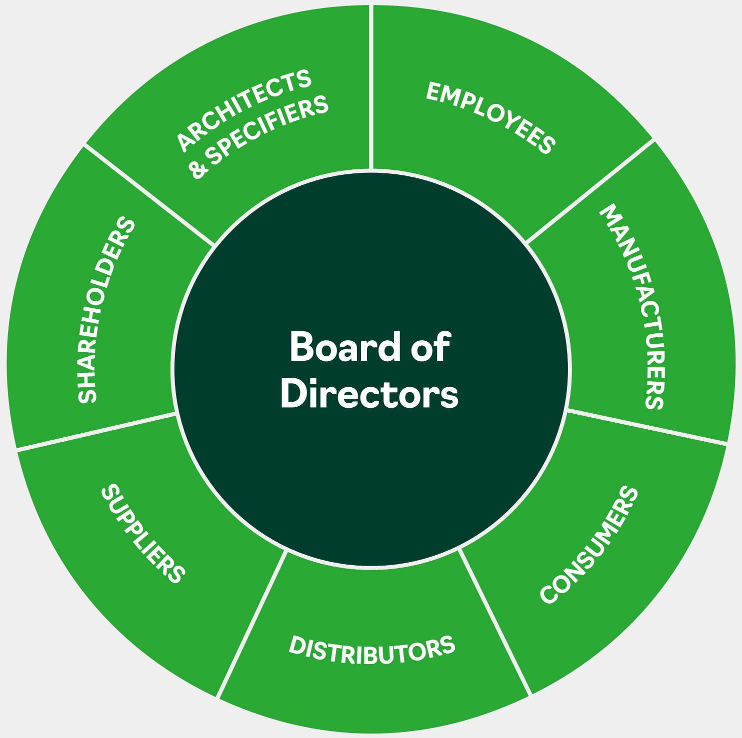
The Directors are subject to a duty to promote the success of the Company and act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so they are required to take into account a number of factors including the impact of decisions over the long term and their impact on employees' interests, business relationships, the community and the environment. They are also required to consider the need to maintain high standards of business conduct and to act fairly between shareholders.

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

In 2018 Accsys conducted a corporate governance review in preparation for the changes to governance requirements for AIM companies and thereafter adopted the QCA Code. As part of this review process the Board analysed the way in which it engaged with stakeholders and ways in which such engagement could be improved (please refer to pages 75 to 79 of the Corporate Governance Report for further information on compliance with the QCA code).

The Accsys Board takes its S.172 Duty seriously and seeks to engage with stakeholders to ensure the success of the Company is promoted for the benefit of members as a whole. Here, and throughout this Annual Report, we show how the Board meets the above requirements and engages with key stakeholder groups as part of its S.172 Duty in its decision making processes.

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




See more about our business activities in our Business Model on pages 16 and 17

# STAKEHOLDER ENGAGEMENT continued

## 1 Long term view

The Directors aim to ensure that the business and its values-led vision is not only a commercial success in the short term but also in the long term. The evaluation of long-term consequences of decisions involves the Board managing responsibly as Accsys continues to advance technologies and solutions for a better world. The Directors hold a strong belief that the Company has a collective social responsibility to use and develop its technology to make the world a better, more sustainable place. This belief, together with health and safety, remains a fundamental priority of the business. In order to assess the likely consequence of a decision in the long term, the Directors focus on Accsys' key values and stated purpose: 'Changing wood to change the world', to ensure that strategic aims provide long-term benefits and success for the business and its stakeholders.

For instance, a key part of the Company's strategy in FY 22 was to progress with the planned construction of an Accoya® plant in the USA through our joint venture with Eastman Chemical Company. The plant in the USA has been designed to allow for efficient expansion in the future. The long-term success of any growth expansion project and ongoing value creation once the plant is operational, was an important factor in the decision-making process. See below for further information on the Accoya® USA joint venture.

**For further information please see pages 70 to 79 of the Corporate Governance Report**

## 2 Employees

The Directors recognise that our people are key to the success of our business, with positive retention rates and engagement survey results which indicate commitment to the future of the Company. The ideas, skills and intellectual capital of Accsys' people are significant contributors to Accsys' Research & Development, innovation, proprietary and protected technologies and its work to develop long-term growth market opportunities to exploit the Company's first mover advantage.

To ensure strong and positive employee engagement, Accsys holds regular communication updates in different forms, from in-person meetings to video-conferences on a wide range of topics, including: health and safety, the Company's financial position, strategy, and updates on project progress and team activities. Employee feedback and questions are also actively encouraged.

These communication forums combine a strong structure with an informal environment to facilitate and promote real engagement and open dialogue throughout all levels and functions in the organisation.

The Company has an annual Employee Share Participation Plan which is open to all employees intended to engage, retain and motivate colleagues, promoting the long-term growth and profitability of the Company by providing employees with an opportunity to acquire an ownership interest in shares as an additional benefit of employment.

In February 2022 and following on from our Employee Engagement Survey in 2021, a Group-wide employee inclusion and diversity survey was commissioned. This provided personnel with another opportunity on an anonymous basis to give valuable feedback on diversity and inclusion within the Company. The results of this survey are currently being reviewed and considered carefully by the Senior Leadership Team.

Through the Company's learning and development programme, Accsys provides resources and training to allow employees to develop their skills. This creates value for employees by enhancing their skills and learning and enabling them to succeed in what they do now and into the future.

The Directors are aware that the success of the business depends on the attraction, motivation and retention of our employees. The Company intends to ensure that we remain a responsible and well-regarded employer, considering factors from health and safety to pay and benefits, and the implications of decisions on employees. Accsys is also committed to providing local employment across all of our locations. Where we need to hire externally, we do so locally using in-house or local recruitment firms in each market, and we do not operate an ex-pat based employment model.

**For further information please see pages 70 to 79 of the Corporate Governance Report and pages 53 of the Sustainability section**

## 3 Customers, Suppliers & Business Partners

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

The Company has developed a strong network of global distributers with its key customers, which has seen Accoya® being sold into all continents of the world. Important relationships with suppliers in the wood and acetyls industries have been fostered over more than a decade to mitigate risk and promote success. Accsys provides training to its end-users (most frequently joineries) and distributors in relation to Accoya®, including information for usage applications, manufacturing, environmental and social benefits. Accsys also maintains frequent contact with and, when possible, visits to customers to ensure regular and open dialogue.

Through the Company's joint venture and consortium, its relationships with business partners such as Medite and INEOS in relation to Tricoya®, and with Eastman Chemical Company in relation to Accoya USA, are key elements to the success of those ventures. These relationships and ventures also create value for our partners, where the new plants under construction will create new long-term demand and supply opportunities for their businesses where the sustainable nature of the finished products that they contribute to also supports their own sustainable development.

We believe that our Accoya® and Tricoya® products will serve a long-term role in replacing non-renewable hardwoods and environmentally damaging man-made products while crucially being able to offer all of the attributes desired of a high-performance product.

**For further information please see pages 15, 34 to 35 and 70 to 79**

## 4 Community and the environment

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

The Company continues to have a strong focus on responsible sourcing and product sustainability. 100% of the Company's products are made from FSC® certified sustainable wood from well-managed forests and 100% of the Company's key materials suppliers are assessed for social and environmental criteria.

During FY 2022, Accsys took important steps forward in its commitment and contributions back to the community and the environment. In this period the Company implemented a climate change policy to assess better the impact of our operations on the environment. Under our new Society and Communities strategy, the Company has developed a more structured approach to social and environmental impact through tools such as charitable giving and employee engagement.

In addition, the location of our production assets are in sites that do not require community consultation in relation to community relocation or cultural heritage.

**For further information please see pages 50 to 60 in the Sustainability section, and the Accsys Sustainability Report in the ESG section of the Accsys website**

# STAKEHOLDER ENGAGEMENT continued

## 5 Good business conduct

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

**For further information please see pages 50 to 60 and pages 70 to 79**

## 6 Shareholders

The Board is regularly updated on engagement and feedback from Accsys' broad spectrum of stakeholders to enable the Board to consider such views during relevant decision making processes, taking into account the impact of decisions on stakeholder groups. The views of shareholders are regularly sought and received, whether it is through the Company's Annual General Meeting, or the Company's investor relations programme which includes meetings with major investors across the year. The Board also receives investor feedback twice a year, following the communication of the Company's full and half years results to investors. Through this engagement, and other direct investor engagement periodically, the Board ensures that when balancing the interests of stakeholders, it is well-informed on shareholder needs and sentiment.

**For further information please see pages 70 to 79 of the Corporate Governance Report**

## Principal decisions

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

### 1. Accoya USA, LLC

In March 2021, the Company concluded arrangements relating to its joint venture company with Eastman Chemical Company (Accoya USA, LLC) and made the final investment decision to proceed with the construction of an Accoya® wood production plant to serve the North American market.

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

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

### 2. Refinancing of Group Debt Facilities

In October 2021, the Company announced the refinancing of its Group debt facilities through a new bilateral agreement with ABN AMRO, one of Accsys' existing relationship banks. The new facility has significantly simplified Accsys' debt structure, which previously included five different debt providers, and provides Accsys with greater liquidity to support the Group's growth plans which will benefit all stakeholders.

### 3. Purchase of assets for Accoya Color® production

In July 2021, the Company announced that it entered into a sale and purchase agreement with Lignia Wood Company Limited and its administrators, to acquire certain assets, equipment and technology at its manufacturing plant in Barry, Wales which would be used to convert Accoya® wood into the Accoya® Color product. This allowed the Company to accelerate its plans to grow Accoya® Color both in its current markets and into additional markets as part of its ongoing global growth strategy.

In making the decision to proceed with the purchase of assets, the Board considered certain key stakeholder interests, including:

- **Shareholders** – the expansion plans of the Group and the potential to enhance revenue, underlying earnings and growth.
- **Employees** – our ambitious growth plans and expansion will only succeed in the longer term with the support, dedication and hard work of our employees. Understanding their views and addressing concerns as we continue on our growth journey is key and views on the Accoya Color project were sought from key employee stakeholders during the process.
- **Community and environment** – since Accoya® Color combines the benefits of Accoya® wood with colour all the way through the wood from surface to core, we believe that growing our manufacturing capability in this area will give customers more versatility in how they use our sustainable, environmentally-friendly products.

### 4. Equity Raise

In May 2021, the Company undertook a placing and open offer to raise gross proceeds of approximately €37 million. The net proceeds of the issue were used primarily to fund the Company's investment in Accoya USA, LLC as well as to provide additional capital to support the Company's continued growth.

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

- **Shareholders** – the expansion plans of the Group and the potential to enhance revenue, underlying earnings and growth.
- **Employees** – the open offer element of the issue provided an opportunity for employees (whether existing shareholders or not) to participate in the equity raise.
- **Community and environment** – the Company felt that the proceeds of the equity raise ultimately facilitated further production of Accoya, thereby increasing availability of a sustainable, environmentally friendly, low carbon building material.

# BOARD OF DIRECTORS

**Key to Committees**

Audit Committee · Nomination Committee · Remuneration Committee · Chair of Committee

## Stephen Odell

**Non-Executive Chairman**

### Background and Experience

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

He came to Accsys following 38 years of service at Ford Motor Company, including extensive Board and Chair positions. This included appointments as Chairman and Chief Executive of Ford Europe, Middle East and Africa, during which he led the transformation of the European operations and delivery of profitable growth through new product introduction, increased brand building and driving efficiencies across the operations.

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

### External Appointments

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

### Board Appointment and Tenure[1]

Appointed: 23 June 2020

Tenure: 2 years

## Robert Harris

**Chief Executive Officer**

### Background and Experience

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

Prior to joining Accsys Rob was CEO, Europe at Eco-Bat Technologies Limited, a global energy storage product recycling business with sustainable values. He initially spent nearly 20 years with BP PLC and Exxon-Mobil. Whilst at BP, Rob was responsible for the successful research, development and commercialisation of an international market-leading wood treatment chemicals business. Rob subsequently held senior roles with manufacturing businesses including British Vita, Nippon Glass, and Reliance Industries, a Fortune 500 Industrial company and the largest private sector corporation in India.

Rob has a considerable track record in the growth of international manufacturing and marketing business.

### External Appointments

None

Appointed: 29 November 2019

Tenure: 2 years

## William Rudge

**Finance Director**

### Background and Experience

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.

### External Appointments

None

Appointed: 1 October 2012

Tenure: 9 years

## Nick Meyer

**Non-Executive Director**

### Background and Experience

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.

### External Appointments

Emeritus Chairman and Special Adviser of:

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

Appointed: 17 May 2011

Tenure: 11 years

1 Tenure is calculated on number of complete years to 30 June 2022.

## Sue Farr

**Non-Executive Director**

### Background and Experience

Sue, born 1956 is a highly experienced marketing and communications professional who joined the Accsys Board in November 2014.

Sue became part of the executive management team at Chime Communications PLC in 2003, and in 2017 was appointed as Special Advisor, stepping down from that role in 2020. Prior to that she was Europe MD of leading PR firm Golin Harris, the BBC's first ever Director of Marketing and Communications, and Director of Corporate Affairs for Thames Television. She was a Non-Executive Director of Motivcom PLC from 2008–2014, a Trustee of the Historic Royal Palaces from 2007–2013 and previously a Non-Executive Director of Dairy Crest Group PLC and Millennium & Copthorne Hotels PLC.

She has been Chairman of both the Marketing Group of Great Britain and The Marketing Society. A previous Advertising Woman of the Year, she was awarded an Honorary Doctorate by the University of Bedfordshire in 2010.

### External Appointments

Non-Executive Director:

- British American Tobacco PLC
- Unlimited Marketing Group Limited
- Helical PLC

## Sean Christie

**Non-Executive Director**

### Background and Experience

Sean, born October 1957, was Group Finance Director of Croda International PLC from 2006 to 2015, a global manufacturer of speciality chemicals. Prior to joining Croda in 2006, Sean was Group Finance Director of Northern Foods PLC. He also served as a Non-Executive Director of KCOM Group PLC until 2007, of Eminate Limited, a wholly owned subsidiary of The University of Nottingham, of Cherry Valley Farms Limited until its sale in 2010 and of Produce Investments PLC.

He is a Fellow of both the Chartered Institute of Management Accountants and the Association of Corporate Treasurers. Sean has extensive knowledge of finance and strategy in major businesses and is an experienced Audit Committee Chairman.

### External Appointments

Non-Executive Director:

- Applied Graphene Materials PLC
- Turner & Townsend Ltd
- Optibiotix Health PLC

## Trudy Schoolenberg

**Non-Executive Director (Senior Independent Director)**

### Background and Experience

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

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

### External Appointments

Non-Executive Director:

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

## Alexander Wessels

**Non-Executive Director**

### Background and Experience

Alexander brings over 30 years of chemical, pharmaceutical and process industry knowledge and experience to Accsys. He is currently Chief Executive Officer of Caldic, a leading global specialty ingredients and chemicals distributor. Alexander holds also a number of additional non-executive roles:

- Vice-Chairman of colour and speciality chemicals company Archroma.
- Non-Executive Boardmember of Agrifirm

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

### External Appointments

Non-Executive Director:

- Archroma (Vice Chairman)
- Agrifirm
- CEO of Caldic B.V

## Louis Eperjesi

**Non-Executive Director**

### Background and Experience

Louis, born in 1962, joined the Accsys Board on 1 June 2022, following a successful 33 year career in the building materials sector.

Louis was most recently CEO of Tyman Plc, a leading International supplier of engineered components and access solutions to the construction industry, between 2010 and 2019.

Prior to Tyman he held senior executive roles in Kingspan Plc, Baxi Group Ltd, Lafarge SA and Caradon Plc. He brings a strong background of manufacturing and supply of building products in International markets, together with commercial, strategy development, M&A and change management experience.

### External Appointments

Louis is currently a Non Executive Director of:

- Ibstock Plc
- The Cheltenham Trust (Chair of Trustees)

### Board Appointment and Tenure[1]

| | Appointed | Tenure |
|---|---|---|
| Sue Farr | 27 November 2014 | 8 years |
| Sean Christie | 27 November 2014 | 8 years |
| Trudy Schoolenberg | 1 April 2018 | 4 years |
| Alexander Wessels | 18 September 2020 | 2 years |
| Louis Eperjesi | 14 June 2022 | 0 years |

# SENIOR LEADERSHIP TEAM

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

### Natalia Bikkenina

**Chief People Officer**

**Background and Experience**

Natalia is responsible for all aspects of global HR, including responsibility for developing a comprehensive global HR strategy which supports business growth and expansion, attracts and retains top talent and drives high performance.

Natalia joined Accsys in September 2017 having worked in a number of international industrial and technology businesses. In her role, Natalia will also use her experience of working for start-ups and high growth companies to facilitate the Group expansion plan. Natalia has both an MBA and a degree in Languages.

### Hans Pauli

**Director of Corporate Development**

**Background and Experience**

Hans has held senior financial positions across the banking and bio-tech sectors and has significant experience in investment, manufacturing, licensing and distribution. Hans holds a BA in Business Administration and has completed an MA in Fiscal Economics from the University of Amsterdam.

His commercial career began in the banking sector where he worked for various institutions including Barclays, where he gained investment and M&A experience. He then worked for a number of bio-tech companies as Chief Financial Officer, including Euronext-listed Pharming Group N.V. Hans is a Non-Executive Director of BioTech VC, MedSciences.

### Nick Hartigan

**General Counsel and Company Secretary**

**Background and Experience**

Nick is responsible for the legal affairs of the Accsys Group and is also the Company Secretary. Nick has particular legal and regulatory expertise in corporate transactions, capital raisings (equity and debt), lender management and complex litigation.

Nick qualified at a leading UK international law firm. He has gained extensive experience working with or for companies in the oil and gas, construction, building materials and manufacturing sectors. Nick joined Accsys in April 2022.

### Eddie Pratt

**Director of Business Development**

**Background and Experience**

Eddie led the initial establishment of the wood acetylation business in 2003, subsequent flotation as Accsys Technologies PLC, and development of both the Accoya® brand and the production facility in Arnhem. His in-depth knowledge of the business helps develop new markets and partnerships for Accsys and its branded products, including licensing and establishment of joint ventures. Eddie led the development and negotiation of the recently finalized Accoya USA joint venture with Eastman Chemical Company.

Eddie's earlier career was in investment banking, receiving his training with JP Morgan and working at its affiliate Saudi International Bank where he specialised in corporate and project finance.

### Hal Stebbins

**Director, Quality, Supply Chain & Customer Service**

**Background and Experience**

Hal has spent most of his career leading global marketing, sales and services operations for a variety of businesses, including IBM's forest products solutions team. His formal education culminated in graduating summa cum laude with an MBA in International Management from the Anderson School at the University of New Mexico.

When he joined Accsys in 2007, Hal was initially responsible for the Group's first worldwide marketing strategy. Since then, Hal has led the growth of our international distributorship and licensing management. Currently he leads teams responsible for wood and chemical supply critical to production, customer service and quality assurance.

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.

### John Alexander

**Group Sales Director**

**Background and Experience**

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

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

### George Neel

**Group Director of Marketing and Communications**

**Background and Experience**

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

George began his career at L'Oréal on the Graduate Management Scheme having studied Modern Languages at the University of Bristol.

He subsequently worked at the drinks company Diageo in commercial planning before transitioning into marketing. George gained experience working in a series of European and Global marketing roles, most latterly heading up the European Shopper Marketing Team.

### Francis Lenders

**Managing Director, Accoya NL**

**Background and Experience**

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

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

### Jason Jones

**Group HSE Director**

**Background and Experience**

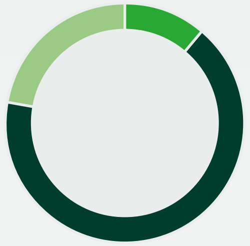
Jason Jones joined Accsys in November 2020 and is responsible for driving HSE across the business. A mechanical engineer by trade, Jason began his career at the British Vita business – Vitamol. In 1994, he joined the British Vita QHSE function as one of its Group HSE Managers to its global business. Jason subsequently established a HSE consultancy business before eventually joining Warburtons in 2011, as Head of HSE.

In 2014, he became the European HSE Director for Ecobat Logistics, the worlds largest lead smelter and was responsible for HSE improvements across 16 European operations.

# CHAIRMAN'S INTRODUCTION TO GOVERNANCE

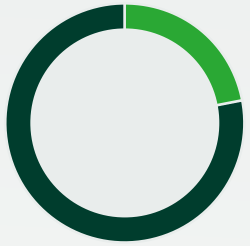
## Dear shareholder,

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



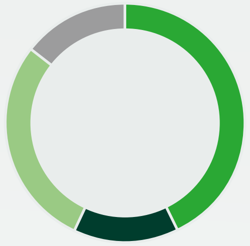
Composition of the Board

| | |
|---|---|
| Non-Executive Chairman | 1 |
| Non-Executive Directors | 6 |
| Executive Directors | 2 |



Diversity of the Board

| | |
|---|---|
| Female | 22% |
| Male | 78% |



Non-Executive Director tenure (including Chairman)

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

Note: Infographic sets out position as at 30 June 2022

"The Board is committed to maintaining high standards of corporate governance to help Accsys make a lasting impact in the world"

See our Compliance with the QCA Corporate Governance Code from page 75

I am pleased to introduce this report, which sets out the activities of the Board during the year and our governance arrangements. The Board is committed to maintaining high standards of corporate governance to help Accsys make a lasting impact on the world, deliver its strategic goals and achieve long-term success for the benefit of its stakeholders.

I set out below in further detail key aspects of our governance performance.

### Quoted Companies Alliance (QCA) Corporate Governance Code

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

As a company with strong values and purpose, this also shapes our relationships with our stakeholders from our employees, to our distributors, licensees and others. We want to ensure that our business is not only a commercial success, but also run in a responsible fashion as we continue to advance technologies for a better and more sustainable world.

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

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

### Key Governance Changes during the Year

During the financial year ending on 31 March 2022 there was one key change to the Company's corporate governance and one key subsequent change to the Board's composition.

On 17 September 2021, the Board constituted a Health, Safety and Environment (HSE) Committee in accordance with the articles of association of the Company. The HSE Committee's responsibilities include, amongst other things, reviewing the Company's HSE strategy, key health and safety matters and ensuring the Company has HSE policies, workplans and activities which are appropriate in light of the Company's operational activities.

On 9 June 2022, the Company received notice of Nick Meyer's intention to step down from the Board with effect from the end of the AGM due to be held later this year. I would like to thank Nick deeply for his significant contribution to Accsys over many years. Nick has helped steer the strategy and delivery of the Company over the last eleven years. His extensive knowledge of the timber industry and his remarkable people skills have been an invaluable asset to the Company for that time. I would also like to thank Nick personally, for helping my integration onto the Board.

On 14 June 2022, Louis Eperjesi joined the Board of Directors. I am delighted that Louis has joined the Accsys Board. Louis was most recently CEO of Tyman Plc, a leading international supplier of engineered components and access solutions to the construction industry, between 2010 and 2019. Prior to Tyman Louis held senior executive roles in a number of other leading building material/component suppliers. As such, Louis brings a strong background of manufacturing and supply of building products in international markets, together with commercial, strategy development, M&A and change management experience. His depth of experience in building products will be a great asset to the Board and Accsys generally.

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

**Stephen Odell**
**Non-Executive Chairman**

30 June 2022

# CORPORATE GOVERNANCE

## The Board of Directors

During FY 2022 the Board comprised a Non-Executive Chairman, one Senior Independent Non-Executive Director, four further Non-Executive Directors and two Executive Directors. Following FY 2022 and as at the date of this Annual Report, one further Executive Director has been appointed to the Board (Louis Eperjesi).

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, serving Directors attended (by either video conference due to COVID-19 restrictions or in person where possible and as further detailed on page 74) the scheduled Board meetings that were held. In addition to the scheduled meetings, a number of ad hoc meetings were convened and there is frequent contact between all the Directors in connection with the Company's business including Audit, Nomination and Remuneration Committee meetings which are held as required, but as a minimum twice per annum.

Directors are subject to re-election by the shareholders at Annual General Meetings. The Articles of Association provide that Directors will be subject to re-election at the first opportunity after their appointment and one-third of the Board shall submit to re-election each year.

Day to day operating decisions are made by the Executive Directors with support from the Senior Leadership Team.

## Audit Committee composition, role and report for the year

The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. The responsibilities of the Audit Committee include approving certain related party transactions, and identifying irregularities in the management of the Company's business, through consultation with the Company's external auditors, and proposing remedial measures to the Board of Directors.

The Audit Committee considers the independence and objectivity of the external auditors on an annual basis, with particular regard to non-audit services.

The Audit Committee meets at least twice a year. The Audit Committee is entitled to obtain, at Accsys' expense, independent legal, accounting or other professional advice on any matter it believes is necessary to do so. Currently, the members of the Audit Committee are Sean Christie (Chairman), Stephen Odell, Trudy Schoolenberg, Sue Farr, Louis Eperjesi and Alexander Wessels.

Key matters addressed by the Committee during the year:

- Financial reporting
  - review of the integrity of key financial announcements (including the interim results)
  - review of the Annual Report and Financial Statements to confirm the report as a whole was fair, balanced and understandable
  - reviewed and discussed PwC's reports to the Committee
  - reviewed the going concern basis of accounting and the longer-term forecasts
  - reviewed new accounting pronouncements and any potential impact for the Group's financial reporting
- External audit matters
  - reviewed the independence, objectivity and effectiveness of PwC
  - reviewed PwC's external audit plan taking account of the scope, materiality and audit risks and agreeing the audit fees
  - monitored the value of non-audit services provided by PwC, ensuring the services do not affect the auditors' objectivity and independence
- Risk management
  - undertook a detailed review of the Group's risk register and the related mitigations, ensuring that risks are appropriately identified, evaluated and mitigated, as appropriate. See Risk section from page 42
- Corporate governance
  - reviewed changes in the field of corporate governance

## Nomination Committee

### Overview and duties

The Nomination Committee regularly reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and its Committees, taking account of the Company's strategic priorities and other matters affecting the Company from time to time, and makes recommendations to the Board with regard to any changes.

In exercising its role, the Directors have regard to the recommendations put forward in the QCA Corporate Governance Code. Currently, Stephen Odell chairs the Nomination Committee and the other members are Sue Farr, Sean Christie, Trudy Schoolenberg, Louis Eperjesi and Alexander Wessels.

The Terms of Reference for the Nomination Committee are available on the Company's website (see 'Investors'; 'Corporate Governance').

### Board and chairperson independence

The majority of the Board of Directors are independent Non-Executive Directors who essentially have a supervisory role, providing appropriate challenge, strategic guidance and advice on certain areas. Both the Chairperson, Stephen Odell, and the Senior Independent Non-Executive Director, Trudy Schoolenberg, are independent. Appointments to the Board are controlled by the Nomination Committee. The Nomination Committee's Terms of Reference state that a majority of Committee members should be independent Non-Executive Directors.

### Board appointments and diversity

The Terms of Reference require the Nomination Committee to give full consideration to succession planning for Directors and the Senior Leadership Team in the course of its work, taking into account the challenges and opportunities facing the Company, the skills and expertise needed on the Board and Senior Leadership Team in the future and the length of service of the Board as a whole and the need for its membership to be regularly refreshed.

The Nomination Committee is also required to oversee the development of a diverse pipeline for succession, having regard to diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

## Remuneration Committee

The role of the Committee is to ensure that the remuneration policy and practices of the Company are designed to support strategy and promote long-term sustainable success, reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements. The role of the Committee also is to ensure that executive remuneration is aligned to Company purpose and values and linked to delivery of the Company's long-term strategy.

The Remuneration Committee has primary responsibility for the determination of the framework or broad policy for the remuneration of the Chair, Executive Directors, Company Secretary and Executive Committee members including pension rights and compensation payments. It will also review the performance of the Executive Directors and determine matters relating to their remuneration. Engagement of the Company with its Directors regarding the terms of their remuneration, require approval of the Remuneration Committee.

The Remuneration Committee approves the granting of share options and other equity incentives to the Executive Directors pursuant to any share option scheme or equity incentive scheme in operation from time to time, as well as the overall amount of any share awards to the Senior Leadership Team. Currently, Alexander Wessels chairs (following a handover from Sue Farr as chair in September 2021) the Remuneration Committee and the other members are Stephen Odell, Sean Christie, Trudy Schoolenberg, Louis Eperjesi and Sue Farr.

## HSE Committee

The HSE Committee was constituted in September 2021 and formulates, advises on, reviews and approves the HSE strategy, ambition and corporate actions of the Company. The Committee also, on behalf of the Board, reviews and monitors HSE matters connected to the Company's activities and operations, endorses HSE policies, procedures and ensures the Company meets or exceeds HSE legal obligations.

Currently, Trudy Schoolenberg chairs the HSE Committee and the other members are Alexander Wessels and Rob Harris.

# 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;
- the Board is responsible for identifying the major business risks faced by the Company and for determining the appropriate courses of action to manage those risks.

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

## Relations with shareholders

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

## Directors' attendance record

The attendance record of individual Directors at meetings of the Board and its committees in the year to 31 March 2022 was as follows. Whilst the Executive Directors are not members of the standing committees they attend such meetings by invitation.

| | Board meetings* | | Audit Committee | | Remuneration Committee | | Nomination Committee | | HSE Committee | |
|---|---|---|---|---|---|---|---|---|---|---|
| Director | Attended | Serving | Attended | Serving | Attended | Serving | Attended | Serving | Attended | Serving |
| Stephen Odell | 20 | 22 | 3 | 3 | 5 | 5 | 8 | 8 | 0 | 0 |
| Robert Harris | 22 | 22 | 3 | 0 | 5 | 0 | 8 | 0 | 2 | 2 |
| Sean Christie | 21 | 22 | 3 | 0 | 5 | 5 | 8 | 8 | 0 | 0 |
| Sue Farr | 16 | 22 | 3 | 3 | 5 | 5 | 8 | 8 | 0 | 0 |
| Montague John 'Nick' Meyer** | 18 | 22 | 3 | 0 | 5 | 0 | 7 | 0 | 0 | 0 |
| William Rudge | 22 | 22 | 3 | 0 | 4 | 0 | 4 | 0 | 0 | 0 |
| Dr Geertrui 'Trudy' Schoolenberg | 19 | 22 | 3 | 3 | 4 | 5 | 8 | 8 | 2 | 2 |
| Alexander Wessels | 19 | 22 | 3 | 3 | 4 | 5 | 6 | 8 | 2 | 2 |

* Although the total number of Board meetings is 22, 3 of the meetings were convened as Board Committee meetings.

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

**Notes**

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

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



# THE QCA CORPORATE GOVERNANCE CODE

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

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

| Compliant | Explanation | Further Reading |
|---|---|---|
| ✓ | The Company's strategy is to i) develop market opportunities to drive revenue growth by increasing the Accoya® and Tricoya® volume sold and number of distributors by developing market opportunities into core business; ii) grow its global manufacturing production position and production capacity in Europe, USA and Malaysia and establish new platforms in key markets in support of, and to enable, demand growth; iii) develop research and development of product and process-related technologies and IP programmes to protect and grow its leading market position; and iv) develop its people and organisational capability to enable Accsys to meet its growth objectives;<br><br>Further information on our business model and strategy can be found at pages 16 to 20 and our Strategic Report commences on page 6.<br><br>Our Statement of Compliance explains in further detail the Company's key strengths which in turn promote long-term value for shareholders. | See pages 16 to 20 for information on our business model and strategy.<br><br>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement.<br><br>See pages 6 to 65 for our Strategic Report. |

### 2. Seek to understand and meet shareholder needs and expectations

| Compliant | Explanation | Further Reading |
|---|---|---|
| ✓ | Communications with shareholders are given high priority to ensure that its strategy, business model and performance are clearly understood. There is regular dialogue with shareholders including webcast presentations after the Company's preliminary announcement of the year-end results and six monthly results, regular Regulatory News Service announcements and trading updates.<br><br>Whilst it was not possible to do so given the COVID-19 pandemic, in the ordinary course, Accsys also organises bi-annual investor roadshows in the UK and Netherlands offering significant shareholders an opportunity to discuss the business, management and strategy of the Company with the Executive Directors. It also remains informed of shareholders' views via regular dialogue with its corporate brokers.<br><br>Again, outside of the current pandemic, in the ordinary course the Board uses the Annual General Meeting to communicate with investors and welcomes their participation. The Chairs of the Board and all Board Committees, together with all other Directors, in the ordinary course, routinely attend the AGM and are available to answer questions from investors. | See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement. |

# THE QCA CORPORATE GOVERNANCE CODE continued

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

| Compliant | Explanation | Further Reading |
|---|---|---|
| ✓ | The Company's business model identifies that investment in key resources on which the business relies – Accsys' intellectual property, expertise, innovation, research and development, branding, employees and relationships with numerous third parties including business partners, equipment manufacturers, wood suppliers, distributors and customers – underpins all that Accsys does. Investment from the Company's other key stakeholders, its shareholders and finance providers, makes this possible.<br><br>The Board is regularly updated on engagement and feedback from Accsys' stakeholders to enable the Board to consider such views during relevant decision making processes. Each year, the Board invite all personnel to attend 'Meet the Board Lunches' at its London, Arnhem and Hull offices, providing an informal forum to facilitate and encourage engagement and open dialogue between the Board and the Company's workforce. Following good attendance and positive feedback thus far, the intention is to repeat these informal lunches on an annual basis. In addition, in 2022 the Group rolled out an employee wide survey to capture the views and opinions of its employees in relation to diversity and inclusion. The results of this survey are currently being reviewed and considered carefully by the Senior Leadership Team.<br><br>Accsys is also aware of the impact its business and operations have on the wider community and places great importance on community and social responsibility. In November 2020, the Company launched the Accsys Sustainability Report which further builds on the recognised sustainable credentials of its Accoya® wood and Tricoya® wood chip products, and details the work the Company has undertaken over the last year to assess the issues most relevant and important to the business, its industry, markets and stakeholders. In addition to the Sustainability Report, material issue matrix and ESG framework, the Company has expanded data capture and improved management systems and processes to ensure the continued improvement and accuracy of data and formalised it's approach and good governance of issues with the formation and commencement of an internal ESG committee and recruitment of a dedicated ESG Manager. Furthermore, the Company has increased reporting scope and transparency, including reporting to established global reporting frameworks GRI and SASB.<br><br>The Company is committed to continuing research and development concerning its products and processes. | See pages 50 to 65 for further information on stakeholder and social responsibilities.<br><br>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement, Sustainability Report and Modern Slavery Statement. |

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

| Compliant | Explanation | Further Reading |
|---|---|---|
| ✓ | 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.<br><br>The Board is responsible for establishing and maintaining the Company's system of internal risk management, including in relation to its priority surrounding health, safety and the environment, and places importance on maintaining a strong financial control environment. The key internal procedures which the Directors have established with a view to providing effective internal controls include clear lines of responsibility within the organisation structure, a comprehensive annual budget that is approved by the Board and the identification of major business risks to enable appropriate action. Furthermore, monthly results are reported against the budget and variances are closely monitored by the Directors.<br><br>The Audit Committee is responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements prior to their submission for approval by the Board.<br><br>The Risk Committee regularly meet and update a risk register which outlines the nature of principal risks facing the Company and any mitigating factors required to protect against such risks. The Risk Committee reports on the risk register to the Audit Committee and thereafter the Audit Committee reports on the same to the Board.<br><br>The process to mitigate risks within the business can be found on page 42. | See page 42 for further information on risk and risk management.<br><br>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement, Sustainability Report, Modern Slavery Statement and Terms of Reference Audit Committee.<br><br>See the Audit Committee Report at page 72.<br><br>See pages 6 to 65 for our Strategic Report. |

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

| Compliant | Explanation | Further Reading |
|---|---|---|
| ✓ | The Board is comprised of a Non-Executive Chairman, six other Non-Executive Directors, one of whom acts as Senior Independent Director, and two Executive Directors. All Non-Executive Directors (including the Chairman) continue to be considered to be independent (other than Nick Meyer by reason of him having served on the Board for more than nine years) and are able to scrutinise matters and challenge the Executive Directors on an unencumbered basis.<br><br>The Board has constituted four standing Committees, the Audit Committee, the Nomination Committee, the Remuneration Committee and the HSE Committee, with ad hoc committees constituted as required. Further information on the Board's Committees is provided for on pages 72 and 73.<br><br>In addition to regular scheduled Board meetings, there is frequent contact between all the Directors in connection with the Company's business including Audit, Nomination and Remuneration Committee meetings which are held as required, but as a minimum twice per annum.<br><br>Non-Executive Directors' terms of appointment provide that they will spend as much time as necessary and/or reasonably requested by the Board for the fulfilment of their duties. This is anticipated to be in the order of 20 (or more) days per annum, although this is not definitive. All Executive Directors are engaged on a full time basis.<br><br>Further information on the composition and roles of the Board can be found at pages 70 to 74, including attendance at, and number of, Board meetings and Committee meetings. | See pages 70 to 74 for further information on the composition and role of the Board.<br><br>See page 74 for further information on attendance at Board meetings.<br><br>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement, Sustainability Report, Modern Slavery Statement, Terms of Reference Audit Committee, Terms of Reference Nomination Committee, Terms of Reference Remuneration Committee and Terms of Reference HSE Committee. |

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

| Compliant | Explanation | Further Reading |
|---|---|---|
| ✓ | The Board is satisfied that it has the appropriate skills and balance of sector, financial and public markets skills and experience as well as an appropriate balance of personal qualities and capabilities and where appropriate each Director keeps his/her skills up-to-date, for example by the completion of the Group's online training programme, attendance at seminars, briefings and through literature.<br><br>Biographies of Board members can be found on page 66 to 67.<br><br>Expert advisors support the Group's businesses and contribute relevant industry and commercial experience. These advisors are drawn from industry, finance, legal and other advisory groups. For example, Deloitte LLP (Deloitte) was appointed by the Nomination and Remuneration Committee as independent adviser to the Committee with effect from 9 January 2018 (before the Committee was disaggregated into two separate Committees in 2019) and assisted the Board in the drafting of the Remuneration Policy that was approved by the shareholders at the 2021 AGM. Further information on the engagement and role of external advisors can be found in our Statement of Compliance of the QCA Code.<br><br>All Directors have access to the advice and services of the Company Secretary and in-house legal counsel. In addition, procedures are in place to enable the Directors to obtain other independent professional advice (legal or otherwise) in the furtherance of their duties, if necessary, at the Company's expense. | See page 66 to 67 for the biographies of Board members.<br><br>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement. |

# THE QCA CORPORATE GOVERNANCE CODE continued

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

| Compliant | Explanation | Further Reading |
|---|---|---|
| ✓ | The Board undertakes an annual review process whereby each Director completes a 'Board and Director Review and Evaluation Paper', ensuring that the Board regularly undertakes a formal and rigorous evaluation of its own performance and that of its Committees and individual Directors.<br><br>In addition, the performance of the Board, each Director and corporate governance generally was evaluated in 2021, by an independent corporate governance consultant to evaluate Board effectiveness, amongst other things. A subsequent internal review was undertaken in 2022.<br><br>The results of a Board evaluation are shared with the Board as a whole while the results of any individual assessments remain confidential between the Chairman and the Director concerned. The results of the most recent internal Board evaluation were discussed with the Board at a meeting in April 2021 and any areas for development were reviewed ahead of development of an action plan for implementation. | See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement. |

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

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

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

| Compliant | Explanation | Further Reading |
|---|---|---|
| ✓ | 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.<br><br>During the year, the Board meetings are usually held in London with site visits scheduled to take place annually in Hull and Arnhem to ensure the Board has a deep understanding of the Group's operations. Since late March 2020 and the outbreak of the COVID-19 pandemic, the majority of meetings have been held effectively via video-conference or in person where possible. In addition to the scheduled meetings there is frequent discussion between all the Directors in connection with the Company's business including Audit, Nomination, Remuneration Committee and HSE Committee meetings which are held as required, but as a minimum twice per annum. Copies of the terms of reference for the Committees are available on the Corporate Governance page of our website, www.accsysplc.com.<br><br>Day to day operating decisions are made by the Executive Directors with support from the Senior Leadership Team.<br><br>The Board is responsible for the long-term success of the Company. There is a formal schedule of matters which are reserved for the Board, including matters relating to strategy and management, structure and capital, financial reporting and controls, internal controls, contracts, communications, board memberships, remuneration, delegation of authority, corporate governance and Group policies. This schedule of 'matters reserved' is reviewed periodically, and was updated in September 2021 to reflect the Group's evolution as a business and to update it in line with best corporate governance practice, as applicable for Accsys. | See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement, Sustainability Report, Modern Slavery Statement, Terms of Reference Audit Committee, Terms of Reference Nomination Committee and Terms of Reference Remuneration Committee.<br><br>See Section 172 Statement from page 61. |

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

| Compliant | Explanation | Further Reading |
|---|---|---|
| ✓ | The Company regularly communicates with shareholders including presentations after the Company's preliminary announcement of the year-end results and six monthly results and bi-annual webcasts. The Board uses the Annual General Meeting to communicate with investors and welcomes their participation.<br><br>Furthermore, the Company issues regular news to its stakeholders via RNS, all of which are displayed on the Company website (News). Other constitutional and governance information, including relating to shareholder meetings and the outcome of shareholder votes, can also be found on the Company Website (Corporate Governance).<br><br>As noted above, the Board has constituted four standing Committees, the Audit Committee, Nomination Committee, Remuneration Committee and HSE Committee, with ad hoc Committees constituted as required.<br><br>The Audit Committee Report can be found at page 72 and Remuneration Report can be found at page 73, each of which reviews the work of the respective committee during the year.<br><br>The Nomination Committee has also been engaged in the recent Board and Director internal evaluation carried out in 2022, together with succession planning for the Board. | See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement and News.<br><br>See the Audit Committee Report at page 72.<br><br>See the Remuneration Report at page 73. |

# REMUNERATION REPORT

"Our Policy is aligned with our purpose-led strategy, reflects best practice and the remuneration structure and mechanisms align Executive Director interests with the next phase of our ambitious growth journey and the creation of long-term sustainable value all our stakeholders"

On behalf of the Board, I am pleased to present our Remuneration Report for the year ended 31 March 2022. I would like to extend my gratitude to my predecessor, Sue Farr, for her dedicated contribution and service as the previous Chair of the Committee.

We obtained shareholder approval for our Remuneration Policy at last year's AGM, with 99.92% of all votes cast in favour. The Board continues to believe that the Policy is aligned with our purpose-led strategy, reflects best practice and the remuneration structure and mechanisms align Executive Director interests with the next phase of our ambitious growth journey and the creation of long-term sustainable value for all our stakeholders. Shareholders have shown a similarly high level of support for our Directors' Remuneration Report for the year ended 31 March 2021, with 98.82% of votes in favour. These high levels of support reflect our responsible approach to executive pay.

For ease of reference, the policy table summarising the remuneration policy is included on pages 84 to 86. The full remuneration policy is available in the 2021 Annual Report on the Company's website. The Annual Report on Remuneration (on pages 89 to 97) describes how the Directors' Remuneration Policy has been applied for the period ended 31 March 2022, and how we intend to implement the Directors' Remuneration Policy for the year ahead. This part of the report will be subject to an advisory vote at our AGM.

## Remuneration in the context of our business performance and outcomes for our key stakeholders

The 2022 financial year was another challenging year globally as the COVID-19 pandemic continued to impact our daily lives, presenting challenges to both our employees and the ambitious projects that we have in progress. During this time however, the health, safety and wellbeing of our employees has been our number one priority, together with the continued collaboration and safe working practices of customers, suppliers, contractors and other valued business partners.

A number of valued operational and functional personnel have been hired into the business, together with investment into learning and development of our existing workforce. This has required us to further evolve our Accsys employee proposition to enable us to attract and retain the best talent in a dynamic employment market.

Group underlying EBITDA of €10.4m remained relatively flat, primarily reflecting that the Arnhem plant remained at capacity levels with an increase in gross profit driven by higher prices offset by higher other operating costs. Other operating costs increased year-on-year as a result of investment in Group organisational capabilities and people with increased headcount to support our future growth. EBITDA was lower than anticipated at the start of the year as a result of unplanned downtime associated with the Accoya plant in Arnhem and delays to the completion of the Hull plant following the termination of the EPC contract in June 2021.

In addition to the focus and investment on expanding our global production capabilities, we have in parallel worked to advance our ESG and sustainability roadmap. We recognise the important role we play in the decarbonisation of the building materials sector as well as the societal force for good our products can have. We have successfully worked towards integrating ESG into our strategic framework, underpinned by our corporate values and purpose.

## Incentive outcomes for the year ended 31 March 2022

The annual bonus for the year was based on a combination of stretching performance targets linked to EBITDA, progression of the Hull plant, supply chain optimisation, progression of the Accoya® USA plant, additional growth options and the development of our ESG agenda.

As in previous years, 25% of the Finance Director's annual bonus is based on achievement of personal performance targets. Overall, and taking into account financial and strategic and personal performance, the bonus outcomes were 32.5% and 36.875% of the maximum (125% of salary), equivalent to 40.625% and 46.094% of base salary, for the CEO and Finance Director respectively. Further detail on the individual outcomes and performance against the targets is set out on page 92 of this report. In line with the Remuneration Policy, 20% of the bonus earned will be issued in deferred shares to be held for at least two years, strengthening alignment of executive and shareholder interests.

The LTIP awards granted in 2019 are due to vest in June 2022. These awards are based on EBITDA per share in FY21 (60% weighting) and Sales Volume (40% weighting), measured for three years. Because the EBITDA threshold and Sales Volume threshold were not achieved the overall vesting was nil.

The Committee considers the incentive outcomes to be reflective of the overall performance of the Group during the relevant period and no discretion was exercised in respect of the outcomes.

## LTIP awards – grant 2021

The 2021 LTIP awards were granted to the CEO, Finance Director and other participants on 23 June 2021. The LTIP awards are nil priced options over ordinary shares of €0.05 each in the Company. In line with the Remuneration Policy approved at the 2021 AGM, the CEO and Finance Director were granted awards of 215,178 and 100,851 shares respectively (equivalent to 125% and 100% of salary). As reported last year these awards are subject to stretching performance targets based on EBITDA (60%), Sales Volume (30%) and ESG (10%). Further details are set out on page 93.

## Board changes

Louis Eperjesi was appointed a Non-Executive Director on 14 June 2022. The details of Louis' remuneration are set out on page 90.

## Remuneration – at a glance

Accsys believes in the following core pay principles which underpin our pay policies:

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

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

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

# REMUNERATION REPORT continued

We operate a simple and transparent overall structure. The key components and features of our framework are summarised in the table below.

| | |
|---|---|
| **Salary** | • Salaries are normally reviewed annually by the Committee, taking into account relevant factors that may include individual performance, corporate performance, changes to an individual's role and responsibilities, and appropriate market data.<br>• As disclosed last year, following a review of market positioning against companies of similar size and complexity in the UK market where we primarily recruit for executive talent, we found that base salaries have fallen significantly behind the market.<br>• For FY23:<br>– the salary increase for the CEO will be 7% to £317,790. This is consistent with our stated intention to increase the CEO salary to c.£360k phased over the three-year life of the policy.<br>– the salary increase for the Finance Director will be 2% to £177,480.<br>Salary increases for the CEO and Finance Director will be effective 1 July 2022. Following the successful fundraising in May 2022, the Committee determined that these increases would be deferred until October 2022 and backdated to 1st July 2022. |
| **Benefits and pension** | • Benefits consist of private medical insurance and life insurance.<br>• Pension allowance of 8% of salary, aligned with other employees in the business in the UK. |
| **Annual bonus** | • Maximum annual bonus opportunity of 125% of base salary.<br>• Target opportunity of 62.5% of salary.<br>• Based on a mix of financial, strategic and operational objectives, with stretching targets.<br>• 20% deferral into fixed number of shares for two years, strengthening alignment of executive and shareholder interests. No leaver provisions.<br>• Malus and clawback provisions apply. |
| **Long-term incentive plan** | • In line with the Policy, it is currently intended that the 2022 LTIP grants will be a fixed number of shares, delivering alignment with shareholders over the life of the Policy. It is intended that the maximum number of nil priced options to be granted to the CEO and Finance Director in FY23 is 215,178 and 100,851 shares respectively (in line with the maximum number of LTIP options granted in FY22).<br>• The number of shares that vest will be subject to performance measured over a period of three years.<br>• Given the recent timing of the equity capital raise in May 2022 and the importance of completing the Arnhem expansion and Hull plant construction projects over the next months, the Committee has decided that the performance targets for LTIPs to be awarded this calendar year 2022 should be set following a further review of the Group's strategy which is to be carried out in Autumn 2022. Awards are expected to be subject to appropriately stretching performance metrics.<br>• Vested awards are subject to an additional two-year holding period, aligned with best practice for UK-listed and Dutch companies and in excess of typical practice for AIM-listed companies.<br>• Malus and clawback provisions apply. |
| **Shareholding guidelines** | Executive Directors are expected to build up and retain a shareholding of at least 250% of salary for CEO and 225% of salary for Finance Director. |

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

## Looking ahead – key focus areas for the Committee for 2023

Whilst Accsys staff numbers have increased during the 2022 financial year to support the Group's growth agenda, we have faced challenges in the availability of talent. We will continue to review our approach to remuneration to ensure that it continues to support our strategic priorities. The Committee is mindful of the need to attract and retain high-calibre individuals in an increasingly competitive market and to remunerate executives fairly and responsibly. In light of the above we have adopted an agile salary policy to reflect external / internal demands for talent. We will be reviewing our approach to long term incentives for staff below the Board to ensure our incentives provide an appropriate retention and motivational incentive. As noted previously due to the volatile macroeconomic environment and strategic review to be undertaken later in the year, the Committee is reviewing the 2022 LTIP measures and targets. The 2022 LTIP for the Executive Directors will be subject to appropriately stretching performance metrics that will be set following strategic review in September 2022.

## 2022 AGM

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

Yours sincerely

**Alexander Wessels**
**Chair of the Remuneration Committee**

30 June 2022

# REMUNERATION REPORT continued

## Context for executive pay

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

## Directors' Remuneration Policy

Our remuneration policy was approved by shareholders at our AGM on 17 September 2021, supported by over 99% of the votes cast. We have set out below the policy table. Our full remuneration policy is set out in the 2021 Annual Report available in the Investors section of the Company's website at www.accsysplc.com.

| Element | Purpose and operation | Maximum | Performance measures |
|---|---|---|---|
| **Base salary** | An appropriate level of fixed remuneration to reflect the individual's skills and experience.<br><br>Salaries are normally reviewed annually by the Committee, taking into account relevant factors that may include: individual performance, corporate performance, changes to an individual's role and responsibilities, and appropriate market data. | There is no prescribed maximum.<br><br>Any percentage increase to salaries would normally be in line with those awarded to the wider workforce. Larger increases may be awarded in circumstances considered appropriate by the Committee, such as an increase in the size of the business or the responsibilities of the role, or changes in the competitive marketplace. | N/A |
| **Benefits** | To provide a market competitive benefits package.<br><br>Benefits may comprise a car allowance, private medical insurance, life insurance and reimbursed business expenses (including any associated tax liability) incurred when travelling in performance of duties.<br><br>The Committee may determine that other benefits be provided where appropriate (for example – relocation costs). | There is no prescribed maximum.<br><br>The level of benefits is set at an appropriate market rate. | N/A |
| **Pension** | Contributions to the Company's pension scheme, or an equivalent cash supplement, is provided. | The maximum level of pension contribution (or cash allowance in lieu) for Executive Directors will be aligned with the contribution level for the wider workforce in the relevant country.<br><br>Current contributions are 8% of salary for the Executive Directors. | N/A |

| Element | Purpose and operation | Maximum | Performance measures |
|---|---|---|---|
| **Annual Incentives Plan** | To drive and reward the delivery of business objectives for the financial year.<br><br>The bonus is discretionary and any pay-out is determined by the Committee based on performance. Targets are set and assessed by the Committee each year.<br><br>Normally no more than 80% of any bonus will be paid in cash, with the balance paid in deferred shares.<br><br>Deferred shares typically vest after two years with no further performance conditions.<br><br>Malus and clawback and dividend provisions apply (see notes to the table).<br><br>Amounts may be satisfied in cash, or at the Committee's discretion, in shares. | The current maximum annual opportunity for all Executive Directors is 125% of salary.<br><br>The Committee retains discretion to provide a maximum opportunity of up to 200% of salary in respect of a particular financial year. | Awards will normally be based on a combination of financial and non-financial goals measured over one financial year, with at least 50% of the maximum annual opportunity normally assessed against financial metrics.<br><br>The Committee retains discretion to adjust performance measures and targets during the year to take account of events outside of management control which were unforeseen when the measures and targets were initially set. |
| **Long-term incentive plan (LTIP)** | To reward Executive Directors for the delivery of long-term performance and align their interests with shareholders.<br><br>Awards are made under, and subject to the terms of, the 2013 LTIP approved by shareholders at the 2013 AGM.<br><br>Awards may be in the form of nil or nominal cost options, or any other form allowed by the Plan rules.<br><br>Awards vest over a period of at least three years, subject to performance. Awards are subject to an additional holding period of at least two years following the end of the three-year performance period.<br><br>Clawback and dividend equivalent provisions apply (see notes to the table). | For awards made in FY22 onwards, the award will be a fixed number of shares. In FY22 this fixed number of shares was equivalent to 125% of salary for the CEO and 100% of salary for the Finance Director.<br><br>In future years for which this policy applies it is intended that Executive Directors will each be awarded the same fixed number of shares as in FY22.<br><br>The fixed number of shares awarded will be restricted so that it does not exceed the overall maximum LTIP award opportunity.<br><br>The Committee retains discretion to make annual awards of up to 300% of salary. | Performance targets are measured over a period of at least three financial years, using performance measures aligned to the delivery of the strategy and long-term shareholder value.<br><br>25% of awards vests for attaining threshold level of performance.<br><br>The Committee retains discretion to use different or additional performance measures or weightings to ensure that awards remain appropriately aligned to the business strategy and objectives.<br><br>Non-financial performance measures will normally be subject to a financial underpin.<br><br>The Committee will consider the Group's overall performance before determining the final vesting level. |
| **Shareholding guidelines** | To increase long-term alignment between executives and shareholders. Executive Directors are expected to build up and retain a beneficial holding of at least 250% of salary for CEO and 225% of salary for Finance Director. | N/A | N/A |

# REMUNERATION REPORT continued

## Notes to the Policy table:

1. Deferred shares and LTIP awards which vest under this Policy may benefit from the right to receive an amount equal to the value of, if applicable, any dividends which would have been paid on vested shares up to the time of vesting (or where the award is subject to a holding or deferral period, up to the time of release).
2. The Annual Incentive Plan and LTIP contain malus and clawback provisions in the event of a material misstatement of results, censure by a regulatory authority or any other serious damage to the Company reputation, or fraud or gross misconduct. The cash and, if applicable, share elements of the Annual Incentive Plan may be clawed back for a period of three years from the date on which the Annual Incentive Plan payment is made. Awards under the LTIP may be cancelled or reduced (prior to vesting), or clawed back for a period of three years post vesting.
3. The remuneration framework for other employees is based on broadly consistent principles used to determine the policy for Executive Directors. All executives and senior managers are generally eligible to participate in some form of annual incentive arrangement. Participation in the LTIP may be extended to executives, senior managers and other key staff, with LTIP performance conditions generally consistent across all levels. Individual salary and pension levels and incentive award sizes vary according to the level of seniority and responsibility.
4. The choice of the performance measures applicable to the Annual Incentive Plan reflects the Committee's view that incentives should be aligned to the Group's key annual financial, strategic and ESG objectives. For the LTIP, the measures and targets for the FY23 award will be determined in September 2022 following the next review of the Group's strategy. The Committee's intention is that the LTIP measures should provide a suitable balance between incentivising the execution of the Company's long-term capacity expansion programme and ensuring the delivery of profit growth alongside that operational delivery. For both the Annual Incentive Plan and the LTIP, the Committee sets challenging targets taking into account the Board's objectives for the business. Performance conditions may be amended or substituted by the Committee if an event occurs which causes the Committee to determine an amended or substituted performance condition would be more appropriate and not materially more or less difficult to satisfy. The Committee may use its discretion to adjust payouts under the Annual Incentive Plan and LTIP to Executive Directors, within the range of the minimum to maximum opportunity, including reducing it down to zero. Such discretion will only be used where the Committee believes that performance against the prescribed targets does not accurately reflect the Company's underlying performance.
5. The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretion available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment either agreed: (i) prior to the Policy set out above came into effect; (ii) during the term of, and were consistent with, any previous policy approved by shareholders; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.
6. The terms of any deferred shares or LTIP shares may be adjusted to take account of a Company reorganisation, such as a variation of capital, rights issue, demerger or special dividend.

In respect of the shareholding guideline, vested but unexercised LTIP shares and the 20% deferred element of the Annual Incentive Plan will count towards the guideline (on a net of tax basis). It is anticipated that the level of shareholding set out in the guideline will normally be met within five years of appointment as an Executive Director (or from the date that the increased shareholding guideline comes into effect i.e. from the approval of this Policy). The Committee will take into account LTIP vesting levels and personal circumstances when assessing progress against the guideline.

## Directors' service contracts

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

| Name | Notice period from individual (months) | Notice period from Company (months) |
|---|---|---|
| **Robert Harris** | 6 | 6 |
| **William Rudge** | 6 | 6 |

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

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

## Outside appointments

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

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

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

# REMUNERATION REPORT continued

## NED contracts

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

| Name | Unexpired term (months) |
|---|---|
| Nick Meyer[1] | 6 |
| Stephen Odell | 12 |
| Sean Christie | 17 |
| Sue Farr | 17 |
| Trudy Schoolenberg | 21 |
| Alexander Wessels | 14 |
| Louis Eperjesi[2] | 36 |

Notes:

1 Nick Meyer has completed his full term (being nine years plus an extension of two years) and has notified the Board of his intention to step down from the Board with effect from the end of the AGM due to be held later this year.

2 Louis Eperjesi was appointed on 14 June 2022.

## 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, and major benefits including by reference to benchmarking data provided by third parties. The Committee did not consult directly with employees in preparing the Directors' Remuneration Policy, but feedback on reward policies and /or remuneration is gathered directly or indirectly through employees surveys is gathered via employee surveys and Remuneration Committee discussions about employee value proposition.

## Consideration of shareholder views

The Committee consulted with major shareholders in respect of the development of this Remuneration Policy in 2021. We thank shareholders for their time and input into this process. The feedback received was taken into account in finalising the Policy.

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

## Implementation of the Remuneration Policy for the year ending 31 March 2023

A summary of how the Directors' Remuneration Policy will be applied during the 2023 financial year is set out below.

## Base salary

Base salaries effective for FY23 for the Executive Directors are set out below:

| Name | FY23 | FY22 | % increase |
|---|---|---|---|
| Robert Harris | £317,790 | £297,000 | 7% |
| William Rudge | £177,480 | £174,000 | 2% |

As set out on page 82, following a review of market positioning against companies of similar size and complexity in the UK market where we primarily recruit for executive talent which was carried out last year, we found that base salaries had fallen significantly behind the market. The 7% increase for FY23 set out above is consistent with our stated intention to increase the CEO salary to c.£360k phased over the three-year life of the policy, subject to the continued performance of Accsys.

## Pension arrangements

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

## Annual bonus

For the year ending 31 March 2023, the maximum annual bonus opportunity will be 125% of salary in accordance with the Policy. 20% of any earned bonus will be deferred in shares for two years. Payouts will be determined based on the delivery of stretching financial, operational and personal objectives with the weightings for the various components as follows:

| | Weighting (% of bonus) | |
|---|---|---|
| Name | CEO | Finance Director |
| Group EBITDA | 45% | 33.75% |
| Cash management | 15% | 11.25% |
| Progression with the Hull plant | 15% | 11.25% |
| Raw materials supply | 10% | 7.5% |
| ESG Agenda development | 5% | 3.75% |
| Progression with Accoya USA JV plant construction | 10% | 7.5% |
| Sub-total | 100% | 75% |
| Personal objectives | – | 25% |
| Total | 100% | 100% |

The Committee believes that the underlying targets are commercially sensitive and cannot be disclosed at this stage. The Committee retains the discretion to award a bonus in excess of 125% (but within the policy limit of 200%) in the event of exceptional events resulting in significant unexpected value creation for the Group.

# REMUNERATION REPORT continued

## Long-term incentives

For FY23 the CEO and Finance Director will be granted awards of options of 215,178 and 100,851 shares respectively (in line with the maximum number of share options granted in FY22).

The 2022 LTIP awards are expected to be subject to stretching performance metrics. As set out above, given the recent equity capital raise and current focus on completion of the 4th reactor expansion and Hull plant construction, the Committee has decided that the performance targets for LTIPs to be awarded this calendar year 2022 should be set following a further review of the Group's strategy which is to be carried out in Autumn 2022. Awards are expected to be subject to appropriately stretching performance metrics.

## Non-Executive Directors

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

| Metric | Year ending March 2023 | Year ended March 2022 |
|---|---|---|
| **Chairman fee** | £97,000 | £90,000 |
| **Base NED fee** | £45,000 | £41,820 |
| **Additional fees:** | | |
| **Non-UK Resident Non-Executive Director Fee** | £4,000 | £4,000 |
| **Senior Independent Director** | £5,400 | £5,228 |
| **Committee chairmanship per Committee** | £5,400 | £5,228 |

With effect from 17 September 2021, Non-UK resident Non-Executive Directors' fees are supplemented by an additional fee of £4,000 p.a. to take account of the additional time commitment required by non-UK resident Accsys Non-Executive Directors (including but not limited to travelling to Board meetings).

As disclosed last year, as NED fees have not increased since FY20 we conducted a review of fees for FY23. The proposed increases recognise:

- The wider workforce received 2.9% in FY21 and 2.4% increase in FY22 and further wider workforce increase of circa. 3-4% is proposed across the Accsys Group which will include inflationary, merit increase, promotional and market adjustments. Where applicable, higher individual market adjustment increases have taken effect to reflect relative market position of selected roles.
- The increase in size and complexity of the Company and time commitment and contribution from the whole Board required to deliver the Company's growth ambitions.
- Our dual AIM and Euronext listing compared to a typical AIM listed company.

## Remuneration received by Directors in the year ended 31 March 2022 (audited)

Directors' remuneration for the 2022 financial year (and for the prior 2021 financial year) is shown in the following tables:

| | Currency | Salary/ Fees | Benefits in Kind[2] | Pension[4] | Total Fixed Remuneration | Annual Bonus | LTIPs Vested/ Expected to Vest[3] | Total Variable Remuneration | 2022 Total Remuneration | 2022 Total Remuneration EUR |
|---|---|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | | | |
| Robert Harris | £ | 295 | 3 | 23 | 321 | 121 | – | 121 | 442 | 519 |
| William Rudge | £ | 173 | 2 | 14 | 189 | 80 | – | 80 | 269 | 317 |
| **Non-Executive Directors** | | | | | | | | | | |
| Sean Christie | £ | 47 | – | – | 47 | – | – | – | 47 | 55 |
| Sue Farr | £ | 44 | – | – | 44 | – | – | – | 44 | 52 |
| Montague John 'Nick' Meyer | £ | 42 | – | – | 42 | – | – | – | 42 | 49 |
| Trudy Schoolenberg | £ | 49 | – | – | 49 | – | – | – | 49 | 58 |
| Stephen Odell | £ | 90 | – | – | 90 | – | – | – | 90 | 106 |
| Alexander Wessels | £ | 47 | – | – | 47 | – | – | – | 47 | 55 |

| | Currency | Salary/ Fees[1] | Benefits in Kind[2] | Pension[4] | Total Fixed Remuneration | Annual Bonus | LTIPs Vested/ Expected to Vest[3] | Total Variable Remuneration | 2021 Total Remuneration | 2021 Total Remuneration EUR |
|---|---|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | | | |
| Robert Harris | £ | 271 | 2 | 23 | 296 | 212 | – | 212 | 508 | 579 |
| William Rudge | £ | 159 | 2 | 14 | 175 | 114 | 52 | 166 | 341 | 390 |
| **Non-Executive Directors** | | | | | | | | | | |
| Sean Christie | £ | 44 | – | – | 44 | – | – | – | 44 | 49 |
| Sue Farr | £ | 44 | – | – | 44 | – | – | – | 44 | 49 |
| Montague John 'Nick' Meyer | £ | 39 | – | – | 39 | – | – | – | 39 | 44 |
| Trudy Schoolenberg | £ | 44 | – | – | 44 | – | – | – | 44 | 49 |
| Stephen Odell[5] | £ | 59 | – | – | 59 | – | – | – | 59 | 67 |
| Alexander Wessels[6] | £ | 22 | – | – | 22 | – | – | – | 22 | 25 |

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

1 Salaries for the Directors were reduced by 20% for four months during the initial COVID period, during FY21.

2 Taxable benefits for the Executive Directors in the year included private medical insurance and life insurance.

3 For 2021, the actual value of the 2018 LTIP award which vested in June 2021 is shown and is based on the actual share price on the date of vesting. For 2022, none of the 2019 LTIP award vested.

4 Robert Harris received cash in lieu of pension.

5 Stephen Odell was appointed to the Board on 23 June 2020 and to Chairman on 18 September 2020; his remuneration in the prior year table above reflects his time in service during the prior year.

6 Alexander Wessels was appointed to the Board on 18 September 2020.

# REMUNERATION REPORT continued

## Annual bonus for the year ended 31 March 2022 (audited)

For the year ended 31 March 2022, the maximum annual bonus opportunity was 125% of salary in accordance with the Policy. Payouts were determined based on performance, taking into account the delivery of stretching financial and operational objectives with the weightings for the various components as follows:

| | CEO (% of bonus) | | FD (% of bonus) | |
|---|---|---|---|---|
| | Maximum | Outcome | Maximum | Outcome |
| **Group Objectives:** | | | | |
| Group EBITDA (including Tricoya®) | 50% | 7.5% | 37.5% | 5.625% |
| Progression with Hull plant | 25% | 0% | 18.75% | 0% |
| Acetyls supply | 10% | 10% | 7.5% | 7.5% |
| ESG agenda | 5% | 5% | 3.75% | 3.75% |
| Strategic progress | 10% | 10% | 7.5% | 7.5% |
| **Sub-total – Group Objectives:** | 100% | 32.5% | 75% | 24.375% |
| **Personal Objectives:** | – | – | 25% | 12.5% |
| **Final bonus outcome (% of maximum)** | | 32.5% | | 36.875% |

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

Overall, and taking into account the personal performance element for the CFO, the bonus outcomes were 32.5% and 36.875% of the maximum (125%) for the CEO and Finance Director respectively. The Committee believes this outcome is an appropriate reflection of performance against objectives in the year.

## LTIP vesting in respect of performance to the year ended 31 March 2022 (audited)

The 2019 LTIP awards (see table below) are expected to vest in June 2022 by reference to EBITDA (60% weighting) and Sales Volume (40% weighting) performance over a three-year period.

| | Weighting (% of award) | Threshold | Maximum | Actual performance | Vesting (% maximum) |
|---|---|---|---|---|---|
| **Total vesting (% of maximum)** | | 25% | 100% | | 0% |
| **EBITDA per share in FY22** | 60% | €0.10 | €0.22 | €0.08 per share | 0% |
| **Sales Volume in FY22** | 40% | 82,000m³ | 100,000m³ | 59,649m³ | 0% |

- Vesting is on a straight-line basis between points in the schedule. There is no vesting for performance below the threshold.
- Appropriate adjustments may be made to ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of award.
- EBITDA per share targets are set and determined so as to exclude licensing income.
- Sales Volume is defined as combined sales volume (in cubic metres, or equivalent) of Accoya® and Tricoya®.
- Vesting of the Sales Volume component will be subject to the achievement of a threshold level of EBITDA.

The 2019 LTIP award was granted on 25 June 2019 to the Finance Director and on 2 December 2019 to the CEO. Both elements of the plan (EBITDA per share, and Sales Volume) in FY22 resulted in nil payout. The Committee did not exercise discretion in respect of this award.

## Scheme interests awarded during the year (audited)

In line with the Policy, 2021 awards were made to the Executive Directors on 23 June 2021, as set out below.

| | Type of Award | Basis of award granted | Face value of award €000s[1] | % of maximum vesting for threshold performance | Performance period |
|---|---|---|---|---|---|
| **Robert Harris** | Nil cost options | 125% of salary | 370 | 25% | Three years to 31 March 2024 |
| **William Rudge** | Nil cost options | 100% of salary | 173 | 25% | Three years to 31 March 2024 |

1 Face value determined using share price determined at grant of €1.72 per share, being the issue price of the Company's equity issuance in June 2021.

The performance targets for these awards are as follows:

| | Weighting (% of award) | Threshold | Maximum |
|---|---|---|---|
| **Vesting (% of maximum)** | | 25% | 100% |
| **EBITDA per share in FY24** | 60% | €0.15 | €0.24 |
| **Culmulative Sales Volume (FY22–FY24)** | 30% | 267,000m³ | 297,000m³ |
| **ESG – Improvement in reporting ratings** | 10% | 33% on attaining each of the three-year milestones:<br>Y1 – Attain investor ESG external rating/score<br>Y2 – Improve/maintain ESG external rating/score<br>Y3 – Improve/maintain ESG external rating/score | |

- Vesting is on a straight-line basis between the above points.
- Appropriate adjustments may be made to ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of award.

## Payments to past Directors (audited)

There were no payments to past Directors during the year.

## Payments for loss of office (audited)

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

# REMUNERATION REPORT continued

## Statement of Directors' shareholdings and share interests (audited)

| | Shares beneficially held[1] as at 31 March 2022 | Vested but unexercised LTIPs | Unvested LTIP awards[2] |
|---|---|---|---|
| Robert Harris | 44,444 | – | 524,511 |
| William Rudge | 268,557 | 128,643 | 236,851 |
| Sean Christie | 83,369 | – | – |
| Sue Farr | 35,000 | – | – |
| Montague John 'Nick' Meyer | 74,189 | – | – |
| Stephen Odell | – | – | – |
| Trudy Schoolenberg | 44,444 | – | – |
| Alexander Wessels | – | – | – |
| Louis Eperjesi | – | – | – |

1 Includes shares held by connected persons.
2 Includes 0% of the 2019 LTIP expected to vest between June and December 2022 as disclosed above.

There has been no change in the beneficial holdings of the Directors between the year end and the date of this report, except that Robert Harris subscribed for 65,041 shares, Stephen Odell subscribed for 40,650 shares and Montague John "Nick" Meyer for 81,300 shares as part of the capital raise which the Company completed on 25 May 2022.

The unvested LTIP awards consist of 2019, 2020 and 2021 LTIP awards. The performance conditions for the 2019 and 2021 awards are summarised in the sections above. The performance conditions for the 2020 award are summarised in the table below.

## 2020 LTIP

| | Weighting (% of award) | Threshold | Stretch | Maximum |
|---|---|---|---|---|
| Vesting (% of maximum) | | 25% | 70% | 100% |
| EBITDA per share in FY23 | 60% | €0.14 | €0.19 | €0.24 |
| Total Sales Volume | 40% | 90,000m³ | 105,000m³ | 112,720m³ |

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

## Relative importance of spend on pay

During the year ended 31 March 2022, the total pay for all Group employees increased by 18% to €17,007,000 (2021: €14,394,000). There were no dividends or share buybacks in either year.

| | FY 22 | FY 21 | Difference as a percentage vs FY21 | FY20 | Difference as a percentage vs FY20 |
|---|---|---|---|---|---|
| Remuneration for all employees | €17,007,000 | €14,394,000 | 18% | €12,249,000 | 39% |
| | | €14,394,000 | | €12,249,000 | 18% |

## Annual percentage change in remuneration of Directors and employees

The following table has been prepared in accordance with the UK reporting regulations.

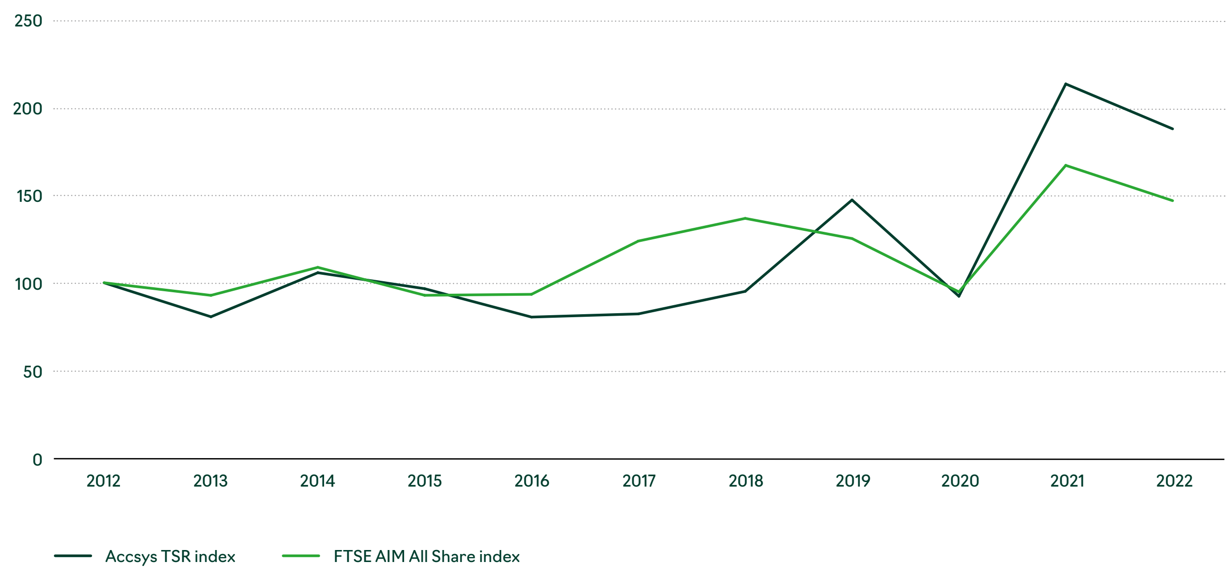
| Name | | Chief Executive remuneration[2] | Finance Director remuneration | Non-Executive Chairman | Average Non-Executive Director remuneration | Average of all employees of UK PLC |
|---|---|---|---|---|---|---|
| Salary/ fees[1] | FY20 to FY21 | (7%) | 3% | 0% | (5%) | (1%) |
| | FY21 to FY22 | 9% | 9% | 0% | 7% | (13%) |
| Benefits | FY20 to FY21 | 0% | 8% | N/A | N/A | 10% |
| | FY21 to FY22 | 2% | 3% | N/A | N/A | (14%) |
| Bonus | FY20 to FY21 | 5% | 57% | N/A | N/A | 14% |
| | FY21 to FY22 | (43%) | (30%) | N/A | N/A | (63%) |

1 Table above includes a 20% reduction in salary for the Chief Executive, Finance Director and Non-Executive Directors for the period April to July 2021. For the remaining UK employees below the Senior Management Team, any reduction in salary for the initial COVID-19 period was repaid, therefore the repayment has been included in the table above.
2 Robert Harris (Chief Executive) was appointed to the Board on 20 November 2019. In the above table, the annual change from FY20 to FY21 for his salary, benefits and bonus have used annualised FY20 salary, benefits, and bonus awarded amounts to provide an effective year-on-year comparison.
3 Stephen Odell was appointed Chairman on 18 September 2020. In the above table, the annual change in FY20 to FY21 is based on his annualised FY20 fees an effective year on year comparison.
4 Average Non-Executive Director remuneration comparison includes adjustment for annualised salary for Alexander Wessels, who was appointed to the Board on 18 September 2020.
5 The 13% decrease in average UK PLC employee salary is attributed to the further employee growth of blue collar employees, with lower salary levels.

# REMUNERATION REPORT continued

## Performance graph and CEO remuneration

The following graph shows the Company's performance for the past ten years on the London Stock Exchange AIM compared with the performance of the FTSE AIM All Share index. The FTSE AIM All Share index has been selected for this comparison as it is a broad-based index which the Directors believe closely reflects the performance of other companies with similar characteristics to the Company.




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

| | 2013 €'000 | 2014 €'000 | 2015 €'000 | 2016 €'000 | 2017 €'000 | 2018 €'000 | 2019 €'000 | 2020 (P.Clegg)[1] €'000 | 2020 (R.Harris)[2] €'000 | 2021 (R.Harris) €'000 | 2022 (R.Harris) €'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total remuneration** | 627 | 676 | 783 | 613 | 1,632 | 502 | 809 | 477 | 216 | 579 | 519 |
| **% Bonus of Total** | 46% | 51% | 54% | 36% | 18% | 32% | 26% | 16% | 38% | 43% | 27% |
| **% Bonus of Cap** | N/A | N/A | 68% | 33% | 48% | 28% | 36% | 17% | 33% | 41% | 21% |
| **% vested LTIPs of maximum** | N/A | N/A | N/A | N/A | 58% | N/A | 50% | 45% | N/A | N/A | N/A |

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

## Consideration of matters relating to Directors' remuneration

The Remuneration Committee consisted of Alexander Wessels (Committee Chairman), Stephen Odell, Trudy Schoolenberg, and Sean Christie. All members of the Remuneration Committee (including the Chairman on appointment) are considered to be independent.

Following appointment in 2018, Deloitte LLP (Deloitte) continues to be engaged as independent adviser to the Committee. The Committee is satisfied that Deloitte remains independent of the Company and that the advice provided is impartial and objective. Deloitte is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. Their total fees for the provision of remuneration services to the Committee during the financial year to 31 March 2022 were £16,650 (plus VAT).

## Statement of voting at general meeting

The AGM held on 17 September 2021 included an ordinary resolution in respect of the approval of the Directors' Remuneration Report (excluding the Remuneration Policy) for the year ended 31 March 2021. 109,668,788 (98.82%) votes were cast for the resolution, 1,304,803 against and 54,662 withheld.

At the AGM held on 17 September 2021, an ordinary resolution was passed in respect of the approval of the Directors' Remuneration Policy for the year ended 31 March 2021. 100,572,490 (99.92%) votes were cast for the resolution, 81,332 against and 10,374,431 withheld.

# DIRECTORS' REPORT

**for the year ended 31 March 2022**

The Directors present their report together with the audited consolidated financial statements for the year ended 31 March 2022.

## Results and dividends

The consolidated statement of comprehensive income for the year is set out on page 117, and shows the profit for the year.

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

## Principal activities and review of the business

The principal activities of the Group are the production and sale of Accoya® solid wood and Tricoya® wood elements, technology and product development as well as the licensing of technology for the production and sale of Accoya® and Tricoya® via the Company's subsidiaries, Titan Wood Limited, Titan Wood B.V., Titan Wood Technology B.V., Titan Wood Inc., Accoya Color UK Limited, Tricoya Technologies Limited, Tricoya UK Limited, Accsys (Accoya USA) Holdings LLC, Accsys USA Holdings Inc and its joint venture Accoya USA, LLC (collectively the 'Group'). Manufactured through the Group's proprietary acetylation processes, these products exhibit superior dimensional stability and durability compared with alternative natural, treated and modified woods as well as more resource intensive man-made materials. A review of the business is set out in the Chairman's Statement on page 6 and the Chief Executive's Report on page 26. Accsys Technologies PLC is a public limited company, which has securities admitted to trading on London Stock Exchange AIM and admitted to trading on Euronext Amsterdam, and incorporated and domiciled in the UK. The address of its registered office is set out on the back page inside cover.

## Business model and Strategy

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

## Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are set out in note 32 of the financial statements.

## Share issues

In May 2021, 20,005,325 Placing Shares and 2,418,918 Open Offer Shares were issued as part of the capital raise to fund the Company's investment in expanding its Accoya® business into North America through the construction of a new Accoya® plant in the USA through its joint venture, Accoya USA LLC, with Eastman Chemical Company (see note 28), as well as to provide additional capital to support the Company's continued growth. The Shares were issued at a price of €1.65 (£1.40) per ordinary share, raising gross proceeds of €36.7 million (before expenses).

Between June and September 2021, a total of 629,460 shares were issued following the exercise of nil cost options, granted under the Company's 2013 Long Term Incentive Plan ('LTIP').

In February 2022, following the subscription by employees in the prior year for shares under the Employee Share Participation Plan (the 'Plan'), 189,931 shares were issued as "Matching Shares" at nominal value under the Plan.

In addition, various employees newly subscribed under the Plan for 193,424 Shares at an acquisition price of €2.015 per share, with these shares issued to a trust, to be released to the employees after one year, together with an additional share on a matched basis (subject to continuing employment within the Group).

## Principal risks and uncertainties

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

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

## Greenhouse gas (GHG) emissions

Greenhouse gas emissions data for the period 1 April 2021 to 31 March 2022 can be found in the Sustainability report on page 60 and is incorporated into the Directors' Report by cross-reference.

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

## Directors

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

Michael 'Sean' Christie

Susan Jane Mair (known as Sue Farr)

Robert Harris

Montague John 'Nick' Meyer

Stephen Odell

William Rudge

Geertrui 'Trudy' Schoolenberg

Alexander Wessels

Louis Eperjesi became a Director on 14 June 2022.

## Directors' indemnities

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

## Employment policies

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

Information on the gender ratio of our employees is available in the Sustainability section on page 53.

## Health and safety

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

# DIRECTORS' REPORT continued

**for the year ended 31 March 2022**

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. The Group HSE Director has oversight over Health and Safety for the Group and in addition dedicated health and safety personnel are retained at the Group's manufacturing facilities.

In September 2021 the Board of Directors constituted a HSE Committee to, amongst other things, review health, safety and environmental strategy, matters arising from the Company's activities and operations and endorse HSE policies, workplans and activities.

## Significant shareholdings

So far as the Company is aware (further to formal notification), the following shareholders held legal or beneficial interests in ordinary shares of the Company exceeding 3% as at 31 March 2022:

| | |
|---|---|
| Teslin Capital Management | 16.2% |
| De Engh B.V. | 10.3% |
| BGF | 7.1% |
| Decico BV | 5.4% |
| VP Participaties B.V. | 5.0% |
| Janus Henderson Investors | 4.9% |
| London & Amsterdam Trust Company Limited | 4.7% |
| ABN AMRO Private Banking | 3.8% |
| Saxo Bank | 3.3% |
| Fidelity International | 3.2% |

There are no restrictions in respect of voting rights.

## Going concern

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

## Corporate Governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on page 72 of these financial statements. The Corporate Governance Report forms part of this Directors' report and is incorporated into it by cross-reference.

## Registered office

The Company's registered office is Brettenham House, 19 Lancaster Place, London, WC2E 7EN.

## Disclosure of information to auditors

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

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

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

## Independent auditors

PricewaterhouseCoopers LLP (PwC) has been the external auditor of the Company since April 2010. The year ended 31 March 2022 was therefore the twelfth consecutive audit for PwC. In accordance with current legislation, the Company was required to tender for the audit for the year ended 31 March 2021. However due to COVID-19, and with the approval of the Financial Reporting Council (the 'FRC'), the Company deferred this tender for up to two years and will undertake such tender within the coming financial year. This will enable the Audit Committee to undertake a proper audit tender process as outlined in the FRC Notes on Best Practice for Retendering.

## Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The Group financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002, as it applies in the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the parent Company, together with a description of the principal risks and uncertainties that they face.

Nick Hartigan
**Company Secretary**

30 June 2022

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

**in respect of the financial statements**

## Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework' and applicable law). The Group financial statements are also prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002, as it applies in the European Union and the Dutch Financial Markets Supervision Act.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group and parent Company for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business.

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

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

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

The Directors are responsible for presenting the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

## Directors' confirmations

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

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

- the parent Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the parent Company;
- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report (including but not limited to Chairman's Statement, Chief Executive's Report and Financial Review) includes a fair review of the development and performance of the business and the position of the Group and parent Company, together with a description of the principal risks and uncertainties that it faces.

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

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

# INDEPENDENT AUDITORS' REPORT

**to the members of Accsys Technologies PLC**

## Report on the audit of the financial statements

### Opinion

In our opinion:

- Accsys Technologies PLC's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2022 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and the Dutch Financial Markets Supervision Act.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and the Company Statement of Financial Position as at 31 March 2022; the Consolidated Statement of Comprehensive Income,the Consolidated Statement of Cash Flow, and the Consolidated and Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

As explained in note 1 to the financial statements, the group, in addition to applying UK-adopted international accounting standards, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

### Basis for opinion

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

### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other listed entities of public interest, and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by either the FRC's Ethical Standard or Article 5(1) of Regulation (EU) No 537/2014 were not provided.

We have provided no non-audit services to the company in the period under audit.

### Our audit approach

#### Overview

**Audit scope**

- We performed full scope audits over three reporting units, audit work over material financial statement line items for four reporting units including the joint venture entity in North America and the new subsidiary formed in the 2022 financial year and audit procedures over revenue in respect of the subsidiary business in North America, which cumulatively accounted for approximately 100% (2021: 100%) of the group's revenue.
- As the group audit team, we maintained regular contact with our component team in the Netherlands throughout the planning and execution of their work. The audit in respect of the North America subsidiary business was carried out by the group team in the United Kingdom.

**Key audit matters**

- Going concern (group and company)
- Impairment of non-current assets (group)
- Cost capitalisation of Property, Plant and Equipment (group)

**Materiality**

- Overall group materiality: 1,100,000 EUR (2021: 900,000 EUR) based on 1% of total revenue.
- Overall company materiality: 950,000 EUR (2021: 800,000 EUR) based on 1% of total assets.
- Performance materiality: 825,000 EUR (2021: 675,000 EUR) (group) and 712,000 EUR (2021: 600,000 EUR) (company).

#### The scope of our audit

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

# INDEPENDENT AUDITORS' REPORT continued

**to the members of Accsys Technologies PLC**

## Our audit approach continued

### Key audit matters

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

This is not a complete list of all risks identified by our audit.

The impact of COVID-19, which was a key audit matter last year, is no longer included because of its limited impact on and improved trading of the group for 2022. Otherwise, the key audit matters below are consistent with last year.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Going concern (group and company)** | |
| The Directors have modelled a base case and a severe but plausible downside scenario in respect of the going concern assessment. The assessment forecasts the group achieving certain operating performance measures relating to the production and sales of Accoya wood from the plant in Arnhem with the collection of on-going working capital items in line with internally agreed budgets. The assessment also considers additional capital expenditure during the going concern period for the construction of the Tricoya plant in Hull and reactor 4 in Arnhem along with the financing of several key projects including the Joint Venture in the US. The Directors have concluded that there is sufficient liquidity available for the group to remain a going concern taking into account the group's financial resources including the current cash position, equity raises in May 2021 and May 2022 and banking and finance facilities which are currently in place. The going concern assessment is dependent upon achieving certain operating performance measures as mentioned above which requires significant judgement. In particular, considering the uncertainty over the quantum and timing of capital expenditure required to complete the Tricoya plant in Hull following the decision to bring the project in-house post the termination of the contract by the contractor and the timing of the completion of reactor 4 in Arnhem, there remains a risk that headroom of both liquidity and financial covenants comes under pressure. As such we have considered going concern as a significant risk. | Our procedures and conclusions in respect of going concern are set out in the 'Conclusions relating to going concern' section below. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment of non-current assets (group)** | |
| At 31 March 2022 the group carried €4.2m of goodwill (2021: €4.2m), €6.5m of other intangible assets (2021: €6.7m), and €176.7m of tangible fixed assets (2021: €139.6m). Management is required to perform an annual impairment review of goodwill held within intangible assets in accordance with IAS 36. The carrying value of non-current assets are contingent on future cash flows of the underlying cash generating units ('CGUs') and there is a risk that if these cash flows do not meet the Directors' expectations, the non-current assets will be impaired. A particular focus during our testing was the carrying value of non-current assets of €93.6m in relation to the Tricoya CGU, due to uncertainty over the timing and quantum of costs to complete the Hull Plant. No impairment charge was recorded in the group's financial statements. | The headroom in the Accoya CGU was significant and therefore, our audit work primarily focussed on the Tricoya CGU given the lower level of headroom and specific assumptions in management's model. Our specific audit procedures included:<br>• Assessing the appropriateness and consistency of the identification of CGUs. Management has identified two CGUs which is consistent with the prior year;<br>• Understanding and auditing management's impairment calculations (value-in-use) by performing the following procedures:<br>– We evaluated the future cash flow forecasts as per management's model and the process by which they were prepared and approved and tested the mathematical accuracy of the underlying value- in- use calculations;<br>– Recalculating the carrying value of each of the CGUs by agreeing balances back to the financial records;<br>– Challenging management's key assumptions used in the model for future years including revenue growth, gross margin, discount rates and long-term growth rate.<br>• We evaluated the discount rate used in the calculations by assessing the cost of capital for the group and comparable organisations. We involved our valuation experts to determine a range of acceptable discount rates, with reference to valuations of similar companies and other relevant external data and compared this range with the discount rates adopted by the group. The discount rates adopted by the group were slightly below the discount rates determined by our valuation experts.<br>• We performed sensitivity analysis on the key assumptions within the cash flow forecasts which included sensitising the discount rate applied to the future cash flows, the long-term growth rates and profit margins. We also considered the additional liabilities for uncertainty in respect of the timing and quantum of costs to complete the Hull plant given the project has now been brought in-house.<br>• We ascertained the extent to which a change in these assumptions both individually or in aggregate would result in impairment and considered the likelihood of such events occurring. Overall, we are satisfied that no impairment of non-current assets is required but that certain assumptions that are sensitive to change, could give rise to an impairment. Accordingly, we are satisfied that the disclosures included within the annual report are appropriate. |

# INDEPENDENT AUDITORS' REPORT continued

**to the members of Accsys Technologies PLC**

## Our audit approach continued

### Key audit matters continued

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Cost capitalisation of Property, Plant and Equipment (group)** | |
| During the year, the construction of the Hull plant and 4th reactor in Arnhem continued. Of the total capitalisation during the year amounting to €41m (2021: €20.7m), the group has capitalised €14.1m (2021: €14.5m) of costs on the construction of the Tricoya plant in Hull. The capitalisation of expenditure in Hull is deemed a significant risk because the amount is material and there is some judgement over the percentage of completion at the year end. The costs capitalised in Arnhem are categorised as an elevated risk as the group has been constructing the various reactors of this facility for a number of years. Most of the Arnhem costs are external costs and not significantly material in comparison to the Hull plant. | Our audit procedures included the following:<br>• We obtained an understanding of the various costs incurred to date in respect of the plant taking into account that the project has now been brought in-house following the termination of the EPC contract with Fabricom in June 2021;<br>• We stratified these costs into various buckets based on the nature of these costs;<br>• Substantively verified a sample of external costs capitalised to supporting documentation to ensure they meet the capitalisation criteria of IAS 16;<br>• Challenged management's assessment to ensure costs sampled were directly attributable to the projects; and<br>• Discussions with the CFO, project manager and cost controller to understand the stage of completion of the project and considered project milestones achieved with the inspection of Board minutes and other documents to ensure consistency.<br>We considered the overall capitalisation and the accounting thereof in light of our understanding from the evidence obtained. Based on our procedures, we consider the capitalisation of costs during the year to 31 March 2022 to be appropriate. |

### How we tailored the audit scope

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

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

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

In order to direct and supervise the group audit, the group engagement team sent detailed instructions to the component audit team. This included communication of the areas of focus and other required communications.

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

### Materiality

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

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

| | Financial statements – group | Financial statements – company |
|---|---|---|
| **Overall materiality** | 1,100,000 EUR (2021: 900,000 EUR). | 950,000 EUR (2021: 800,000 EUR). |
| **How we determined it** | 1% of total revenue | 1% of total assets |
| **Rationale for benchmark applied** | Given that the business is in a growth stage, revenue was considered the most appropriate measure to use and is a generally accepted benchmark. | The company is a non-trading holding company and accordingly we conclude that total assets is an appropriate benchmark. |

# INDEPENDENT AUDITORS' REPORT continued

**to the members of Accsys Technologies PLC**

## Our audit approach continued

### Materiality continued

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between €45,000 to €900,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to 825,000 EUR (2021: 675,000 EUR) for the group financial statements and 712,000 EUR (2021: 600,000 EUR) for the company financial statements.

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above 55,000 EUR (group audit) (2021: 44,000 EUR) and 40,000 EUR (company audit) (2021: 38,000 EUR) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Understanding of the approach adopted by management through discussions with appropriate individuals within and outside the finance function and in particular with the group CFO;
- Tested the integrity of the model, used for management's going concern assessment covering the period through to 30 June 2023, by recalculating certain outputs and checking the mathematical accuracy of the formulas within the model. We also performed the following:
  - agreeing the forecasts to the FY23 board approved budget;o testing the accuracy of the inputs of the model by agreeing back to source documentation; and
  - obtaining loan agreements for covenant workings and recomputing financial covenants in the models.
- Using our knowledge from the audit and the assessment of management's ability to forecast accurately, we applied our own stress test to management's downside cash flow forecasts and in particular to the timing and additional costs/delays in respect of the completion of the Hull plant and reactor 4 in Arnhem. We considered the potential mitigating actions included in management's downside case and assessed whether those are within the control of the group.
- We have challenged management on the appropriateness of disclosures within the annual report on Page 121 and in note 1 of the group financial statements and Page 168 and Note 1 of the company financial statements in respect of going concern and are satisfied that they are appropriate.

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

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

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

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

## Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### Directors' Remuneration

In our opinion, the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

# INDEPENDENT AUDITORS' REPORT continued

**to the members of Accsys Technologies PLC**

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

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

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

The directors are responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

### Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK corporation tax legislation, UK employment legislation and equivalent local laws and regulations applicable to the significant component team, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to achieve desired financial results and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work.

Audit procedures performed by the group engagement team and/or component auditors included:

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

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

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

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

# INDEPENDENT AUDITORS' REPORT continued

**to the members of Accsys Technologies PLC**

## Responsibilities for the financial statements and the audit continued

### Auditors' responsibilities for the audit of the financial statements continued

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group and company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group and company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

It is also our responsibility to assess whether the consolidated financial statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

### Use of this report

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

## Other required reporting

### Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the 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.

# INDEPENDENT AUDITORS' REPORT continued

**to the members of Accsys Technologies PLC**

## Report on other legal and regulatory requirements

We have checked the compliance of the consolidated financial statements of the company as at 31 March 2022 with the relevant statutory requirements set out in the ESEF Regulation that are applicable to financial statements. That is, for the company:

- The consolidated financial statements are prepared in a valid xHTML format;
- The XBRL markup of the consolidated financial statements uses the core taxonomy and the common rules on markups specified in the ESEF regulation.
- In our opinion, the consolidated financial statements of the company as at 31 March 2022, identified as Accsys Technologies PLC – Annual Report and Financial Statements 2022, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Richard Porter (Senior Statutory Auditor)
**for and on behalf of PricewaterhouseCoopers LLP**
**Chartered Accountants and Statutory Auditors**
London

30 June 2022

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**for the year ended 31 March 2022**

| | | 2022 €'000 | | | 2021 €'000 | | |
|---|---|---|---|---|---|---|---|
| | Note | Underlying | Exceptional items and other adjustments* | Total | Underlying | Exceptional items and other adjustments* | Total |
| Accoya® wood revenue | | 105,053 | – | 105,053 | 91,095 | – | 91,095 |
| Tricoya® panel revenue | | 1,459 | – | 1,459 | 2,091 | – | 2,091 |
| Licence revenue | | 416 | – | 416 | 419 | – | 419 |
| Other revenue | | 13,924 | – | 13,924 | 6,198 | – | 6,198 |
| **Total revenue** | 3 | **120,852** | **–** | **120,852** | **99,803** | **–** | **99,803** |
| **Cost of sales** | | (84,852) | – | (84,852) | (66,714) | – | (66,714) |
| **Gross profit** | | 36,000 | – | 36,000 | 33,089 | – | 33,089 |
| Other operating costs | 4 | (31,541) | (136) | (31,677) | (28,559) | 103 | (28,456) |
| **Operating profit** | 8 | **4,459** | **(136)** | **4,323** | **4,530** | **103** | **4,633** |
| Finance income | 10 | – | – | – | 1 | – | 1 |
| Finance expense | 11 | (2,893) | 544 | (2,349) | (3,250) | (900) | (4,150) |
| Share of net loss from joint venture accounted for using the equity method | 28 | (261) | – | (261) | (144) | – | (144) |
| **Profit/(Loss) before taxation** | | **1,305** | **408** | **1,713** | **1,137** | **(797)** | **340** |
| Tax (expense) | 12 | (1,015) | – | (1,015) | (1,251) | – | (1,251) |
| **Profit/(Loss) for the year** | | **290** | **408** | **698** | **(114)** | **(797)** | **(911)** |
| Items that may be reclassified to profit or loss | | | | | | | |
| Gain/(loss) arising on translation of foreign operations | | 153 | – | 153 | 5 | – | 5 |
| Gain/(loss) arising on foreign currency cash flow hedges | | – | 66 | 66 | – | 192 | 192 |
| Total other comprehensive income/(loss) | | 153 | 66 | 219 | 5 | 192 | 197 |
| **Total comprehensive gain/(loss) for the year** | | **443** | **474** | **917** | **(109)** | **(605)** | **(714)** |
| **Total comprehensive gain/(loss) for the year is attributable to:** | | | | | | | |
| Owners of Accsys Technologies PLC | | 2,083 | 474 | 2,557 | 1,279 | (605) | 674 |
| Non-controlling interests | | (1,640) | – | (1,640) | (1,388) | – | (1,388) |
| **Total comprehensive gain/(loss) for the year** | | 443 | 474 | 917 | (109) | (605) | (714) |
| **Basic and diluted profit/(loss) ordinary share** | 14 | €0.01 | | €0.01 | €0.01 | | €0.00 |

The notes on pages 121 to 165 form an integral part of these financial statements.

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**as at 31 March 2022**

Registered Company 05534340

| | Note | 2022 €'000 | 2021 €'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 16 | 10,834 | 10,865 |
| Investment accounted for using the equity method | 28 | 3,216 | 326 |
| Property, plant and equipment | 17 | 176,661 | 139,557 |
| Right of use assets | 18 | 4,632 | 4,859 |
| Financial asset at fair value through profit or loss | 19 | – | – |
| | | 195,343 | 155,607 |
| **Current assets** | | | |
| Inventories | 22 | 20,371 | 12,262 |
| Trade and other receivables | 23 | 16,934 | 12,314 |
| Cash and cash equivalents | 29 | 42,054 | 47,598 |
| Corporation tax receivable | | 435 | 183 |
| Derivative financial instrument | | 3 | 134 |
| | | 79,797 | 72,491 |
| **Current liabilities** | | | |
| Trade and other payables | 24 | (29,880) | (29,810) |
| Obligation under lease liabilities | 18 | (1,024) | (948) |
| Short term borrowings | 29 | (11,654) | (9,664) |
| Corporation tax payable | | (3,184) | (1,863) |
| | | (45,742) | (42,285) |
| **Net current assets** | | 34,055 | 30,206 |
| **Non-current liabilities** | | | |
| Obligation under lease liabilities | 18 | (4,193) | (4,584) |
| Other long term borrowing | 29 | (52,335) | (44,626) |
| Financial guarantee | 31 | – | – |
| | | (56,528) | (49,210) |
| **Net assets** | | 172,870 | 136,603 |
| **Equity** | | | |
| Share capital | 25 | 9,638 | 8,466 |
| Share premium account | | 223,326 | 189,598 |
| Other reserves | 26 | 114,701 | 114,635 |
| Accumulated loss | | (210,505) | (213,263) |
| Own shares | | (6) | (36) |
| Foreign currency translation reserve | | 190 | 37 |
| **Capital value attributable to owners of Accsys Technologies PLC** | | 137,344 | 99,437 |
| Non-controlling interest in subsidiaries | 9 | 35,526 | 37,166 |
| **Total equity** | | 172,870 | 136,603 |

The financial statements on pages 117 to 165 were approved by the Board of Directors on 30 June 2022 and signed on its behalf by

**Robert Harris**
**Director**

**William Rudge**
**Director**

The notes on pages 121 to 165 form an integral part of these financial statements.





# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**for the year ended 31 March 2022**

| | 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 01 April 2020** | 8,114 | 186,390 | 112,551 | – | 32 | (214,394) | 92,693 | 34,442 | 127,135 |
| Profit/(Loss) for the year | – | – | – | – | – | 477 | 477 | (1,388) | (911) |
| Other comprehensive income for the year | – | – | 192 | – | 5 | – | 197 | – | 197 |
| Share based payments | – | – | – | – | – | 717 | 717 | – | 717 |
| Shares issued | 352 | – | – | (36) | – | (63) | 253 | – | 253 |
| Premium on shares issued | – | 3,215 | – | – | – | – | 3,215 | – | 3,215 |
| Share issue costs | – | (7) | – | – | – | – | (7) | – | (7) |
| Issue of subsidiary shares to non-controlling interests | – | – | 1,892 | – | – | – | 1,892 | 4,112 | 6,004 |
| **Balance at 31 March 2021** | 8,466 | 189,598 | 114,635 | (36) | 37 | (213,263) | 99,437 | 37,166 | 136,603 |
| Profit/(Loss) for the year | – | – | – | – | – | 2,338 | 2,338 | (1,640) | 698 |
| Other comprehensive income for the year | – | – | 66 | – | 153 | – | 219 | – | 219 |
| Share based payments | – | – | – | – | – | 463 | 463 | – | 463 |
| Shares issued | 1,172 | – | – | 30 | – | (43) | 1,159 | – | 1,159 |
| Premium on shares issued | – | 35,922 | – | – | – | – | 35,922 | – | 35,922 |
| Share issue costs | – | (2,194) | – | – | – | – | (2,194) | – | (2,194) |
| **Balance at 31 March 2022** | 9,638 | 223,326 | 114,701 | (6) | 190 | (210,505) | 137,344 | 35,526 | 172,870 |

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

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

See note 26 for details concerning Other reserves.

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

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

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

The notes on pages 121 to 165 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOW

**for the year ended 31 March 2022**

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| **Profit before taxation before exceptional items and other adjustments** | 1,305 | 1,137 |
| Adjustments for: | | |
| Amortisation of intangible assets | 745 | 803 |
| Depreciation of property, plant and equipment, and right of use assets | 5,419 | 4,934 |
| Net finance expense | 2,891 | 3,352 |
| Equity-settled share-based payment expenses | 463 | 717 |
| Accsys portion of Licence fee received from joint venture | 600 | 600 |
| Share of net loss of joint venture | 261 | 144 |
| Currency translation (gains)/loss | (171) | 110 |
| **Cash inflows from operating activities before changes in working capital and exceptional items** | 11,513 | 11,797 |
| Exceptional Items in operating activities (see note 5) | (133) | – |
| **Cash inflows from operating activities before changes in working capital** | 11,380 | 11,797 |
| (Increase) in trade and other receivables | (5,058) | (159) |
| (Decrease) in deferred income | (33) | (42) |
| (Increase)/Decrease in inventories | (8,110) | 4,670 |
| Increase in trade and other payables | 4,034 | 3,864 |
| **Net cash from operating activities before tax** | 2,213 | 20,130 |
| **Tax received** | 56 | 71 |
| **Net cash from operating activities** | 2,269 | 20,201 |
| **Cash flows from investing activities** | | |
| Interest received | – | 5 |
| Investment in property, plant and equipment | (44,612) | (11,674) |
| Foreign exchange deal settlement related to hedging of Hull Capex | 190 | (258) |
| Investment in intangible assets | (714) | (682) |
| Investment in joint venture | (3,751) | (1,070) |
| **Net cash (used in) investing activities** | (48,887) | (13,679) |
| **Cash flows from financing activities** | | |
| Proceeds from loans | 54,500 | – |
| Other finance costs | (392) | (80) |
| Interest Paid | (2,241) | (1,831) |
| Repayment of lease liabilities | (1,089) | (1,308) |
| Repayment of loans/rolled up interest | (46,939) | (2,474) |
| Proceeds from issue of share capital | 37,094 | 3,468 |
| Proceeds from issue of subsidiary shares to non-controlling interests | – | 6,004 |
| Share issue costs | (2,194) | (7) |
| **Net cash from financing activities** | 38,739 | 3,772 |
| **Net (decrease)/increase in cash and cash equivalents** | (7,879) | 10,294 |
| Effect of exchange rate changes on cash and cash equivalents | 2,335 | 66 |
| Opening cash and cash equivalents | 47,598 | 37,238 |
| **Closing cash and cash equivalents** | 42,054 | 47,598 |

The notes on pages 121 to 165 form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

**for the year ended 31 March 2022**

## 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 UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. In addition, the financial statements are also prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and the Dutch Financial Markets Supervision Act.

On 31 December 2020, IFRS as adopted by the European Union at that date, was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 April 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

### Going Concern

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

As part of the Group's going concern review, the Directors have assessed the Group's trading forecasts, working capital requirements and covenant compliance for the foreseeable future under a base case scenario, taking into account the Group's financial resources including the current cash position and banking and finance facilities which are currently in place (see note 29 for details of these facilities) and the possible further impact of supply chain disruption.

The Directors have also assessed a severe but plausible downside scenario with reduced sales volumes, lower gross margin and a delay in the timing of production from R4 in Arnhem beyond the current expected operational date of Q2, FY23. These forecasts indicate that, in order to continue as a going concern, the Group is dependent on achieving certain operating performance measures relating to the production and sales of Accoya® wood from the plant in Arnhem with the collection of on-going working capital items in line with internally agreed budgets.

The Directors' have also considered the possible amount and timing of capital expenditure required to complete the Tricoya® plant in Hull, noting that should additional funding be required beyond what has been committed by the Tricoya® consortium partners to date, further consent would be required by the Tricoya® consortium partners for funding to be contributed. There are a sufficient number of alternative actions and measures within the control of the Group that can and would be taken in order to ensure on-going liquidity including reducing/deferring costs in some discretionary areas as well as larger capital projects if necessary.

The Directors believe that while some uncertainty always inherently remains in achieving the budget, in particular in relation to market conditions outside of the Group's control, under both the base scenario and severe but plausible downside scenario, there is sufficient liquidity and covenant headroom such that there is no material uncertainty with respect to going concern and have prepared the financial statements on this basis.

### 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, such as re-financing of Group borrowings. See note 5 for details of exceptional items.

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 1. Accounting Policies continued

### Business combinations

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

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

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

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

### Revenue from contracts with customers

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

#### Manufacturing revenue

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

#### Licensing fees and Marketing income

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

### Finance income

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

### Finance expenses and borrowing costs

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

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

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

### Share based payments

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

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

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

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

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

### Dividends

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

### Pensions

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

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 1. Accounting Policies continued

### Taxation

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

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

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

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

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

### Foreign currencies

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

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

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

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

### Foreign exchange hedging

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

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

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

### Government grants

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

### Goodwill

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

### Joint venture

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

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

### Other intangible assets

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

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

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 1. Accounting Policies continued

### Property, plant and equipment

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

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

### Impairment of non-financial assets

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

### Leases

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

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

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

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

The Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

### Inventories

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

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

### Fair value measurement

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

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

Specific valuation methodologies used to value financial instruments include:

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

### Financial assets

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 1. Accounting Policies continued

### Financial assets continued

#### Trade and other receivables

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

#### Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits, including liquidity funds, with an original maturity of three months or less. For the purpose of the statement of consolidated cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash and cash equivalents includes cash pledged to ABN Amro as collateral for the $20million Letter of credit provided to FHB. See note 29.

### Financial liabilities

#### Other financial liabilities

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

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

#### Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued.

The liability is initially measured at fair value, which is determined based on the present value of the difference in cash flows between the contractual payments required under the FHB borrowing (provided to the Company's joint venture – Accoya USA) and the payments that are estimated to be required without the guarantee being provided by Accsys to FHB. To calculate the fair value of the guarantee, the present value calculation is then weighted by the probability of the guarantee being called by FHB.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

### Share capital

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

### Segmental Reporting

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

### Alternative Performance Measures

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

The most significant APMs are:

#### Net debt

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

#### Underlying EBITDA

Operating profit/(loss) before Exceptional items and other adjustments, depreciation and amortisation and includes the Group's attributable share of our USA joint venture's underlying EBITDA. Underlying EBITDA provides a measure of the cash-generating ability of the business that is comparable from year to year.

#### Underlying EBIT

Operating profit/(loss) before Exceptional items and other adjustments and includes the Group's attributable share of our USA joint venture's underlying EBIT. Underlying EBIT provides a measure of the operating performance that is comparable from year to year.

#### Effective interest rate

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

#### Net Debt / Underlying EBITDA

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

#### Accoya® Manufacturing margin

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

#### Adjusted cash

Cash & cash equivalents less remaining cash committed to be invested into Accoya USA Joint Venture and restricted cash. See note 29.

#### Adjusted Net Debt

Net Debt less remaining cash committed to be invested into Accoya USA Joint Venture. See note 29.

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 2. Accounting judgements and estimates

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

### Accounting estimates

#### Goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of judgements in relation to discount rates and future forecasts (See note 16 & 17). The recoverability of these balances is dependent upon the level of future licence fees and manufacturing revenues. While the scope and timing of the production facilities to be built under the Group's existing and future agreements remains uncertain, the Directors remain confident that revenue from own manufacturing, existing licensees, new licence or consortium agreements will be generated, demonstrating the recoverability of these balances.

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

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

#### Commercial negotiations

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

### Accounting judgements

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

#### Revenue recognition

The Group has considered the criteria for the recognition of fee income from licensees over the period of the agreement and is satisfied that the recognition of such revenue is appropriate. The recognition of fees is based upon satisfaction of the performance obligations set out in the contract such as an assessment of the work required before the licence is signed and subsequently during the construction and commissioning of the licensees' plant, with an appropriate proportion of the fee recognised upon signing and the balance recognised as the project progresses to completion. The Group also considers the recoverability of amounts before recognising them as income. Revenue is recognised to the extent that it is highly probable that a significant reversal will not occur.

#### Financial asset at fair value through profit or loss

The Group has an investment in listed equity shares carried at nil fair value as a reliable fair value cannot be obtained since there is no active market for the shares and there is currently uncertainty around the future funding of the business. The Group makes appropriate enquiries and considers all of the information available to it in order to determine the fair value (See note 19).

#### Consolidation of subsidiaries

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

#### Joint venture

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

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

#### New standards, amendments and interpretations

The following amendments to Standards and a new Interpretation have been adopted for the financial year beginning on 1 April 2021:

- COVID-19-Related Rent concessions – Amendments to IFRS16;
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7; and
- Property, plant and equipment under construction and proceeds from sales – Amendments to IAS16.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 3. Segmental reporting

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

### Accoya®

| | Accoya® Segment | | | | | |
|---|---|---|---|---|---|---|
| | Year ended 31 March 2022 | | | Year ended 31 March 2021 | | |
| | Underlying €'000 | Exceptional items & Other Adjustments €'000 | TOTAL €'000 | Underlying €'000 | Exceptional items & Other Adjustments €'000 | TOTAL €'000 |
| Accoya® wood revenue | 105,053 | – | 105,053 | 91,095 | – | 91,095 |
| Licence revenue | 400 | – | 400 | 400 | – | 400 |
| Other revenue | 13,879 | – | 13,879 | 6,142 | – | 6,142 |
| **Total Revenue** | 119,332 | – | 119,332 | 97,637 | – | 97,637 |
| **Cost of sales** | (83,435) | – | (83,435) | (64,713) | – | (64,713) |
| **Gross profit** | 35,897 | – | 35,897 | 32,924 | – | 32,924 |
| Other operating costs | (19,116) | (133) | (19,249) | (15,725) | – | (15,725) |
| **Profit from operations** | 16,781 | (133) | 16,648 | 17,199 | – | 17,199 |
| **Profit from operations** | 16,781 | (133) | 16,648 | 17,199 | – | 17,199 |
| Accoya® USA EBITDA | (261) | – | – | (144) | – | – |
| **EBIT** | 16,520 | (133) | 16,648 | 17,055 | – | 17,199 |
| Depreciation and amortisation | 4,787 | – | 4,787 | 4,371 | – | 4,371 |
| **EBITDA** | 21,307 | (133) | 21,435 | 21,426 | – | 21,570 |

Revenue includes the sale of Accoya®, licence income and other revenue, principally relating to the sale of acetic acid and other licensing related income. Revenue also includes sales of lower visual grade Accoya® to Tricoya® customers for the purposes of producing Tricoya® panels as a temporary work-around until the dedicated Tricoya® Hull plant is operational.

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

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

Average headcount = 162 (2021: 140)

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.

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Accoya® segmental underlying EBITDA | 21,307 | 21,426 |
| Accoya® underlying Licence revenue | (400) | (400) |
| Accoya® segmental underlying EBITDA (excluding. Licence Income) | 20,907 | 21,026 |
| Accoya® segmental underlying gross profit | 35,897 | 32,924 |
| Accoya® underlying Licence revenue | (400) | (400) |
| **Accoya® manufacturing gross profit** | 35,497 | 32,524 |
| **Accoya® Manufacturing Margin** | 29.8% | 33.4% |

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Accoya® manufacturing gross profit – €'000 | 35,497 | 32,524 |
| Accoya® sales volume – $m^3$ | 59,649 | 60,466 |
| Accoya® manufacturing gross profit – $m^3$ | 595 | 538 |

### Tricoya®

| | Tricoya® Segment | | | | | |
|---|---|---|---|---|---|---|
| | Year ended 31 March 2022 | | | Year ended 31 March 2021 | | |
| | Underlying €'000 | Exceptional items & Other Adjustments €'000 | TOTAL €'000 | Underlying €'000 | Exceptional items & Other Adjustments €'000 | TOTAL €'000 |
| Tricoya® panel revenue | 1,459 | – | 1,459 | 2,091 | – | 2,091 |
| Licence revenue | 16 | – | 16 | 19 | – | 19 |
| Other revenue | 45 | – | 45 | 56 | – | 56 |
| **Total Revenue** | 1,520 | – | 1,520 | 2,166 | – | 2,166 |
| **Cost of sales** | (1,417) | – | (1,417) | (2,001) | – | (2,001) |
| **Gross profit** | 103 | – | 103 | 165 | – | 165 |
| Other operating costs | (3,811) | (3) | (3,814) | (3,668) | 103 | (3,565) |
| **Loss from operations** | (3,708) | (3) | (3,711) | (3,503) | 103 | (3,400) |
| **Loss from operations** | (3,708) | (3) | (3,711) | (3,503) | 103 | (3,400) |
| Depreciation and amortisation | 505 | – | 505 | 563 | – | 563 |
| **EBITDA** | (3,203) | (3) | (3,206) | (2,940) | 103 | (2,837) |

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

Other operating costs includes pre-operating costs for the Tricoya® Hull Plant.

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

Average headcount = 36 (2021: 22), 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.

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 3. Segmental reporting continued

### Corporate

| | Corporate Segment | | | | | |
|---|---|---|---|---|---|---|
| | Year ended 31 March 2022 | | | Year ended 31 March 2021 | | |
| | Underlying €'000 | Exceptional items & Other Adjustments €'000 | TOTAL €'000 | Underlying €'000 | Exceptional items & Other Adjustments €'000 | TOTAL €'000 |
| Accoya® wood revenue | – | – | – | – | – | – |
| Licence revenue | – | – | – | – | – | – |
| Other revenue | – | – | – | – | – | – |
| **Total Revenue** | – | – | – | – | – | – |
| **Cost of sales** | – | – | – | – | – | – |
| **Gross result** | – | – | – | – | – | – |
| Other operating costs | (7,430) | – | (7,430) | (8,048) | – | (8,048) |
| **Loss from operations** | (7,430) | – | (7,430) | (8,048) | – | (8,048) |
| **Loss from operations** | (7,430) | – | (7,430) | (8,048) | – | (8,048) |
| Depreciation and amortisation | 805 | – | 805 | 715 | – | 715 |
| **EBITDA** | (6,625) | – | (6,625) | (7,333) | – | (7,333) |

Corporate costs are those costs not directly attributable to Accoya®, Tricoya® or Research and Development activities. This includes management and the Group's corporate and general administration costs including the head office in London. See note 5 for explanation of Exceptional items and other adjustments.

Average headcount = 37 (2021: 29)

### Research and Development

| | Research & Development Segment | | | | | |
|---|---|---|---|---|---|---|
| | Year ended 31 March 2022 | | | Year ended 31 March 2021 | | |
| | Underlying €'000 | Exceptional items & Other Adjustments €'000 | TOTAL €'000 | Underlying €'000 | Exceptional items & Other Adjustments €'000 | TOTAL €'000 |
| Accoya® wood revenue | – | – | – | – | – | – |
| Licence revenue | – | – | – | – | – | – |
| Other revenue | – | – | – | – | – | – |
| **Total Revenue** | – | – | – | – | – | – |
| **Cost of sales** | – | – | – | – | – | – |
| **Gross result** | – | – | – | – | – | – |
| Other operating costs | (1,184) | – | (1,184) | (1,118) | – | (1,118) |
| **Loss from operations** | (1,184) | – | (1,184) | (1,118) | – | (1,118) |
| **Loss from operations** | (1,184) | – | (1,184) | (1,118) | – | (1,118) |
| Depreciation and amortisation | 68 | – | 68 | 88 | – | 88 |
| **EBITDA** | (1,116) | – | (1,116) | (1,030) | – | (1,030) |

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

Average headcount = 9 (2021: 9)

### Total

| | Total | | | | | |
|---|---|---|---|---|---|---|
| | Year ended 31 March 2022 | | | Year ended 31 March 2021 | | |
| | Underlying €'000 | Exceptional items & Other Adjustment €'000 | TOTAL €'000 | Underlying €'000 | Exceptional items & Other Adjustments €'000 | TOTAL €'000 |
| Accoya®/Tricoya® revenue | 106,512 | – | 106,512 | 93,186 | – | 93,186 |
| Licence revenue | 416 | – | 416 | 419 | – | 419 |
| Other revenue | 13,924 | – | 13,924 | 6,198 | – | 6,198 |
| **Total Revenue** | 120,852 | – | 120,852 | 99,803 | – | 99,803 |
| **Cost of sales** | (84,852) | – | (84,852) | (66,714) | – | (66,714) |
| **Gross profit** | 36,000 | – | 36,000 | 33,089 | – | 33,089 |
| Other operating costs | (31,541) | (136) | (31,677) | (28,559) | 103 | (28,456) |
| **Profit from operations** | 4,459 | (136) | 4,323 | 4,530 | 103 | 4,633 |
| Finance income | – | – | – | 1 | – | 1 |
| Finance expense | (2,893) | 544 | (2,349) | (3,250) | (900) | (4,150) |
| Investment in joint venture | (261) | – | (261) | (144) | – | (144) |
| **Profit/(Loss) before taxation** | 1,305 | 408 | 1,713 | 1,137 | (797) | 340 |

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

### Reconciliation of Underlying EBIT and EBITDA

| | Year ended 31 March 2022 | | | Year ended 31 March 2021 | | |
|---|---|---|---|---|---|---|
| | Underlying €'000 | Exceptional items & Other Adjustments €'000 | TOTAL €'000 | Underlying €'000 | Exceptional items & Other Adjustments €'000 | TOTAL €'000 |
| Profit from operations | 4,459 | (136) | 4,323 | 4,530 | 103 | 4,633 |
| Accoya® USA EBITDA | (261) | – | – | (144) | – | – |
| EBIT | 4,198 | (136) | 4,323 | 4,386 | 103 | 4,633 |
| Depreciation and amortisation | 6,164 | – | 6,164 | 5,737 | – | 5,737 |
| EBITDA | 10,362 | (136) | 10,487 | 10,123 | 103 | 10,370 |

Analysis of Revenue by geographical area of customers:

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| UK and Ireland | 43,053 | 41,890 |
| Rest of Europe | 45,980 | 36,888 |
| Americas | 21,069 | 13,170 |
| Rest of World | 10,750 | 7,855 |
| | 120,852 | 99,803 |

Revenue generated from two customers exceeded 10% of Group revenue of 2022. These two customers represented 37% & 34% of the revenue from the United Kingdom and Ireland, relating to Accoya® revenue. Revenue generated from two customers exceeded 10% of Group revenue of 2021. This included 36% & 40% of the revenue from the United Kingdom and Ireland, relating to Accoya® revenue.

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 3. Segmental reporting continued

### Assets and liabilities on a segmental basis:

| | Accoya® 2022 €'000 | Tricoya® 2022 €'000 | Corporate 2022 €'000 | R&D 2022 €'000 | TOTAL 2022 €'000 |
|---|---|---|---|---|---|
| Non-current assets | 91,278 | 99,718 | 4,119 | 228 | 195,343 |
| Current assets | 36,899 | 4,425 | 33,452 | 5,021 | 79,797 |
| Current liabilities | (19,399) | (21,112) | (5,156) | (75) | (45,742) |
| Net current assets/(liabilities) | 17,500 | (16,687) | 28,296 | 4,946 | 34,055 |
| Non-current liabilities | (2,826) | (1,252) | (52,339) | (111) | (56,528) |
| Net assets/(liabilities) | 105,952 | 81,779 | (19,924) | 5,063 | 172,870 |

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

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

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| UK | 107,861 | 90,344 |
| Other countries | 83,251 | 61,032 |
| Un-allocated – Goodwill | 4,231 | 4,231 |
| | 195,343 | 155,607 |

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

## 4. Other operating costs

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

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Sales and marketing | 5,121 | 3,847 |
| Research and development | 1,116 | 1,030 |
| Other operating costs | 6,856 | 6,013 |
| Administration costs | 12,284 | 11,932 |
| Exceptional Items and other adjustments | 136 | (103) |
| Other operating costs excluding depreciation and amortisation | 25,513 | 22,719 |
| Depreciation and amortisation | 6,164 | 5,737 |
| Total other operating costs | 31,677 | 28,456 |

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

The total cost of €25,513,000 in the current period includes €3,309,000 in respect of the Tricoya® segment, compared to €3,002,000 in the previous year.

Group average headcount increased from 199 in the year to 31 March 2021, to 244 in the year to 31 March 2022.

During the period, €714,000 (2021: €682,000) of internal development & patent related costs were capitalised and included in intangible fixed assets, including €488,000 (2021: €524,000) which were capitalised within Tricoya Technologies Limited ('TTL'). In addition €375,000 of internal costs have been capitalised in relation to our current Arnhem Accoya® plant expansion project (2021: €336,000) and €739,000 of internal costs have been capitalised in relation to our plant build in Hull, UK (2021: €38,000). Both are included within tangible fixed assets.

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 5. Exceptional items and other adjustments

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Redundancy costs in relation to purchase of assets to grow Accoya® Color production | (133) | – |
| Early termination of loans – redemption fee & accelerated amortisation of transaction costs | (1,619) | – |
| Total exceptional items | (1,752) | – |
| Foreign exchange differences arising on Tricoya® & Corporate cash held – Operating costs | (3) | 103 |
| Foreign exchange differences arising on Loan Notes – incl. in Finance expense | 231 | (900) |
| Foreign exchange differences on Tricoya® – Other comprehensive income/(loss) | 8 | 18 |
| Foreign exchange differences on Corporate USD cash held for investment in to USA JV – incl. in Finance expense | 2,080 | – |
| Revaluation of USD cash pledged to ABN Amro – incl. in Finance expense | (148) | – |
| Revaluation of FX forwards used for cash-flow hedging – Other comprehensive income/(loss) | 58 | 174 |
| Total other adjustments | 2,226 | (605) |
| Tax on exceptional items and other adjustments | – | – |
| Total exceptional items and other adjustments | 474 | (605) |

### Exceptional Items

In July 2021, Accsys entered into a sale and purchase agreement with Lignia Wood Company Limited and its administrators, to acquire certain assets, equipment and technology along with its manufacturing plant in Barry, Wales for a consideration of €1.2m, including €0.5m for raw wood inventory (see note 34). The purchased assets will enable Accsys to grow production and availability of Accoya® Color more rapidly, accelerating the launch of the product into more geographic markets and for more product applications. As part of this purchase, redundancy costs of €133,000 were incurred in relation to staff at the Barry site.

In October 2021, Accsys completed the refinance of its Group debt facilities, with a new bilateral agreement with ABN Amro. Loans previously held with ABN Amro, Cerdia Produktions GmbH, Bruil, Volantis and Business Growth Fund (BGF) where repaid. In addition to simplifying our debt arrangements, this has helped significantly reduce our cost of debt going forward. Early redemption fees totalling €1.4m were paid, and the amortisation of previously capitalised transaction fees related to these repaid loans was accelerated.

### Other Adjustments

Foreign exchange differences in the Tricoya® segment have occurred due to pounds sterling held within the consortium for the ongoing Hull plant build and to a lesser extent, pounds sterling held within the Corporate segment for future sterling corporate costs. The effective portion of the foreign exchange movement is recognised in other comprehensive income, with the ineffective portion recognised in Operating costs. Foreign exchange differences in the Corporate segment have also occurred due to US dollars held for investment into the Accoya USA Joint Venture. Following the May 2021 equity raise, the amount raised to invest into Accoya USA was translated into US dollars and held in cash ensuring that foreign exchange movements did not decrease the amount raised below the future US dollar investment into Accoya USA. This treatment did not meet the requirements for hedge accounting under IFRS 9, Financials instruments, and therefore the foreign exchange gain on the revaluation of the US dollars has been accounted for in Finance expenses.

Foreign exchange differences also arise on the pounds sterling denominated loan notes, entered into in a prior period (see note 29). These exchange rate differences are included as finance expenses.

## 6. Employees

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Staff costs (including Directors) consist of: | | |
| Wages and salaries | 17,007 | 14,394 |
| Social security costs | 2,620 | 2,206 |
| Other pension costs | 1,381 | 1,008 |
| Share based payments | 140 | 869 |
| | 21,148 | 18,477 |

Pension costs relate to defined contribution plan contributions.

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

| | 2022 | 2021 |
|---|---|---|
| Sales and marketing, administration, research and engineering | 134 | 112 |
| Operating | 110 | 87 |
| | 244 | 199 |

## 7. Directors' remuneration

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Directors' remuneration consists of: | | |
| Directors' emoluments | 931 | 1,187 |
| Company contributions to money purchase pension schemes | 43 | 41 |
| | 974 | 1,228 |

Compensation of key management personnel included the following amounts:

| | Salary, bonus and short term benefits €'000 | Pension €'000 | Share based payments charge €'000 | 2022 Total €'000 | 2021 Total €'000 |
|---|---|---|---|---|---|
| Rob Harris | 492 | 27 | 49 | 568 | 612 |
| William Rudge | 301 | 16 | (9) | 308 | 390 |
| | 793 | 43 | 40 | 876 | 1,002 |

The Group made contributions to one (2021: one) Director's personal pension plan, with Robert Harris receiving cash in lieu of pension.

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

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 8. Operating profit

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| This has been arrived at after charging/(crediting): | | |
| Staff costs | 21,148 | 18,477 |
| Depreciation of property, plant and equipment, and right of use assets | 5,419 | 4,934 |
| Amortisation of intangible assets | 745 | 803 |
| Operating lease rentals | 103 | 32 |
| Foreign exchange (gains)/losses | (171) | 110 |
| Research & Development (excluding staff costs) | 416 | 524 |
| Fees payable to the Company's auditors for the audit of the Group's annual financial statements | 145 | 73 |
| Fees payable to the Company's auditors for other services: | | |
| – audit of the Company's subsidiaries pursuant to legislation | 110 | 84 |
| – audit related assurance services | 36 | 34 |
| Fees payable to Component auditor for audit of subsidiaries: | 117 | 98 |
| – other audit related services | – | 14 |
| Total audit and audit related services: | 408 | 303 |

## 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.

The Tricoya® Consortium was formed on 29 March 2017, with its members currently comprising Accsys Technologies, INEOS Acetyls Investments Ltd, MEDITE Europe DAC, BGF & Volantis (Lombard Odier) and with project finance debt provided by NatWest.

Tricoya UK Limited is constructing and will own and operate the world's first Tricoya® wood elements acetylation plant in Hull (UK), which will have a targeted production capacity of 30,000 metric tonnes per annum (sufficient to manufacture 40,000 cubic metres of panels) and scope to expand.

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

INEOS (through acquiring BP's share of TTL & Tricoya UK) have invested €31.8 million in the Tricoya® Project, including €23.3 million as equity in Tricoya UK and €8.5 million as equity in TTL. All funding was received by 31 March 2021, with no funding received during the year ended 31 March 2022.

MEDITE have invested €15.0 million in the Tricoya® Project, including €8.4 million as equity in TTL and €6.6 million as equity in Tricoya UK. All funding was received by 31 March 2021, with no funding received during the year ended 31 March 2022.

In the period to 31 March 2022, the Group's shareholding in TTL remained unchanged at 76.5%.

Tricoya UK entered a six-year €17.2 million finance facility agreement with Natwest Bank plc in March 2017 in respect of the construction and operation of the Hull Plant. As at 31 March 2022 the Group has utilised €9.9m (2021: €9.3m) of the facility.

In November 2021, Accsys agreed a new €17m loan to Tricoya UK to be used towards the Hull plant construction project alongside existing funding in place for Tricoya UK. The loan accrues interest, which is rolled up, at a rate between 5.25 and 6.75% above EURIBOR. The loan is secured and is repayable by 30 September 2023. At 31 March 2022, the Group had lent to Tricoya UK €8.8m under the facility. As Accsys consolidates Tricoya UK, this loan is eliminated within the Accsys Group balance sheet.

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

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

### TTL Group income statement:

| | Consolidated 2022 €'000 | Consolidated 2021 €'000 |
|---|---|---|
| Revenue | 1,552 | 2,178 |
| Cost of sales | (1,449) | (1,999) |
| Gross profit | 103 | 179 |
| Operating costs: | | |
| Staff costs | (2,592) | (2,582) |
| Research & development (excluding staff costs) | (207) | (217) |
| Intellectual Property | (214) | (255) |
| Sales & marketing | (639) | (122) |
| Depreciation & Amortisation | (505) | (563) |
| EBIT | (4,054) | (3,560) |
| EBIT attributable to Accsys shareholders | (2,414) | (2,172) |

### TTL Group balance sheet:

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets | 4,534 | 4,376 |
| Property, plant and equipment | 94,061 | 79,999 |
| Right of use assets | 1,232 | 1,321 |
| | 99,827 | 85,696 |
| **Current assets** | | |
| Receivables due within one year | 1,088 | 1,232 |
| Cash and cash equivalents | 912 | 11,464 |
| FX Derivative Asset | 3 | 134 |
| | 2,003 | 12,830 |
| **Current liabilities** | | |
| Trade and other payables | (17,646) | (20,159) |
| **Net current liabilities** | (15,643) | (7,329) |
| **Non-current liabilities** | | |
| Other long term borrowing | (18,585) | (8,955) |
| | (18,585) | (8,955) |
| **Net assets** | 65,599 | 69,412 |
| Value attributable to Accsys Technologies | 30,073 | 32,246 |
| Value attributable to Non-controlling interest | 35,526 | 37,166 |

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 9. Tricoya Technologies Limited continued

### TTL Group cash flows:

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Cash flows from operating activities | 2,618 | (841) |
| Cash flows from investing activities | (21,860) | (6,400) |
| Cash flows from financing activities | 8,691 | 10,306 |
| **Net (decrease)/increase in cash and cash equivalents** | (10,551) | 3,065 |

## 10. Finance income

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Interest receivable on bank and other deposits* | – | 1 |

* €8,000 interest received in the year ended 31 March 2022 (31 March 2021: €5,000) in relation to cash balances held in Tricoya UK Ltd was netted off with borrowing costs incurred, with the net borrowing cost amount related to the Hull project capitalised and included within property, plant and equipment.

## 11. Finance expense

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Arnhem land and buildings lease finance charge | 183 | 187 |
| Interest on loans | 2,282 | 2,767 |
| Interest on lease liabilities | 139 | 144 |
| Other finance expenses | 289 | 152 |
| Total underlying finance expenses | 2,893 | 3,250 |
| **Exceptional items and other adjustments** | | |
| Foreign exchange (gain)/loss on loan notes | (231) | 900 |
| Revaluation of USD cash pledged to ABN Amro | 148 | – |
| Early termination of loans – redemption fee & accelerated amortisation of transaction costs | 1,619 | – |
| Foreign exchange (gain)/loss on Corporate USD cash held for investment in to USA JV | (2,080) | – |
| | 2,349 | 4,150 |

## 12. Tax expense

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| **(a) Tax recognised in the statement of comprehensive income comprises:** | | |
| **Current tax charge** | | |
| UK Corporation tax on losses for the year | – | – |
| Research and development tax (credit)/expense in respect of current year | (314) | 24 |
| | (314) | 24 |
| Overseas tax at rate of 15% | 24 | 11 |
| Overseas tax at rate of 25% | 1,305 | 1,216 |
| **Deferred Tax** | | |
| Utilisation of deferred tax asset | – | – |
| Total tax charge reported in the statement of comprehensive income | 1,015 | 1,251 |

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| **(b) The tax charge for the period is higher than the standard rate of corporation tax in the UK (2022 & 2021: 19%) due to:** | | |
| Profit/(Loss) before tax | 1,713 | 340 |
| Expected tax charge at 19% (2021 – 19%) | 325 | 65 |
| Expenses not deductible in determining taxable profit | 142 | 153 |
| Over provision in respect of prior years | – | – |
| Tax losses for which no deferred income tax asset was recognised | 541 | 880 |
| Effects of overseas taxation | 320 | 130 |
| Research and development tax charge in respect of prior years | (190) | 79 |
| Research and development tax (credit) in respect of current year | (123) | (56) |
| Total tax charge reported in the statement of comprehensive income | 1,015 | 1,251 |

In March 2021, the UK Government announced that from 1 April 2023 the corporation tax rate will increase to 25% from 1 April 2023.

There is no material impact on the Group's current and deferred taxation balances.

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| **€'000** | **2022** | **2021** | **2022** | **2021** |
| At 1 April | – | – | – | – |
| Credited/(charged) to the consolidated income statement | 484 | – | (484) | – |
| **At 31 March** | 484 | – | (484) | – |

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

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 13. Dividends Paid

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Final Dividend €Nil (2021: €Nil) per Ordinary share proposed and paid during year relating to the previous year's results | – | – |

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

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Underlying | Total | Underlying | Total |
| **Basic earnings per share** | | | | |
| Weighted average number of Ordinary shares in issue ('000) | 190,446 | 190,446 | 164,890 | 164,890 |
| Profit/(Loss) for the year attributable to owners of Accsys Technologies PLC (€'000) | 1,930 | 2,338 | 1,274 | 477 |
| Basic profit/(loss) per share | € 0.01 | € 0.01 | € 0.01 | € 0.00 |
| **Diluted earnings per share** | | | | |
| Weighted average number of Ordinary shares in issue ('000) | 190,446 | 190,446 | 164,890 | 164,890 |
| Equity options attributable to BGF | 8,449 | 8,449 | 8,449 | 8,449 |
| Weighted average number of Ordinary shares in issue and potential ordinary shares ('000) | 198,895 | 198,895 | 173,339 | 173,339 |
| Profit/(Loss) for the year attributable to owners of Accsys Technologies PLC (€'000) | 1,930 | 2,338 | 1,274 | 477 |
| Diluted profit/(loss) per share | € 0.01 | € 0.01 | € 0.01 | € 0.00 |

## 15. Share based payments

The Group operates a number of share schemes which give rise to a share based payment charge. The Group operates a Long Term Incentive Plan ('LTIP') in order to reward certain members of staff including the Senior Management team and the Executive Directors.

### Options – total

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

Outstanding options granted are as follows:

| | Number of outstanding options at 31 March | | Weighted average remaining contractual life, in years | |
|---|---|---|---|---|
| Date of grant | 2022 | 2021 | 2022 | 2021 |
| 1 August 2011 | – | 90,000 | – | 0.3 |
| 19 September 2013 (LTIP) | 599,880 | 918,226 | 1.5 | 2.5 |
| 24 June 2016 (LTIP) | 183,320 | 494,433 | 4.3 | 5.3 |
| 20 June 2017 (LTIP) | 326,999 | 326,999 | 5.3 | 6.3 |
| 18 June 2018 (LTIP) | 185,840 | 185,840 | 6.3 | 7.3 |
| 25 June 2019 (LTIP)[1] | 475,258 | 541,049 | 7.3 | 8.3 |
| 20 November 2019 (LTIP)[1] | 105,699 | 105,699 | 7.7 | 8.7 |
| 23 December 2019 (LTIP)[1] | 41,468 | 41,468 | 7.8 | 8.8 |
| 15 July 2020 (LTIP) | 1,172,290 | 1,267,657 | 8.3 | 9.3 |
| 23 June 2021 (LTIP) | 868,889 | – | 9.3 | – |
| Total | 3,959,643 | 3,971,371 | 6.8 | 6.5 |

1 622,425 nil cost options are outstanding in the 2019 LTIP award at 31 March 2022 but no options are estimated to vest on the relevant vesting dates in the 2022 calendar year.

Movements in the weighted average values are as follows:

| | Weighted average exercise price | Number |
|---|---|---|
| Outstanding at 01 April 2020 | € 0.01 | 4,670,808 |
| Granted during the year | € 0.00 | 1,326,966 |
| Forfeited during the year | € 0.00 | (766,954) |
| Exercised during the year | € 0.00 | (1,259,449) |
| Expired during the year | € 0.00 | – |
| Outstanding at 31 March 2021 | € 0.01 | 3,971,371 |
| Granted during the year | € 0.00 | 918,659 |
| Forfeited during the year | € 0.00 | (210,928) |
| Exercised during the year | € 0.00 | (629,459) |
| Expired during the year | € 0.50 | (90,000) |
| Outstanding at 31 March 2022 | € 0.00 | 3,959,643 |

The exercise price of options outstanding at the end of the year was €nil (for LTIP options) (2021: €nil and €0.50) and their weighted average contractual life was 6.8 years (2021: 6.5 years).

Of the total number of options outstanding at the end of the year 1,296,039 (2021: 1,829,658) had vested and were exercisable at the end of the year.

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 15. Share based payments continued

### Long Term Incentive Plan ('LTIP')

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

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

The LTIP in 2013 awarded 4,103,456 nil cost options and 2,472,550 vested in the financial year end 31 March 2017. 599,880 nil cost options remain as at 31 March 2022 after allowing for forfeitures and options exercised in the year.

**2016 LTIP Award performance conditions and 2019 outcome**

The LTIP in 2016 awarded 1,070,255 nil cost options and 494,433 vested in the financial year end 31 March 2020. 183,320 nil cost options remain as at 31 March 2022 after allowing for forfeitures and options exercised in the year.

**2017 LTIP Award performance conditions and 2020 outcome**

The LTIP in 2017 awarded 1,087,842 nil cost options and 326,999 vested in the financial year end 31 March 2021. 326,999 nil cost options remain as at 31 March 2022 after allowing for forfeitures and options exercised in the year.

**2018 LTIP Award performance conditions and 2021 outcome**

The LTIP in 2018 awarded 1,170,160 nil cost options and 185,840 vested in the financial year end 31 March 2022. 185,840 nil cost options remain as at 31 March 2022 after allowing for forfeitures and options exercised in the year.

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

During the year ended 31 March 2020, a total of 810,520 LTIP awards were made primarily to members of the Senior Management team including the Executive Directors:

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

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

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

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

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

The remaining 124,471 of the awards made in summer 2019 were specific to individuals dedicated to the Tricoya® consortium with performance measures linked to progress and development of the Tricoya® plant and its subsequent operation.

The fair value of these options were €1.221 on their Grant date.

All of the above awards, made in the year ended 31 March 2020 are subject to a three year performance period (i.e. year end March 2022) and a further two year holding period. In addition, awards are also subject to malus/ claw-back provisions. As at 31 March 2022, no share options are estimated to vest.

**Awards made in July 2020 and LTIP Award performance conditions**

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

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

| Metric | Weighting (% of award) | Threshold | Stretch | Maximum |
|---|---|---|---|---|
| Vesting (% of maximum) | | 25% | 70% | 100% |
| EBITDA per share in FY23 | 60% | €0.14 | €0.19 | €0.24 |
| Total sales volume in FY23 (m3) | 40% | 90,000 | 105,000 | 112,720 |

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

| Element | Element A (EBITDA per share) | Element B (Sales volume growth) |
|---|---|---|
| Grant date | 15 July 20 | 15 July 20 |
| Share price at grant date (€) | 1.00 | 1.00 |
| Exercise price (€) | 0.00 | 0.00 |
| Expected life (years) | 3 | 3 |
| Contractual life (years) | 10 | 10 |
| Vesting conditions (Details set out above) | EBITDA | Sales volume growth |
| Risk free rate | -0.69% | -0.69% |
| Expected volatility | 20% | 20% |
| Expected dividend yield | 0% | 0% |
| Fair value of option | € 0.998 | € 0.998 |

The remaining 71,137 of the awards made in summer 2020 were specific to individuals dedicated to the Tricoya® consortium with performance measures linked to progress and development of the Tricoya® plant and its subsequent operation.

The fair value of these options were €0.998 on their Grant date.

All of the above awards, made in summer 2020 are subject to a three year performance period (i.e. year end March 2023) and a further two year holding period. In addition, awards are also subject to malus/ claw-back provisions.

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 15. Share based payments continued

### Long Term Incentive Plan ('LTIP') continued

**Awards made in July 2021 and LTIP Award performance conditions**

During the year, a total of 918,659 LTIP awards were made primarily to members of the Senior Management team including the Executive Directors:

The performance targets for 863,624 of these awards are as follows:

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

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

| Element | Element A (EBITDA per share) | Element B (Sales volume growth) | Element C (ESG Reporting Metrics) |
|---|---|---|---|
| Grant date | 23 Jun 21 | 23 Jun 21 | 23 Jun 21 |
| Share price at grant date (€) | 2.06 | 2.06 | 2.06 |
| Exercise price (€) | 0.00 | 0.00 | 0.00 |
| Expected life (years) | 3 | 3 | 3 |
| Contractual life (years) | 10 | 10 | 10 |
| Vesting conditions (Details set out above) | EBITDA | Sales volume growth | ESG reporting metrics |
| Risk free rate | -0.67% | -0.67% | -0.67% |
| Expected volatility | 20% | 20% | 20% |
| Expected dividend yield | 0% | 0% | 0% |
| Fair value of option | € 2.060 | € 2.060 | € 2.060 |

The remaining 55,035 of the awards made in summer 2021 were specific to individuals dedicated to the Tricoya® consortium with performance measure linked to progress and development of the Tricoya® plant and its subsequent operation.

The fair value of these options were €2.06 on their Grant date.

All of the above awards, made in summer 2021 are subject to a three year performance period (i.e. year end March 2024) and a further two year holding period. In addition, awards are also subject to malus/claw-back provisions.

### 2008 Share Option schemes

Awards made in earlier years had no impact on the income statement in the current or prior year and with the smaller number of options remaining at the beginning of the current financial year, expiring during the year, no further details have been disclosed.

### Employee Benefit Trust – Share bonus award

Following a share issue on 23 June 2020 as part of the annual bonus, in connection with the employee remuneration and incentivisation arrangements for the period from 1 April 2019 to 31 March 2020, 629,217 Ordinary shares awarded in the prior year vested. No similar award was made during the year ended 31 March 2022.

### Employee Share Participation Plan

The Employee Share Participation Plan (the 'Plan') is intended to promote the long term growth and profitability of Accsys by providing employees with an opportunity to acquire an ownership interest in new Ordinary shares ('Shares') in the Company as an additional benefit of employment. Under the terms of the Plan, the Company issues these Shares to a trust for the benefit of the subscribing employees. The Shares are released to employees after one year, together with an additional Share on a 1 for 1 matched basis provided the employee has remained in the employment of Accsys at that point in time (subject to good leaver provisions). The Plan is in line with industry approved employee share plans and is open for subscription by employees once a year following release of the interim financial results. The maximum amount available for subscription by any employee is €5,000 per annum. In January 2022 various employees subscribed for a total of 193,424 Shares at an acquisition price of €2.02 per Share.

Also during the year, 1 for 1 Matching shares were awarded in respect of subscriptions that were made in the previous year as a result of the participants continuing to remain in employment at the point of vesting. 189,931 matching shares were issued to employees in January 2022.

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 16. Intangible assets

| | Internal Development costs €'000 | Intellectual property rights €'000 | Goodwill €'000 | Total €'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2020 | 7,187 | 74,051 | 4,231 | 85,469 |
| Additions | 277 | 405 | – | 682 |
| At 31 March 2021 | 7,464 | 74,456 | 4,231 | 86,151 |
| Additions | 178 | 536 | – | 714 |
| At 31 March 2022 | 7,642 | 74,992 | 4,231 | 86,865 |
| **Accumulated amortisation** | | | | |
| At 1 April 2020 | 2,146 | 72,337 | – | 74,483 |
| Amortisation | 364 | 439 | – | 803 |
| At 31 March 2021 | 2,510 | 72,776 | – | 75,286 |
| Amortisation | 384 | 361 | – | 745 |
| At 31 March 2022 | 2,894 | 73,137 | – | 76,031 |
| **Net book value** | | | | |
| At 31 March 2022 | 4,748 | 1,855 | 4,231 | 10,834 |
| At 31 March 2021 | 4,954 | 1,680 | 4,231 | 10,865 |
| At 31 March 2020 | 5,041 | 1,714 | 4,231 | 10,986 |

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

## 17. Property, plant and equipment

| | Land and buildings €'000 | Plant and machinery €'000 | Office equipment €'000 | Total €'000 |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At 1 April 2020 | 17,976 | 125,691 | 3,243 | 146,910 |
| Additions | – | 20,742 | 651 | 21,393 |
| Foreign currency translation (loss) | – | – | (9) | (9) |
| At 31 March 2021 | 17,976 | 146,433 | 3,885 | 168,294 |
| Additions | – | 41,012 | 461 | 41,473 |
| Foreign currency translation (loss) | – | – | 7 | 7 |
| At 31 March 2022 | 17,976 | 187,445 | 4,353 | 209,774 |
| **Accumulated depreciation** | | | | |
| At 1 April 2020 | 637 | 22,696 | 1,454 | 24,787 |
| Charge for the year | 358 | 3,249 | 351 | 3,958 |
| Foreign currency translation (loss) | – | – | (8) | (8) |
| At 31 March 2021 | 995 | 25,945 | 1,797 | 28,737 |
| Charge for the year | 358 | 3,550 | 461 | 4,369 |
| Foreign currency translation (loss) | – | – | 7 | 7 |
| At 31 March 2022 | 1,353 | 29,495 | 2,265 | 33,113 |
| **Net book value** | | | | |
| At 31 March 2022 | 16,623 | 157,950 | 2,088 | 176,661 |
| At 31 March 2021 | 16,981 | 120,488 | 2,088 | 139,557 |
| At 1 April 2020 | 17,339 | 102,995 | 1,789 | 122,123 |

Plant and machinery assets with a net book value of €93,560,000 are held as assets under construction and are not depreciated, relating to the Hull Plant, and €30,593,000 relating to the further expansion of the Arnhem Plant (31 March 2021: €80,853,000 relating to the Hull Plant, €5,716,000 relating to the Arnhem Plant).

The carrying value of the property, plant and equipment, internal development costs and intellectual property rights are split between two cash generating units (CGUs), representing the Accoya® and Tricoya® segments and the carrying value of Goodwill is allocated to the Accoya® segment. The recoverable amount of these CGUs are determined based on a value-in-use calculations which uses cash flow projections based on latest board approved financial budgets. Cash flows have been projected for a period of 5 years plus a terminal value discounted at a pre-tax discount rate of 10.5% (2021: 10.5%) and a 1.8% growth rate to determine their present value.

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 17. Property, plant and equipment continued

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

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

The Directors have determined that there has been no impairment to either CGU. The Directors have considered whether a reasonably possible change in assumptions may result in an impairment. The CGU most susceptible to an impairment given a change in assumptions is the Tricoya® CGU. Key assumptions applied to this CGU were as follows:

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

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

- a 1.3% increase to the discount rate,
- a 1.8% reduction in the long-term sales growth rate and
- a 3% decrease to Gross margin.
- an increase of 84% above assumed remaining costs to complete the plant.

## 18. Leases

### (i) Amounts recognised in the statement of financial position

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

| | Right-of-use assets | |
|---|---|---|
| | 2022 €'000 | 2021 €'000 |
| **Right-of-use assets** | | |
| Properties | 4,023 | 4,113 |
| Equipment | 569 | 671 |
| Motor Vehicles | 40 | 75 |
| | 4,632 | 4,859 |

| | Minimum lease payments | |
|---|---|---|
| | 2022 €'000 | 2021 €'000 |
| **Amounts payable under lease liabilities:** | | |
| Within one year | 1,250 | 1,208 |
| In the second to fifth years inclusive | 2,390 | 2,631 |
| After five years | 3,972 | 4,369 |
| Less: future finance charges | (2,395) | (2,676) |
| Present value of lease obligations | 5,217 | 5,532 |

Additions to the right-of-use assets during the financial year were €801,000 (2021: €1,303,000).

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

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

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| **Depreciation charge of right-of-use assets** | | |
| Properties | 807 | 664 |
| Equipment | 209 | 279 |
| Motor Vehicles | 34 | 33 |
| | 1,050 | 976 |
| Interest expense (included in finance cost) | 322 | 331 |
| Expense relating to short-term leases (included in cost of goods sold and administrative expenses) | 83 | 30 |
| Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses) | 20 | 2 |
| Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses) | – | – |

The total cash outflow for leases in 2022 was €1,089,000 (2021: €1,308,000).

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

The Group leases various offices, land, equipment and cars. Rental contracts are typically made for fixed periods of 1-10 years, although, if appropriate, a longer term may be entered into. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Lease extension options and lease termination options are only included in the calculation of the lease liability if there is reasonable certainty that they will be exercised. Some of the Group's leases have extension and termination options attached to them. Lease extension options and lease termination options are only included in the calculation of the lease liability if there is reasonable certainty that they will be exercised.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 18. Leases continued

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

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

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

## 19. Financial asset at fair value through profit or loss

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Share held in Cleantech Building Materials PLC | – | – |

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

There continues to be no active market for these shares as at 31 March 2022, and there is significant uncertainty over the future of Cleantech Building Materials PLC. As such a reliable fair value cannot be calculated and the investment is carried at a nil fair value (2021: nil).

A total of 498,522 shares were held at 31 March 2022.

## 20. Deferred taxation

The Group has a recognised deferred tax asset of €484,000 (2021: €nil) offsetting a recognised deferred tax liability of €484,000 (2021: €nil). See note 12.

The Group also has an unrecognised deferred tax asset of €42m (2021: €30m) which is largely in respect of trading losses of the UK subsidiaries and has been calculated using the tax rate which is expected to be applicable when the tax losses are expected to be utilised (see note 12 for the announced increase in UK tax rates to 25% from 1 April 2023). The deferred tax asset has been recognised only to the extent of the deferred tax liability, due to the uncertainty of the timing of future expected profits of the related legal entities which is dependent on the profits attributable to licensing and future manufacturing income.

## 21. Subsidiaries

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

## 22. Inventories

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Raw materials and work in progress | 16,978 | 7,339 |
| Finished goods | 3,393 | 4,923 |
| | 20,371 | 12,262 |

The amount of inventories recognised as an expense during the year was €67,697,839 (2021: €60,907,693). The cost of inventories recognised as an expense includes a net credit of €20,212 (2021: credit of €2,739) in respect of the inventories sold in the period which had previously been written down to net realisable value.

## 23. Trade and other receivables

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Trade receivables | 13,162 | 9,836 |
| Other receivables | 736 | 575 |
| VAT receivable | 2,203 | 1,013 |
| Prepayments | 833 | 890 |
| | 16,934 | 12,314 |

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. Trade and other receivables in the above table are stated net of provision for doubtful debts. The majority of trade and other receivables is denominated in Euros, with €3,342,000 of the trade and other receivables denominated in US Dollars (2021: €1,597,000).

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

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Up to 30 days overdue | 1,248 | 409 |
| Over 30 days and up to 60 days overdue | – | 6 |
| Over 60 days and up to 90 days overdue | – | – |
| Over 90 days overdue | 24 | 49 |
| | 1,272 | 464 |

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 are trade receivables and accrued income with a balance of €25,002,000 (2021: €25,002,000).

Movement in provision for doubtful debts:

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Balance at the beginning of the year | 25,002 | 25,239 |
| Net (decrease)/increase of impairment | – | (237) |
| Balance at the end of the year | 25,002 | 25,002 |

## 24. Trade and other payables

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Trade payables | 16,655 | 9,451 |
| Other taxes and social security payable | 1,754 | 1,104 |
| Accruals and deferred income | 11,471 | 19,255 |
| | 29,880 | 29,810 |

The increase in Trade and other payables primarily relates to the timing of accruals associated with the construction of the Hull plant with actual cash payments being lower, reflecting the timing of milestone payments in relation to construction.

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 25. Share capital

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| **Allotted – Equity share capital** | | |
| 192,761,322 Ordinary shares of €0.05 each (2021: 169,324,264 Ordinary shares of €0.05 each) | 9,638 | 8,466 |
| | 9,638 | 8,466 |

All ordinary shares are called up, allotted and fully paid.

In the year ended 31 March 2021:

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

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

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

In addition, various employees newly subscribed under the Plan for 195,524 Shares at an acquisition price of €1.43 per share, with these shares issued to a trust, to be released to the employees after one year, together with an additional share on a matched basis (subject to continuing employment within the Group).

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

In the year ended 31 March 2022:

In May 2021, 20,005,325 Placing Shares and 2,418,918 Open Offer Shares were issued as part of the capital raise to fund the Company's investment in expanding its Accoya® business into North America through the construction of a new Accoya® plant in the USA through its joint venture, Accoya USA LLC, with Eastman Chemical Company (see note 28), as well as to provide additional capital to support the Company's continued growth. The Shares were issued at a price of €1.65 (£1.40) per ordinary share, raising gross proceeds of €36.7 million (before expenses).

Between June and September 2021, a total of 629,460 shares were issued following the exercise of nil cost options, granted under the Company's 2013 Long Term Incentive Plan ('LTIP').

In February 2022, following the subscription by employees in the prior year for shares under the Employee Share Participation Plan (the 'Plan'), 189,931 shares were issued as "Matching Shares" at nominal value under the Plan.

In addition, various employees newly subscribed under the Plan for 193,424 Shares at an acquisition price of €2.015 per share, with these shares issued to a trust, to be released to the employees after one year, together with an additional share on a matched basis (subject to continuing employment within the Group).

## 26. Other reserves

| | Capital redemption reserve €000 | Merger reserve €000 | Hedging Effectiveness reserve €000 | Other reserve €000 | Total Other reserves €000 |
|---|---|---|---|---|---|
| Balance at 01 April 2020 | 148 | 106,707 | 37 | 5,659 | 112,551 |
| Total comprehensive income for the period | – | – | 192 | – | 192 |
| Issue of subsidiary shares to non-controlling interests | – | – | – | 1,892 | 1,892 |
| Balance at 31 March 2021 | 148 | 106,707 | 229 | 7,551 | 114,635 |
| Total comprehensive income for the period | – | – | 66 | – | 66 |
| Balance at 31 March 2022 | 148 | 106,707 | 295 | 7,551 | 114,701 |

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

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

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

The other reserve represents the amounts received for subsidiary share capital from non-controlling interests net with the carrying amount of non-controlling interests issued (see note 27).

## 27. Transactions with non-controlling interests

In the year ended 31 March 2021:

On 15 June 2020, TTL issued 281,919 shares to Titan Wood Limited for a consideration of €0.6m. An additional 68,081 shares were issued to non-controlling interests for a consideration of €0.1m. On 2 July 2020, TTL issued 90,956 shares to Titan Wood Limited for a consideration of €0.2m. An additional 416,694 shares were issued to non-controlling interests for a consideration of €0.8m and an additional 495,310 shares were issued in consideration for continued provision of discounted Accoya® to MEDITE for market seeding purposes. On 29 October 2020, TTL issued 1,862,356 shares to Titan Wood Limited for a consideration of €3.7m. An additional 498,987 shares were issued to non-controlling interests for a consideration of €1.0m. On 31 December 2020, BP Ventures' share capital of TTL was acquired by INEOS Acetyls Investments Limited ("INEOS"). As a result the non-controlling interests' shareholdings were amended to:

INEOS (8.5%), MEDITE (11.3%), BGF (2.6%), Volantis (1.1%)

On 17 July 2020, Tricoya UK issued 486,572 Ordinary shares to Tricoya Technologies Ltd for a consideration of €1.0m. An additional 1,600,530 shares were issued to non-controlling interests for consideration of €1.6m. On 29 October 2020, Tricoya UK issued 3,972,686 Ordinary shares to Tricoya Technologies Ltd for a consideration of €4.0m. An additional 2,452,798 shares were issued to non-controlling interests for consideration of €2.5m. On 31 December 2020, BP Chemicals' share capital of Tricoya UK was acquired by INEOS. As a result the non-controlling interests' shareholdings were amended to:

INEOS (30.0%, MEDITE 8.2%)

In the year ended 31 March 2022:

No shares were issued in the year ended to 31 March 2022.

The total carrying amount of the non-controlling interests in TTL and Tricoya UK at 31 March 2022 was €35.53m (2021: €37.17m).

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 27. Transactions with non-controlling interests continued

In November 2021, Accsys agreed a new €17m loan to Tricoya UK to be used towards the Hull plant construction project alongside existing funding in place for Tricoya UK. The loan accrues interest, which is rolled up, at a rate between 5.25 and 6.75% above EURIBOR. The loan is secured and is repayable by 30 September 2023. At 31 March 2022, the Group had lent to Tricoya UK €8.8m under the facility.

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

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Opening Balance | 8,127 | 6,235 |
| Carrying amount of non-controlling interests issued | – | (4,112) |
| Consideration paid by non-controlling interests | – | 6,004 |
| Share issue costs relating to non-controlling interests | – | – |
| Excess of consideration paid recognised in Group's equity | 8,127 | 8,127 |

## 28. Investment in Joint Venture

In August 2020, Accsys together with Eastman Chemical Company formed a new company, Accoya USA LLC, with the intention to construct and operate an Accoya® wood production plant to serve the North American market.

The new company has been formed with Accsys having a 60% equity interest and Eastman having a 40% equity interest, with the two parties assessed to jointly control the entity as defined under IFRS 11 – Joint arrangements. Accoya USA is accounted for as a joint venture and equity accounted for within the financial statements. A technology licence has also been entered into with Accoya USA LLC so that front-end engineering and design for the proposed plant in the USA can be completed.

The plant is designed to initially produce approximately 40,000 cubic metres of Accoya® per annum and to allow for cost-effective expansion.

In March 2022, the final investment decision was made to proceed with the construction of the US facility.

The total construction and start-up costs for the facility, including the initial two reactors, are expected to be approximately $136 million ('Total project cost').

$66 million of the Total Project cost will be funded by equity contributions from Accsys (60%) and Eastman (40%). Accsys' pro-rata share is $39.6 million (€34.9 million) of which $5.6 million (€4.8 million) has already been contributed to Accoya USA by 31 March 2022. Eastman has contributed $3.8 million to Accoya USA by 31 March 2022.

$70 million of the Total Project cost, will be funded through an eight-year term loan to Accoya USA, LLC from First Horizon Bank ('FHB') of Tennessee, USA. FHB are also providing a further $10 million revolving line of credit to be utilised to fund working capital. The FHB term loan is secured on the assets of Accoya USA and will be supported by Accoya USA's shareholders, including $50 million through a limited guarantee provided on a pro-rata basis, with Accsys' 60% share representing $30 million (see note 31). The interest rate varies between 1.3% to 2.1% over USD LIBOR. Principal repayments commence one year following the completion and start-up of the facility, and are calculated on a ten-year amortisation period.

The carrying amount of the equity-accounted investment is as follows:

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Opening balance | 326 | – |
| Investment in Accoya® USA | 3,751 | 1,070 |
| Less: Accsys proportion (60%) of Licence fee received | (600) | (600) |
| Loss for the year | (261) | (144) |
| Closing balance | 3,216 | 326 |

## 29. Commitments under loan agreements

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| **Amounts payable under loan agreements:** | | |
| Within one year | 11,654 | 9,664 |
| In the second to fifth years inclusive | 52,335 | 44,626 |
| In greater than five years | – | – |
| Present value of loan obligations | 63,989 | 54,290 |
| Within one year | 12,973 | 12,012 |
| In the second to fifth years inclusive | 59,506 | 49,714 |
| After five years | – | – |
| Less future finance charges | (8,490) | (7,436) |
| Present value of loan obligations | 63,989 | 54,290 |

Refinancing of Group Debt Facilities

In October 2021 Accsys completed the refinance of its Group debt facilities through a new bilateral agreement with ABN AMRO, one of Accsys' existing relationship banks. The new €60m 3-year bilateral facilities agreement with ABN AMRO comprised a:

- €45m Term Loan Facility and,
- €15m Revolving Credit Facility ('RCF').

The €45m Term Loan was fully utilised to repay all of the Group's existing debt, with the exception of the NatWest facility held by the Tricoya® consortium which remains in place.

- The Term Loan is partially amortising, with 5% of the principal repayable per annum after 18 months.
- The applicable interest rate for the Term Loan varies between an all in cost of 1.75% and 3.25% depending on net leverage, resulting in a significant improvement compared to the previous facilities which had a weighted average cost of approximately 6%.
- The RCF interest rate will similarly vary, but between 2.0% and 3.5% above EURIBOR.

The RCF was subsequently increased to €25 million as part of the Accoya USA financing referred to below, with approximately €20 million utilised for the Letter of credit provided by ABN Amro to FHB in support of the Accoya USA JV funding arrangements, leaving approximately €5 million available as headroom on the facility. The €5m remaining headroom was undrawn at 31 March 2022.

The new facilities are secured against the assets of the Group which are 100% owned by the Company and include customary covenants such as net leverage and interest cover which are based upon the results and assets which are 100% owned by the Company.

Tricoya® facility:

In March 2017 the Company's subsidiary, Tricoya UK Limited entered into a six-year €17.2 million finance facility agreement with Natwest Bank plc in respect of the construction and operation of the Hull Plant. The facility is secured by fixed and floating charges over all assets of Tricoya UK Limited. At 31 March 2022, the Group had €9.9m (2021: €9.3m) borrowed under the facility. The facility is to be drawn down as required, and facility repayments will commence 12 months after practical completion of the Hull Plant. Interest will accrue at Euribor plus a margin, with the margin ranging from 325 to 475 basis points.

The facility will require re-financing with its term running until 31 March 2023.

A €3m increase to the quantum of the facility is being sought given the additional costs identified for the Hull project but has not yet been agreed. As a result, while Natwest remains supportive of the project, the facility is in technical default given the unfunded cost overrun within Tricoya UK.

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 29. Commitments under loan agreements continued

Accoya USA facility & De Engh facility:

In March 2022 the Company's joint venture, Accoya USA agreed an eight-year $70 million loan from First Horizon Bank ('FHB') of Tennessee, USA in respect of the construction and operation of the Accoya® USA plant. FHB are also providing a further $10 million revolving line of credit to be utilised to fund working capital. The FHB term loan is secured on the assets of Accoya USA and is supported by Accoya USA's shareholders, including $50 million through a limited guarantee provided on a pro-rata basis, with Accsys' 60% share representing US$30 million (see note 28 & 31). The interest rate varies between 1.3% to 2.1% over USD LIBOR. Principal repayments commence one year following the completion and start-up of the facility, and are calculated on a ten-year amortisation period. Accoya USA is equity accounted for in these financial statements, therefore this Borrowing in not included in the Group's borrowings. (See note 28).

To support Accsys' limited guarantee, Accsys provided a $20 million Letter of Credit ('LC') to FHB. The LC is issued by ABN AMRO, utilising part of the revolving credit facility agreed in October 2021. To further support the LC, Accsys agreed a €10 million convertible loan with De Engh BV Limited ('De Engh'), an investment company based in the Netherlands (the 'Convertible Loan'). The Convertible Loan proceeds were placed with ABN AMRO solely as cash collateral to enable ABN AMRO to grant the $20 million LC to FHB.

The Convertible Loan is unsecured and carries an interest margin of 6.75% above Euribor. Accsys expects to fully repay the Convertible Loan within two years. If the Convertible Loan is not repaid within this period, De Engh has an option (from the end of year two) to convert the outstanding loan balance to ordinary shares in Accsys at €2.30 per share (representing a 31% premium to the closing share price on 3 March 2022), otherwise the interest rate increases by 2% in year three and by a further 2% the following year if the loan has not been repaid or converted after 3 years. The maximum term of the Convertible Loan is 3.5 years.

### Reconciliation to net debt:

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Cash and cash equivalents | 42,054 | 47,598 |
| Less: | | |
| Amounts payable under loan agreements | (63,989) | (54,290) |
| Amounts payable under lease liabilities (note 18) | (5,217) | (5,532) |
| Net debt | (27,152) | (12,224) |

### Restricted cash

The cash and cash equivalents disclosed above and in the Consolidated statement of cash flow includes $10 million which is pledged to ABN Amro as collateral for the $20million Letter of credit provided to FHB (see note 28 & 31).

### Reconciliation to adjusted cash and adjusted net debt:

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Cash and cash equivalents | 42,054 | 47,598 |
| Less: Remaining cash committed to be contributed to Accoya USA | (27,857) | – |
| Less: Cash pledged to ABN for Letter of Credit | (9,852) | – |
| Adjusted cash | 4,345 | 47,598 |
| Net debt | (27,152) | (12,224) |
| Less: Remaining cash committed to be contributed to Accoya USA | (27,857) | – |
| Adjusted net debt | (55,009) | (12,224) |

| | Liabilities from financing activities | | | Other assets | |
|---|---|---|---|---|---|
| | Borrowings €'000 | Leases €'000 | Sub-total €'000 | Cash €'000 | Total €'000 |
| **Net debt as at 01 April 2020** | (57,313) | (5,121) | (62,434) | 37,238 | (25,196) |
| Cash flows | 2,474 | 1,308 | 3,782 | 10,294 | 14,076 |
| Decrease in Cerdia Loan from Termination fee | 3,200 | – | 3,200 | – | 3,200 |
| New leases | – | (1,303) | (1,303) | – | (1,303) |
| Foreign exchange adjustments | (900) | (76) | (976) | 66 | (910) |
| Other changes | (1,751) | (340) | (2,091) | – | (2,091) |
| **Net debt as at 31 March 2021** | (54,290) | (5,532) | (59,822) | 47,598 | (12,224) |
| Cash flows | (7,561) | 1,089 | (6,472) | (7,879) | (14,351) |
| New leases | – | (801) | (801) | – | (801) |
| Foreign exchange adjustments | 231 | (7) | 224 | 2,335 | 2,559 |
| Other changes | (2,369) | 34 | (2,335) | – | (2,335) |
| **Net debt as at 31 March 2022** | (63,989) | (5,217) | (69,206) | 42,054 | (27,152) |

## 30. Equity options

On the 29 March 2017, the Company announced the formation of the Tricoya® Consortium and as part of this, funding was agreed with BGF and Volantis. In addition to the issue of the Loan Notes, which have since been repaid as part of the Group re-finance in October 2021 (see note 29), 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 were converted to Options.

On 26 March 2021, the Company announced the Options issued to Volantis had been exercised in full for a total consideration of £2,779,898.77 payable to the Company, representing an exercise price per Ordinary Share of £0.62 as agreed on 29 March 2017 (adjusted to £0.5971 following a subsequent share issuance in April 2017).

At 31 March 2022 a total 8,449,172 Options exist attributable to BGF. This represents 4.4% (2021: 5%) of the issued share capital of the Company as at 31 March 2022.

See notes 29 & 35 for details on the convertible loan agreed with De Engh BV Limited.

## 31. Guarantee provided to FHB

In March 2022 the Company's joint venture, Accoya USA agreed an eight-year $70million loan from First Horizon Bank ('FHB') of Tennessee, USA in respect of the construction and operation of the Accoya® USA plant and a further $10 million revolving line of credit to be utilised to fund working capital (see note 28 & 29). The FHB term loan is supported by Accoya USA's shareholders, including US$50 million through a limited guarantee provided on a pro-rata basis, with Accsys' 60% share representing $30 million (see note 28).

To support Accsys' limited guarantee, Accsys provided a US$20 million Letter of Credit, issued by ABN Amro, to FHB (see note 29).

The $30 million limited guarantee provided to FHB is held at a fair value of € nil, representing a present value calculation of €8.8 million weighted by the estimated probability of FHB calling on the guarantee being 0%.

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 32. Financial instruments

### Financial instruments

**Lease liabilities**

Lease creditors of €5,217,000 as at 31 March 2022 (2021: €5,532,000) relates to various offices, land, equipment and cars that the Group leases (see note 18).

**Capital risk management**

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

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

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

The Group's strategy is to lower Net Debt / EBITDA ratio to approximately 2.5x over the longer term while remaining within covenant levels set in its ABN Amro and Natwest loan facilities. One of the key covenants under the ABN Amro facility is the Net Debt/EBITDA ratio based upon the results and assets which are 100% owned by the Company, with the covenant test reducing over time from an initial maximum of 4x to 2.5x. On this basis, Net Debt/EBITDA ratio was calculated at 2.93 for the year ending 31 March 2022.

No final dividend is proposed in 2022 (2021: €nil). The Board deems it prudent for the Company to protect as strong a statement of financial position as possible during the current phase of the Company's growth strategy.

### Financial Instruments by category

| 2022/€'000 | Fair value hierarchy | At amortised cost | At fair value though profit or loss | At fair value through OCI | Total |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Trade and other receivables | | 13,898 | – | – | 13,898 |
| Financial asset investments | Level 2 | – | – | – | – |
| Derivative financial instruments (FX forward) | Level 2 | – | 3 | – | 3 |
| Cash and cash equivalents | | 42,054 | – | – | 42,054 |
| Total | | 55,952 | 3 | – | 55,955 |

| 2021/€'000 | Fair value hierarchy | At amortised cost | At fair value though profit or loss | At fair value through OCI | Total |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Trade and other receivables | | 10,411 | – | – | 10,411 |
| Financial asset investments | Level 2 | – | – | – | – |
| Derivative financial instruments (FX forward) | Level 2 | – | 134 | – | 134 |
| Cash and cash equivalents | | 47,598 | – | – | 47,598 |
| Total | | 58,009 | 134 | – | 58,143 |

| 2022/€'000 | Fair value hierarchy | At amortised cost | At fair value though profit or loss | At fair value through OCI | Total |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Borrowings – loans | | (63,989) | – | – | (63,989) |
| Lease liabilities | | (5,217) | – | – | (5,217) |
| Trade and other payables | | (16,655) | – | – | (16,655) |
| Derivative financial instruments (FX forward) | Level 2 | – | – | – | – |
| Total | | (85,861) | – | – | (85,861) |

| 2021/€'000 | Fair value hierarchy | At amortised cost | At fair value though profit or loss | At fair value through OCI | Total |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Borrowings – loans | | (54,290) | – | – | (54,290) |
| Lease liabilities | | (5,532) | – | – | (5,532) |
| Trade and other payables | | (9,451) | – | – | (9,451) |
| Derivative financial instruments (FX forward) | Level 2 | – | – | – | – |
| Total | | (69,273) | – | – | (69,273) |

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

All assets and liabilities mature within one year except for the lease liabilities, for which details are given in note 18 and loans, for which details are given in note 29.

Trade payables are payable on various terms, typically not longer than 30 to 60 days with the exception of some major capex items.

### Market risk

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

### Financial risk management objectives

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

# NOTES TO THE FINANCIAL STATEMENTS continued

**for the year ended 31 March 2022**

## 32. Financial instruments continued

### Foreign currency risk management

The Group's functional currency is the Euro with the majority of operating costs and balances denominated in Euros. An increasing proportion of costs will be incurred in pounds sterling as the Group's activities associated with the Tricoya® plant in Hull increase, although future revenues will be in Euros or other currencies. The Group's Loan Notes, which were issued to fund these UK based operations, are denominated in pounds sterling. A smaller proportion of expenditure is incurred in US dollars and pounds sterling. In addition some raw materials, while priced in Euros, are sourced from countries which are not within the Eurozone. The Group monitors any potential underlying exposure to other exchange rates. The Group holds a proportion of the cash associated with the Tricoya® Consortium in pounds sterling and has purchased fx forward contracts with a nominal amount of £5.85m (2021: nominal amount of £5.85m) to reflect the expected costs associated with the construction of the plant in Hull and are accordingly accounted for as a cash flow hedge. The Group also holds US Dollar Cash which is committed to be contributed into Accoya USA. Following the May 2021 equity raise, the amount raised to invest into Accoya USA was translated into US dollars and held in cash ensuring that foreign exchange movements did not decrease the amount raised below the future US dollar investment into Accoya USA. This treatment did not meet the requirements for hedge accounting under IFRS 9, Financials instruments, and therefore the foreign exchange gain on the revaluation of the US dollars has been accounted for in Finance expenses. (See note 5).

If exchange rates changed by 5% from exchange rates at 31 March 2022, the effect on the P&L from the revaluation of:

- Trade Receivables – P&L impact would not be material. The details of the Trade receivables per Currency is disclosed in note 23 with the US Dollar receivables held in Titan Wood Inc, which has a US Dollar reporting currency.
- Trade payables – P&L impact would be approximately €260,000.

### Interest rate risk management

The Group's borrowings have variable interest rates based on a relevant benchmark (ie. EURIBOR) plus an agreed margin. Surplus funds are invested in short term interest rate deposits to reduce exposure to changes in interest rates. The Group does not currently enter into any interest rate hedging arrangements, although will review the need to do so in respect of the variable interest rate loan facilities.

### Credit risk management

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

The Group ensures that sales are made to customers with an appropriate credit history to reduce the risk where this is considered necessary. The Directors consider the trade receivables at year end to be of good credit quality including those that are past due (see note 23). The Group is not exposed to any significant credit risk exposure in respect of any single counterparty or any group of counterparties with similar characteristics other than the balances which are provided for as described in note 23.

The Group has credit risk from financial institutions. Cash deposits are placed with a group of financial institutions with suitable credit ratings in order to manage credit risk with any one financial institution. All Financial institutions utilised by the Group, and with which the Group holds cash balances have investment grade credit ratings.

### 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. See note 18 & 29.

### 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.

## 33. Capital Commitments

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Contracted but not provided for in respect of property, plant and equipment | 8,327 | 10,808 |

Included in the above, are amounts relating to the Tricoya® plant under construction in Hull and committed items related to the Reactor 4 expansion project in Arnhem.

The above table excludes the remaining cash committed to be contributed to Accoya USA. See note 28 & 29.

## 34. Purchase of assets to grow Accoya® Color production

In July 2021, Accsys entered into a sale and purchase agreement with Lignia Wood Company Limited and its administrators, to acquire certain assets, equipment and technology along with its manufacturing plant in Barry, Wales. The purchased assets will enable Accsys to grow production and availability of Accoya® Color more rapidly, accelerating the launch of the product into more geographic markets and for more product applications. The following assets were purchased:

| | 2022 €'000 |
|---|---|
| Intellectual property | 55 |
| Equipment | 695 |
| Inventory | 486 |
| | 1,236 |

## 35. Related party transactions

### Loan from De Engh BV Limited

As part of the Accoya USA JV funding arrangements, Accsys provided a $20 million Letter of Credit ('LC') to FHB. (see note 29 & 31) To support the LC, Accsys agreed a €10 million convertible loan with De Engh BV Limited ('De Engh'), an investment company based in the Netherlands (the 'Convertible Loan') and a Accsys shareholder holding 10.4% of Accsys' issued share capital at 31 March 2022. The Convertible Loan proceeds were placed with ABN AMRO solely as cash collateral to enable ABN AMRO to grant the $20 million LC to FHB.

The Convertible Loan is unsecured and carries an interest margin of 6.75% above Euribor. Accsys expects to fully repay the Convertible Loan within two years. If the Convertible Loan is not repaid within this period, De Engh has an option (from the end of year two) to convert the outstanding loan balance to ordinary shares in Accsys at €2.30 per share (representing a 31% premium to the closing share price on 3 March 2022), otherwise the interest rate increases by 2% in year three and by a further 2% the following year if the loan has not been repaid or converted after 3 years. The maximum term of the Convertible Loan is 3.5 years.

## 36. Events occurring after 31 March 2022

### Capital raise

In May 2022, Accsys completed a successful Placing for an issue of shares in the Company, raising gross proceeds of approximately €20 million. The net proceeds of the Issue will be used to strengthen the Company's balance sheet, increase liquidity headroom and fund additional costs to complete the Arnhem Plant Reactor 4 ("R4") capacity expansion. The Issue will also provide increased working capital in FY23 to support the wider Accsys organisation in what is a pivotal year, as the equivalent of an additional 60,000$m^3$ of new capacity projects are due to come online, increasing the total capacity at Group level to 120,000$m^3$.

# COMPANY STATEMENT OF FINANCIAL POSITION

**as at 31 March 2022**

Registered Company 05534340

| | Note | 2022 €'000 | 2021 €'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | 4 | 17,018 | 16,555 |
| Right of use assets | | 26 | 53 |
| Financial asset at fair value through profit or loss | 5 | – | – |
| | | 17,044 | 16,608 |
| **Current assets** | | | |
| Debtors | 6 | 261,139 | 194,125 |
| Cash at bank and in hand | | 9,841 | 14,135 |
| | | 270,980 | 208,260 |
| **Creditors: amounts falling due within one year** | 7 | (14,113) | (16,635) |
| **Net current assets** | | 256,867 | 191,625 |
| **Creditors: amounts falling due after more than one year** | 8/9 | (52,340) | (16,920) |
| **Net assets** | | 221,571 | 191,313 |
| **Capital and reserves** | | | |
| Called up Share capital | 10 | 9,638 | 8,466 |
| Share premium account | | 223,326 | 189,598 |
| Reserve for own shares | | (6) | (36) |
| Capital redemption reserve | | 148 | 148 |
| Profit and loss account | | (11,535) | (6,863) |
| **Total shareholders' funds** | | 221,571 | 191,313 |

The financial statements were approved by the Board and authorised for issue on 30 June 2022 and signed on its behalf by:

**Robert Harris**
**Director**

**William Rudge**
**Director**

The notes on pages 168 to 175 form an integral part of the parent Company financial statements.

# COMPANY STATEMENT OF CHANGES IN EQUITY

**for the year ended 31 March 2022**

| | Called up Share capital €000 | Share premium account €000 | Capital redemption Reserve €000 | Own Shares €000 | Profit and loss account €000 | Total Shareholders Funds €000 |
|---|---|---|---|---|---|---|
| **At 01 April 2020** | 8,114 | 186,390 | 148 | – | (3,562) | 191,090 |
| Loss for the financial year | – | – | – | – | (3,955) | (3,955) |
| Share based payments | – | – | – | – | 717 | 717 |
| Shares issued | 352 | – | – | (36) | (63) | 253 |
| Premium on shares issued | – | 3,215 | – | – | – | 3,215 |
| Share issue costs | – | (7) | – | – | – | (7) |
| **Balance at 31 March 2021** | 8,466 | 189,598 | 148 | (36) | (6,863) | 191,313 |
| Loss for the financial year | – | – | – | – | (5,092) | (5,092) |
| Share based payments | – | – | – | – | 463 | 463 |
| Shares issued | 1,172 | – | – | 30 | (43) | 1,159 |
| Premium on shares issued | – | 35,922 | – | – | – | 35,922 |
| Share issue costs | – | (2,194) | – | – | – | (2,194) |
| **Balance at 31 March 2022** | 9,638 | 223,326 | 148 | (6) | (11,535) | 221,571 |

The profit and loss account includes €8,010,000 of non-distributable reserves arising from the liquidation of Accsys Chemicals Limited in the year ended 31 March 2007. The profit and loss account also includes €10,527,000 of non-distributable reserves relating to share based payments.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 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 2022. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2 of the Group financial statements.

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

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

As permitted under section 408 of the Act the Company has elected not to present its own profit and loss account for the year. The loss for the financial year was €5,092,000 (2021: €3,955,000).

### Going concern

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

As part of the Company's going concern review, the Directors have assessed the Company's trading forecasts, working capital requirements and covenant compliance for the foreseeable future under a base case scenario, taking into account the Company's financial resources including the current cash position and banking and finance facilities which are currently in place (see note 29 in the Group financial statements for details of these facilities) and the possible further impact of supply chain disruption.

The Directors have also assessed a severe but plausible downside scenario with reduced sales volumes, lower gross margin and a delay in the timing of production from R4 in Arnhem beyond the current expected operational date of Q2, FY23. These forecasts indicate that, in order to continue as a going concern, the Company is dependent on achieving certain operating performance measures relating to the production and sales of Accoya® wood from the plant in Arnhem with the collection of on-going working capital items in line with internally agreed budgets.

The Directors' have also considered the possible amount and timing of capital expenditure required to complete the Tricoya® plant in Hull noting that should additional funding be required beyond what has been committed by the Tricoya® consortium partners to date, further consent would be required by the Tricoya® consortium partners for funding to be contributed. There are a sufficient number of alternative actions and measures within the control of the Company that can and would be taken in order to ensure on-going liquidity including reducing/deferring costs in some discretionary areas as well as larger capital projects if necessary.

The Directors believe that while some uncertainty always inherently remains in achieving the budget, in particular in relation to market conditions outside of the Company's control, under both the base scenario and severe but plausible downside scenario, there is sufficient liquidity and covenant headroom such that there is no material uncertainty with respect to going concern and have prepared the financial statements on this basis.

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

### Investments

Except where a reliable fair value cannot be obtained, unlisted shares held by the Company are stated at historical cost less any provision for impairment.

### Share based payments

When the parent entity grants options over equity instruments directly to the employees of a subsidiary undertaking, then in the parent company financial statements the effect of the share based payment is capitalised as part of the investment in the subsidiary as a capital contribution, with a corresponding increase in equity.

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

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

### Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes except for deferred tax assets which are only recognised to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

### Dividends

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

### Financial assets

**Debtors & Cash at bank and in hand**

The Company follows the Group's accounting policies for Debtors and Cash. See note 1 to the Group financial statements.

### Financial liabilities

**Other financial liabilities**

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

# NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

## 1. Accounting policies continued

### Accounting judgements

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

**Financial asset at fair value through profit or loss**

The Company has an investment in listed equity shares carried at nil fair value as a reliable fair value cannot be obtained since there is no active market for the shares and there is currently uncertainty around the future funding of the business. The Company makes appropriate enquiries and considers all of the information available to it in order to determine the fair value.

**Carrying value of intercompany receivables and investments in subsidiaries**

The recoverable amounts of these balances have been determined based on value in use calculations. These calculations require the use of judgements in relation to discount rates and future forecasts. The recoverability of these balances is dependent upon the level of future licence fees and manufacturing revenues relating to group companies. While the scope and timing of the production facilities to be built under the Group's existing and future agreements remains uncertain, the Directors remain confident that revenue from own manufacturing, existing licensees, new licence or consortium agreements will be generated, demonstrating the recoverability of these balances.

## 2. Profit and loss account

A loss of €5,092,000 (2021: €3,955,000) is dealt with in the Company financial statements of Accsys Technologies PLC. The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company. Fees payable to the Company's auditors for the audit of the Group's annual financial statements was €145,000 (2021: €73,000). Fees payable to the Company's auditors for the audit of the Company's subsidiaries was €110,000 (2021: €84,000), fees payable to Component auditors for audit of subsidiaries was €117,000 (2021: 98,000), fees payable for audit related assurance services and was €36,000 (2021: €34,000) and other audit related services €nil (2021: €14,000).

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 (2022: 2 and 2021: 2) during the current or prior year.

Non-executive Directors received emoluments in respect of their services to the Company of €375,000 (2021: €320,000). Details have been included in the Remuneration Report. The Company did not operate any pension schemes during the current or preceding year.

## 4. Investments in subsidiaries

| | €'000 |
|---|---|
| **Cost** | |
| At 1 April 2020 | 20,518 |
| Share based payments | 717 |
| At 31 March 2021 | 21,235 |
| Share based payments | 463 |
| At 31 March 2022 | 21,698 |
| **Impairment** | |
| At 1 April 2020 and 1 April 2021 and 31 March 2022 | 4,680 |
| **Net book value** | |
| At 31 March 2022 | 17,018 |
| At 31 March 2021 | 16,555 |
| At 31 March 2020 | 15,838 |

The Directors have considered the recoverability of the carrying values, taking into account the net assets as well as the long term expected performance of the subsidiaries and do not consider that any impairment is currently required. The recoverable amount is determined based on a value in use calculation which uses cash flow projections based on Board approved financial budgets. Cash flows have been projected for a period of 5 years plus a terminal value discounted at a pre-tax discount rate of 10.5% per annum (2021: 10.5%) and a 1.8% growth rate to determine their present value. The key assumption used in the value in use calculations is the level of future licence fees and manufacturing revenues prudently estimated by management over the budget period. These have been based on past experience and expected future revenues but are limited to existing assets and those under construction.

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

| | Class | 2022 % shares and voting rights held | 2021 % shares and voting rights held |
|---|---|---|---|
| **Subsidiary undertakings** | | | |
| Titan Wood Technology BV (Netherlands) | Ordinary | 100 | 100 |
| Titan Wood BV (Netherlands) | Ordinary | 100 | 100 |
| Titan Wood Limited (UK) | Ordinary | 100 | 100 |
| Titan Wood Inc (USA) | Ordinary | 100 | 100 |
| Accsys (Accoya USA) Holdings LLC (USA) | Ordinary | 100 | 100 |
| Accsys USA Holdings Inc (USA) | Ordinary | 100 | 100 |
| Tricoya Technologies Limited (UK)[1] | Ordinary | 77 | 77 |
| Tricoya UK Limited (UK)[1] | Ordinary | 47 | 47 |
| Accoya Color UK Limited (UK) | Ordinary | 100 | – |
| **Joint venture undertakings** | | | |
| Accoya USA LLC (USA) | Ordinary | 60 | 60 |

The shares in Titan Wood BV, Titan Wood Inc, Accsys (Accoya USA) Holdings LLC, Accsys USA Holdings Inc, Accoya USA LLC, Accoya Color UK Limited, Tricoya Technologies Ltd and Tricoya UK Ltd are held indirectly by the Company.

1 Non-controlling interests shareholdings are detailed in note 9 & 27 of Group financial statements.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

## 4. Investments in subsidiaries continued

The principal activities of these companies were as follows:

| | |
|---|---|
| Titan Wood Technology B.V. * | The provision of technical and engineering services to licensees, and the technical development of acetylation opportunities. |
| Titan Wood B.V. * | The manufacture and sale of Accoya® acetylated wood. |
| Titan Wood Limited ** | Establishing global market penetration of Accoya® and Tricoya® as the premium wood and wood elements brands respectively for external applications requiring durability, stability and reliability through the licensing of the Group's proprietary process for wood acetylation. |
| Titan Wood Inc. *** | Provision of Sales, Marketing and Technical services. |
| Accsys (Accoya USA) Holdings LLC *** | Holdings company |
| Accsys USA Holdings Inc *** | Holdings company |
| Tricoya Technologies Limited ** | Engaged in the commercialisation of technology for the production of Tricoya® Wood Elements around the world. |
| Tricoya UK Limited ** | The construction and operation of manufacturing plant for Tricoya® wood chips as the premium wood elements brand for external applications requiring durability, stability and reliability. |
| Accoya Color UK Limited (UK) ** | The manufacture colored acetylated wood. |
| Accoya USA LLC *** | The construction and operation of a manufacturing plant for Accoya® acetylated wood to serve the North American market. |

Registered office of subsidiaries:
* P.O. Box 2147, 6802 CC, Arnhem, The Netherlands
** Brettenham House, 19 Lancaster Place, London, WC2E 7EN, United Kingdom
*** 5000 Quorum Drive, Suite 620, Dallas, Texas 75254, U.S.A

## 5. Financial asset at fair value through profit or loss

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Shares held in Cleantech Building Materials PLC | – | – |

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

There continues to be no active market for these shares as at 31 March 2022, and there is significant uncertainty over the future of Cleantech Building Materials PLC. As such a reliable fair value cannot be calculated and the investment is carried at a nil fair value (2020: nil).

A total of 498,522 shares were held at 31 March 2022.

## 6. Debtors

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Amounts owed by Group undertakings | 260,994 | 193,966 |
| Prepayments and accrued income | 145 | 159 |
| | 261,139 | 194,125 |

The amounts owed by Group undertakings currently have no repayment plans in place, however the intention is for the Group's subsidiaries to repay this balance in the future. A repayment plan will be determined and commence for the loan when the subsidiaries have surplus cash and the Group requires the cash for other purposes. The Directors have considered the recoverability of the balances, taking into account the net assets as well as the long term expected performance of the subsidiaries and do not consider that any impairment is currently required. The recoverable amount is determined based on a value in use calculation which uses cash flow projections based on latest board approved financial budgets. Cash flows have been projected for a period of 5 years plus a terminal value discounted at a pre-tax discount rate of 10.5% (2021: 10.5%) and a 1.8% growth rate to determine their present value. Refer to note 17 of the Group financial statements for the key assumptions and sensitivity analysis for this calculation.

## 7. Creditors: amounts falling due within one year

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Trade creditors | 228 | 133 |
| Amounts owed to Group undertakings | 11,708 | 11,638 |
| Obligation under lease liabilities | 10 | 16 |
| Short term borrowings | 1,870 | 4,662 |
| Accruals and deferred income | 297 | 186 |
| | 14,113 | 16,635 |

The amounts owed to Group undertakings are payable upon demand and are unsecured.

## 8. Commitments under lease liabilities

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| **Amounts payable under lease liabilities:** | | |
| Within one year | 10 | 16 |
| In the second to fifth years inclusive | 4 | 14 |
| After five years | – | – |
| Less: future finance charges | – | (1) |
| Present value of lease obligations | 14 | 29 |

# SHAREHOLDER INFORMATION

**Accsys Technologies PLC is a public limited company incorporated in the United Kingdom**

| | | |
|---|---|---|
| **Directors** | Sean Christie | Non-Executive Director |
| | Sue Farr | Non-Executive Director |
| | Robert Harris | Chief Executive Officer |
| | Nick Meyer | Non-Executive Director |
| | Stephen Odell | Non-Executive Chairman |
| | William Rudge | Finance Director |
| | Trudy Schoolenberg | Non-Executive Director |
| | Alexander Wessels | Non-Executive Director |
| | Louis Eperjesi | Non-Executive Director |
| **Company Secretary** | Nicholas Hartigan | |
| **Company Number** | 05534340 | |
| **Registered Office** | Brettenham House<br>19 Lancaster Place<br>London, WC2E 7EN | |
| **Bankers** | Barclays Bank<br>One Churchill Place<br>London, E14 5HP | NatWest Bank<br>250 Bishopsgate<br>London, EC2M 4AA |
| | ABN AMRO Bank<br>Velperweg 37<br>6824 BM Arnhem<br>The Netherlands | |
| **Registrars** | SLC Registrars<br>PO Box 5222<br>Lancing, BN99 9FG | |
| **Independent Auditors** | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory auditors<br>1 Embankment Place<br>London, WC2N 6RH | |
| **Lawyers** | Slaughter & May<br>One Bunhill Row<br>London, EC1Y 8YY | |
| **Joint Broker and Nomad** | Numis Securities Ltd<br>45 Gresham St<br>London EC2V 7BF | |
| **Joint Broker** | Investec Bank PLC<br>30 Gresham Street<br>London, EC2V 7QP | |
| **Corporate Access, The Netherlands** | ABN AMRO Bank N.V<br>Gustav Mahlerlaan 10<br>1082 PP Amsterdam<br>Netherlands | |
| **Investor Relations** | FTI Consulting<br>200 Aldersgate Street<br>Barbican<br>London, EC1A 4HD | |

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# NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

## 9. Commitments under loan agreements

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| **Amounts payable under loan agreements:** | | |
| Within one year | 1,935 | 6,436 |
| In the second to fifth years inclusive | 59,506 | 18,070 |
| After five years | – | – |
| Less future finance charges | (7,236) | (2,937) |
| Present value of loan obligations | 54,205 | 21,569 |

The balance relates to loans with ABN and DeEngh. Further details can be found in note 29 of the Group financial statements.

## 10. Called up Share capital

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| **Allotted – Equity share capital** | | |
| 192,761,322 Ordinary shares of €0.05 each (2021: 169,324,264 Ordinary shares of €0.05 each) | 9,638 | 8,466 |
| | 9,638 | 8,466 |

All ordinary shares are called up, allotted and fully paid.

In the year ended 31 March 2021:

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

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

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

In addition, various employees newly subscribed under the Plan for 195,524 Shares at an acquisition price of €1.43 per share, with these shares issued to a trust, to be released to the employees after one year, together with an additional share on a matched basis (subject to continuing employment within the Group).

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

In the year ended 31 March 2022:

In May 2021, 20,005,325 Placing Shares and 2,418,918 Open Offer Shares were issued as part of the capital raise to fund the Company's investment in expanding its Accoya® business into North America through the construction of a new Accoya® plant in the USA through its joint venture, Accoya USA LLC, with Eastman Chemical Company (see note 28 to the Group financial statements), as well as to provide additional capital to support the Company's continued growth. The Shares were issued at a price of €1.65 (£1.40) per ordinary share, raising gross proceeds of €36.7 million (before expenses).

Between June and September 2021, a total of 629,460 shares were issued following the exercise of nil cost options, granted under the Company's 2013 Long Term Incentive Plan ('LTIP').

In February 2022, following the subscription by employees in the prior year for shares under the Employee Share Participation Plan (the 'Plan'), 189,931 shares were issued as "Matching Shares" at nominal value under the Plan.

In addition, various employees newly subscribed under the Plan for 193,424 Shares at an acquisition price of €2.015 per share, with these shares issued to a trust, to be released to the employees after one year, together with an additional share on a matched basis (subject to continuing employment within the Group).

## 11. Reconciliation of movements in shareholders' funds

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Loss for the financial year | (5,092) | (3,955) |
| Share based payments charged to subsidiaries | 463 | 717 |
| Proceeds from issue of shares | 37,094 | 3,567 |
| Share issue costs | (2,194) | (7) |
| Shares issued related to Employee share plans | (43) | (63) |
| Own shares | 30 | (36) |
| Net increase in shareholders' funds | 30,258 | 223 |
| Opening shareholders' funds | 191,313 | 191,090 |
| Closing shareholders' funds | 221,571 | 191,313 |

## 12. Dividends Paid

| | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Final Dividend €Nil (2021: €Nil) per Ordinary share proposed and paid during year relating to the previous year's results | – | – |

## 13. Deferred taxation

The Company has an unrecognised deferred tax asset of €6.4m (2021: €3.6m) which is largely in respect of trading losses and has been calculated using the tax rate which is expected to be applicable when the tax losses are expected to be utilised (see note 12 to the Group financial statements for the announced increase in UK tax rates to 25% from 1 April 2023). The deferred 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.

**Accsys Technologies PLC**

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www.accsysplc.com www.accoya.com www.tricoya.com

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